



February 4, 2016

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its *Three-Year Plan for Fiscal Years 2016-2018*. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB 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 FMSB has reviewed the proposed three year plan and we appreciate FASAB's continued effort furthering the federal financial standards. The FMSB has reviewed the 2016 through 2018 Plan and concurs with most of the content and relative prioritization of the projects on the agenda. We do have a few comments and questions regarding some of the projects.

Reporting Model Project – In our comments on last year's Plan, the FMSB stated that it supports the Federal Reporting Model project and is pleased to see that the project is still on the 2016 through 2018 Plan. It is the opinion of the FMSB that the Reporting Model Project is a high priority project that should result in significant, overarching improvements to federal financial reporting. We strongly support the project's objectives as outlined in the Plan and recognize that it is a complex undertaking. Users of federal financial information are placing increased demands upon the federal entity to provide improved reports that link spending to budgets and operational results and this project should further the cause to meet this demand for improved information.

Leases Project – The FMSB agrees that this project should be on the Technical Agenda as the standards need to be updated in this area and since leases are being addressed by the FASB and the GASB. The FASB recently approved the final standard which will be effective for annual periods beginning after December 15, 2019. GASB has issued an exposure draft and received comments. They expect to finalize the standard sometime in 2016. We continue to recommend the FASAB await the results of these two projects before moving ahead with development of an exposure draft on this topic.

Risk Assumed Project - In our prior comments, we supported the approach taken by FASAB to address the issue of Risk Assumed through a three phased approach. The 2014 through 2016 Plan highlighted that Phase I will address Explicit Indemnification Arrangements (insurance and guarantees other than loans), Phase II will address other types of risks (entitlements other than social insurance, natural disasters, implicit risks, etc.). Phase III will address other reporting commitments. We note that in the 2015 through 2017



and the current three-year Plan, there is no mention of a Phase III. It is not clear whether FASAB has reduced the scope of the project or has FASAB modified the plans for Phase II to include Phase III issues.

Public Private Partnerships Project - The FASAB has issued an exposure draft on this subject and the FMSB will submit comments to this exposure draft. No further comments on this topic are included in this letter.

Department of Defense Implementation Guidance – This project is an ad-hoc addition to the FASAB’s agenda. Based on our review of the summary provided for this project, the FMSB supports this initiative and the FASAB’s attempts to resolve some long standing matters specific to the Department of Defense. The AGA has also engaged in projects relative to the Department of Defense in the past and addressing Department of Defense concerns is a matter we support.

Tax Expenditures – The growth of tax expenditures has been significant and we agree that standards should be developed to improve the quality of information provided in the government’s financial statements on this matter. GASB has sought to address this matter through its recent standard on Tax Abatements. We recognize this is more limited in scope than the project planned by FASAB, however it does address issues relative to the amount of resources forgone by government to support specific programs. Such information should be captured in a logical, consistent manner in the federal financial statements and information on decisions regarding what revenues have been forgone should be provided to the users of government financial information. We are interested in the development of this project. We recommend the FASAB reach out to key Congressional committees on this area of research as Congress has approved these tax expenditures.

Research Projects

Reconciling Budget and Accrual Information – While the FMSB understands that performing a reconciliation is a good idea however we question whether it is the best use of resources for the governmental entity in preparing the reconciliation and whether a reader of the financial statements would use that information. We suggest that FASAB consider presenting the financial statements with an accrual and cash column in presenting the information with no reconciliation.

Potential Projects

While we have had limited response from our Federal members the following items with explanations are provided for your consideration of potential projects.

Performance reporting is crucial for all organizations, especially the federal government. This is an area where the FASAB can add value. Although the Government Performance and Results Act (GPRA), the GPRA Modernization Act (GPRAMA), and other statutes have provided a framework for federal agency performance reporting, a recent Government Accountability Office (GAO) analysis [GAO-15-819] has found that GPRAMA implementation has been uneven, with varying effects on agencies’ performance management. GAO has identified a range of long-standing challenges including:

- Agencies continue to have problems effectively using performance information.



- Agencies' reported use of performance information generally did not improve between 2007 and 2013.
- They continue to face challenges linking individual and agency performance to results.
- OMB and agencies have not clearly communicated reliable and complete financial and performance information.

Three of FASAB's "potential projects" would address performance reporting: "Financial/Economic Condition", "Financial Performance Reporting", and "Managerial Cost Accounting". All three serve the critical goal of providing relevant, tangible, concise financial performance information to all types of federal managers, including program managers, federal executives, Congress, and citizens.

These projects ought to be given a high priority, perhaps utilizing the Reporting Model mechanism to derive some tangible benefit from that project, which apparently is solely conceptual in nature and has consumed and is consuming FASAB resources.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, Chair at lmiller@eidebailly.com or at 208-383-4756.

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller".

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

cc: John Homan, CGFM, CPA
AGA National President



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

July 2015 – June 2016

Lealan Miller, Chair
Eric S. Berman
Robert L. Childree
Vanessa Davis
Scott DeViney
Jeanne B. Erwin
Richard Fontenrose
Melanie L. Geesaman
Stephen Gilbride
J. Dwight Hadley
David C. Horn
Albert A. Hrabak
Drummond Kahn
Simcha Kuritzky
Valerie A. Lindsey
Edward J. Mazur
Craig M. Murray, Vice Chair
Suesan R. Patton
Harriet Richardson
Eric Scheetz
Kenneth Smith
Roger Von Elm
Sheila Weinberg
Brittney Williams-Spross

Ann M. Ebberts, Chief Executive Officer, (Ex-Officio Member) AGA
Chris Collins, Staff Liaison, AGA