



4/4/2017

Memorandum

To: Members of the Board

From: Grace Wu, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: ***Budget and Accrual Reconciliation: Comment Letters Received through March 27¹ – Tab B-1***

MEETING OBJECTIVE

The meeting objective is to review responses to the exposure draft, *Budget and Accrual Reconciliation*.

BRIEFING MATERIAL

Staff Summary: This memorandum provides the staff summary. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters. The summary presents:

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Attachment 1 provides the full text of each comment letter.

Staff will also provide TAB B-2 next week. TAB B-2 will include the following attachments:

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of FASAB or its staff. Official positions of FASAB are determined only after extensive due process and deliberations.

Attachment 2 provides an overall summary of responses and a list of issues identified with staff analysis and recommendations.

Attachment 3 provides the original exposure draft with suggested edits based upon comments received and staff recommendations.

BACKGROUND

SUMMARY OF OUTREACH EFFORTS

The exposure draft, *Budget and Accrual Reconciliation*, was issued December 21, 2016 with comments requested by March 14, 2017. Upon release of the exposure draft, notices and press releases were provided to:

- a) The Federal Register;
- b) *FASAB News*;
- c) The *Journal of Accountancy*, *AGA Topics*, the *CPA Journal*, *Government Executive*, and the *CPA Letter*;
- d) The Financial Statement Audit Network ; and
- e) Committees of professional associations generally commenting on exposure drafts in the past.

To encourage responses, a reminder notice was provided on February 27, 2017 to our Listserv.

RESULT

As of March 27, 2017, we have received 26 responses from the following sources:

Accounting Firm		
Federal Entity (user)		
Federal Entity (preparer)	24	
Federal Entity (auditor)		
Federal Entity (other)		If other, please specify:
Association/Industry Organization	1	
Nonprofit organization/Foundation		
Other		If other, please specify:
Individual	2	

The full text of the comment letters is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received. The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff summary below.

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

A. Tally of Responses by Question

QUESTION	YES/AGREE	AGREE WITH CONDITION	COMMENT BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	NO/DISAGREE	NO COMMENT
<p>Q1. To replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations.</p> <p>Q1A. Do you agree or disagree with the proposal to replace the SOF with the NBAR?</p> <p>Please provide the rationale for your answer.</p>	24	1	0	2	0
<p>Q1.</p> <p>Q1B. If you agree, should the NBAR be presented as a part of basic financial statement or as a footnote?</p> <p>Please provide the rationale for your answer. No – basic financial statement. Yes – footnote.</p>	21	0	3	2	1

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/AGREE	AGREE WITH CONDITION	COMMENT BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	NO/DISAGREE	NO COMMENT
<p>Q2. To require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays.</p> <p>Do you agree or disagree that a narrative disclosure should accompany the NBAR?</p> <p>Please provide the rationale for your answer.</p>	17	3	2	4	1
<p>Q3. This Statement will be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required.</p> <p>Q3A. Do you agree or disagree that the effective date and the early adoption are reasonable?</p> <p>Please provide the rationale for your answer.</p>	8	6	1	11	1

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/AGREE	AGREE WITH CONDITION	COMMENT BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	NO/DISAGREE	NO COMMENT
<p>Q3.</p> <p>Q3B. Do you agree or disagree that restatement of comparative prior period information is reasonable?</p> <p>Please provide the rationale for your answer.</p>	4	2	5	8	8

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

B. Quick Table of Responses By Question

A=Agree, AC= Agree with condition, C=Comment but did not specify agreement or disagreement, D=Disagree, NC=No Comment

RESPONDENT (Organization or name if no org.)	Q1A. Do you agree or disagree with the proposal to replace the SOF with the NBAR?	Q1B. If you agree, should the NBAR be presented as a part of a footnote?	Q2. Do you agree or disagree that a narrative disclosure should accompany the NBAR?	Q3A. Do you agree or disagree that the effective date and the early adoption are reasonable? ²	Q3B. Do you agree or disagree that restatement of comparative prior period information is reasonable?
#1 Harold Steinberg	A	A	A	A	D
#2 Michael Lamb	A	D	D	A	A
#3 Railroad Retirement Board	A	A	C	AC	NC
#4 Securities and Exchange Commission	A	A	A	D	NC
#5 Social Security Administration	A	A	A	D	D

² The majority of the ACs in Q3A indicated that the proposed effective date of beginning after September 30, 2017 is reasonable under the condition that Treasury publishes the BAR crosswalk on a timely basis.

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

RESPONDENT (Organization or name if no org.)	Q1A. Do you agree or disagree with the proposal to replace the SOF with the NBAR?	Q1B. If you agree, should the NBAR be presented as a part of a footnote?	Q2. Do you agree or disagree that a narrative disclosure should accompany the NBAR?	Q3A. Do you agree or disagree that the effective date and the early adoption are reasonable?²	Q3B. Do you agree or disagree that restatement of comparative prior period information is reasonable?
#6 Health and Human Services	A	A	A	C	C
#7 Department of Education	A	NC	A	A	A
#8 Small Business Administration	A	A	A	A	C
#9 Department of Agriculture	A	A	A	A	A
#10 National Science Foundation	A	A	AC	AC	NC
#11 Department of Defense	A	A	A	D	C
#12 Department of Justice	A	A	A	D	A
#13 Department of Homeland	A	C	A	D	NC

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

RESPONDENT (Organization or name if no org.)	Q1A. Do you agree or disagree with the proposal to replace the SOF with the NBAR?	Q1B. If you agree, should the NBAR be presented as a part of a footnote?	Q2. Do you agree or disagree that a narrative disclosure should accompany the NBAR?	Q3A. Do you agree or disagree that the effective date and the early adoption are reasonable?²	Q3B. Do you agree or disagree that restatement of comparative prior period information is reasonable?
Security					
#14 Department of Interior	A	D	A	D	NC
#15 Department of Labor	D	A	D	D	D
#16 Office of Personnel Management	A	A	A	A	AC
#17 Federal Communications Commission	A	A	C	AC	D
#18 Department of Transportation	A	A	D	D	D
#19 Environmental Protection Agency	A	A	NC	NC	NC
#20 Department of Treasury	A	A	A	AC	NC

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

RESPONDENT (Organization or name if no org.)	Q1A. Do you agree or disagree with the proposal to replace the SOF with the NBAR?	Q1B. If you agree, should the NBAR be presented as a part of a footnote?	Q2. Do you agree or disagree that a narrative disclosure should accompany the NBAR?	Q3A. Do you agree or disagree that the effective date and the early adoption are reasonable?²	Q3B. Do you agree or disagree that restatement of comparative prior period information is reasonable?
#21 Greater Washington Society of CPAs	A	A	A	AC	NC
#22 Department of Veterans Affairs	A	A	A	A	C
#23 Department of Commerce	AC	A	A	D	D
#24 Department of Housing and Urban Development	A	C	A	AC	AC
#25 General Services Administration	D	C	AC	D	C
#26 Department of Energy	A	A	D	D	D
#27 Intelligence Community	A	A	AC	A	D

STAFF SUMMARY OF RESPONSES – Table C: Full Text of Answers and Comments by Question

C. Major Answers and Comments by Questions and by Respondent

The table below table presents the major responses which may potentially affect the content of the exposure draft. As such, not every comment from the respondent was included in the table. Please review each letter in attachment 1 Comment Letters to see supportive/minor/editorial related comments.

<p>QUESTION #1 The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.</p> <p>Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statement or as a footnote? Please provide the rationale for your answer.</p> <p><i>Staff Response: See Tab B-2 staff analysis for discussion of below comments.</i></p>	
#2 Michael Lamb	I agree that it should be implemented and included as an auditable portion of the basic financial statements. This will require agencies to not only prepare the report but be forced to deal with the interrelationship of the USSGL accounts and posting logic from the cost versus cash perspective, which is unfortunately more commercial than government.
#8 Small Business Administration	The NBAR should be included in a footnote as the SOF currently is presented. There is no compelling reason to increase the weight of the information to the status of a basic statement. FASAB can continue to provide OMB with the option to elevate the level of the statement to a basic statement if determined appropriate in the future without a requisite amendment to the standard.
#13 Department of Homeland Security	DHS recommends the NBAR be presented in “Required Supplementary Information (RSI)” or “Other Information (OI)”. We believe the NBAR will be very challenging for some complex agencies, such as DHS to prepare. Including in RSI reduces audit risk associated with requirements to provide detailed line item support, for audit purposes. If FASAB does not concur with NBAR presentation would be sufficient within RSI or OI, then DHS recommends NBAR be presented as a footnote (as opposed to new financial statement) as it provides reconciliation information of the Statement of Net Cost to budgetary data, all of

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	which are already presented in existing financial statements.
#14 Department of Interior	DOI does not believe it should be a financial statement. The information in this schedule is simply a reconciliation of information provided on the face of financial statements. DOI would recommend that FASAB consider presenting this reconciliation information along with other similar information such as the Schedule of Spending, in Other Information. DOI does not believe the NBAR meets the standard definition of a note disclosure as it does not further break down any financial statement line item or reported activity. If this is not an option that FASAB would entertain, DOI would recommend RSI.
#15 Department of Labor	We disagree with the proposal to replace the SOF with the NBAR. We believe that the current form and presentation of the SOF provides users with the information needed to distinguish differences between budgetary concepts and the proprietary accounting on the Statement of Net Costs.
#21 Greater Washington Society of CPAs	<p>The FISC generally agrees with the proposal to replace the SOF with the NBAR. The FISC suggests that the NBAR be reported as a note to the basic financial statement, but understand the Board's perspective should it include the NBAR as a basic financial statement. Some FISC members acknowledged that reporting as a principal statement is not necessary since the existing basic financial statements fulfill the objectives of financial reporting, as noted in the Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, Objectives of Federal Financial Reporting, and reporting as a note to the financial statements is permitted by SFFAC No. 6, Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information, paragraph 12.</p> <p>Some members of the FISC questioned the utility of providing a detailed reconciliation in the audited financial statements, and did not feel that providing such a detailed reconciliation was meeting the needs of a broad number of users. These members suggested that the differences between the outlays and net cost could be described to a reader through a general discussion of the differences between budget and accounting concepts, and an identification of the most significant factors that give rise to a difference between net cost and outlays, in lieu of a detailed reconciliation.</p>
#23 Department of Commerce	The Department only agrees with the proposal to replace the SOF with the NBAR if the new required breakdown between Intragovernmental and With the Public is removed.
#24	Regarding the presentation of the NBAR as part of basic financial statements or as a footnote, HUD

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<p>Department of Housing and Urban Development</p>	<p>program offices have expressed two distinct points of view.</p> <p><input type="checkbox"/> Footnote: The NBAR should be presented as a footnote. The information used to prepare the NBAR can easily be traced or aligned to various lines of the Agency's Financial statements. Presenting the NBAR as a statement may duplicate information that is reported in other statements. Presenting it as footnote would provide additional disclosure of the information already presented in the financial statements. Similar to the previous SOF, some of the information presented will likely be agency specific resulting in audit complexities. (HUD OCFO and FHA)</p> <p><input type="checkbox"/> Basic Financial Statements: The NBAR should be included as a part of the basic financial statements as it provides a direct bridge between cash basis and accrual basis of accounting used in the preparation of the federal financial statements. The concept of the NBAR is similar to that of the cash flow statement required by the FASB as a part of the basic financial statements and similar to that of the of the reconciliation of the Unified Budget Deficit and Net Cost of Operations presented as a part of the basic financial statements as well. (GNMA)</p>
<p>#25 General Services Administration</p>	<p>We agree that the SOF should be replaced. While the proposed NBAR is seen as a significant improvement over the SOF; we disagree with the proposed requirements of NBAR reporting and particularly the proposed illustrative format and suggest that the FASAB Board take an alternative approach.</p> <p>As an alternative to the NBAR, we recommend that the Board consider an approach similar to the Statement of Cash Flow used by non-Federal entities. As Outlays are arguably the most significant element of budgetary reporting that are monitored and used by multiple user communities, we concur that the focus on this element for assessing budgetary to proprietary consistency is useful. Outlays are budgetary balances closely tied to balances reported in financial reporting. Since outlays and most Fund Balance with Treasury (FBwT) transactions are effectively cash, it is suggested that a Statement or disclosure bridging Net Cost to Changes in FBwT should be considered in place of the proposed requirements and formats.....We would recommend that a cash flows model be formatted in a way to have balances walk from Net Cost to Outlays, similar to the NBAR, and also add additional lines to display balances of FBwT transactions that do to not impact Outlays, to compute the total change in FBwT. This approach would achieve similar display to the format proposed for the NBAR, and provide a more comprehensive display of balances impacting FBwT. Unique balances such as non-cash Outlays would become more prominent as they are not components of FBwT and may become line-items in</p>

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	<p>presenting the transactions to add or subtract from Outlays to sum to the total change in FBwT.....We strongly recommend the segregation of Federal vs non-Federal activity as columns on the illustrative statements be removed. Such segregation in the display would create significant challenges, as many of the reported amounts are not captured, with control and validation at such levels to be reconcilable between Net Cost and Outlays. Further, it is not clear that resulting information would be of particular use to many agencies.</p> <p>If the NBAR is used keep it in the footnotes. If the Statement of Cash Flows is used place it in the Financial Statement.</p> <p>Please see the additional comments on specific paragraphs of the exposure draft provided separately.</p>
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<p>#26 Department of Energy</p>	<p>The importance of paragraphs A15 and A16 in implementing the New BAR cannot be overemphasized. It is the Department's position that an essential requirement and prerequisite for implementation of the New BAR is a comprehensive SGL crosswalk that has been thoroughly tested and verified as correct and complete. The crosswalk should be a <i>collaborative product</i> of Treasury and reporting agencies to ensure the process is properly vetted with the financial reporting community before a finalized crosswalk is issued. At a minimum, we believe the crosswalk should provide a level of detail similar to the crosswalk that was provided for the SOF in the 2006 Treasury Financial Manual (TFM) Supplement S2-06-02a, which agencies continue to use as a guide for preparation of the Reconciliation of Net Cost of Operations to the Budget note to the financial statements. However, as was noted in TFM S2-06-02a, the SOF requires "a level of detail beyond that of the USSGL accounts," and "agencies must analyze transactions to obtain required data." This aspect of preparing the SOF/Reconciliation of Net Cost of Operations to Budget has complicated the process and presented challenges to agencies preparing it. Our belief is, should the New BAR replace the SOF/Reconciliation of Net Cost of Operations to Budget, the process to prepare the New BAR should be straightforward and the crosswalk standardized as much as possible so that preparation requires a minimum of analysis beyond application of an SGL account crosswalk. However, the FASAB guidance should provide agencies with flexibility in preparing the reconciliation to allow agencies the ability to accommodate their unique operations and circumstances. These process improvements should increase the accuracy and integrity of the New BAR and improve the ability to compare it across agencies with the understanding that a Treasury crosswalk in collaboration with the agencies will support this process.</p> <p>As was noted in the Exposure Draft, DOE was an active participant in the New BAR task force. The DOE participants worked with other agencies and Treasury to draft a crosswalk and refine the process to prepare the New BAR. However, differences in accounting within various DOE components have complicated these efforts, and DOE has not yet been able to produce the New BAR at the Department level. We understand some other agencies are experiencing similar challenges. Therefore, we strongly recommend the Board consider further government wide research and analysis to include the unique aspects of various agencies that may be impacting their ability to produce the New BAR before voting on a final</p>
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	New BAR template, crosswalk, and implementation date. In consideration of these concerns, we request the Board reassess whether the objectives in proposing these changes warrant the level of effort that will be required of all of agencies and the potential impact of funding challenges posed as a result of making this change in reporting/reconciliation.
<p>QUESTION #2 The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.</p> <p>Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.</p> <p><i>Staff Response: See Tab B-2 staff analysis for discussion of below comments.</i></p>	
#2 Michael Lamb	The addition of a narrative on non-cash outlays is overkill. This is not a universal item which will only serve to confuse agencies that do not participate in this area. If after implementation it is evident that the new report is incomplete without this information, then it can be added. Initially, it will be difficult enough getting the new report into place.
#3 Railroad Retirement Board	We believe that a narrative disclosure should not be mandatory for agency reporting, but a narrative disclosure and its requirements could be optional for an agency. The reason the BARN narrative should not be mandatory is that the note historically had no narrative and a reader of the BARN would not require a narrative disclosure, similar to the basic financial statements. If a narrative disclosure is provided, it should be a general description of the appropriate elements.
#10 National Science Foundation	We agree that a general narrative disclosure should accompany the NBAR. While a narrative to explain the purpose of the reconciliation and general reconciling items between Net Cost and Net Outlays (paragraph 1 in Appendix 1-G) is beneficial; the additional detail in paragraph 2 of Appendix 1-G appears to be more of a fluctuation analysis as opposed to an explanation of the information presented. A fluctuation analysis is not traditionally presented in a published financial statement note. Due to the number of lines in the reconciliation, fluctuation related explanations may require extensive language that could lead to confusion and non-conformity on a government-wide basis. We, therefore,

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	recommend limiting the narrative to a general introduction of the purpose and intent of the reconciliation.
#11 Department of Defense	<p>The DoD believes that a narrative accompanying the NBAR will improve the understandability of the costs incurred and the relationship of budgetary to accrual based accounting. The current SOF is complex and not easily understandable to financial statement users who do not have the knowledge and experience of federal budgetary accounting. Simplifying the reconciliation with the NBAR and providing a narrative explaining the reconciling differences provides more useful information to financial statement users, and provides more transparency to the use of federal resources.</p> <p>The DoD recognizes the importance of the suggested disclosure that describes these differences in the aggregate, and believes that agencies should have flexibility to include additional disclosures that describe significant line items unique to each agency. For example, if a DoD agency has a significant amount of depreciation expense, then an additional disclosure describing why that is a reconciling item between budgetary and accrual-based accounting may be beneficial to a reader.</p> <p>The DoD believes that the need for additional narrative and reconciliations outside of the information presented on the face of the financial statements indicates that the financial statements in their current form are not usable or understandable to a general audience. Given this, rather than requiring additional narratives and reconciliations, the entire federal financial reporting model (to include the financial statements and all related footnotes) should be reviewed and, if necessary, revised to present data in a format that can be understood and used without the need for supplementary explanatory information.</p>

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#13 Department of Homeland Security	DHS agrees that a narrative explaining the nature of the reconciliation should be presented. However, DHS does not believe that a disclosure explaining the nature of significant reconciling items and the nature and amount of non-cash outlays should be presented. The NBAR will provide adequate useful information to the reader and the added complexity of compiling the proposed disclosures will outweigh the added usefulness of information.
#15 Department of Labor	The NBAR should not require a disclosure; currently, the SOF does not require a disclosure. However, guidance should allow optional disclosures so that agencies may provide explanations for agency unique activity, e.g., intragovernmental borrowing.
#17 Federal Communications Commission	A narrative disclosure should be optional. The agency could provide general information to help the user understand the reconciliation between two financial statements (SONC & SBR) and two bases of financial reporting (budgetary & proprietary).
#18 Department of Transportation	We do not agree that a narrative disclosure should be required to accompany the NBAR. The lines on the NBAR seem to have explicit and detailed line descriptions that relate to lines of the agency's basic statements. The NBAR is very comprehensive and providing a narrative may be difficult to simplify in a clear and concise manner. The readers of the information may be further confused trying to understand the varying levels of reconciling differences presented on the NBAR. The current SOF does not have a narrative; therefore, the narrative disclosure should be optional.
#25 General Services Administration	We disagree that the disclosure should normally include sections describing year-to-year variances, as suggested in second paragraph of the illustrative disclosure. We believe that such variances should be described in MD&A components of an AFR, similar to discussions of reporting fluctuations and variances for other financial statements.

