

113TH CONGRESS
2D SESSION

H. RES. 545

Expressing the sense of the House of Representatives that the Federal Government should adopt and use accrual basis generally accepted accounting principles for Government budgeting, financial reporting, and performance evaluation purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 7, 2014

Mr. RENACCI (for himself, Mr. CONAWAY, Mr. SHERMAN, and Mr. MURPHY of Florida) submitted the following resolution; which was referred to the Committee on Oversight and Government Reform

RESOLUTION

Expressing the sense of the House of Representatives that the Federal Government should adopt and use accrual basis generally accepted accounting principles for Government budgeting, financial reporting, and performance evaluation purposes.

Whereas President Thomas Jefferson instructed Secretary of the Treasury Albert Gallatin in 1802: “If . . . there can be added a simplification of the form of accounts in the Treasury Department, and in the organization of its officers, so as to bring everything to a single centre, we might hope to see the finances of the Union as clear and intelligible as a merchant’s books, so that every member of Congress, and every man of any mind in the Union,

should be able to comprehend them, to investigate abuses, and consequently to control them.”;

Whereas, in 1949, the findings of the first Hoover Commission were endorsed by President Harry Truman, and the Commission’s recommendations were issued to Congress in nineteen separate reports, resulting in the passage of the Budget and Accounting Procedures Act of 1950, giving the General Accounting Office the authority to make it a requirement that agency accounting systems be maintained on the accrual basis in order to secure Comptroller General approval;

Whereas, in 1955, the findings of the second Hoover Commission Report were endorsed by President Eisenhower and reported to the United States Congress which passed Public Law 84–863, in 1956, establishing the following: “As soon as practicable . . . the head of each executive agency shall, in accordance with the principles and standards prescribed by the Comptroller General, cause the accounts of such agency to be maintained on an accrual basis to show the resources, liabilities, and costs of operations of such agency with a view to facilitating the preparation of cost-based budgets . . .”;

Whereas, in 1967, President Lyndon Johnson’s Commission on Budget Concepts, a temporary “blue ribbon” commission headed by the Secretary of the Treasury David Kennedy, recommended that the accrual basis of measuring receipts and expenditures be substituted for the cash basis at “as early a date as feasible.”;

Whereas, in 1969, President Richard Nixon reaffirmed the conclusions of President Johnson’s Commission on Budget Concepts to make the conversion for the Federal Gov-

ernment from the cash basis to the accrual basis of accounting;

Whereas, in 1976, before the Committee to Investigate a Balanced Federal Budget of the Democratic Research Organization on Implementing Accrual Accounting Within the Federal Government, Comptroller General Elmer Staats stated the following: “In summary, accrual accounting in the Federal Government has been a legal requirement since 1956. Since accrual accounting is fundamental to sound financial management it has always been a basic tenet of our principles and standards. I believe that current economic conditions and the extensive government use of deficit financing have accentuated the need for the Federal Government to provide better overall financial reports that show clearly for the benefit of the Congress and the public the major aspects of its financial position and operations.”;

Whereas, in 1984, the United States Treasury prepared its own prototype version of the United States Government’s annual consolidated financial statements with a “reconciliation schedule of accrual operation results to the cash basis budget as of September 30, 1983 and 1982,” but deviated from accrual accounting by removing, from the financial statements, the actuarially computed long-term liability for Social Security and Medicare;

Whereas, in October 1990, a “Memorandum of Understanding on Federal Government Accounting Standards among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget” established the current Federal Accounting Standards Advisory Board to determine “accounting standards” that are appropriate for the United States Government’s

annual financial statements, as requested of the Director of the Office of Management and Budget in the Chief Financial Officers Act of 1990;

Whereas, in November 1990, President George H.W. Bush signed the Chief Financial Officers Act of 1990, establishing a Chief Financial Officer for the United States, within the Office of Management and Budget, for each major United States department and agency, and requiring the annual financial statements of the United States Government to be publicized annually;

Whereas, in October 1992, the National Executive Committee of the Association of Government Accountants adopted the recommendations of the organization's Truth in Budgeting and Accounting Blue Ribbon Task Force, calling for, among other things, "the use of an accrual basis of accounting, including realistic treatment of all unrecorded and contingent liabilities";

Whereas, in 2003, Federal Reserve Chairman Alan Greenspan, in testimony before Congress, stated that the use of accrual-basis accounting for the Federal Government "would lay out more clearly the true costs and benefits of changes to various taxes and outlay programs and facilitate the development of a broad budget strategy . . . In doing so, these accounts should help shift the national dialogue and consensus toward a more realistic view of the limits of our national resources.";

Whereas, in 2009, the American Institute of Certified Public Accountants, in a letter to the Federal Accounting Standards Advisory Board, stated that "we continue to believe that the social insurance programs . . . are currently executed and publicized as exchange programs and that

there should be expense and liability recognition.” (on the accrual basis);

Whereas the 2012 financial statements for the United States Government refer to the accounting system used by the Department of the Treasury in preparing annual reports as a “modified-cash” basis, not an accrual basis;

Whereas, on June 25, 2012, the Governmental Accounting Standards Board, an organization created to establish and improve standards of State and local governmental accounting and financial reporting, voted to approve statement No. 68, “Accounting and Financial Reporting for Pensions”, improving the way State and local governments report their pension liabilities and expenses, and resulting in a more faithful representation of the full impact of these obligations by reporting net pension liabilities on the balance sheet (providing citizens and other users of these financial reports with a clearer picture of the size and nature of these financial pension obligations);

Whereas the adoption of Governmentwide accrual accounting for budgeting and financial reporting would not infringe on the explicit constitutional power of Congress and its respective committees to appropriate and collect—through taxation, fees, and borrowing—Federal funds determined on a cash-flow basis, necessary for the collection, disbursement, and management of the United States cash resources; and

Whereas the continuing use of the cash basis of accounting for the compilation of the annual budget substantially understates Federal expenses and annual budget deficits, and the use of modified cash-hybrid accrual accounting for the preparation of the United States Consolidated

Annual Financial Statements does not present fairly, nor accurately, the financial condition and results of operation of the consolidated departments and agencies of the United States: Now, therefore, be it

1 *Resolved*, That the House of Representatives—

2 (1) agrees to consider legislation to implement
3 accrual basis generally accepted accounting prin-
4 ciples for United States Government budgeting, fi-
5 nancial reporting, and performance measures;

6 (2) acknowledges that the use of accrual basis
7 accounting for United States Government budgeting,
8 financial reporting, and performance measures would
9 provide a more accurate measure of the United
10 States Government's finances and their impact on
11 the Nation's economy;

12 (3) requests the Comptroller General of the
13 United States to prescribe the manner in which ac-
14 crual based generally accepted accounting principles
15 can be applied to United States Government budg-
16 eting, financial reporting, and performance measures
17 in the fiscal year following the passage of legislation
18 to implement the reforms outlined in this resolution;
19 and

20 (4) recognizes the use of accrual accounting
21 standards in the Federal Government can assist in
22 management improvement for the agencies and de-

1 partments of the Federal Government—publicizing
2 true costs, minimizing government waste, and con-
3 trolling inefficient spending, especially on long-term
4 Government contracts.

