



*Advancing
Government
Accountability*

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January 31, 2008

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Association of Government Accountants (AGA) Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the Technical Agenda of the Federal Accounting Standards Advisory Board (FASAB) as requested in your letter of November 30, 2007. The FMSB, comprising 23 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The top five projects that the FMSB believes FASAB should make a priority in the next two years follow, in descending order of importance. We have included reasons for our choices. Other issues, such as Omnibus AICPA or Evaluation of Current Standards (which we assume would include harmonization of U.S. with International Standards and the relationship of budgetary reporting to the Performance and Accountability Reports) are important, but FMSB members considered the five listed below to be more important.

1. Linking Cost and Performance and Performance Reporting- this should be a joint project because the substance in both is so similar. It is growing in importance in federal, state and local government and has the capacity to increase the usefulness of reporting to the user community. We urge the FASAB to consider undertaking joint projects with the GASB so that there can be one body of guidance with similar principles to be applied across all levels of government. Citizen centric reporting is spreading rapidly and there is a need for a consistent glossary of terms and consistent use of definitions.

2. Deferred Maintenance and Asset Impairment – this has a large impact across many federal agencies. OMB has pushed for agency disposal of unused assets. There are a lot of heritage assets that are not even on the books. Items not recorded are often not high on the priority list for maintenance (especially in times of fiscal belt-tightening). Lack of proper maintenance can lead to loss of value.

3. Application of the Liability Definition – this applies to many federal agencies. Also, there is an issue with the Department of Veterans Affairs' liability for veterans' future healthcare costs. SFFAS No. 5, in the Basis for Conclusions section, specifically excludes these future costs from being reported as a liability.

4. Leases – Much guidance is needed on this topic across all federal agencies since there is a definitional problem concerning operating versus capital determination.

There is a leasing agency (GSA); however, every agency does their own leasing from time to time and there is no consistency among GSA and the agencies in determining whether a lease is a capital or operating lease. Auditors reviewing leases may say a lease is a capital lease, while GSA had previously determined it to be an operating lease. The lack of consistency could lead to double counting.

5. Financial/Economic Condition – As the United States Comptroller General has frequently pointed out, the most serious single problem faced by the United States today is the problem of the ever growing federal fiscal deficit and the need for sustainability.

In addition, the FSMB has the following comments on the information in the attachment to the November 30 letter:

Not Reinventing the Wheel - Where standard-setters, either other U.S. standard-setters or international standard-setters, have done or are doing research or have developed standards or are currently undertaking projects that could be useful to FASAB or of potential federal significance, simultaneous FASAB projects could be cost beneficial and/or desirable. An instance of this is the possibility of working cooperatively with the Governmental Accounting Standards Board (GASB). This could be mutually beneficial to both the FASAB and the GASB.

Determining the Impact of Certain Criteria set out in Attachment 2 – Criteria for Ranking Projects on page 3 - From the descriptions provided in Section 3, Technical outlook and resource needs, subsections 3.c. Resources available and 3.d. Barriers to finding a solution, the FMSB cannot determine the impact of the criteria described. The FMSB wonders if there could ever be a project that, though expensive and therefore not meeting the criteria of 3.c., was still so important that it had to be done, or a project that, though there are many legislative and other barriers to its being effected, is still of utmost importance and therefore should be done? The FMSB would like the FASAB to consider adding a discussion on how to decide on the importance of doing such projects even if they do not meet the specified ranking criteria.

Cost-Benefit Analysis - In any planning of proposed guidance, the cost of compliance should be compared to the benefits to be obtained from that compliance. Cost-Benefit Analysis should be an important criterion and should be used on an ongoing basis to identify those issues to have priority. The analysis should be reviewed every few years because advances in technology can reduce costs.

We very much appreciate the opportunity to comment on the FASAB's use of its resources and planning of its technical agenda. No member objected to the issuance of this comment letter. We would be pleased to discuss this letter with you at your convenience. If you have questions, please contact Anna D. Gowans Miller, CPA, AGA's Director of Research and staff liaison for the FMSB, and facilitator for this project, at amiller@agacgfm.org or (703) 562-0087.

Sincerely,



Robert L. Childree, Chair,
AGA Financial Management Standards Board

cc: Richard L. Fair, CPA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

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