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#26 Department of Energy	<p>The current SOF/Reconciliation of Net Cost of Operations to Budget does not require narrative disclosures. If a high level generic explanation of the nature of the reconciliation must be provided, we request the FASAB coordinate with the Office of Management and Budget (OMB) on standard language, and that such language be included in OMB Circular A-136. We do not agree that any narratives should be provided for reconciling items; those would be disclosed and explained elsewhere in the financial statements and footnotes. Examples include accounts receivable, investments, inventory, salaries and benefits, environmental and disposal liabilities, and pension and other actuarial liabilities. As noted in paragraph A9 of the Exposure Draft, “The majority of the reconciliation is derived directly from the other financial statements’ line items, line items’ prior year and current year comparison, or financial statement note disclosures”.</p>
#27 Intelligence Community	<p>Agree. An accompanying narrative would help the reader in understanding the reconciling items and better inform the reader of the reasons for differences in budgetary resources obligated and the net cost of operations. A short narrative would also have explain any material fluctuations identified from year-to-year in the NBAR. However, the community believes it would be helpful for FASAB to provide additional guidance on the types of disclosures required, to include but not limited to establishing materiality thresholds required to be reported (e.g. dollar or percentage thresholds) and line items which always require disclosure.</p>
<p>QUESTION #3 The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.</p> <p>Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.</p> <p><i>Staff Response: See Tab B-2 staff analysis for discussion of below comments.</i></p>	
#1Harold Steinberg	<p>Restatement of prior period should not be required since it a) adds nothing, and b) would reinforce how ineffective the prior approach is.</p>

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#3 Railroad Retirement Board	We agree that the effective date is reasonable assuming the US Standard General Ledger cross walk is completed and provided to agencies by the end of calendar year 2017 or December 31, 2017. The Department of the Treasury publication of a crosswalk of USSGL accounts to each line on the BARN is critical for the agencies to accurately and timely prepare the BARN for the end of the 3rd quarter fiscal year 2017 reporting.
#4 Securities and Exchange Commission	The effective date should be FY 2019 rather than FY 2018, with early adoption permitted, to allow sufficient lead time for agencies to develop the new footnote and to accumulate the data that will be presented for the restated prior period, which would then be FY 2018 rather than FY 2017. This would also provide sufficient time for Treasury Fiscal Service to develop and test a crosswalk to the reconciliation that would address all funds for all federal reporting entities, including those that did not participate in the Task Force.
#5 Social Security Administration	<p>Without a valid crosswalk to review and analyze, the early adoption period does not seem feasible. While we agree in theory with the NBAR, until we can test the layout and see the crosswalk of SGL accounts, we cannot say that we would be ready to implement this activity this year. In addition, depending on the timing and completeness of the crosswalk, including time to validate them, first quarter of FY 2018 may not be a reasonable implementation date either.</p> <p>The original Statement of Financing was removed from the crosswalk because it was too complex based on the various agencies' specific reconciling items. While we believe the new items presented should allow for more consistency, we cannot agree with the current target effective dates until we are able to test the new format.</p> <p>In addition, with our preference for the NBAR being a note as opposed to a basic financial statement, we do not believe the benefits of providing comparative prior period information in the first year of the NBAR being issued outweigh the costs. We would have to go back and recreate the comparative statement with historical data, which would result in additional administrative burden and resources across all agencies.</p>
#6 Health and	HHS recommends implementing NBAR by the 3rd quarter in fiscal year 2018 as a footnote. Since

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Human Services	<p>NBAR will completely replace the SOF presentation, HHS suggests preparing and publishing current year data only for the first year of implementation and producing the footnote with comparative data thereafter.</p> <p>If the Board decides that the prior year should be presented, HHS recommends using the word “reclassified” for presentation purposes. The “Effective Date” section of the ED which now reads, “Comparative prior period information should be “restated” consistent with this Statement” would be changed to say “reclassified.”</p> <p>The implementation of NBAR will require system reconfigurations and extensive coordination with the operational divisions throughout HHS. HHS recommends that Treasury Fiscal Service finalize the NBAR crosswalk prior to fiscal year 2018 and update the crosswalk regularly thereafter.</p>
#8 Small Business Administration	<p>However, restatement of prior period information in the initial year should be at the discretion of the agency.</p> <p>Rational: SBA is confident that it could fully comply with the provisions to present comparable reporting in the time frame specified by the standard.</p> <p>During the agency tryouts there were some agencies which struggled with the new format. In order to maximize agency success rate in adopting the new standard, implementation guidance should be provided to agencies as soon as possible, complemented by flexibility during the transition period.</p>
#10 National Science Foundation	<p>The effective date should be contingent on the release of the final pronouncement and crosswalk.</p>

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#11 Department of Defense	<p>The DoD does not agree with the proposed effective date, with comparative period presentation of fiscal year 2017 information. We believe that the basic financial statements and footnote disclosures should be consistent in providing comparative period information. However, the DoD's ability to produce a comparative period presentation is dependent on the availability of Treasury crosswalk by the end of fiscal year 2017 that defines the USSGL accounts to be included in the new presentation.</p> <p>The DoD will have additional challenges given the scope and complexity of the mission, and issues related to reconciling general ledger data, and thus, the DoD suggests that the Board consider a later effective date (periods beginning after September 30, 2018). This would provide sufficient time to create a comparative period presentation for the September 30, 2019 annual financial report.</p>
#12 Department of Justice	<p>The main preparers of DOJ's consolidated financial statements think the proposed effective date is too aggressive. DOJ supports restatement of comparative prior period information to be consistent with the NBAR because it contributes to an efficient analysis.</p> <p>The consolidated statement preparers said that establishing the effective period to begin after September 30, 2017 was aggressive, and thought a later effective date would allow additional federal agencies to test data for the NBAR. It will take time for agencies to implement the new program/crosswalk, compare data to prior periods to ensure consistent reporting with the NBAR, and determine if restatements are necessary for future reporting. Coordinating and testing data, reprogramming systems, restating prior period information (if applicable), and receiving final guidance may require additional time. They suggested an effective date one year later - September 30, 2018.</p>
#13 Department of Homeland Security	<p>DHS disagrees with the proposed effective date due to the associated complexities of implementing this statement. DHS recommends the effective date be for periods beginning after September 30, 2018, with early implementation allowed. This would give agencies and auditors sufficient time to determine any potential system changes, reporting and audit procedures around the new balances and NBAR. In addition, it would be helpful for federal entities to have crosswalk guidance to avoid some of the</p>

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	preparation challenges and inconsistencies across the federal government that have been inherent in the SOF reconciliation.
#14 Department of Interior	DOI recommends for periods after September 30, 2018, with early adoption permitted. This will allow time for DOI to test and implement systematically the NBAR crosswalk for comparative FY2019 reporting.
#15 Department of Labor	<p>(1) We disagree with the effective date because there is not enough time to implement the standard for interim financial reporting in FY 2018. Implementation should be effective for FY 2019. Also, an implementation date of FY 2019 would allow additional time for Treasury to prepare guidance (e.g., USSGL cross-walks and I #15 Department of Labor Federal-Preparer TFM 2-4700) and modify financial systems (e.g., Governmentwide Financial Report System).</p> <p>(2) We disagree with early adoption because all component reporting entities should provide the same type of information to be used in compiling the Financial Report of the U.S. Government (FRUSG). Otherwise, early implementation will increase Treasury's workload in compiling the FRUSG because two different accounting standards would apply in the same accounting period.</p> <p>(3) We disagree with the restatement of comparative prior period information because this will increase the cost and complexity of the financial statement compilation and audit for both the component reporting entities and the governmentwide reporting entity. Only one year should be presented in the first year of implementation, with a 2-year comparative presentation in the second year of implementation. Precedents for this type of implementation include:</p> <ul style="list-style-type: none"> - SFFAS 37 for the Statement of Changes in Social Insurance Amounts for FY 2011 implementation and -- SFFAS 31 for the note on fiduciary activity for FY 2009 implementation
#16 Office of Personnel Management	<p>Effective for periods beginning after 9/30/2017 with early adoption permitted.</p> <p>Restatement of comparative prior period information is useful and reasonable. Clear guidance needs to be provided on the restatement disclosure.</p>

STAFF SUMMARY OF RESPONSES – Table C

#17 Federal Communications Commission	<p>We agree that the effective date is reasonable as long as The Department of Treasury releases a crosswalk and OMB updates A-136 for NBAR before 10/01/2017. The crosswalk is critical for all agencies to ensure proper USSGL flowing into each line.</p> <p>Early adoption should not be permissible. Restatement of comparative prior period information does not seem reasonable since NBAR is a new reconciliation and restatement adds no value</p>
#18 Department of Transportation	<p>The Statement should be effective for period beginning after September 30, 2018 (FY2019) to allow the Standard to be officially published and Treasury to finalize crosswalks. Agencies should be allowed sufficient time to effectively and efficiently test and implement these significant reporting changes. These changes would require system set up and business process changes and DOT would need adequate time to update its financial systems. The NBAR is a comprehensive reconciliation that still involves a level of complexity, therefore, requiring restatement of the comparative prior year would create an additional burden on agencies. The NBAR should be presented for the current year of implementation only.</p>
#20 Department of Treasury	<p>Treasury agrees with the proposed adoption of the NBAR for periods beginning after September 30, 2017, with early adoption permitted.</p> <p>The rationale for this decision stems from our understanding of the Statement of Federal Financial Accounting Standards Exposure Draft, Budget and Accrual Reconciliation, dated December 21, 2016, specifically that “The Board agreed on the importance of getting the NBAR crosswalk developed by the Treasury before the NBAR is implemented, as it will reduce agencies’ implementation time and facilitate audit efforts.”</p> <p>According to Treasury Bureau of the Fiscal Service, Governmentwide Accounting anticipates that a crosswalk will be available for initial review by the agencies in late 4th quarter 2017. With limited time for development, testing, and implementation, as well as the continued strain on existing resources through proposed new administration changes, the Board may want to consider a FY 2018 adoption.</p>
#21 Greater Washington Society of CPAs	<p>The FISC agrees that the effective date is reasonable, as long as other parties, such as the Office of Management and Budget and the U.S. Department of the Treasury, would have sufficient time to provide implementation guidance to assist the Federal agencies in reporting the NBAR in accordance with the ED. If additional time is needed to provide such implementation guidance, then the FISC</p>

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	suggests that the effective date be deferred by one year in order to avoid the necessary due process of extending the effective date after issuance of the ED as a Standard.
#22 Department of Veterans Affairs	Our Agency will test the crosswalk with FY16/FY17 data to make sure everything works out prior to implementing the footnote in FY18 Q3. VA will use FY 2017 data to prepare a mock footnote disclosure for the NBAR for FY 2018 reporting.
#23 Department of Commerce	<p>The Department strongly disagrees with the proposed effective date of FY 2018 (the Department does not disagree with restating the comparative period, and the Department is not against early adoption being permitted}, as follows: Even if the Intragovernmental and With the Public breakdown requirement is removed from the NBAR as the Department notably requests and discusses in its answer to Q1, the Department unequivocally and very respectfully requests that the proposed effective date be moved to FY 2019 (moved back one additional year). The Department and presumably other agencies will need sufficient time to implement a comprehensive solution to the new NBAR, including for the comparative period (FY 2017). Agencies may need to implement manual data collection methods, system changes, and other methods to prepare the NBAR.</p> <p>The proposed effective date does not provide ample lead-time to enable agencies to review and implement Treasury's USSGL crosswalk, when published, and determine how to address any gaps in its coverage. Other treatment issues that agencies will need time to address include the reconciliation treatment for different fund types and differences in pre-Credit Reform versus postCredit Reform Act loan programs (e.g., subsidy reestimates, etc.). The Department believes agencies need the ability to develop and test, fully during the comparative period, real-time financial data during the comparative period quarters. Considering that FY 2017 is nearly half-completed at this time, the Exposure Draft has not been finalized yet, the Department has a significant disagreement with the Intragovernmental and With the Public required breakdown as discussed in our Q1 answer, a USSGL crosswalk has not been fully developed by Treasury, and there are gaps in the USSGL crosswalk not yet identified, in the Department's opinion, there is clearly not enough time for agencies to develop and implement the NBAR for the comparative period during a reasonable timeframe, meaning the FY 2018 proposed implementation date is much too soon.</p> <p>Accordingly, the Department very respectfully requests, for the reasons set forth above, that FASAB revise the FY 2018 proposed implementation date to a FY 2019 implementation date.</p>

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#24 Department of Housing and Urban Development	<p>HUD generally agrees with the option for early adoption. Due to the complexities of the Reconciliation of Net Cost of Operations to Budget as compared to the simplified NBAR, early adoption may be favorable to agencies. Some program offices did note, in the interest of ease of comparison in federal financial reporting, that the Board may wish to instead consider maintaining uniformity across agencies by requiring that every agency have the same implementation date.</p> <p>HUD generally agrees with the requirement for restatement of comparative prior period information. Comparative prior period information is necessary to help make current information meaningful to the reader and should be included. HUD also has the following comments/concerns.</p> <p><input type="checkbox"/> While HUD supports displaying comparative information for the NBAR in the financial statements, there is concern that restatement described in the exposure draft would not qualify as formal restatement, as defined by A-136 and SFFAS 21.</p> <p><input type="checkbox"/> The Board may wish to consider not immediately requiring the restatement of comparative prior period information. To avoid potential confusion in restatement, the Board may wish to consider requiring comparative information be produced starting in the second year of implementation.</p>
#25 General Services Administration	<p>We disagree with the effective date of periods beginning after September 30, 2017. We agree that early adoption of a Statement should be permitted. However, we recommend that if comparative prior period information is required, the reporting effective date should be moved to periods after September 30, 2018. If only current-year balances are required in the first year of reporting, we would concur with the requirement to start reporting after September 30, 2017, with an unaudited comparative prior year display being optional.</p> <p>It is not understood what prior year statement the Board intends to be restated if FY 2018 reporting is required. The existing SOF, which reconciles very different sets of balances, has little comparability to the proposed NBAR, and we would not consider the change from the SOF to NBAR to be a restatement.</p> <p>For agencies that prepare quarterly statements or FY third-quarter reporting requirements in accordance with OMB Circular A-136, requiring a comparative prior period display for FY 2018 reporting would create significant difficulty. As we are almost through the second fiscal quarter of FY 2017 already, and issuance of a final Standard would take weeks or months into the third fiscal quarter</p>

STAFF SUMMARY OF RESPONSES – Table C

	<p>at best, agencies would be very behind at collecting the FY 2017 transactions necessary to prepare comparative reporting. In some instances additional controls, reconciliations and data capture will be required for compilation of the NBAR, which can be very difficult to achieve with retroactive implementation to past quarters.</p>
#26 Department of Energy	<p>For the reasons identified in our response to Q1, the Department has strong concerns about agencies' states of readiness to implement the New BAR within the proposed implementation timeline, and we do not agree with the proposed effective date of this Statement. We estimate business process changes, system limitations, and resource constraints will limit our ability to successfully implement the New BAR before Fiscal Year 2019 at the earliest. The following issues are impacting our implementation:</p> <ol style="list-style-type: none">1. DOE will need to implement significant business process changes and system modifications that will require configuration, testing, and training.

