



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

Scantlebury
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February 27, 1981

The Honorable Donald T. Regan
Secretary of the Treasury

Dear Mr. Secretary:

I am writing this letter to bring you up to date with respect to the General Accounting Office's involvement in Treasury's project to issue accrual-basis consolidated financial statements on ~~the~~ operations of ~~the~~ Federal Government. Surprising as it may seem, until this project was started, no accrual-basis financial information on the Federal Government as a whole was available. We think the project provides vital information to the Congress, the Executive Branch, and others and have been strongly supportive of the project since its inception.

This effort began in early 1976 when William Simon established an External Advisory Committee, chaired by Harvey Kapnick of Arthur Andersen and Company. I served as a member, along with a number of prominent business executives, educators, and accountants. To date, four prototype reports have been issued--the most recent being fiscal year 1978.

The External Advisory Committee has been discontinued, but the work on a series of Federal consolidated financial statements has continued. Beginning in 1977, I agreed to serve as chairman of what is known as the Interagency Advisory Committee to see whether we could find solutions to a number of problems identified by the External Advisory Committee. I established seven task groups, made up of representatives from the various Federal agencies, to study and find solutions to the problems identified by the External Committee. The task groups have completed their work and have submitted their recommendations to Treasury. I am confident that these recommendations will bring more responsible accounting to Government.

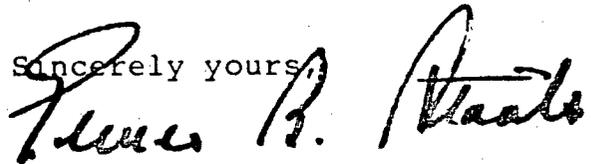
I believe Treasury will find the methods recommended by the task groups for accruing Federal income taxes and Federal employee pension plans liabilities very helpful. With additional study, I believe the task group recommendations can be implemented in the consolidated statements with regard to recognizing allowances for losses on accounts and loans receivables, accruing loss contingencies on insurance in force and loan guarantees, and valuing assets to show the effects of inflation and other changing prices.

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It is my understanding that the fiscal year 1979 prototype Federal consolidated financial statements are prepared and ready for printing. I am hopeful that this report will be issued as soon as possible. Also, I am sure that you share my view that timely financial information is very important; therefore, I urge you to consider making the 1980 prototype report a high priority by the Treasury.

I would be pleased to meet with you to answer any questions you may have relating to the above and to discuss our support of Treasury's continued efforts to produce Federal consolidated financial statements. I believe this is an important task because traditional Government financial reports seldom provide a simple overview of what a Government owns and what it owes.

Sincerely yours

A handwritten signature in black ink, appearing to read "James B. Stacks". The signature is written in a cursive style with a large, prominent initial "J".

Comptroller General
of the United States