



January 30, 2017

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 2017-2019*. 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 2017 through 2019 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 – We have included comments in our 2015 and 2016 letters to FASAB and provided a response to the exposure draft earlier this month. We continue to support the efforts of FASAB and 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 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 continues to support FASAB's efforts to address leases. We continue to recommend the FASAB to converge as much as possible with FASB and GASB. We provided specific comments for FASAB's consideration in our response to the exposure draft earlier this month.

Risk Assumed Project - In our prior letters, 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. However, we did note in 2019 that FASAB indicated that after finalizing Phase II the next step would be "research on next RA activity". Please clarify whether the research will include reporting commitments.

Department of Defense Implementation Guidance – This project is ongoing and we support 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 Abatement Disclosures (GASB Statement No. 77). 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.

Reconciling Budget and Accrual Information – Members of our board were excited to see FASAB adding this topic as project. We look forward to providing feedback to the upcoming exposure draft.

Land – At the outset, this may be a straightforward project. However, accounting for federal lands will be extremely complex as the federal government is the nation’s largest landowner with historical costs largely irrelevant. Therefore, it is very complex. We support FASAB’s efforts in addressing this issue especially dealing with recognition, measurement and disclosure requirements.

Research Projects

Performance Reporting – We have mixed comments from our board members. A few have expressed their support for the continued research in this area as they believe performance reporting can add value to the financial statements. Others have concerns with this project as the Yellow Book provides guidance for issuance of performance audits that FASAB could be infringing on. This infringement may create competing standards to GAO’s established authority on what is included in performance audits.

As noted in our 2016 response letter, 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 (GPRRA), the GPRRA 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.

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.

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 support the need to simplify the current four-level hierarchy and encourage FASAB to use GASB's approach by reducing to two levels. Related to simplification of standards we also encourage FASAB to follow FASB's initiative to identify and prioritize specific projects where simplification can be achieved rather than approaching it as an omnibus project.

We suggest the following items be removed from the list of potential projects for the following reasons:

- *Derivatives* – as noted in the plan, the Board has not had any inquiries by agencies or auditors on this subject.
- *Public Sector Specific Financial Instruments* – we question of how applicable this may be, given that the Federal Reserve is not currently reported in the Federal Governments financial report.
- *Cost of Capital* – this appears to be a managerial accounting technique and may not be appropriate for external financial reporting.

We appreciate FASAB's outreach such as the chair's article in the Fall 2016 edition of the Journal of Government Financial management and FASAB's collaboration and efforts to converge with GASB. Convergence with other standards setters allows greater accessibility of statements to the public, greater ability for federal agencies to attract accounting talent with transferable experience and lower onboarding and training costs at stakeholder organizations.

As with all standard setting bodies, we encourage FASAB to consider transitioning to a codification similar to the FASB model. We believe this is necessary as the number of standards and amendments continue to increase. Codification makes amendments easier to communicate and administer but also allows for standards to be organized in a logical order rather than evolution.

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,



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

cc: Doug Glenn, CPA
AGA National President

Association of Government Accountants
Financial Management Standards Board

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