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	<p>2. DOE will require additional system programming changes if we are required to break out data between "intragovernmental" and "with the public" rather than continuing to present combined data.</p> <p>3. DOE will require additional time to work with Treasury on an updated and fully vetted crosswalk that accommodates unique SGL subaccounts that are applicable to our operations.</p> <p>In addition, we do not agree with the option of early adoption of the New BAR, as that would preclude comparability between agencies' financial statements. All agencies impacted by implementation of the New BAR will need to be certain that implementation is feasible since this reconciliation will be subject to audit. We believe there should be a testing period prior to implementation, and Treasury and OMB should consider any issues agencies are experiencing before mandating use of the New BAR. The only option we envision for early implementation of the New BAR is to provide the New BAR as unaudited optional supplemental information and that is not recommended until fiscal year 2019 at the earliest.</p> <p>We do not believe there should be a restatement of prior year data in the New BAR unless all agencies are either able to verify that the New BAR crosswalk can be applied to their prior year data or if there is a one-year phase-in period during which comparative data can be collected and reported while continuing to provide the SOF/Reconciliation of Net Cost of Operations to Budget. Otherwise, a change to the New BAR should be done prospectively. We also request that the Board consider the potential for additional audit costs if there is a significant increase in the scope of work required to audit a restatement of prior year data in the New BAR format. Furthermore, we ask that the Board consider whether restating prior period data would provide an added value to both Federal agencies and end users of the financial statements.</p>
#27 Intelligence Community	Agree with the effective date. Disagree with early adoption as this does not promote consistency among agencies, especially consolidating entities.

STAFF SUMMARY OF RESPONSES – Table C

	Disagree with the suggested restatement of comparative prior period information. The cost to perform the restatement outweighs the benefit of providing comparative information during the first year of implementing the NBAR disclosure.
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STAFF SUMMARY OF RESPONSES – Table D: Listing of Additional Comments from Respondents

D. Listing of Additional Comments from Respondents

The table below presents the major responses which may potentially affect the content of the exposure draft or seek guidance from FASAB related to BAR. As such, not every comment from the respondent was included in the table. The comments related to the BAR crosswalk development were passed to Treasury Fiscal Service for their consideration of updating the BAR preparation crosswalk. See minor/editorial comments at each letter listed in attachment 1 *Comment Letters*.

<u>Respondent</u>	<u>Comment</u>
#1Harold Steinberg	<p>Page 9, paragraph 6. I would revise the sentence “Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different, causing differences in the bases of accounting.” While the types of information and the timing of their recognition are different, they are not the causes of the differences in the basis of accounting. The types of information and the timing of their recognition are different because of the different bases of accounting.</p> <p><i>Staff Response: The quoted language comes from SFFAS7 paragraphs 80 and 89. In 89, it further explains what the Board refers to in Par. 80: “Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition is necessarily different because of the difference in focus.” To avoid confusion, staff recommended taking out “causing differences in the bases of accounting” in Par. 80.</i></p>
#1Harold Steinberg	<p>Page 11, Example financial statement formats. I think the definition of budgetary accounting is useful for macro purposes, but not to draw the distinction from financial accounting. A better definition would be along the lines of “Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the incurrence of an expense or acquisition of an asset and facilitates compliance with legal constraints and controls over the use of federal funds.</p> <p><i>Staff Response: We used the A-11 definition to be consistent with OMB publication. Staff recommended no change.</i></p>
#1Harold Steinberg	<p>Page 11, I also think the sentence “Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis.” is circular reasoning. Presenting information on an accrual basis is what enables financial accounting to provide a picture of financial operations and financial position. I would stop the sentence at</p>

STAFF SUMMARY OF RESPONSES – Table C

	<p>“financial position,” and then have a footnote defining financial operations and financial position in terms of the basis of accounting that assures that all assets, liabilities, revenues, and expenses are recognized, regardless of the impact on the budget.</p> <p><i>Staff Response: This is a sample for narrative discussion. Since the BAR likely would be a note to the financial statement, it doesn't make sense to add an additional footnote on already a note to add complexity for the presentation. Staff recommended no change.</i></p>
#1Harold Steinberg	<p>Page 13, Example Schedule. There are several lines that would normally be in brackets, e. g., Property, plant and equipment depreciation, Other imputed financing. I think the example schedule would be easier to understand if brackets were inserted on lines likely to have brackets. Better yet, why not include, properly qualified, an actual NBAR developed by one of the pilot agencies?</p> <p><i>Staff Response: It was board's intention to leave it less specific so the agency won't mislead by the brackets or numbers in the sample. Staff recommended no change.</i></p>

STAFF SUMMARY OF RESPONSES – Table C

<p>Breakout of Federal and non-Federal Activities by Various Respondents</p> <p><i>Staff Response: See Tab B-2 staff analysis for discussion of this section comments.</i></p>	<p>#5 Social Security Administration Paragraph A9 in the Basis for Conclusions states, “To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately.” Since we are reconciling to the Statement of Net Costs and Statement of Budgetary Resources line items in the NBAR, and these statements do not breakout Federal and non-Federal activity, is the breakout on the NBAR needed? If the breakout is necessary, could the Board provide additional information in the final version of the guidance?</p> <p>#12 Department of Justice The proposed NBAR display presents data in three columns 1) Intra-governmental, 2) With the public and 3) Total. Consider presenting data in one column with combined data for simplicity. Based on the proposed display, this would refer to the Total column. One issue, there are no SGL reporting attributes to distinguish the federal vs. non-federal property. This process could very labor-intensive to segregate information for certain line items.</p> <p>#14 Department of Interior DOI does not however agree with the column presentation of Public vs Intra-governmental activity. Outlays by trading partner is not something DOI has readily available. Adding trading partner to this reconciliation is not believed to provide useful information to the user, as the financial statement line items being reconciled are not presented at this level of detail. With the exception of the trading partner breakout, DOI agrees that the revised format will make the information easier to understand and more useful to the readers of the financial statements.</p>
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STAFF SUMMARY OF RESPONSES – Table C

Breakout of Federal and non-Federal Activities by Various Respondents – Continue	<p>#15 Department of Labor The form and presentation of the NBAR (on pages 13—14) should not distinguish between intragovernmental costs and with the public costs. Although the Statement of Net Costs distinguishes between intragovernmental costs and with the public costs, the Statement of Budgetary Resources does not; therefore, the NBAR should present only one column for the total costs. The schedule of spending already provides information about the types of payees.</p> <p>#16 Office of Personnel Management We also believe that to facilitate the reconciliation of the Accrual to Budget, the amounts be presented in Totals, not Intra-governmental and With the Public.</p> <p>#17 Federal Communications Commission We prefer presenting NBAR for the entity as whole. It could be optional for an agency to segregate the format between intragovernmental and with the public.</p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>Breakout of Federal and non-Federal Activities by Various Respondents – Continue</p>	<p>#23 Department of Commerce The Department, however, firmly believes that the breakdown between Intragovernmental and With the Public is not necessary for a fair presentation of this NBAR reconciliation and that this breakdown requirement will result in significant burdens to agencies' to have to prepare this breakdown. Because the required breakdown is not necessary for a fair presentation of the NBAR, the benefits of such a breakdown clearly do not exceed the costs/burden of the requirement to agencies. The Department respectfully opines that any agency footnote content that is not necessary for a fair presentation of the agency financial statements/footnotes, should not be added as a content requirement to agency financial statements/footnotes.....As there is no requirement to breakout Outlays, Net (or any component of Outlays, Net) in the Statement of Budgetary Resources by Intragovernmental and With the Public, such that this required breakdown cannot be considered, in the Department's opinion, necessary for a fair presentation of the NBAR. Furthermore, the face of the Statement of Net Cost similarly does not require a breakdown between intragovernmental and With the Public.</p> <p>The required breakdown between Intragovernmental and With the Public can be considered distracting to the primary purpose of the NBAR reconciliation, which is to reconcile Net Cost of Operations to Outlays, Net. The required breakdown between Intragovernmental and With the Public will create a significant additional burden to agencies by actually requiring that two separate reconciliations be performed and displayed within the NBAR (one reconciliation for Intragovernmental, and another reconciliation for With the Public), with both of these breakouts needing to be materially reconciled by line item. This creates significant additional work for agencies without being necessary for a fair presentation of the NBAR.</p> <p>It is of critical importance to note that agencies' GTAS data currently does not require Federal (i.e., Intragovernmental) Non-federal (i.e., With the Public) breakdown for a majority of the U.S. Standard General Ledger (USSGL) accounts that make up the composition of Outlays, Net, as follows... (Not all the text was copied here due to the length of the response, please see the comment letter for detail discussion).</p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>Breakout of Federal and non-Federal Activities by Various Respondents – Continue</p>	<p>#25 General Services Administration The presentation of columns to segregate Federal from non-Federal balances causes several problems for this statement. Many agencies with immaterial Federal or non-Federal balances do not always display the Net Cost split this way, so there would not be comparability to many balances. The illustrative balances show many examples with notation of XXX for possible \$ amounts when there should be no such balances on certain of the lines. For instance, a line for Transfers as well as Imputed Costs would only ever be Federal in nature, but the display includes XXX in the non-Fed column. For balances shows PP&E Depreciation, it is not clear if having the XXX in the Federal column implies that agencies should report depreciation based on the Fed vs Non-Fed source that the asset was acquired from, or other basis. If there are balances intended under the Fed column for depreciation and the line for Asset Disposals/writeoffs, this would be inconsistent with current SGL reporting, where all PP&E is considered as Non reciprocal (non-Fed), with only the acquisition 88XX00 SGL accounts indicating the acquisition source information. Also, this illustrative display would seem to benefit greatly from realignment of categories to be segregated into Operating activities, vs Financing activities, vs Investing activities, similar to the private sector Statement of Cash Flow models. It would seem much more clear for users to see changes in current assets and liabilities that are directly associated with changes in Net Cost apart from changes in long-term assets and liabilities. For instance, having one line for changes in Loans Receivable in the section under Components of Net Cost That are Not Part of Net Outlays can be very misleading, as some changes directly relate to Net Cost, while other changes in Loans can have no impact on Net Cost.</p> <p>#25 Department of Energy The format of the New BAR also requires the presentation of costs, outlays, and amounts reported on the Statement of Budgetary Resources as “intra-governmental” and “with the public.” This presentation is not required for the current SOF/Reconciliation of Operations to Budget. Therefore, once a working crosswalk has been tested, agencies may still need to evaluate the need for other system and business process changes that may be required to populate the “intra-governmental” and “with the public” sections of the New BAR. Given this additional level of complexity over the existing format, consideration must be given to the time and cost of implementing such changes.</p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>#5 Social Security Administration</p>	<p>Based on our initial review of the format, we have a few proposed changes:</p> <ol style="list-style-type: none"> 1) The “Transfers out (in) without reimbursement” should be moved to the “Components of Net Outlays that are not part of Net Cost.” Transfers are not on the Statement of Net Costs and should not be categorized as being part of Net Cost (as currently shown on the proposed reconciliation). <p><i>Staff Response: The “Transfers out (in) without reimbursement” in the illustration refers to the “Transfers in/out without reimbursement” resulting from items included in net cost such as exchange revenue receipts which are not retained by the component.</i></p> <ol style="list-style-type: none"> 2) While most Accounts Receivable (AR) items will affect the Net Costs, AR for Trust Fund activity will offset non-outlay Transfers, and are associated with Actual Offsetting Receipts (part of Net Outlays). Therefore, AR activity should be in both sections of the reconciliation. 3) Similar to item 2, while most Accounts Payable (AP) items will impact the Net Costs, AP for Trust Funds will offset non-outlay Transfers, and are associated with outlays for those transfers. Therefore, AP activity should be in both sections of the reconciliation. 4) Other Assets can include advances, which do not affect Net Cost, but instead, Net Outlays. This activity should be in both sections of the reconciliation. 5) Lastly, we may have overlooked this, but since the first part of the reconciliation is trying to compare Net Costs to Net Outlays, and Distributed Offsetting Receipts are part of Net Outlays but not Net Costs, there should be a reconciling line for this activity in the first part of the NBAR. <p><i>Staff Response: The example is an illustration purpose and doesn’t include all possible scenarios for every situation. Staff recommendation: provided the feedback to Treasury crosswalk team. In addition, update the ED par.102 to “The following is an example for the financial statement format. This format and its narrative will be added to the appendixes of SFFAC No.2.”, and add additional language in the basis of conclusion to emphasize that the sample is only an illustration; it is the agency who will finalize the format based on their own financial information.</i></p>
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STAFF SUMMARY OF RESPONSES – Table C

#7 Department of Education	<p>The inclusion of subsections for “Increase/(decrease) in assets” and “(Increase/decrease in liabilities)” within the section “Components of Net Costs That Are Not Part of Net Outlays” is unnecessary and can lead to confusion. The reconciliation would be streamlined and simplified if the sections “Increase/(decrease) in assets” and “(Increase)/decrease in liabilities” were moved to the beginning of the reconciliation and then followed by the section “Components of Net Cost That Are Not Part of Net Outlays”.</p> <p>This proposed change would resolve a number of issues including the following:</p> <p>A. Changes in assets and liabilities are not necessarily a component of net cost as shown on the proposed reconciliation. For example, reductions in receivables due solely to collections are an example of net outlays that are not part of Net Cost. Similarly, reductions in payables resulting from disbursements are an example of net outlays that are not part of Net Cost.</p> <p>..... other similar discussions were not copied here due to size of the comment, please see attachment 1 letter #7 for detail information.</p> <p><i>Staff Response: The example is an illustration purpose and doesn't include all possible scenarios for every situation. Staff recommendation: update the ED par.102 to “The following is an example for the financial statement format. This format and its narrative will be added to the appendixes of SFFAC No.2.”, and add additional language in the basis of conclusion to emphasize that the sample is only an illustration; it is the agency who will finalize the format based on their own financial information.</i></p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>#12 Department of Justice</p>	<p>Develop a new SGL based crosswalk to support the NBAR. The current footnote is inconsistent throughout the Federal Government because the outdated SOF crosswalk has not been updated. Comparisons between Budgetary and Propriety information do not yield any helpful data. It has also been difficult to adapt this note to the current SBR since changes have been made over the last five years to the statement. The crosswalk should contain specific GLs that are included for each line, especially lines that have Other Assets and Other Liabilities. It is rather vague as to which “other” liabilities are to be included or excluded. Clear direction regarding what represents an increase/decrease of each line would also be helpful. Once the draft crosswalk has been created, provide it to agencies that did not participate in the pilot for testing and preparation purposes.</p> <p><i>Staff Response: provided the feedback to Treasury crosswalk team.</i></p>
<p>#13 Department of Homeland Security - TSA</p>	<p>How will receipts which are not retained by the component and are not classified as custodial (not on Statement of Custodial Activity) to be handled/classified under the proposed reconciliation?</p> <p><i>Staff Response: It covers at “other financing sources – transfers out (in) without reimbursement”.</i></p>
<p>#13 Department of Homeland Security - USCG</p>	<p>The USCG Finance Center participated in the Task Force during the initial phase of the NBAR working group. The USCG Finance Center recommends that an ‘Other’ line be added to the crosswalk for agencies to address specific issues that are unique to them and are needed to balance the reconciliation. This would allow agencies to address reconciliation complexities as mentioned above and allow the flexibility to use various internal accounting data elements to calculate various lines, as it was identified during testing that there are some gaps. Alternatively, an explanation for the cause of the reconciliation not balancing could be added to the narrative disclosure.</p> <p><i>Staff Response: An ‘Other’ line has been added to the draft crosswalk for the BAR during the pilot process.</i></p>

STAFF SUMMARY OF RESPONSES – Table C

<p>#15 Department of Labor</p>	<p>1. Because the standard applies only to component reporting entities, “Component Reporting Entities” should appear in the title of the standard.</p> <p><i>Staff Response: ED scope section Par. 5 stated this Statement applies to component reporting entity.</i></p> <p>2. The illustrative NBAR on pages 13—14 should have line items from the latest version of the Treasury cross-walk for amounts that may be material, e.g., principal and interest paid on intragovernmental debt, other actuarial liabilities. Also, the NBAR should be labeled as an example and should not be labeled as a financial statement.</p> <p><i>Staff Response: The example is an illustration purpose and doesn’t include all possible scenarios for every situation. Staff recommendation: update the ED par.102 to “The following is an example for the financial statement format. This format and its narrative will be added to the appendixes of SFFAC No.2.”, and add additional language in the basis of conclusion to emphasize that the sample is only an illustration; it is the agency who will finalize the format based on their own financial information.</i></p>
<p>#24 Department of Housing and Urban Development</p>	<p>Consideration of negative subsidy receipts. The ED states that budget receipts not available to the entity would not be included, but this would seem to provide an incomplete view on the results of operations/net costs for large negative subsidy programs like MMI.</p> <p><i>Staff Response: The receipt of the funds in the miscellaneous receipts accounts do not have net cost or outlay components as such it is not included in this ED. The receipt would be covered by other financial statements in the reporting such as Statement of net cost.</i></p> <p>To better meet the reporting needs of entities, HUD suggests the Board consider making changes that would allow agencies the flexibility to add agency specific line descriptions on the face of the reconciliation of non-cash outlays. This could mitigate the need for each agency to add additional, unnecessary narrative disclosure that would likely be discussed in other areas of the Notes.</p> <p><i>Staff Response: The example is an illustration purpose and doesn’t include all possible scenarios for every situation. Staff recommendation: update the ED par.102 to “The following is an example for the financial statement format. This format and its narrative will be added to the appendixes of SFFAC No.2.”, and add additional language in the basis of conclusion to emphasize that the sample is only an illustration; it is the agency who will finalize the format based on their own financial information.</i></p>

