

>>> "Reed, Sylvester (ACF)" <sylvester.reed@acf.hhs.gov> 4/18/2007 2:56 PM >>>

Ms. Comes,

My name is Sylvester Reed. I am licensed as a Certified Public Accountant and Certified Government Financial Manager with about 5-years of slightly over 20-years in (5-federal govt & 16-private sector) accounting and auditing. I am employed by the HHS/Administration for Children and Families (ACF) but am submitting this response on behalf of myself and not as an employee of HHS/ACF.

Q1. Which obligating event do you believe creates a liability and expense that should be recognized? Please provide the rationale for your answer

A1. I agree with the Primary View that recognition of expenses and liabilities for social insurance programs should occur when the conditions for recording a future benefit are substantially met and the expense and liability are measurable. Therefore, when participants become fully insured, at the point of 40 quarters of work as stated in the program, an asset has been impaired and a liability should be recognized.

Q2. Do you believe that the Social Security and Medicare obligations are measurable for purposes of recording a liability after 40 quarters or equivalent of work in covered employment as proposed in the Primary View (see pars. 16 - 18 and especially subpar. 16g in the standard; also see A54 -A55 in the basis for conclusions)? Please provide the rationale for your answer.

A2. Yes, I believe that the Social Security and Medicare obligations are measurable for purposes of recording a liability after 40 quarters or equivalent of work in covered employment as proposed in the Primary View. The liability and expense for social insurance programs should be recognized once a participants becomes fully insured.

Q3.1 Do you believe that the Primary View proposal to add line items to the SOSI that tie to revised expense and liability amounts reported on the statement of net cost and the balance sheet, respectively, should be adopted?

A3.1 I do not believe that the Primary View proposal to add line items to the SOSI that tie to revised expense and liability amounts reported

on the statement of net cost and the balance sheet, respectively, should be adopted. I believe the current presentation is clear; but, would be in favor of the alternative view noted below.

Q3.2 Do you believe that the reasons for changes in SOSI amounts during the reporting period should be reported and, if so, do you favor such reporting (1) as proposed by the Primary View, (2) as proposed by the Alternative View, or (3) some other approach?

A3.2 I believe that the reasons for changes in SOSI amounts during the reporting period should be reported in a manner proposed by the alternative view. The Alternative view may be easier to comprehend by the readers of the financial statement.

Q4. Do you believe the proposal should be adopted? Please provide the rationale for your answer.

A4. Yes, I believe the proposal should be adopted. I think this would allow the reader to see and/or understand the impact the economy and government policy has had on social insurance programs and the impact to future generations. The readers will be able to determine whether we are leaving them with a significant burden or whether the government was prudent and fiscally responsible in managing its responsibilities.

Q5. Do you believe that the Board should consider recognizing deferred revenue for earmarked revenues in excess of related program costs? Please provide the rationale for your answer.

A5. Yes, I believe that the Board should consider recognizing deferred revenue for earmarked revenues in excess of related program costs only if the excess revenue is to be paid back to a non-federal party. However, if the revenue for earmarked funds belongs to the federal government I do not believe Board should consider recognizing deferred revenue for earmarked revenues in excess of related program costs.

Q6.1 & Q6.2 Please offer any comments that you wish to make on the Primary View provisions.

No comment.

Thanks you for allowing me to respond.

Sylvester Reed, CPA, CGFM

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Non-Federal - Other

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