



September 9, 2005

Ms. Wendy M. Comes, Executive Director  
Federal Accounting Standards Advisory Board  
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*Advancing  
Government  
Accountability*

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Dear Ms. Comes:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to respond to the Federal Accounting Standards Advisory Board's Invitation to Comment (ITC) on its Technical Agenda Options, issued July 22, 2005. The FMSB, comprising 21 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.

In response to the question of how to rank projects in order of priority, the consensus ranking by FMSB is as follows: 1: Conceptual Framework Acceleration; 2: The Federal Entity; 3: Appropriate Source for GAAP; and 4: Leases. Within the Conceptual Framework, we rank the phases as follows: 1: Phase 1 – Evaluate Objectives and Other Aspects of SFFAC 1; 2: Phase 4 – Entity Issues; 3: Phase 3 – Measurement; and 4: Phase 2 – Elements, Recognition, and Statements.

Phase 2 of the Conceptual Framework Plan (described on page 31 of the Invitation to Comment document) contains questions related to "recognition criteria." Questions 3 and 4 ask: "What constitutes a full set of financial statements?" and "Is each current statement effective in meeting reporting objectives?" The FMSB believes strongly that addressing these questions should be first on FASAB's agenda.

While all of the statements should be reviewed, in particular we would hope that FASAB would look closely at the Statement of Financing. In its current format, it is understood by very few preparers, auditors, or financial statement users. However, its preparation does eat up significant resources.

We question whether a reconciliation of this sort really is a necessary financial statement, so urge the FASAB to consider whether it should be eliminated. However, if not, the format should be modified so that it provides a straightforward reconciliation of budgetary obligations to accrual based expenditures (with possibly a second reconciliation between budgetary authority and accrual based revenues.) It would seem that a financial statement needs to pass the test of being understood by readers and useful for decision-making. As currently formatted, the Statement of Financing fails to meet this test.



We suggest that FASAB review the other financial statements as well to determine whether there can be improvements. It would appear that the current set of financial statements are not sufficient, especially at the component level (e.g. 24 CFO Act Agencies), to achieve or meet the current stewardship reporting objective.

In the component level statements there is little or no presentation/disclosure discussing how the agency's change on net position impacts the U.S. change in net position as a whole. In addition, while unfunded liabilities are disclosed in component level statements there is not always disclosure stating the probability that budgetary resources will be available to liquidate the liability in future periods.

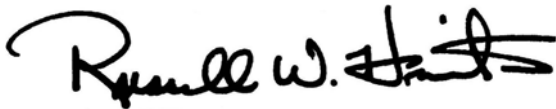
FASAB should also consider reviewing the currently required note disclosures to see if all required information would pass a cost-benefit test. One example for such review would be the disclosures for loan programs.

Given the amount of resources being spent on preparation and audit of the financial statements, and given the widespread distribution of the audited financial statements as a part of the Performance and Accountability Report (PAR), we believe that it is critical for FASAB to address this aspect of the Conceptual Framework Project as its first priority.

*Other Comments* – In the FASAB accounting standards (SFFASs) there are no criteria outlining when component level entities should include/exclude allocation transfer accounts (both budgetary and proprietary accounts) on the financial statements. Currently, there is guidance in OMB Circular A-11 and A-136. FASAB should consider including allocation account consolidation criteria in a SFFAS standard to make it Category I GAAP.

The FMSB appreciates the opportunity to comment on the ITC. No members objected to its issuance. This response letter represents a consensus of the views of the FMSB members. We would be pleased to discuss this letter with you at your convenience. You can contact me at [hintonrw@audits.state.ga.us](mailto:hintonrw@audits.state.ga.us) or (404) 656-2174 or Anna D. Gowans Miller, CPA, AGA's Technical Manager and facilitator for this project, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or (703) 684-6931, ext. 313.

Sincerely,

A handwritten signature in black ink that reads "Russell W. Hinton". The signature is stylized with a large initial "R" and a long horizontal stroke at the end.

Russell W. Hinton, CGFM, Chair,  
AGA Financial Management Standards Board

cc. Sam M. McCall, MPA, CGFM, CPA, CIA, CGAP  
AGA National President

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

**July 2005 – June 2006**

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