STAFF SUMMARY OF RESPONSES – Table C

<p>#25 General Services Administration</p>	<p>In the proposed new paragraph 81.c, it is indicated that balances for Timing Differences may include prior period adjustments. This seems very unusual compared to other statements, where comparative statements are restated for prior period adjustments as defined in SFFAS 21. Possibly this language is referencing non-material adjustments sometimes adjusted in SF133 reporting. This standard need to be more clear as to when SFFAS 21 applies and circumstances when it does not.</p> <p><i>Staff Response: It refers to all prior period adjustments not only non-material adjustments. See Treasury crosswalk instruction for what kind of prior period adjustment should be included in this Timing Differences category.</i></p> <p>The wording for the replacement paragraph 92 discusses how the BAR could be presented for different levels of an entity. Please clarify that the BAR presentations should be consistent with entities presented for the SBR and Net Cost statements. This is required to be a reconciliation between the two.</p> <p><i>Staff Response: This ideal is covered by the ED in Par92, it states: "The data presented could be for the reporting entity as a whole, for the major suborganization unites, for major budget accounts, or for aggregations of budget accounts," In addition, A9 states:" the majority of the reconciliation items come directly from the other financial statements' line items..." The text referred to (par. 92) will reside in a concept statement (SFFAC 2) and is therefore general in nature. The specific requirements are presented in the amendments to par. 80-82 and are clearer regarding scope.</i></p> <p>Suggest the Board consider captions segregating Financing and Investing activities similar to Statement of Cash Flows used in private sector. Further, either in this section, or in the illustrative examples, this Standard needs to discuss the presentation of leases on the BAR, particularly if the Board expects issuance of leasing standards to adopt right-to-use concepts for asset and liability recognition.</p> <p><i>Staff Response: The BAR reconciliation captions are segregated based on the nature of the cost and budget outlays which are the two important elements in the federal government financial reporting not the importance of the commercial reporting.</i></p> <p>The only budgetary SGL accounts that Treasury currently has on the draft crosswalk are related to either capital transfers to Treasury or borrowing authority converted to cash. We no longer report the obligations incurred or spending authority from offsetting collections, recoveries, etc. like we did for the Statement of Financing. They could easily rearrange the sections to cash flows from operating, investing, and financing activities rather than the current headings which are: components of net cost not part of net outlays, components of net outlays not part of net cost, and other temporary timing differences. The last section will never be used unless we have to report prior-period adjustments.</p> <p><i>Staff Response: Passed feedback to Treasury.</i></p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>#26 Department of Energy</p>	<p>2) We suggest Treasury, in collaboration with agencies, consider adding guidance to address non-budgetary resources in the New BAR template. The inability to enter “significant” non-budgetary resources into the New BAR template may impact some agencies ability to completely reconcile its net cost with its net outlays. For example, Federal Energy Regulatory Commission (FERC), a Departmental component, will need to use a non-budgetary resource line item to account for and reconcile:</p> <ul style="list-style-type: none"> • Appropriation offsets through the collection of annual charges and fees • Excess receipts over appropriation that are deposited directly to Treasury • Full cost recovery • Custodial receipts reported as non-exchange revenue with a disposition to Treasury (no cost associated with these transactions) <p>With the mention of "Crosswalk", does FASAB expect:</p> <p>a) Treasury will issue a crosswalk to this footnote, which would be a departure since Treasury has not provided crosswalks to footnotes, nor are we aware of the crosswalk being finalized at this time; also</p> <p>b) Will agencies have flexibility to account for agency-specific activities which may not fit the mold of the crosswalk and therefore contribute to Net Cost adjustments that need to be listed in order to reconcile with net outlays?</p> <p><i>Staff Response: Treasury is in the process of developing a crosswalk on BAR. Passed comments to Treasury for consideration.</i></p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>#26 Department of Energy</p>	<p>BAR vs. NBAR: Consider only using BAR and then using term "new BAR" since the BAR will no longer be considered "New" in subsequent fiscal years after the implementation and using BAR vs. NBAR could be confusing.</p> <p>Alternatively, the Board should also consider renaming the new statement to more clearly align with the statement's contents. Change from Budget and Accrual Reconciliation (BAR) to Net cost to Net Outlays (NCNO).</p> <p><i>Staff Response: Took out NBAR as suggested and will discuss with the Board about the name change suggestion.</i></p>
<p>#27 Intelligence Community</p>	<p>Does FASAB plan on releasing any detailed guidance or NBAR templates /example to help agencies build the NBAR into their current financial reporting tools?</p> <p><i>Staff Response: It will depend on the Statement implementation result. If the Treasury crosswalk provided sufficient support for the agencies then no implementation guidance would be needed.</i></p> <p>Recommend eliminating the section "RELATED AMOUNTS ON THE STATEMENT OF BUDGETARY RESOURCES" to include the following lines: (1) Outlays, gross; (2) Actual Offsetting Collections; and (3) Distributed Offsetting Receipts. This information is already presented on the SBR. Therefore, it appears duplicative. If necessary, please reference the relationship of both Outlay components and Net Cost components in the disclosure narrative and/or footnote.</p> <p><i>Staff Response: Although those items are copied directly from SBR, it would show the reader what kind of items taken out of the gross outlays to get the net outlays for this reconciliation. During the workgroup pilot process, there were questions from the agencies about if the distributed offsetting receipts should be taken out to arrive the net outlays and the try out result showed that it should be taken out</i></p>

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**Harold I. Steinberg
1881 N. Nash Street
Apt. 711
Arlington, VA 22209**

January 10, 2016

Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mail Stop 6H19
Washington, D. C. 20548

Dear Wendy,

The following are my responses to the questions for the Budget and Accrual Reconciliation exposure draft, plus some other comments.

Q1. Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

I agree with the proposal to replace the Statement of Financing with the New Budget to Accrual Reconciliation (NBAR). Furthermore, the NBAR should be presented as a footnote. The ED proposes that the NBAR be accompanied by explanatory narrative. The presentation of narrative in the footnotes is more appropriate than on the face of the financial statements.

Q2. Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

I agree that a narrative disclosure should accompany the NBAR. It would help with understanding the purpose of the NBAR and the rationale for the components

Q3. Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

I agree with the proposed effective date, provided the standard can be issued prior to the beginning of the fiscal year for which it is effective. Earlier adoption should be permissible since it would be an improvement in the present presentation. Restatement of prior period should not be required since it a) adds nothing, and b) would reinforce how ineffective the prior approach is.

Other comments I have are as follows:

1. Page 9, paragraph 6. I would revise the sentence "Budgetary and financial accounting information are complementary, but both the types of information and the timing of their

recognition are different, causing differences in the bases of accounting.” While the types of information and the timing of their recognition are different, they are not the causes of the differences in the basis of accounting. The types of information and the timing of their recognition are different because of the different bases of accounting.

2. Page 11, Example financial statement formats. I think the definition of budgetary accounting is useful for macro purposes, but not to draw the distinction from financial accounting. A better definition would be along the lines of “Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the incurrence of an expense or acquisition of an asset and facilitates compliance with legal constraints and controls over the use of federal funds.

I also think the sentence “Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis.” is circular reasoning. Presenting information on an accrual basis is what enables financial accounting to provide a picture of financial operations and financial position. I would stop the sentence at “financial position,” and then have a footnote defining financial operations and financial position in terms of the basis of accounting that assures that all assets, liabilities, revenues, and expenses are recognized, regardless of the impact on the budget.

3. Page 13, Example Schedule. There are several lines that would normally be in brackets, e. g., Property, plant and equipment depreciation, Other imputed financing. I think the example schedule would be easier to understand if brackets were inserted on lines likely to have brackets. Better yet, why not include, properly qualified, an actual NBAR developed by one of the pilot agencies?

I hope the above is useful.

Sincerely

Hal Steinberg

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

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- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

AGREE

The SOF was a difficult report to prepare because of the complexity of the crosswalk and the lack of proper USSGL agency accounting data. Using properly posted and balanced data, the SOF works perfectly and is the quickest indicator of the accuracy of proper SGL posting logic contained within the reports. Unfortunately, most agencies do not have proper posting and the timing discrepancies of the entries made this report very difficult to complete correctly. These unidentifiable differences forced a “plug” to be entered to make the balance work. When it moved to a footnote, the lack of an accurate crosswalk compounded the problem to the point that it was an inaccurate and useless footnote. The adjustment to use net outlays instead of net obligations makes process toward reconciliation while allowing the report to be more easily prepared, but does not accomplish the full of objectives of the SOF. It removes the requirement for federal accountants to understand the relationship between budgetary and proprietary

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events from receipt and use of authority to the receipt and use of assets and expenses. This being said, the NBAR is still a step forward to what might ultimately be the reestablishment of the SOF. I agree that it should be implemented and included as an auditable portion of the basic financial statements. This will require agencies to not only prepare the report but be forced to deal with the interrelationship of the USSGL accounts and posting logic from the cost versus cash perspective, which is unfortunately more commercial than government. It still falls short of the full relationship of budgetary to proprietary but it is a good start toward a more challenging requirement. A good start can lead to an eventual good finish.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

DISAGREE

The addition of a narrative on non-cash outlays is overkill. This is not a universal item which will only serve to confuse agencies that do not participate in this area. If after implementation it is evident that the new report is incomplete without this information, then it can be added. Initially, it will be difficult enough getting the new report into place.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

AGREE

The sooner the better, if only to get rid of the bad footnote. This information should be readily available for both the current period and a restatement (creation) of the comparative period.

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Please provide your name.

Name: John Walter

Please identify your organization, if applicable.

Organization: Railroad Retirement Board

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

We agree with the proposal to replace the SOF/RNCOB, however, we propose calling the replacement the Budget and Accrual Reconciliation Note (BARN). We agree that the BARN should be a note to the financial statements. The reason the BARN should be a note is that it is designed to be a schedule in the notes to the basic financial statements. The financial readers with interest in determining how information on budgetary resources relates to information on the costs of program operations can reference the note (BARN).

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- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

We believe that a narrative disclosure should not be mandatory for agency reporting, but a narrative disclosure and its requirements could be optional for an agency. The reason the BARN narrative should not be mandatory is that the note historically had no narrative and a reader of the BARN would not require a narrative disclosure, similar to the basic financial statements. If a narrative disclosure is provided, it should be a general description of the appropriate elements.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

We agree that the effective date is reasonable assuming the US Standard General Ledger cross walk is completed and provided to agencies by the end of calendar year 2017 or December 31, 2017. The Department of the Treasury publication of a crosswalk of USSGL accounts to each line on the BARN is critical for the agencies to accurately and timely prepare the BARN for the end of the 3rd quarter fiscal year 2017 reporting. Per Office of Management and Budget, Circular Number A-136, Financial Reporting Requirements, section IV.2. Submission Schedule, agencies will submit unaudited interim financial statements to OMB 21 business days after the end of the third quarter of the fiscal year and other information 45 days after the end of the third quarter of the fiscal year using the MAX Federal Community.

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Name:

Please identify your organization, if applicable.

Organization:

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

SEC Response:

- Agree with the proposal to replace the SOF footnote with the NBAR.
- The NBAR should be presented as a footnote, similar to the placement of the existing Statement of Finance (SOF) reconciliation, rather than as a new basic financial statement. Presentation as a footnote will allow the reconciliation to be presented together with the narrative explanation, making it more understandable to financial statement readers. This is especially important for members of the public who are not familiar with the differences between budgetary and accrual accounting.

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- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

SEC Response:

Agree that a narrative disclosure should accompany the NBAR. The example narrative provided in paragraph 9, revision to Entity and Display Appendix 1-G, is a good illustration that provides a concise and clear explanation of the purpose of the reconciliation. The final SFFAS should retain footnote 3 to this Appendix, which makes it clear that Appendix 1-G is an illustrative example.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

SEC Response:

The effective date should be FY 2019 rather than FY 2018, with early adoption permitted, to allow sufficient lead time for agencies to develop the new footnote and to accumulate the data that will be presented for the restated prior period, which would then be FY 2018 rather than FY 2017. This would also provide sufficient time for Treasury Fiscal Service to develop and test a crosswalk to the reconciliation that would address all funds for all federal reporting entities, including those that did not participate in the Task Force.

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Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Carla A. Krabbe, Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

SSA Response: We agree with the proposal to replace the SOF with the NBAR. The title change more accurately reflects the purpose of the Statement, and the new format appears to be more reader-friendly. Also, if the new NBAR has a comprehensive crosswalk, the new format will allow for consistency across agencies, which is not currently the case.

We believe that the NBAR should be presented as a footnote similar to the current Reconciliation of Net Cost of Operations to Budget. The activity presented is a reconciliation of other statements' information; therefore, we believe it would be more appropriate as a note than a basic financial statement.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

SSA Response: We agree that a succinct and concise narrative disclosure should accompany the NBAR for material or significant line items. The additional language would help the reader understand what the activity on the significant line items represents and how the activity is related to the Net Costs or Net Outlays, but not both.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

SSA Response: Without a valid crosswalk to review and analyze, the early adoption period does not seem feasible. While we agree in theory with the NBAR, until we can test the layout and see the crosswalk of SGL accounts, we cannot say that we would be ready to implement this activity this year. In addition, depending on the timing and completeness of the crosswalk, including time to validate them, first quarter of FY 2018 may not be a reasonable implementation date either.

The original Statement of Financing was removed from the crosswalk because it was too complex based on the various agencies' specific reconciling items. While we believe the new items presented should allow for more consistency, we cannot agree with the current target effective dates until we are able to test the new format.

In addition, with our preference for the NBAR being a note as opposed to a basic financial statement, we do not believe the benefits of providing comparative prior period information in the first year of the NBAR being issued outweigh the costs. We would have to go back and recreate the comparative statement with historical data, which would result in additional administrative burden and resources across all agencies.

ADDITIONAL COMMENTS

Comment 1:

Paragraph A9 in the Basis for Conclusions states, "To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately." Since we are reconciling to the Statement of Net Costs and Statement of Budgetary Resources line items in the NBAR, and these statements do not breakout Federal and non-Federal activity, is the breakout on the NBAR needed? If the breakout is necessary, could the Board provide additional information in the final version of the guidance?

Comment 2:

Based on our initial review of the format, we have a few proposed changes:

- 1) The "Transfers out (in) without reimbursement" should be moved to the "Components of Net Outlays that are not part of Net Cost." Transfers are not on the Statement of Net Costs and should not be categorized as being part of Net Cost (as currently shown on the proposed reconciliation).
- 2) While most Accounts Receivable (AR) items will affect the Net Costs, AR for Trust Fund activity will offset non-outlay Transfers, and are associated with Actual Offsetting Receipts (part of Net Outlays). Therefore, AR activity should be in both sections of the reconciliation.
- 3) Similar to item 2, while most Accounts Payable (AP) items will impact the Net Costs, AP for Trust Funds will offset non-outlay Transfers, and are associated with outlays for those transfers. Therefore, AP activity should be in both sections of the reconciliation.
- 4) Other Assets can include advances, which do not affect Net Cost, but instead, Net Outlays. This activity should be in both sections of the reconciliation.
- 5) Lastly, we may have overlooked this, but since the first part of the reconciliation is trying to compare Net Costs to Net Outlays, and Distributed Offsetting Receipts are part of Net Outlays but not Net Costs, there should be a reconciling line for this activity in the first part of the NBAR.

We came up with these proposed changes after thinking about what type of narratives we would need to provide and how our narratives do not line up with the current report layout for some line items. We believe that other agencies may have similar comments and that a view of the crosswalk or input into the crosswalk is needed to ensure that all reconciling activity will be presented properly.

We believe that a review of crosswalks and validation of the crosswalks is a critical step that must be achieved before effective dates can be finalized due to the different reconciling items that each agency may have.

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Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
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Please identify your organization, if applicable.

Organization:

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

HHS agrees with replacing the Statement of Financing (SOF) with the new budget and accrual reconciliation (NBAR). HHS recommends that the NBAR be presented as a footnote to support the basic consolidated financial statements. The implementation of the NBAR will simplify the complexities of the existing SOF and support government-wide reporting. Most importantly, the NBAR will provide readers a better understanding of the relationship between the budgetary outlays and the net cost of operations.

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- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

HHS agrees that a narrative disclosure should accompany the NBAR. The narrative will provide the readers an understanding of the purpose of the reconciliation and highlight the reasons for differences between budgetary accounting and financial accrual based accounting. This disclosure will support our commitment to providing financial transparency and accountability.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

HHS recommends implementing NBAR by the 3rd quarter in fiscal year 2018 as a footnote. Since NBAR will completely replace the SOF presentation, HHS suggests preparing and publishing current year data only for the first year of implementation and producing the footnote with comparative data thereafter.

If the Board decides that the prior year should be presented, HHS recommends using the word “reclassified” for presentation purposes. The “Effective Date” section of the ED which now reads, “Comparative prior period information should be “restated” consistent with this Statement” would be changed to say “reclassified.”

The implementation of NBAR will require system reconfigurations and extensive coordination with the operational divisions throughout HHS. HHS recommends that Treasury Fiscal Service finalize the NBAR crosswalk prior to fiscal year 2018 and update the crosswalk regularly thereafter.

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- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

We agree with the proposal to replace the SOF with the NBAR because requiring both would be overly burdensome on agencies to prepare and the information presented is somewhat duplicative and therefore both reconciliations are not needed by the statement users.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

We agree with the requirement for narrative disclosure to accompany the NBAR.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

We agree that the effective date, the early adoption, and restatement of comparative prior period information requirements are reasonable.

Additional Comments

1. The inclusion of subsections for "Increase/(decrease) in assets" and "(Increase/decrease in liabilities)" within the section "Components of Net Costs That Are Not Part of Net Outlays" is unnecessary and can lead to confusion. The reconciliation would be streamlined and simplified if the sections "Increase/(decrease) in assets" and "(Increase)/decrease in liabilities" were moved to the beginning of the reconciliation and then followed by the section "Components of Net Cost That Are Not Part of Net Outlays".

