



February 6, 2018

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 2018-2020*. The FMSB is comprised of 24 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 concurs with most of the content and relative prioritization of the projects on the agenda. However, we do have a few comments and questions regarding some of the projects.

Reporting Model Project –The FMSB continues to support the efforts of FASAB. We believe 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. The FASB and GASB have approved their final standards. As many federal entities lease from for-profit, not-for-profit and state and local governmental entities, symmetrical accounting and financial reporting is an ideal goal. We continue to recommend the FASAB to converge as much as possible with FASB and GASB during final deliberations during 2018.

Risk Assumed Project - In our prior letters, we supported the approach taken by FASAB to address the issue of Risk Assumed and encourage FASAB to continue its efforts in this matter in identifying and finalizing areas addressing this project.

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. This is especially important of the recent articles reporting many millions of dollars of disbursements that the DOD cannot provide supporting documentation.

Land – For many entities, land recognition, measurement and disclosure would be relatively simple, but not for federal agencies. The recent issuance of SFFAS 50 is a great foundation to address this matter. We continue to support FASAB’s efforts in addressing the remaining issues especially dealing with recognition, measurement and disclosure requirements.

Evaluation of Existing Standards – The FMSB believes this is an important and far reaching project. We strongly encourage the FASAB to provide the necessary resources to this project. We believe this is one avenue to reduce the amount of costs associated with the preparation of financial statements as well as address current standards that may not be applicable due to overall changes to the federal government, technology and the political arena.

Note Disclosures – We applaud FASAB in adding this to their agenda. This corresponds with GASB’s wide-ranging note disclosure pre-agenda research which hopefully will result in a project to eventually streamline and improve note disclosures. While it will be difficult to achieve streamlined note disclosures for federal agencies, we encourage the FASAB to focus on information that is essential to understanding.

Performance Reporting – We have mixed comments from our Board members. A few expressed their support for the continued research in this area as they believe performance reporting can add value to the financial statements.

As noted in our prior response letters, 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.

A couple of elements that FASAB could consider from the performance reporting perspective could be IMO - tracking acquisitions from initial proposal and budget through final product, in units and dollars as well as considering the same for the results Congress was looking for when approving or creating a program. However, other members of the FMSB have concerns with this project since *Government Auditing Standards* (the Yellow Book,) provides guidance for issuance of performance audits. We believe the FASAB should be careful not to infringe on or create competing standards to GAO’s established authority on what is required to be included in performance audits.

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.” We believe all three may 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. However, we caution the FASAB that spending time on new and experimental reporting would distract FASAB from the focusing on basic financial statements issues that can help the Federal Government achieve a clean opinion.

Regarding achieving a clean opinion, one of our members felt the FASAB should prioritize projects that are focused on financial reporting and convergence. For example, asset retirement obligations (ARO,) clean-up costs, nonmonetary transactions, research and development accounting, the conceptual framework and revenue recognition. Focusing on these projects help improve the consistency amongst standard setters and providing a similar treatment of common accounting principles.

We support the need to simplify the current four-level GAAP hierarchy and encourage FASAB to use GASB's approach by reducing to two levels of standards – either authoritative or non-authoritative. We also encourage the FASAB to follow FASB's initiative to identify and prioritize specific projects where simplification can be achieved, rather than approaching simplification as an omnibus project along with other standards-setting.

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

- 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.

As with all standard setting entities, 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: James "Jim" R. Arnette, Jr. CGFM, CISA
AGA National President

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