

Changing of the Guard at FASAB — Views from the New Chairman

By: D. Scott Showalter, CGFM, CPA

The views expressed in this article are the author's views. Official positions of the Federal Accounting Standards Advisory Board are determined only after extensive due process and deliberation.

After nine years, the current chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, is stepping down. As the incoming chairman of FASAB, the two most common questions I hear are, "What is FASAB?" and "What are your aspirations for the board during your term?" Because most readers of the *Journal* are aware of FASAB's activities, I will begin my first column with my aspirations for the board. Because I have been a member of the board for the past six-and-a-half years, my term as chairman is limited to three-and-a-half years, so my time will center on short-term goals achievable during this period.

The efforts of FASAB are vital to the federal government. While the federal budget gets most of the visibility around Washington, the ability to measure the federal government's actual financial condition through GAAP based financial statements has become increasingly important. Many of the articles in which you read about the financial condition of the federal government are based on information contained in the consolidated financial report of the U.S. Government, which is based on FASAB's standards. In a city known for spin, the board has shown its willingness to go above the rhetoric to consider and to issue standards that meet the citizens' needs. For example, a few years ago the board issued a standard that requires the disclosure of the fiscal sustainability of the federal government. Not only does this demonstrate a willingness to require information essential to the citizenry, it also demonstrates a desire

to lead in standard-setting. Before FASAB published this requirement, no standard-setter had been willing to require organizations to report on their fiscal sustainability. That move alone has significantly contributed to the dialogue about the fiscal sustainability of the federal government.

Through the years, I have found the individuals who work to improve the reporting of financial information within the federal government to be a dedicated and passionate group — whether they are on the front lines or setting policies/standards related to financial reporting. They work diligently every day to improve the quality and reliability of federal financial information used within the governmental sphere and beyond. In considering size and output, I believe FASAB outperforms other U.S. and international financial accounting standard-setters; but, I may not be objective on this topic. As such, I would be remiss if I did not acknowledge the contributions made by the many volunteers who support the efforts of FASAB through working on task forces, testifying before the board, or providing comments on our exposure drafts. The effectiveness of FASAB is linked to such support — thank you.

I mentioned at the beginning of this column that individuals often ask me what FASAB does. This leads to my first aspiration: to increase the visibility and recognition of the activities and results of FASAB. FASAB is a well-kept secret — not only on a national level, but even within the D.C.-metropolitan area.

My aspiration is not to increase the visibility of FASAB for the sake of vanity, but to expand its influence and impact. As the federal government continues to focus on how to address its fiscal condition, relevant and reliable information will prove critical to the discussion and ultimate decision-making. Ensuring this data is accurate and easily accessible is the crux of FASAB's mission. With the relatively recent explosion of data from the federal government, it is important to communicate to the public and the profession the role FASAB plays in this sea of information.

To increase FASAB's visibility and effectiveness I plan to connect with numerous media outlets to communicate our activities, to highlight opportunities for participating in the standard-setting process, to provide alerts about issuance of standards, and to identify the outcomes of these standards. These outreach efforts will include, but not be limited to, the federal community. Please be on the lookout for these communications. I thank AGA for its efforts in the past to support our activities and look forward to exploring ways to expand that partnership.

Thanks to our current standard-setting agenda, we have the ability to contribute to the open and transparent dialogue about the financial condition of the federal government. Executive Director Wendy Payne and her dedicated staff should be commended not only for their past efforts, but for the change they will surely facilitate in the future. Two current projects I encourage

you to be aware of are the Financial Reporting Model project and the Tax Expenditures project. Both will make a significant impact on future financial reporting. The following is a summary of each.

Financial Reporting Model — Users have repeatedly communicated to the board that current financial statements do not meet their needs. This may be influenced by the previously mentioned explosion of information from other sources in the federal government or the rapid emergence of technology used in financial reporting. Twenty-four months ago, FASAB completed the user-needs study and embarked on developing concepts for the Financial Reporting Model project. The purpose of this effort is to develop and to issue a concepts statement communicating an “ideal” reporting model — not one reflective of today, but rather where we should strive to go with future standards. As Star Trek so aptly put it, FASAB is attempting to go “where no one has gone before.” As one can imagine, the board has had many lively discussions about what information should be in the financial statements, how it should be presented, and how the users should gain access to it. Concepts describing the relationship of traditional static financial reports to more dynamic electronic reporting may provide a foundation for long-term efforts to integrate the two approaches. This project has the potential for far-reaching impact on federal financial reporting. Once again, this project gives the board the

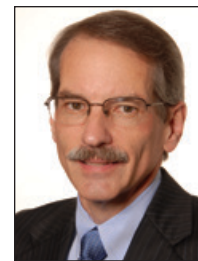
opportunity to step forward in areas in which other standard-setters have been hesitant. We ask that you please join us in the development of this concept statement to ensure it reflects your needs and desires for future federal financial reporting.

Tax Expenditures — The subject of taxes, whether it be the levy of taxes or tax policy about who and what is not taxed, always creates a lively discussion. The board has embarked on a project to shine light on this important topic, specifically the amount of income taxes not due because of tax policy. These are often referred to as “tax expenditures.” Although they are not disbursements by the federal government, they do represent forgone revenue. By some accounts, the expenditures could be as large as the taxes collected; the truth, however, is that we really do not know. The purpose of this project is to develop a standard that would make such information readily available so there can be an informed discussion about the fiscal impact of those policy decisions. This is not an easy topic to address, and I am sure there will be many challenges along the way — beginning with trying to establish a definition for tax expenditures; as with the Financial Reporting Model project, your input on this topic is critical to issuing an effective standard.

Before concluding, I want to acknowledge and to thank Hal Steinberg for the significant contributions he has made to advance the improvement of federal financial reporting. Not only

was his contribution significant during his 10-year tenure on the board, but also in his various roles in and around the federal government. Finally, I would like to thank Tom Allen for his leadership of the board as the chairman. He has set a good direction for the board, and I look forward to building on this foundation.

I mentioned that we depend on the support of volunteers. I appreciate this support and encourage you to continue. I also encourage you to look for further opportunities to spread the word about the role and results of FASAB. ■



D. Scott Showalter, CGFM, CPA, was appointed to serve as chairman of FASAB, effective January 1, 2016, after serving on the board for the past six-and-a-half years. Showalter is

a Professor of Practice at Poole College of Management, NC State University. Prior to joining NC State, Showalter was a partner with KPMG LLP, retiring after a 33-year career, serving in many national roles including Public Sector Industry Sector Leader. He has served as member of PCAOB Standing Advisory Group and a Commissioner for the Pathways Commission.

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