This proposed change would resolve a number of issues including the following:

- A. Changes in assets and liabilities are not necessarily a component of net cost as shown on the proposed reconciliation. For example, reductions in receivables due solely to collections are an example of net outlays that are not part of Net Cost. Similarly, reductions in payables resulting from disbursements are an example of net outlays that are not part of Net Cost.
- B. Changes to property, plant and equipment would be shown on one line within the Increase/(decrease) to assets section rather than on potentially the following four lines as proposed in the Exposure Draft:

Components of Net Cost That Are Not part of Net Outlays:

- Property, plant and equipment depreciation XXX
- Property, plant and equipment disposal and revaluation XXX

Other financing sources:

- Transfers out (in) without reimbursement XXX

Components of Net Outlays that Are Not Part of Net Costs

- Acquisition of capital assets XXX

- C. Changes to inventory would be added to the Increase/(decrease) in assets section and the separate line for acquisition of inventory would be removed. It is not clear where it was intended that the consumption of inventory

capitalized in a previous period would be reported on the proposed reconciliation, but that amount should be included on the single line proposed for change in inventory.

- D. Changes to loans receivable would all be shown on one line within the Increase/(decrease) to assets section rather than having two additional lines as proposed – one for Year-end credit reform re-estimates, and one for Effect of prior-year agencies credit reform subsidy re-estimates.
2. All assets (except Fund Balance with Treasury) and all liabilities should be included in the reconciliation so that the amounts will fully and directly tie to changes in the amounts shown on each agency's comparative balance sheet. This may necessitate inclusion of additional lines to fully reconcile net cost to net outlays. As an example, if a line for Debt were included in the (Increase)/decrease in liabilities section, a new line for (Increase)/Decrease in Borrowing, Net would need to be added to other timing differences since borrowing activity is not a component of either net costs or net outlays.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

SBA Response: SBA agrees with the proposal to replace the SOF with the NBAR. The NBAR should be a footnote.

Rational: The NBAR format reduces the burden on agencies in the compilation of the statement while providing a reconciliation of net cost and budget that is easier to understand. The proposed NBAR reconciles budgetary and proprietary accounting primarily through changes in asset and liability balances and identifies differences that are uniquely federal.

The NBAR should be included in a footnote as the SOF currently is presented. There is no compelling reason to increase the weight of the information to the status of a basic statement. FASAB can continue to provide OMB with the option to elevate the level of the statement to a basic statement if determined appropriate in the future without a requisite amendment to the standard.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

SBA Response: SBA agrees with the proposal to require narrative disclosure with the NBAR.

Rational: Providing narrative disclosure is consistent with agencies' practices related to other disclosures. Narrative tells the story that the reconciliation presents to assist the public and other users understand what the numbers represent. SBA considers this type of narrative to be a financial statement best practice whether inside or outside of government.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

SBA Response: SBA agrees with the effective date and permitting early adoption. However, restatement of prior period information in the initial year should be at the discretion of the agency.

Rational: SBA is confident that it could fully comply with the provisions to present comparable reporting in the time frame specified by the standard.

During the agency tryouts there were some agencies which struggled with the new format. In order to maximize agency success rate in adopting the new standard, implementation guidance should be provided to agencies as soon as possible, complemented by flexibility during the transition period.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

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- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

USDA agrees to replace the SOF with the NBAR because the format is easier to follow and understand. The NBAR should remain as a footnote as it is replacing a reporting requirement that was presented as a footnote. Also the data included in the reconciliation is pulled from other basic financial statements so therefore it would be better to include the NBAR as a footnote.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

USDA agrees the narrative disclosure should accompany the NBAR to provide clarity or understanding for the differences in budgetary versus proprietary accounting. A narrative disclosure would also provide additional information as to the purpose and presentation of reconciliation.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

USDA agrees with the effective date, early adoption, and restatement of comparative prior period information.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
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- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

Agree – The NBAR should replace the current Reconciliation of Net Cost of Operations to Budget (formerly SOF). The proposed note is streamlined to reconcile Net Cost to Net Outlays as opposed to Net Cost to Obligations and Non-budgetary Resources. This is a more logical reconciliation since it enables the reader to more clearly align budget and cost data.

We recommend the reconciliation be included as a note because:

- 1) The suggested format is a reconciliation between components of two statements (SNC and SBR). A reconciliation of this nature would be better presented as a note.
- 2) The addition of Intra-governmental and With the Public segregation more appropriately aligns with detailed note information as opposed to a financial statement.

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3) A narrative would not be feasible as a statement. As a result the inclusion of the reconciliation as a statement would result in an additional statement AND note.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

We agree that a general narrative disclosure should accompany the NBAR. While a narrative to explain the purpose of the reconciliation and general reconciling items between Net Cost and Net Outlays (paragraph 1 in Appendix 1-G) is beneficial; the additional detail in paragraph 2 of Appendix 1-G appears to be more of a fluctuation analysis as opposed to an explanation of the information presented. A fluctuation analysis is not traditionally presented in a published financial statement note. Due to the number of lines in the reconciliation, fluctuation related explanations may require extensive language that could lead to confusion and non-conformity on a government-wide basis. We, therefore, recommend limiting the narrative to a general introduction of the purpose and intent of the reconciliation.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

The effective date should be contingent on the release of the final pronouncement and crosswalk.



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Department of Defense (DoD) is pleased to submit the attached comments to the Federal Accounting Standards Advisory Board on the Exposure Draft, *Budget and Accrual Reconciliation*. The DoD understands the importance of providing useful, understandable information to users of the financial statements. While we agree that the proposed new budget and accrual reconciliation is an improvement on the statement of financing, we believe that the need for such supplementary reconciliations should lead to a reassessment of the current presentation of the financial statements and related footnotes. Thank you for considering the DoD's responses and comments.

Sincerely,

Alaleh A. Jenkins
Assistant Deputy Chief Officer

Enclosures:
As stated



Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

DoD Response:

The DoD agrees with the Board's proposal to replace the current SOF requirement with the NBAR, and the DoD believes that the NBAR is an improvement over the former SOF.

The Department recommends presenting the NBAR as a footnote to the financial statements. Like the SOF that the NBAR would be replacing, the information presented is a detailed reconciliation of information already presented on the face of the existing basic financial statements, and provides a more detailed analysis of the information presented in other financial statements. This is consistent with the intent and purpose of the notes to the financial statements and thus should be presented as such.

Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12. Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

DoD Response:

The DoD agrees that a narrative disclosure (as described above) should accompany the NBAR.

Paragraph 14 of Statement of Federal Financial Accounting Concepts (SFFAC) 1 states,

Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities.

Additionally, Paragraph 64A of SFFAC 2 states,

Sub-objective 1C of the budgetary integrity objective states that information is needed to help the reader to determine 'how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.'

The DoD believes that a narrative accompanying the NBAR will improve the understandability of the costs incurred and the relationship of budgetary to accrual based accounting. The current SOF is complex and not easily understandable to financial statement users who do not have the knowledge and experience of federal budgetary accounting. Simplifying the reconciliation with the NBAR and providing a narrative explaining the reconciling differences provides more useful information to financial statement users, and provides more transparency to the use of federal resources.

The DoD recognizes the importance of the suggested disclosure that describes these differences in the aggregate, and believes that agencies should have flexibility to include additional disclosures that describe significant line items unique to each agency. For example, if a DoD agency has a significant amount of depreciation expense, then an additional disclosure describing why that is a reconciling item between budgetary and accrual-based accounting may be beneficial to a reader.

The DoD believes that the need for additional narrative and reconciliations outside of the information presented on the face of the financial statements indicates that the financial statements in their current form are not usable or understandable to a general audience. Given this, rather than requiring additional narratives and reconciliations, the entire federal financial reporting model (to include the financial statements and all related footnotes) should be reviewed and, if necessary, revised to present data in a format that can be understood and used without the need for supplementary explanatory information.

Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13. Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

DoD Response:

The DoD does not agree with the proposed effective date, with comparative period presentation of fiscal year 2017 information. We believe that the basic financial statements and footnote disclosures should be consistent in providing comparative period information. However, the DoD's ability to produce a comparative period presentation is dependent on the availability of a Treasury crosswalk by the end of fiscal year 2017 that defines the USSGL accounts to be included in the new presentation.

The DoD will have additional challenges given the scope and complexity of the mission, and the issues related to reconciling general ledger data, and thus, the DoD suggests that the Board consider a later effective date (periods beginning after September 30, 2018). This would provide sufficient time to create a comparative period presentation for the September 30, 2019 annual financial report.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

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Accounting Firm	<input type="checkbox"/>	
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Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
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Nonprofit organization/Foundation	<input type="checkbox"/>	
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Individual	<input type="checkbox"/>	

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Name:

Please identify your organization, if applicable.

Organization:

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

Agree. The DOJ agrees with proposal to replace the SOF with NBAR and recommends it be presented as a footnote. Additionally, the DOJ suggests developing a crosswalk from the old to the new reconciliation based on the USSGL accounts for the NBAR to ensure consistency.

The DOJ recommends presenting the NBAR as a footnote for the following reasons:

- The NBAR reconciles proprietary and budgetary information, but doesn't present new information. It is not used for decision making, and is not intended to show the financial position or financial operation.
- The current basic financial statements summarize the entity's activities. The NBAR will explain the difference between budgetary and financial accounting

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

using accounting lines already introduced on the existing basic financial statements.

- As a footnote, the NBAR would not be subjected to the same level of audit testing as a financial statement would. This would allow agencies to become comfortable with compilation and the information being presented in the note before having to address auditor inquiries.

Additional suggestions:

- The proposed NBAR display presents data in three columns 1) Intra-governmental, 2) With the public and 3) Total. Consider presenting data in one column with combined data for simplicity. Based on the proposed display, this would refer to the Total column. One issue, there are no SGL reporting attributes to distinguish the federal vs. non-federal property. This process could very labor-intensive to segregate information for certain line items.
- Develop a new SGL based crosswalk to support the NBAR. The current footnote is inconsistent throughout the Federal Government because the outdated SOF crosswalk has not been updated. Comparisons between Budgetary and Propriety information do not yield any helpful data. It has also been difficult to adapt this note to the current SBR since changes have been made over the last five years to the statement. The crosswalk should contain specific GLs that are included for each line, especially lines that have Other Assets and Other Liabilities. It is rather vague as to which “other” liabilities are to be included or excluded. Clear direction regarding what represents an increase/decrease of each line would also be helpful. Once the draft crosswalk has been created, provide it to agencies that did not participate in the pilot for testing and preparation purposes.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

Agree. DOJ agrees that a narrative disclosure should accompany the NBAR explaining the nature of the reconciliation and significant reconciling items. However, one component suggested that the disclosure might fit best in Note 1 as a high-level explanation of the methodology and purpose of the reconciliation, rather than addressing specifics related to the nature of non-cash outlays.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

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Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

Disagree. The main preparers of DOJ's consolidated financial statements think the proposed effective date is too aggressive. DOJ supports restatement of comparative prior period information to be consistent with the NBAR because it contributes to an efficient analysis.

The consolidated statement preparers said that establishing the effective period to begin after September 30, 2017 was aggressive, and thought a later effective date would allow additional federal agencies to test data for the NBAR. It will take time for agencies to implement the new program/crosswalk, compare data to prior periods to ensure consistent reporting with the NBAR, and determine if restatements are necessary for future reporting. Coordinating and testing data, reprogramming systems, restating prior period information (if applicable), and receiving final guidance may require additional time. They suggested an effective date one year later - September 30, 2018.

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input checked="" type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
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Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Mary E. Peterman, Deputy Director

Please identify your organization, if applicable.

Organization: Department of Homeland Security – Office of the Chief Financial Officer

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

DHS Response: DHS agrees that the current SOF should be replaced by the proposed NBAR. The NBAR is a simpler report and still meets all of FASAB objectives (i.e. explains difference between Net Costs and Net Outlays, supports GWA reconciliation, etc.).

DHS recommends the NBAR be presented in “Required Supplementary Information (RSI)” or “Other Information (OI)”. We believe the NBAR will be very challenging for some complex agencies, such as DHS to prepare. Including in RSI reduces audit risk associated with requirements to provide detailed line item support, for audit purposes. If FASAB does not concur with NBAR presentation would be sufficient within RSI or OI, then DHS recommends NBAR be presented as a footnote (as opposed to new financial statement) as it provides

reconciliation information of the Statement of Net Cost to budgetary data, all of which are already presented in existing financial statements.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

DHS Response: DHS agrees that a narrative explaining the nature of the reconciliation should be presented. However, DHS does not believe that a disclosure explaining the nature of significant reconciling items and the nature and amount of non-cash outlays should be presented. The NBAR will provide adequate useful information to the reader and the added complexity of compiling the proposed disclosures will outweigh the added usefulness of information.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

DHS Response: DHS disagrees with the proposed effective date due to the associated complexities of implementing this statement. DHS recommends the effective date be for periods beginning after September 30, 2018, with early implementation allowed. This would give agencies and auditors sufficient time to determine any potential system changes, reporting and audit procedures around the new balances and NBAR. In addition, it would be helpful for federal entities to have crosswalk guidance to avoid some of the preparation challenges and inconsistencies across the federal government that have been inherent in the SOF reconciliation.

Additional comments/questions from DHS Components:

TSA

1. How will receipts which are not retained by the component and are not classified as custodial (not on Statement of Custodial Activity) to be handled/classified under the proposed reconciliation?

USCG

1. The USCG Finance Center participated in the Task Force during the initial phase of the NBAR working group. The USCG Finance Center recommends that an 'Other' line be added to the crosswalk for agencies to address specific issues that are unique to them and are needed to balance the reconciliation. This would allow agencies to address reconciliation complexities as mentioned above and allow the flexibility to use various internal accounting data elements to calculate various lines, as it was identified during testing that there are some gaps. Alternatively, an explanation for the cause of the reconciliation not balancing could be added to the narrative disclosure.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

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Federal Entity (user)	<input type="checkbox"/>	
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Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

DOI agrees with the line item presentation of the new NBAR. DOI does not however agree with the column presentation of Public vs Intra-governmental activity. Outlays by trading partner is not something DOI has readily available. Adding trading partner to this reconciliation is not believed to provide useful information to the user, as the financial statement line items being reconciled are not presented at this level of detail. With the exception of the trading partner breakout, DOI agrees that the revised format will make the information easier to understand and more useful to the readers of the financial statements.

DOI does not believe it should be a financial statement. The information in this schedule is simply a reconciliation of information provided on the face of financial statements. DOI would recommend that FASAB consider presenting this reconciliation information along with other similar information such as the Schedule of Spending, in Other Information. DOI does not believe the NBAR

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

meets the standard definition of a note disclosure as it does not further break down any financial statement line item or reported activity. If this is not an option that FASAB would entertain, DOI would recommend RSI.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

Yes, DOI agrees that a narrative disclosure should accompany the NBAR to explain the purpose of the schedule and any material reconciling line items.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

DOI recommends for periods after September 30, 2018, with early adoption permitted. This will allow time for DOI to test and implement systematically the NBAR crosswalk for comparative FY2019 reporting.

From: Simpson, Cynthia - OCFO [<mailto:Simpson.Cynthia@dol.gov>]

Sent: Tuesday, March 14, 2017 10:50 AM

To: FASAB

Cc: Payne, Wendolyn M; Wyes, Tesfaye T - OCFO; Maurer, Jennifer - OCFO; Sacchetti, Dylan M - OCFO; DiGiantomaso, Jennifer M. - OCFO

Subject: US DOL/OCFO/DFR Comments on FASAB ED, "Budget and Accrual Reconciliation"

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), Division of Financial Reporting (DFR) on the exposure draft of proposed Statement of Federal Financial Accounting Standards, "Budget and Accrual Reconciliation (December 21, 2016)." Comments were requested by March 14, 2017. DOL/OCFO/DFR is a Federal entity preparer.

We appreciate the opportunity to provide comments. If there are any questions, please contact:

Cynthia Simpson, simpson.cynthia@dol.gov or

Jennifer Maurer, Maurer.Jennifer@dol.gov

Both may be reached at 202-693-6800.

Regards,

Cynthia D. Simpson
U.S. Department of Labor
Office of the Chief Financial Officer
Division of Financial Reporting

%%%%%%%%%

U.S. Department of Labor
Office of the Chief Financial Officer
Division of Financial Reporting
Comments on FASAB Exposure Draft, "Budget and Accrual Reconciliation (December 21, 2016)"

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

DOL/OCFO/DFR Response:

(1) We disagree with the proposal to replace the SOF with the NBAR. We believe that the current form and presentation of the SOF provides users with the information needed to distinguish differences between budgetary concepts and the proprietary accounting on the Statement of Net Costs.

Please do not interpret our responses (2) and (3) as an agreement with the proposal to replace the SOF with the NBAR.

(2) The NBAR should be presented as a footnote because that is the current presentation for the SOF and this method of reporting would require the least disruption and costs to the preparer, auditor, and user.

(3) The form and presentation of the NBAR (on pages 13—14) should not distinguish between intragovernmental costs and with the public costs. Although the Statement of Net Costs distinguishes between intragovernmental costs and with the public costs, the Statement of Budgetary Resources does not; therefore, the NBAR should present only one column for the total costs. The schedule of spending already provides information about the types of payees.

Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

DOL/OCFO/DFR Response: Please do not interpret our response as an agreement with the proposal to replace the SOF with the NBAR. The NBAR should not require a disclosure; currently, the SOF does not require a disclosure. However, guidance should allow optional disclosures so that agencies may provide explanations for agency unique activity, e.g., intragovernmental borrowing.

Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

DOL/OCFO/DFR Response: Please do not interpret our responses as an agreement with the proposal to replace the SOF with the NBAR.

(1) We disagree with the effective date because there is not enough time to implement the standard for interim financial reporting in FY 2018. Implementation should be effective for FY 2019. Also, an implementation date of FY 2019 would allow additional time for Treasury to prepare guidance (e.g., USSGL cross-walks and I

TFM 2-4700) and modify financial systems (e.g., Governmentwide Financial Report System).

(2) We disagree with early adoption because all component reporting entities should provide the same type of information to be used in compiling the Financial Report of the U.S. Government (FRUSG). Otherwise, early implementation will increase Treasury's workload in compiling the FRUSG because two different accounting standards would apply in the same accounting period.

(3) We disagree with the restatement of comparative prior period information because this will increase the cost and complexity of the financial statement compilation and audit for both the component reporting entities and the governmentwide reporting entity. Only one year should be presented in the first year of implementation, with a 2-year comparative presentation in the second year of implementation. Precedents for this type of implementation include:

- SFFAS 37 for the Statement of Changes in Social Insurance Amounts for FY 2011 implementation and
- SFFAS 31 for the note on fiduciary activity for FY 2009 implementation.

Comments on Other Aspects of the Proposal

Please do not interpret our comments as an agreement with the proposal to replace the SOF with the NBAR.

1. Because the standard applies only to component reporting entities, "Component Reporting Entities" should appear in the title of the standard.
2. The illustrative NBAR on pages 13—14 should have line items from the latest version of the Treasury cross-walk for amounts that may be material, e.g., principal and interest paid on intragovernmental debt, other actuarial liabilities. Also, the NBAR should be labeled as an example and should not be labeled as a financial statement.

OPM OCFO's Comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Budget and Accrual Reconciliation*

	Question	OPM Response
Q1	<p>Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.</p> <ul style="list-style-type: none"> Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer. 	<p>We agree with the proposal to replace SOF with NBAR.</p> <p>We believe that NBAR should be presented as a footnote. It should replace the required RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET SOF in the current footnotes to the financial statements.</p> <p>We also believe that to facilitate the reconciliation of the Accrual to Budget, the amounts be presented in Totals, not Intra-governmental and With the Public.</p>
Q2	<p>Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.</p> <ul style="list-style-type: none"> Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer. 	<p>We agree. As a schedule in the footnotes, the narrative and the reconciliation can be presented in one place. This presentation makes it easy for the reader to consume the information.</p>
Q3	<p>Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.</p> <ul style="list-style-type: none"> Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer. 	<p>Effective for periods beginning after 9/30/2017 with early adoption permitted.</p> <p>Restatement of comparative prior period information is useful and reasonable. Clear guidance needs to be provided on the restatement disclosure.</p>

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm		
Federal Entity (user)	X	
Federal Entity (preparer)	X	
Federal Entity (auditor)		
Federal Entity (other)		If other, please specify: <input type="text"/>
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Nonprofit organization/Foundation		
Other		If other, please specify: <input type="text"/>
Individual		

Please provide your name.

Name:

Linda Ning / Michael Cunningham

Please identify your organization, if applicable.

Organization: Federal Communications Commission

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

FCC Response:

We agree with the proposal to replace the SOF with the NBAR. Presenting information on outlays rather than obligations incurred would be more helpful for the reader to understand how budgetary resources (outlays) have financed the cost of operations.

The SOF seems confusing to the user and has been a challenge to report and compile for the financial statement preparers. This is mainly due to a few factors; the Department of Treasury has not issued an updated Crosswalk for the SOF since FY 2008 and the guidance provided from FASAB & OMB A-136 since FY 2008 to the present hasn't been updated to provide a clear and concise way for transferring the information at the

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

USSGL level to the statement level. As a result of this, it has been very difficult to prepare and compile the SOF.

We believe the NBAR would be better presented as a footnote since it is a reconciliation between two financial statements (SONC & SBR) and two bases of financial reporting (budgetary and proprietary). However, we prefer presenting NBAR for the entity as whole. It could be optional for an agency to segregate the format between intragovernmental and with the public.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

FCC Response:

A narrative disclosure should be optional. The agency could provide general information to help the user understand the reconciliation between two financial statements (SONC & SBR) and two bases of financial reporting (budgetary & proprietary).

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

FCC Response:

We agree that the effective date is reasonable as long as The Department of Treasury releases a crosswalk and OMB updates A-136 for NBAR before 10/01/2017. The crosswalk is critical for all agencies to ensure proper USSGL flowing into each line.

Early adoption should not be permissible. Restatement of comparative prior period information does not seem reasonable since NBAR is a new reconciliation and restatement adds no value.

Department of Transportation
Budget and Accrual Reconciliation Exposure Draft Responses

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

DOT Response: We agree that the current SOF should be replaced with the NBAR and should be presented as a footnote. The NBAR includes information that relates to the various lines of the basic financial statements. A footnote gives agencies flexibility to present information that is specific to the agency.

Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

DOT Response: We do not agree that a narrative disclosure should be required to accompany the NBAR. The lines on the NBAR seem to have explicit and detailed line descriptions that relate to lines of the agency's basic statements. The NBAR is very comprehensive and providing a narrative may be difficult to simplify in a clear and concise manner. The readers of the information may be further confused trying to understand the varying levels of reconciling differences presented on the NBAR. The current SOF does not have a narrative, therefore, the narrative disclosure should be optional.

Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

DOT Response: The Statement should be effective for period beginning after September 30, 2018 (FY2019) to allow the Standard to be officially published and Treasury to finalize crosswalks. Agencies should be allowed sufficient time to effectively and efficiently test and implement these significant reporting changes. These changes would require system set up and business process changes and DOT would need adequate time to update its financial systems. The NBAR is a comprehensive reconciliation that still involves a level of complexity, therefore, requiring restatement of the comparative prior year would create an additional burden on agencies. The NBAR should be presented for the current year of implementation only.

From: Jones, Anita [<mailto:Jones.Anita@epa.gov>]
Sent: Tuesday, March 14, 2017 3:28 PM
To: FASAB
Cc: Washington, Lorna; Atcherson, Aileen; Westermann, Tai-Fang; Bundy-Evans, Kyana
Subject: FASAB Exposure Draft Budget and Accrual Reconciliation

Thank you for the opportunity to review and comment on FASAB Exposure Draft Budget and Accrual Reconciliation: Amending Statement of Federal Financial Accounting Standards (SFFAS) 7, SFFAS 22, and SFFAS 24.

We agree with changing the Statement of Financing note disclosure and believe the change will make reporting easier by using outlays instead of obligations. To effectively implement the guidance a crosswalk from Treasury will help to meet external reporting requirements.

Please contact me if you have any questions.

Anita Jones
Environmental Protection Agency
Office of the Chief Financial Officer
Office of the Controller
12th & Penn. Ave NW
Washington DC 20054
(202)564-4969

Have a policy question? Need Training? There's a branch for that...
Contact the Policy and Training Branch at OCFO_Financial_Policy@epa.gov

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
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Organization:

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

A1. Treasury agrees with the proposal to replace the SOF with the NBAR as described in paragraphs six to nine. Treasury believes that the NBAR should be presented as a footnote to the financial statements rather than an additional financial statement.

The rationale for this decision is based upon a similar decision made to remove the SOF as a basic financial statement and replace it with a footnote disclosure. A footnote disclosure will provide readers with additional information while reducing the possibility of incorrect interpretation as well as provide direct explanation of the required information. Additionally, the NBAR already contains some of the same information currently presented on the Statement of Net Cost and the Statement of Budgetary Resources.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

A2. Treasury agrees that a narrative disclosure should accompany the NBAR. The rationale for our response is similar to the response provided in A1 above. Providing a narrative explanation of the reconciliation and significant reconciling items would enhance the reader's understanding of the information as it is presented in the NBAR.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

A3. Treasury agrees with the proposed adoption of the NBAR for periods beginning after September 30, 2017, with early adoption permitted.

The rationale for this decision stems from our understanding of the Statement of Federal Financial Accounting Standards Exposure Draft, Budget and Accrual Reconciliation, dated December 21, 2016, specifically that "The Board agreed on the importance of getting the NBAR crosswalk developed by the Treasury before the NBAR is implemented, as it will reduce agencies' implementation time and facilitate audit efforts."

According to Treasury Bureau of the Fiscal Service, Governmentwide Accounting anticipates that a crosswalk will be available for initial review by the agencies in late 4th quarter 2017. With limited time for development, testing, and implementation, as well as the continued strain on existing resources through proposed new administration changes, the Board may want to consider a FY 2018 adoption.



March 14, 2017

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Budget and Accrual Reconciliation: Amending SFFAS 7, SFFAS 22, and SFFAS 24*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our responses to the ED questions are included below.

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

A1. The FISC generally agrees with the proposal to replace the SOF with the NBAR. The FISC suggests that the NBAR be reported as a note to the basic financial statement, but understand the Board's perspective should it include the NBAR as a basic financial statement. Some FISC members acknowledged that reporting as a principal statement is not necessary since the existing basic financial statements fulfill the objectives of financial reporting, as noted in the Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, *Objectives of Federal Financial Reporting*, and reporting as a note to the financial statements is permitted by SFFAC No. 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, paragraph 12.

Ms. Payne, Federal Accounting Standards Advisory Board

March 14, 2017

Some members of the FISC questioned the utility of providing a detailed reconciliation in the audited financial statements, and did not feel that providing such a detailed reconciliation was meeting the needs of a broad number of users. These members suggested that the differences between the outlays and net cost could be described to a reader through a general discussion of the differences between budget and accounting concepts, and an identification of the most significant factors that give rise to a difference between net cost and outlays, in lieu of a detailed reconciliation.

- Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

- A2. The FISC agrees that a narrative disclosure should accompany the NBAR as this would assist in making the disclosure useful to users of the financial statements, and could clarify the purpose and relevance of the NBAR to the basic financial statements. The narrative disclosure would provide the flexibility necessary, as the FISC contemplates that, in the future, there will be a number of non-outlay transactions that are equivalent to outlays, such as tax expenditures.
- Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

- A3. The FISC agrees that the effective date is reasonable, as long as other parties, such as the Office of Management and Budget and the U.S. Department of the Treasury, would have sufficient time to provide implementation guidance to assist the Federal agencies in reporting the NBAR in accordance with the ED. If additional time is needed to provide such implementation guidance, then the FISC suggests that the effective date be deferred by one year in order to avoid the necessary due process of extending the effective date after issuance of the ED as a Standard.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,



Andrew C. Lewis
FISC Chair

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

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Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

VA Response: Agree with implementing the NBAR. The current Reconciliation of Net Cost of Operations to Budget (SOF) is confusing as presented and does not have clear government-wide guidance. We think that a footnote is appropriate because the information contained in the NBAR is included in current Financial Statements. The NBAR provides additional insight into the relationship of the information contained in those statements.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

VA Response: Agree with including a narrative disclosure. A narrative disclosure is necessary as an explanation of the differences between budgetary and financial (proprietary) accounting. To better understand these differences, the reconciliation should explain the relationship between the net operating cost and net budget outlays by the entity during the reporting period.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

VA Response: Agree with the effective date.

FASAB is working with Treasury on a crosswalk to produce the NBAR. Our Agency will test the crosswalk with FY16/FY17 data to make sure everything works out prior to implementing the footnote in FY18 Q3. VA will use FY 2017 data to prepare a mock footnote disclosure for the NBAR for FY 2018 reporting.

VA sees no issue in restating the comparative prior period information as necessary to implement this pronouncement. The retrospective application of the necessary changes will have no cumulative effect on net cost of operations, net position, or any other financial statement line amounts. These changes will only impact the footnote disclosure #23 Reconciliation of Net Cost of Operations (proprietary) to Budget by requiring that the comparative prior period be retroactively updated to align with the new current period presentation.



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

MAR 15 2017

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the Statement of Federal Financial Accounting Standards Exposure Draft, *Budget and Accrual Reconciliation; Amending SFFAS 7, SFFAS 22, and SFFAS 24*, dated December 21, 2016.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gordon T. Alston", with a long horizontal flourish extending to the right.

Gordon T. Alston
Director of Financial Reporting and Internal Controls

Enclosure

cc: Julie Tao
Bruce Henshel
Tanya Smith
Sean Smith

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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Federal Entity (preparer)

Federal Entity (auditor)

Federal Entity (other)

Association/Industry

Organization

Nonprofit

organization/Foundation

Other

Individual

X

If other, please
specify:If other, please
specify:

Please provide your name.

Name:

Gordon T. Alston

Please identify your organization, if applicable.

Organization:

Department of Commerce

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

The Department of Commerce agrees with the basic proposal to replace the SOF (which is now commonly referred to as the Reconciliation of Net Cost of Operations to Budget (RNCOB) footnote) with a proposed NBAR reconciliation. However, the Department ardently disagrees, in the strongest possible terms, with the *Intragovernmental and With the Public* required breakdown. With regard to only the basic proposal, the NBAR would be more straight-forward, easier to understand, and

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

easier to prepare than the RNCOB because the NBAR, by establishing a more straightforward and simpler ending point of Outlays, Net (as compared to Net Cost of Operations), eliminates the RNCOB steps of including "Other Resources" in the first section of the RNCOB ("Resources Used to Finance Activities"), and then "backing out" these same components in the second section of the RNCOB ("Resources Used to Finance Items Not Part of Net Cost of Operations"). This RNCOB first section information that was "backed out" in the second section as appropriate was voluminous, could be considered difficult to understand, and could be considered as a distraction of what may be considered the primary purpose of the RNCOB to reconcile Net Obligations Incurred to the Net Cost of Operations.

The Department only agrees with the proposal to replace the SOF with the NBAR if the new required breakdown between Intragovernmental and With the Public is removed, as discussed at length directly below:

The Department disagrees with the requirement of the proposed NBAR to present a breakdown between Intragovernmental and With the Public. This breakdown is demonstrated in the example NBAR; and is set forth in ED paragraph A9, which states in part:

"A9. To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately..."

The Department understands and appreciates the intent by FASAB and the U.S. Department of the Treasury (Treasury) to have the NBAR "provide detailed support to the GWA reconciliation..." (from ED paragraph A9) for the U.S. Government financial statements/footnotes.

The Department, however, firmly believes that the breakdown between Intragovernmental and With the Public is not necessary for a fair presentation of this NBAR reconciliation and that this breakdown requirement will result in significant burdens to agencies' to have to prepare this breakdown. Because the required breakdown is not necessary for a fair presentation of the NBAR, the benefits of such a breakdown clearly do not exceed the costs/burden of the requirement to agencies.

The Department respectfully opines that any agency footnote content that is **not necessary for a fair presentation** of the agency financial statements/footnotes, should not be added as a content **requirement** to agency financial statements/footnotes.

Treasury has in place other means to collect needed data from agencies for the U.S. Government financial statements/footnotes, which include agencies' Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) submissions to Treasury and agencies' Closing Package data submissions to Treasury.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

As there is no requirement to breakout Outlays, Net (or any component of Outlays, Net) in the Statement of Budgetary Resources by Intragovernmental and With the Public, such that this required breakdown cannot be considered, in the Department's opinion, necessary for a fair presentation of the NBAR. Furthermore, the face of the Statement of Net Cost similarly does not require a breakdown between *Intragovernmental and With the Public*.

The required breakdown between *Intragovernmental and With the Public* can be considered distracting to the primary purpose of the NBAR reconciliation, which is to reconcile Net Cost of Operations to Outlays, Net.

The required breakdown between *Intragovernmental and With the Public* will create a significant additional burden to agencies by actually requiring that *two separate reconciliations be performed and displayed* within the NBAR (one reconciliation for Intragovernmental, and another reconciliation for With the Public), with both of these breakouts needing to be materially reconciled by line item. This creates significant additional work for agencies without being necessary for a fair presentation of the NBAR.

Certainly in the case of the Department, the *Intragovernmental and With the Public* required breakdown would create an extremely significant burden to the Department.

It is of critical importance to note that agencies' GTAS data currently does not require Federal (i.e., Intragovernmental) / Non-federal (i.e., With the Public) breakdown for a majority of the U.S. Standard General Ledger (USSGL) accounts that make up the composition of Outlays, Net, as follows:

- a) None of the five applicable USSGL accounts that comprise the calculation for Outlays, Gross require a Federal / Non-federal attribute for agency GTAS submissions (see Attachment); and
- b) Only four of the 21 applicable USSGL accounts that comprise the calculation for Actual Offsetting Collections require a Federal / Non-federal attribute for agency GTAS submissions (see Attachment).

As discussed above, the required breakdown between *Intragovernmental and With the Public* for the NBAR reconciliation is not currently supported by agency GTAS submissions, and each agency would have to develop and determine its own methodology to collect this breakdown, which would or could be an extremely significant burden to agencies.

Accordingly, the Department very respectfully requests, for the reasons set forth above, that FASAB remove the *Intragovernmental and With the Public* breakdown **requirement** and example presentation in the standard.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

The Department is available to discuss the Department's significant disagreement with the required *Intragovernmental and With the Public* breakdown.

The Department strongly believes that the NBAR reconciliation would be appropriately presented as a note to the financial statements, primarily because NBAR is a reconciliation from Net Cost of Operations line in the Statement of Net Cost to Outlays, Net line in the Statement of Budgetary Resources. Accordingly, the NBAR can be best viewed, in the Department's opinion, as supporting the Statement of Net Cost and the Statement of Budgetary Resources. The NBAR does not provide, in the Department's opinion, what might be considered "new" information to the reader; in contrast to, for example, a Statement of Cash Flows, which could be considered to present "new" information on specifically an entity's cash flows.

