

FASAB News

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The AICPA Council Designates FASAB as a "Rule 203" Body

On October 19th, the American Institute of Certified Public Accountants' (AICPA) Council designated the Federal Accounting Standards Advisory Board (FASAB) as the accounting standards-setting body for Federal government entities under Rule 203 of the AICPA's Code of Professional Conduct. Rule 203 provides, in part, that an AICPA member shall not (1) express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles (GAAP) or (2) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with GAAP, if such statements or data contain any departure from an accounting principle promulgated by bodies designated by Council to establish such principles, that has a material effect on the statements or data taken as a whole.

AICPA Council designated the Financial Accounting Standards Board (FASB) as the standards-setter for the private sector in 1973 and the Governmental Accounting Standards Board (GASB) as the standards-setter for states and local governments in 1986. These are authoritative standard-setting bodies under Rule 203. Until the AICPA action, the Federal Government did not have a Rule 203 designated accounting standards-setter. With this designation, Federal Government reporting entities will be able to obtain audit opinions that indicate that the financial statements are presented in conformity with GAAP rather than an "other comprehensive basis of accounting" (OCBOA).

This designation came after extensive work by two AICPA Task Forces. The first Task Force was charged with establishing criteria for

Rule 203 recognition. At the May 1999 meeting, Council approved the criteria to be used in designating accounting standards-setting bodies under Rule 203. They are: Independence; Due Process and Standards; Domain and Authority; Human and Financial Resources; and Comprehensiveness and Consistency.

The AICPA Board Chair appointed a task force to assess the FASAB against the Council -approved criteria, and to provide recommendations to assist the Board and Council regarding Rule 203 designation for FASAB. The Board task force had very broad representation from the AICPA Board, the private sector, and government. It was chaired by Professor Gary Previts of Case Western Reserve University. The members included current and former AICPA Board of Directors members Judy O'Dell of Beucler, Kelly & Irwin, Ltd.; Marilyn Pendergast of Urbach, Kahn and Werlin, PC; and Bill Truehart of Reading is Fundamental. The remaining members were Dan Murrin of Ernst and Young (AICPA Federal Accounting & Auditing Subcommittee); Sam McCall of the State of Florida's Audit General's Office (Association of Government Accountants); Tom Fritz of the Private Sector Council; and Dr. Linda Blessing of the Arizona State Board of Regents (former FASAB member and AICPA Council member).

The Board task force evaluated the mission and process of the FASAB based on the Council-approved criteria, recommended changes in FASAB procedures, and assisted in incorporating those changes in FASAB's Memorandum of Understanding and Rules of Procedure. With the changes completed, the task force deemed the FASAB to have satisfied such criteria. Accordingly, the AICPA Board recommended that Council adopt a resolution to designate FASAB under Rule 203. On October 19th, the AICPA Council approved the resolution. The AICPA Chairman Robert Elliott and the Task Force Chair Gary Previts will be meeting

FASAB established 10/1999