The Department strongly prefers that Treasury support agencies by developing and maintaining a NBAR USSGL crosswalk that includes applicable USSGL attributes, and notates where there are any gaps in the USSGL crosswalk that cannot support the NBAR reconciliation.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

The Department agrees that a narrative disclosure should accompany the NBAR. The narrative is useful for helping readers understand the purpose and presentation concepts of the NBAR; to set forth any needed definitions or additional information; to help readers understand the relationship between Net Cost of Operations and Outlays; and to help understand the reconciling items between the two items being reconciled. As mentioned above, we believe the NBAR and Disclosure should be made a part of the footnotes.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

The Department strongly disagrees with the proposed effective date of FY 2018 (the Department does not disagree with restating the comparative period, and the Department is not against early adoption being permitted), as follows:

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Even if the Intragovernmental and With the Public breakdown requirement is removed from the NBAR as the Department notably requests and discusses in its answer to Q1, the Department unequivocally and very respectfully requests that the proposed effective date be moved to FY 2019 (moved back one additional year).

The Department and presumably other agencies will need sufficient time to implement a comprehensive solution to the new NBAR, including for the comparative period (FY 2017). Agencies may need to implement manual data collection methods, system changes, and other methods to prepare the NBAR.

The proposed effective date does not provide ample lead-time to enable agencies to review and implement Treasury's USSGL crosswalk, when published, and determine how to address any gaps in its coverage.

Other treatment issues that agencies will need time to address include the reconciliation treatment for different fund types and differences in pre-Credit Reform versus post-Credit Reform Act loan programs (e.g., subsidy reestimates, etc.). The Department believes agencies need the ability to develop and test, ***fully during the comparative period***, real-time financial data during the comparative period quarters.

Considering that FY 2017 is nearly half-completed at this time, the Exposure Draft has not been finalized yet, the Department has a significant disagreement with the Intragovernmental and With the Public required breakdown as discussed in our Q1 answer, a USSGL crosswalk has not been fully developed by Treasury, and there are gaps in the USSGL crosswalk not yet identified, in the Department's opinion, there is clearly not enough time for agencies to develop and implement the NBAR for the comparative period during a reasonable timeframe, meaning the FY 2018 proposed implementation date is much too soon.

Accordingly, the Department very respectfully requests, for the reasons set forth above, that FASAB revise the FY 2018 proposed implementation date to a FY 2019 implementation date.

The Department, very respectfully, will be contacting FASAB the week of March 20, 2017 to request a meeting with FASAB to discuss the Department's significant disagreement with the Exposure Draft.

Part 2

Fiscal Year 2017 Reporting

SUPPLEMENT

Section V

USSGL Crosswalk - Statement of Budgetary Resources

Line No.	USSGL Acct.	USSGL Account Title	Debit/Credit	Begin/End	Auth Type	Fed/Non Fed	TAS Status	Fund Type	Addl. Info.
4179		Anticipated offsetting collections (discretionary and mandatory) (+ or -)							
4179	404700	Anticipated Transfers to the General Fund of the Treasury - Current-Year Authority	C	E	S		U	EC/EG/EM/EP/ER/ES/ET/TR	2
4179	406000	Anticipated Collections From Non-Federal Sources	D	E			U	EC/EG/EM/EP/ER/ES/ET/TR	2
4179	407000	Anticipated Collections From Federal Sources	D	E			U	EC/EG/EM/EP/ER/ES/ET/TR	2
4179	416000	Anticipated Transfers - Current-Year Authority	D/C	E	S		U	EC/EG/EM/EP/ER/ES/ET/TR	2
4179	421000	Anticipated Reimbursements and Other Income	D	E			U	EC/EG/EM/EP/ER/ES/ET/TR	2
4179	421500	Anticipated Expenditure Transfers from Trust Funds	D	E			U	EC/EG/EM/EP/ER/ES/ET/TR	2
4180		Budget authority, net (total) (discretionary and mandatory)							
		This line is calculated. Equals sum of SBR lines 4175, 4176, 4177, 4178 and 4179.							
4185		Outlays, gross (discretionary and mandatory)							
4185	480200	Undelivered Orders - Obligations, Prepaid/Advanced	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	1
4185	480200	Undelivered Orders - Obligations, Prepaid/Advanced	D/C	B			U/E	EC/EG/EM/EP/ER/ES/ET/TR	1
4185	488200	Upward Adjustments of Prior-Year Undelivered Orders - Obligations, Prepaid/Advanced	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4185	490200	Delivered Orders - Obligations, Paid	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4185	490800	Authority Outlaid Not Yet Disbursed	D/C	E			U	EG/ER	1
4185	490800	Authority Outlaid Not Yet Disbursed	D/C	B			U	EG/ER	1
4185	498200	Upward Adjustments of Prior-Year Delivered Orders - Obligations, Paid	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187		Actual offsetting collections (discretionary and mandatory) (-)							
4187	421200	Liquidation of Deficiency - Offsetting Collections	D	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	422200	Unfilled Customer Orders With Advance	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES/ET/TR	1
4187	422200	Unfilled Customer Orders With Advance	D/C	B		E/F/N	U/E	EC/EG/EM/EP/ER/ES/ET/TR	1
4187	425200	Reimbursements and Other Income Earned - Collected	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	425300	Prior-Year Unfilled Customer Orders With Advance - Refunds Paid	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	425500	Expenditure Transfers from Trust Funds - Collected	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426000	Actual Collections of "governmental-type" Fees	D	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426100	Actual Collections of Business-Type Fees	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426200	Actual Collections of Loan Principal	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426300	Actual Collections of Loan Interest	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426400	Actual Collections of Rent	D	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426500	Actual Collections From Sale of Foreclosed Property	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	
4187	426600	Other Actual Business-Type Collections From Non-Federal Sources	D/C	E			U/E	EC/EG/EM/EP/ER/ES/ET/TR	

Part 2

Fiscal Year 2017 Reporting

SUPPLEMENT

Section V

USSGL Crosswalk - Statement of Budgetary Resources

Line No.	USSGL Acct.	USSGL Account Title	Debit/ Credit	Begin/ End	Auth Type	Fed/No n Fed	TAS Status	Fund Type	Addl. Info.
4187	426700	Other Actual "governmental-type" Collections From Non-Federal Sources	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427100	Actual Program Fund Subsidy Collected	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427300	Interest Collected From Treasury	D/C	E			U	EG/EP/ER/TR	
4187	427500	Actual Collections From Liquidating Fund	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427600	Actual Collections From Financing Fund	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427700	Other Actual Collections - Federal	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	429000	Amortization of Investments in U.S. Treasury Zero Coupon Bonds	D/C	E			U	EP/ER/TR	
4187	487200	Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected	D/C	E		F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	497200	Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4190	Outlays, net (total) (discretionary and mandatory)								
	This line is calculated. Equals sum of SBR lines 4185 and 4187.								
4200	Distributed offsetting receipts (-)								
	(Not supported by USSGL)								
4210	Agency outlays, net (discretionary and mandatory)								
	(Not supported by USSGL)								

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm

Federal Entity (user)

Federal Entity (preparer)

Federal Entity (auditor)

Federal Entity (other)

x

If other, please specify:

HUD OCFO

Association/Industry Organization

Nonprofit organization/Foundation

Other

If other, please specify:

Individual

Please provide your name.

Name:

OCFO on behalf of Courtney B. Timberlake, Dep. CFO

Please identify your organization, if applicable.

Organization:

Department of Housing and Urban Development

- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

HUD agrees with the proposal to replace the Statement of Financing (SOF) with the New Budgetary Accrual Reconciliation (NBAR). The new presentation is cleaner, more logical, and can more easily crosswalk, provided a narrative is included with the table. Additionally, the NBAR provides a better explanation for delineating the relations and differences between budgetary and financial accounting. By focusing the reconciliation on net outlays instead of budgetary resources obligated, the NBAR provides a better tool to explain how budgetary and financial accounting relate and how they diverge as they are presented on two different accounting basis. The NBAR maintains consistency with the reconciliation of the Unified Budget Deficit and Net Cost of Operations included in the government-wide accounting financial report, which is also based on receipts and outlays.

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

The SOF, including the non-budgetary resources/means of financing, can make it confusing for a reader not steeped in means of financing constructs to crosswalk net costs to deficit impacts/fiscal position. However, HUD would recommend:

1. Not calling it “New”, since the budget is not necessarily new and it could be confusing, but rather calling it the budget and accrual reconciliation; and
2. Consideration of negative subsidy receipts. The ED states that budget receipts not available to the entity would not be included, but this would seem to provide an incomplete view on the results of operations/net costs for large negative subsidy programs like MMI.

Regarding the presentation of the NBAR as part of basic financial statements or as a footnote, HUD program offices have expressed two distinct points of view.

- Footnote: The NBAR should be presented as a footnote. The information used to prepare the NBAR can easily be traced or aligned to various lines of the Agency’s Financial statements. Presenting the NBAR as a statement may duplicate information that is reported in other statements. Presenting it as footnote would provide additional disclosure of the information already presented in the financial statements. Similar to the previous SOF, some of the information presented will likely be agency specific resulting in audit complexities. (HUD OCFO and FHA)
- Basic Financial Statements: The NBAR should be included as a part of the basic financial statements as it provides a direct bridge between cash basis and accrual basis of accounting used in the preparation of the federal financial statements. The concept of the NBAR is similar to that of the cash flow statement required by the FASB as a part of the basic financial statements and similar to that of the reconciliation of the Unified Budget Deficit and Net Cost of Operations presented as a part of the basic financial statements as well. (GNMA)

Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

HUD mostly agrees that narrative disclosure should accompany the NBAR. The disclosure can help provide context that aides the reader in following and comparing the net costs to the outlays reflected in the budget documents. This would assist readers who wish to use financial accounting to better understand performance and budget requests.

The NBAR provides a reconciliation that starts with net costs, presented on an accrual basis, and ends with net outlays, presented on a cash basis. Although most of the reconciling items should be intuitive, narrative disclosures may provide an opportunity to enhance the understandability of the reconciliation and the basic financial statements,

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

and may provide users of the financial statements with necessary information regarding the nature of and reasons for significant reconciling items. The NBAR may also be a mechanism to provide clarity on credit programs, and other programs that may be reflected in the budgetary accounting on an accrual basis (e.g., residual TARP programs, etc.).

Suggested Change: To better meet the reporting needs of entities, HUD suggests the Board consider making changes that would allow agencies the flexibility to add agency specific line descriptions on the face of the reconciliation of non-cash outlays. This could mitigate the need for each agency to add additional, unnecessary narrative disclosure that would likely be discussed in other areas of the Notes.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

HUD generally agrees that the effective date of periods beginning after September 30, 2017, is reasonable and provides financial statements preparers a fair amount of time to adopt the proposed updates, since the majority of the reconciling items come from financial statements' line items.

HUD generally agrees with the option for early adoption. Due to the complexities of the Reconciliation of Net Cost of Operations to Budget as compared to the simplified NBAR, early adoption may be favorable to agencies. Some program offices did note, in the interest of ease of comparison in federal financial reporting, that the Board may wish to instead consider maintaining uniformity across agencies by requiring that every agency have the same implementation date.

HUD generally agrees with the requirement for restatement of comparative prior period information. Comparative prior period information is necessary to help make current information meaningful to the reader and should be included. HUD also has the following comments/concerns.

- While HUD supports displaying comparative information for the NBAR in the financial statements, there is concern that restatement described in the exposure draft would not qualify as formal restatement, as defined by A-136 and SFFAS 21.
- The Board may wish to consider not immediately requiring the restatement of comparative prior period information. To avoid potential confusion in restatement, the Board may wish to consider requiring comparative information be produced starting in the second year of implementation.

GSA Response to FASAB ED Budget and Accrual Reconciliation Questions

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

We agree that the SOF should be replaced. While the proposed NBAR is seen as a significant improvement over the SOF; we disagree with the proposed requirements of NBAR reporting and particularly the proposed illustrative format and suggest that the FASAB Board take an alternative approach.

As an alternative to the NBAR, we recommend that the Board consider an approach similar to the Statement of Cash Flow used by non-Federal entities. As Outlays are arguably the most significant element of budgetary reporting that are monitored and used by multiple user communities, we concur that the focus on this element for assessing budgetary to proprietary consistency is useful. Outlays are budgetary balances closely tied to balances reported in financial reporting. Since outlays and most Fund Balance with Treasury (FBwT) transactions are effectively cash, it is suggested that a Statement or disclosure bridging Net Cost to Changes in FBwT should be considered in place of the proposed requirements and formats.

The proposed format of the NBAR has many similarities to formats used in compiling Statements of Cash Flows (SoCF) under the indirect method. In addition the SoCF uses of sections to segregate Financing Activities and Investing Activities from Operating Activities would seem preferable for average readers to understand the changes in FBwT. We would recommend that a cash flows model be formatted in a way to have balances walk from Net Cost to Outlays, similar to the NBAR, and also add additional lines to display balances of FBwT transactions that do to not impact Outlays, to compute the total change in FBwT. This approach would achieve similar display to the format proposed for the NBAR, and provide a more comprehensive display of balances impacting FBwT. Unique balances such as non-cash Outlays would become more prominent as they are not components of FBwT and may become line-items in presenting the transactions to add or subtract from Outlays to sum to the total change in FBwT.

Since the new reconciliations bridges differences between Net Cost and Outlays, it provides much less information than the SOF to tie to budget reporting. However, we concur with the stated criticisms of the SOF as being too complex, not easily understood, and not useful to readers. The SOF is effectively an accounting reconciliation that only experts in Federal budgeting and accounting can make sense of, and provides more of a reconciliation check rather than information helpful to users. We strongly recommend the segregation of Federal vs non-Federal activity as columns on the illustrative statements be removed. Such segregation in the display would create significant challenges, as many of the reported amounts are not captured, with control and validation at such levels to be reconcilable between Net Cost and Outlays. Further, it is not clear that resulting information would be of particular use to many agencies.

If the NBAR is used keep it in the footnotes. If the Statement of Cash Flows is used place it in the Financial Statement.

Please see the additional comments on specific paragraphs of the exposure draft provided separately.

Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

Yes, we agree with the narrative discussion of the background for the statement, and discussions on the nature of non-cash outlays should be included to enhance the reader's understanding of the information presented.

However, we disagree that the disclosure should normally include sections describing year-to-year variances, as suggested in second paragraph of the illustrative disclosure. We believe that such variances should be described in MD&A components of an AFR, similar to discussions of reporting fluctuations and variances for other financial statements.

Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

We disagree with the effective date of periods beginning after September 30, 2017. We

agree that early adoption of a Statement should be permitted. However, we recommend that if comparative prior period information is required, the reporting effective date should be moved to periods after September 30, 2018. If only current-year balances are required in the first year of reporting, we would concur with the requirement to start reporting after September 30, 2017, with an unaudited comparative prior year display being optional.

It is not understood what prior year statement the Board intends to be restated if FY 2018 reporting is required. The existing SOF, which reconciles very different sets of balances, has little comparability to the proposed NBAR, and we would not consider the change from the SOF to NBAR to be a restatement.

For agencies that prepare quarterly statements or FY third-quarter reporting requirements in accordance with OMB Circular A-136, requiring a comparative prior period display for FY 2018 reporting would create significant difficulty. As we are almost through the second fiscal quarter of FY 2017 already, and issuance of a final Standard would take weeks or months into the third fiscal quarter at best, agencies would be very behind at collecting the FY 2017 transactions necessary to prepare comparative reporting. In some instances additional controls, reconciliations and data capture will be required for compilation of the NBAR, which can be very difficult to achieve with retroactive implementation to past quarters.

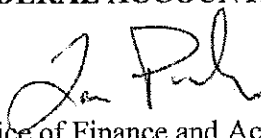
Page No.	Paragraph	SUBJECT/TITLE:	RECOMMENDATIONS/COMMENTS	Commenter	Office	Email Address/Phone
6 and 7		Questions #1-3	See attachment	Edward Gramp	OCFO/BGC	edward.gramp@gsa.gov
9	6	replacement paragraphs 80-82	In the proposed new paragraph 81.c., it is indicated that balances for Timing Differences may include prior period adjustments. This seems very unusual compared to other statements, where comparative statements are restated for prior period adjustments as defined in SFFAS 21. Possibly this language is referencing non-material adjustments sometimes adjusted in SF133 reporting. This standard need to be more clear as to when SFFAS 21 applies and circumstances when it does not.	Edward Gramp	OCFO/BGC	edward.gramp@gsa.gov
10	7	replacement paragraphs 91-93	The wording for the replacement paragraph 92 discusses how the BAR could be presented for different levels of an entity. Please clarify that the BAR presentations should be consistent with entities presented for the SBR and Net Cost statements. This is required to be a reconciliation between the two.	Edward Gramp	OCFO/BGC	edward.gramp@gsa.gov
10-11	9	replacement of paragraphs 95-102	Suggest the Board consider captions segregating Financing and Investing activities similar to Statement of Cash Flows used in private sector. Further, either in this section, or in the illustrative examples, this Standard needs to discuss the presentation of leases on the BAR, particularly if the Board expects issuance of leasing standards to adopt right-to-use concepts for asset and liability recognition.	Edward Gramp	OCFO/BGC	edward.gramp@gsa.gov
13		Illustrative Statement	The presentation of columns to segregate Federal from non-Federal balances causes several problems for this statement. Many agencies with immaterial Federal or non-Federal balances do not always display the Net Cost split this way, so there would not be comparability to many balances. The illustrative balances show many examples with notation of XXX for possible \$ amounts when there should be no such balances on certain of the lines. For instance, a line for Transfers as well as Imputed Costs would only ever be Federal in nature, but the display includes XXX in the non-Fed column. For balances shows PP&E Depreciation, it is not clear if having the XXX in the Federal column implies that agencies should report depreciation based on the Fed vs Non-Fed source that the asset was acquired from, or other basis. If there are balances intended under the Fed column for depreciation and the line for Asset Disposals/writeoffs, this would be inconsistent with current SGL reporting, where all PP&E is considered as Non reciprocal (non-Fed), with only the acquisition 88XX00 SGL accounts indicating the acquisition source information. Also, this illustrative display would seem to benefit greatly from realignment of categories to be segregated into Operating activities, vs Financing activities, vs Investing activities, similar to the private sector Statement of Cash Flow models. It would seem much more clear for users to see changes in current assets and liabilities that are directly associated with changes in Net Cost apart from changes in long-term assets and liabilities. For instance, having one line for changes in Loans Receivable in the section under Components of Net Cost That are Not Part of Net Outlays can be very misleading, as some changes directly relate to Net Cost, while other changes in Loans can have no impact on Net Cost.	Edward Gramp	OCFO/BGC	edward.gramp@gsa.gov
NA	NA	Title	The only budgetary SGL accounts that Treasury currently has on the draft crosswalk are related to either capital transfers to Treasury or borrowing authority converted to cash. We no longer report the obligations incurred or spending authority from offsetting collections, recoveries, etc. like we did for the Statement of Financing. They could easily rearrange the sections to cash flows from operating, investing, and financing activities rather than the current headings which are: components of net cost not part of net outlays, components of net outlays not part of net cost, and other temporary timing differences. The last section will never be used unless we have to report prior-period adjustments.	Michael Ward	BGA	george.ward@gsa.gov
NA	Na		The stated goal seems to be to do that but I don't see how what they've proposed accomplishes that goal. Also, breaking this reconciliation out into public vs intra governmental also seems to be overkill. The only other place I'm aware that is done is the unaudited schedule of spending and I'm not sure the average reader cares if its fed vs non fed. I did not see where they said this new NBAR was going to be presented in the financial statements but as it is only a reconciliation I would highly recommend it stays where the current schedule of financing is or is moved to be with the schedule of spending. My last comment is on the effective date. They want this to be effective for FY18 but since we are already half way through FY17 I'd push for that to be moved back one year to FY19.	Jared Leicht	BGA	jared.leicht@gsa.gov



Department of Energy
Washington, DC 20585

March 20, 2017

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FROM: Tom Park 
Director, Office of Finance and Accounting

SUBJECT: Comments on the Federal Accounting Standards Advisory Board's Exposure Draft: Budget and Accrual Reconciliation Amending Statement of Federal Financial Standards (SFFAS) 7, SFFAS 22, and SFFAS 24.

The Department of Energy (DOE) appreciates the opportunity to comment on the Exposure Draft: *Budget and Accrual Reconciliation Amending Statement of Federal Financial Standards (SFFAS) 7, SFFAS 22, and SFFAS 24*. We believe implementing a New Budget and Accrual Reconciliation (New BAR) could provide improvements over the existing Reconciliation of Net Cost of Operations to Budget. However, we do not agree with the proposed implementation date for the New BAR, and it is our position that an essential requirement and prerequisite for implementation of the New BAR is the development of a comprehensive SGL crosswalk that has been thoroughly tested and verified as correct and complete between Treasury and the agencies with clear milestones and objectives of the crosswalk. Furthermore, DOE noted that this project undertaken by the Board is more of a reconciliation tool rather than an amendment of the requirements for a reconciliation between the budgetary and financial accounting information established by SFFAS 7.

Our responses to the specific questions in the Exposure Draft are provided below.

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine. Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

We believe the New BAR could be a potentially positive improvement over the current SOF/Reconciliation of Net Cost of Operations to Budget. We agree with the purposes of the New BAR, i.e., to (a) enhance the understandability of the relationship between budgetary resources and the costs of program operations, (b) reduce the complexity of the agency's budgetary and financial accounting reconciliation, and (c) improve financial reporting. However, to ensure successful implementation, we believe it is important to focus on the steps that are necessary to implement the New BAR. As noted in paragraph A15 of the Exposure

Draft, the New BAR taskforce preferred that Treasury provide a crosswalk to increase the consistency across agencies and to effectively balance the new reconciliation for major funds. Paragraph A15 also noted that Treasury's Bureau of the Fiscal Service was collaborating with the New BAR task force to develop a crosswalk for the New BAR. Paragraph A16 noted, "The Board agreed on the importance of getting the New BAR crosswalk developed by the Treasury before the New BAR is implemented, as it will reduce agencies' implementation time and facilitate audit efforts."

The importance of paragraphs A15 and A16 in implementing the New BAR cannot be overemphasized. It is the Department's position that an essential requirement and prerequisite for implementation of the New BAR is a comprehensive SGL crosswalk that has been thoroughly tested and verified as correct and complete. The crosswalk should be a **collaborative product** of Treasury and reporting agencies to ensure the process is properly vetted with the financial reporting community before a finalized crosswalk is issued. At a minimum, we believe the crosswalk should provide a level of detail similar to the crosswalk that was provided for the SOF in the 2006 Treasury Financial Manual (TFM) Supplement S2-06-02a, which agencies continue to use as a guide for preparation of the Reconciliation of Net Cost of Operations to the Budget note to the financial statements. However, as was noted in TFM S2-06-02a, the SOF requires "a level of detail beyond that of the USSGL accounts," and "agencies must analyze transactions to obtain required data." This aspect of preparing the SOF/Reconciliation of Net Cost of Operations to Budget has complicated the process and presented challenges to agencies preparing it. Our belief is, should the New BAR replace the SOF/Reconciliation of Net Cost of Operations to Budget, the process to prepare the New BAR should be straightforward and the crosswalk standardized as much as possible so that preparation requires a minimum of analysis beyond application of an SGL account crosswalk. However, the FASAB guidance should provide agencies with flexibility in preparing the reconciliation to allow agencies the ability to accommodate their unique operations and circumstances. These process improvements should increase the accuracy and integrity of the New BAR and improve the ability to compare it across agencies with the understanding that a Treasury crosswalk in collaboration with the agencies will support this process.

The format of the New BAR also requires the presentation of costs, outlays, and other related amounts reported on the Statement of Budgetary Resources as "intra-governmental" or "with the public." This presentation is not required for the current SOF/Reconciliation of Net Cost of Operations to Budget. Therefore, once a working crosswalk has been tested and agreed on, agencies may still need to evaluate the need for other system and business process changes that may be required to populate the "intra-governmental" and "with the public" components of the New BAR. Given this additional level of complexity over the existing reconciliation note, consideration must be given to the time and cost of implementing such changes.

As was noted in the Exposure Draft, DOE was an active participant in the New BAR task force. The DOE participants worked with other agencies and Treasury to draft a crosswalk and refine the process to prepare the New BAR. However, differences in accounting within various DOE components have complicated these efforts, and DOE has not yet been able to produce the New BAR at the Department level. We understand some other agencies are experiencing similar challenges. Therefore, we strongly recommend the Board consider further government wide research and analysis to include the unique aspects of various agencies that may be impacting their ability to produce the New BAR before voting on a final

New BAR template, crosswalk, and implementation date. In consideration of these concerns, we request the Board reassess whether the objectives in proposing these changes warrant the level of effort that will be required of all of agencies and the potential impact of funding challenges posed as a result of making this change in reporting/reconciliation.

Finally, since the New BAR is a reconciliation, its purpose is different from the purposes of the financial statements that report financial position, results of operations, budgetary resources and the status of those resources, changes in net position, and custodial activities. Although the financial statements have various tie points with each other, the primary purpose of the statements is not to provide a reconciliation. Accordingly, as is the case with the current SOF/Reconciliation of Net Cost of Operations to Budget, we believe the New BAR, if implemented, should remain a note to the financial statements.

Q2. The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12. Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

The current SOF/Reconciliation of Net Cost of Operations to Budget does not require narrative disclosures. If a high level generic explanation of the nature of the reconciliation must be provided, we request the FASAB coordinate with the Office of Management and Budget (OMB) on standard language, and that such language be included in OMB Circular A-136. We do not agree that any narratives should be provided for reconciling items because those would be disclosed and explained elsewhere in the financial statements and notes. Examples include accounts receivable, investments, inventory, salaries and benefits, environmental and disposal liabilities, and pension and other actuarial liabilities. As was noted in paragraph A9 of the Exposure Draft, "The majority of the reconciliation items come directly from the other financial statements' line items, line items' prior year and current year comparison, or financial statement note disclosures".

Q3. The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13. Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

For the reasons identified in our response to Q1, the Department has strong concerns about agencies' states of readiness to implement the New BAR within the proposed implementation timeline, and we do not agree with the proposed effective date of this Statement. We estimate business process changes, system limitations, and resource constraints will limit our ability to successfully implement the New BAR before Fiscal Year 2019 at the earliest. The following issues are impacting our implementation:

1. DOE will need to implement significant business process changes and system modifications that will require configuration, testing, and training.

2. DOE will require additional system programming changes if we are required to break out data between "intragovernmental" and "with the public" rather than continuing to present combined data.
3. DOE will require additional time to work with Treasury on an updated and fully vetted crosswalk that accommodates unique SGL subaccounts that are applicable to our operations.

In addition, we do not agree with the option of early adoption of the New BAR, as that would preclude comparability between agencies' financial statements. All agencies impacted by implementation of the New BAR will need to be certain that implementation is feasible since this reconciliation will be subject to audit. We believe there should be a testing period prior to implementation, and Treasury and OMB should consider any issues agencies are experiencing before mandating use of the New BAR. The only option we envision for early implementation of the New BAR is to provide the New BAR as unaudited optional supplemental information and that is not recommended until fiscal year 2019 at the earliest.

We do not believe there should be a restatement of prior year data in the New BAR unless all agencies are either able to verify that the New BAR crosswalk can be applied to their prior year data or if there is a one-year phase-in period during which comparative data can be collected and reported while continuing to provide the SOF/Reconciliation of Net Cost of Operations to Budget. Otherwise, a change to the New BAR should be done prospectively. We also request that the Board consider the potential for additional audit costs if there is a significant increase in the scope of work required to audit a restatement of prior year data in the New BAR format. Furthermore, we ask that the Board consider whether restating prior period data would provide an added value to both Federal agencies and end users of the financial statements.

In addition to the above responses to the FASAB's specific questions, attached is a list of editorial changes on the Exposure Draft for the Board's consideration.

The Department appreciates the opportunity to provide comments on the Exposure Draft. If there are questions concerning our responses they may be referred to William Truitt, Director, Financial Policy Division, Office of Finance and Accounting, at William.Truitt@hq.doe.gov or (202) 586-1065.

Attachment: Proposed Editorial Changes to the Exposure Draft

Attachment: Proposed Editorial Changes to the Exposure Draft: Budget and Accrual Reconciliation Amending Statement of Federal Financial Standards (SFFAS) 7, SFFAS 22, and SFFAS 24

The following table provides the Department of Energy's proposed editorial changes to the Exposure Draft.

Paragraph	Exposure Draft Excerpt	Comments
2	"...this Statement requires a narrative disclosure explaining the nature of the reconciliation."	The current format of the agency-level financial statements does not go into a narrative disclosure explaining the nature of the SOF reconciliation or the purpose of the footnote. While the purpose of the New BAR is to replace the existing SOF for enhanced understandability by the reader, the concept of the reconciliation of New BAR is not a significant and exhaustive departure from the SOF footnote which currently does not require a narrative disclosure. The Department suggests the nature of the New BAR should reside within the Board's guidance issued and not as part of the agency footnote.
3	2nd sentence, "(required by SFFAS 7...and Financial Accounting) with the..."	There should be a space after "...Accounting)" and "with".
6	"82. The adjustments...and explained in appropriate detail..."	The format and layout of the New BAR reconciliation itself includes categories of the adjustments that need to be included in order to account for the differences in net cost and net outlays (e.g. capitalized assets, etc.). Therefore, the Department does not believe a narrative for this footnote is necessary. Thus, we suggests this section be revised or removed.
7	'93. Example of footnote to be added in SFFAC No. 2: "OMB will provide guidance...including whether it should be presented as a basic financial statement or as a schedule in the notes..."	FASAB should consider omitting verbiage regarding whether BAR reconciliation will be presented as a basic financial statement or a schedule in the notes. The New BAR Reconciliation is a reconciliation between different statements already included in the basic financial statements section and therefore should not be considered a new financial statement. The Department does not agree that New BAR reconciliation should be a

Paragraph	Exposure Draft Excerpt	Comments
		financial statement; it should be part of a schedule in the notes.
9	SFFAC No. 2 "Entity and Display, Appendix 1-G" example of narrative	1) Should the word "Example Financial Statement Formats..." be changed to "Example BAR Footnote Format"?
9	Example of format/layout of BAR template (page 13)	<p>1) The Department does not currently have an automated report that generates breakout of the Statement of Net Cost and the Statement of Budgetary Resources between Intra-governmental and Public and therefore the breakout of this for this footnote will be burdensome. The Department would like the FASAB to consider only requiring agencies to report a combined balance instead of breaking out between "Intra-governmental" vs. "With the public" as this combination would ease the burden on the preparer while still providing the necessary reconciliation.</p> <p>2) We suggest Treasury, in collaboration with agencies, consider adding guidance to address non-budgetary resources in the New BAR template. The inability to enter "significant" non-budgetary resources into the New BAR template may impact some agencies ability to completely reconcile its net cost with its net outlays. For example, Federal Energy Regulatory Commission (FERC), a Departmental component, will need to use a non-budgetary resource line item to account for and reconcile:</p> <ul style="list-style-type: none"> • Appropriation offsets through the collection of annual charges and fees • Excess receipts over appropriation that are deposited directly to Treasury • Full cost recovery • Custodial receipts reported as non-exchange revenue with a disposition to Treasury (no cost associated with these transactions)

Paragraph	Exposure Draft Excerpt	Comments
12	Disclosure Requirements	The Department believes high-level and/or general information regarding the reason and narrative of what makes up the BAR footnote and template should be provided in the guidance but not required in the footnote as narrative disclosure.
13	Implementation date	As mentioned in the Department's response to question 3, the 9/30/2017 or sooner implementation would not be feasible. A lot is dependent upon the finalization of what adjustments should or can be included/excluded from the net cost to net outlays reconciliation, with an agreed upon method and/or calculation that an agency can take in presenting this footnote even with an implementation date later than September 30, 2017. The Department strongly recommends an implementation date of fiscal year 2019 at the earliest.
Pg. 16, A9	"To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately."	Please refer to our editorial comments for Paragraph 9, page 13 on the format of the BAR template.
Pg. 17, A13	"...detailed account-level crosswalk..."	With the mention of "Crosswalk", does FASAB expect: a) Treasury will issue a crosswalk to this footnote, which would be a departure since Treasury has not provided crosswalks to footnotes, nor are we aware of the crosswalk being finalized at this time; also b) Will agencies have flexibility to account for agency-specific activities which may not fit the mold of the crosswalk and therefore contribute to Net Cost adjustments that need to be listed in order to reconcile with net outlays?
Pg. 17, A15	"The taskforce prefers that Treasury provide a crosswalk..."	The 9/30/2017 or earlier implementation of the New BAR is not feasible nor practicable. At the minimum before any implementation date is established, the

Paragraph	Exposure Draft Excerpt	Comments
		<p>following should be considered: 1) whether or not a crosswalk will be provided that all agencies can agree on that will work for the agency (although this could potentially make the crosswalk larger than most agencies need) and 2) what sort of presentation and reconciliation flexibility does an agency have if a crosswalk is to be created and therefore required to be used by agencies?</p> <p>What is the status on the crosswalk? As of beginning of FY2017, the crosswalk was not fully complete.</p>
Pg. 19	Appendix B: Abbreviations	<p>BAR vs. NBAR: Consider only using BAR and then using term "new BAR" since the BAR will no longer be considered "New" in subsequent fiscal years after the implementation and using BAR vs. NBAR could be confusing.</p> <p>Alternatively, the Board should also consider renaming the new statement to more clearly align with the statement's contents. Change from Budget and Accrual Reconciliation (BAR) to Net cost to Net Outlays (NCNO).</p>

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
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- Q1.** The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

Agree. The SOF was difficult to understand and therefore did not easily allow the reader to understand the relationship between budgetary and accrual methods of accounting. The NBAR layout is more logical and less confusing than the SOF. The NBAR appears to be a better reconciliation approach.

The NBAR should be presented as a footnote and reference both the Statement of Budgetary Resources and Statement of Net Costs. The current SOF is disclosed via footnote and there is no need to change this requirement.

Disagree with FASAB's proposed presentation of splitting the NBAR to include separate intragovernmental from public reconciliations. The proposed split adds too much additional information to an already complex analysis and will make it more difficult for the reader to comprehend than the current SOF. The community believes that the presentation at only a total level would be more useful and make

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Budget and Accrual Reconciliation***

it easier for the reader to understand FASAB's intent of bridging the differences in accrual basis of accounting used to derive net cost of operations on the Statement of Net Cost, and the obligation-budgetary basis of accounting used to derive new outlays in the Statement of Budgetary Resources.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

Agree. An accompanying narrative would help the reader in understanding the reconciling items and better inform the reader of the reasons for differences in budgetary resources obligated and the net cost of operations. A short narrative would also have explain any material fluctuations identified from year-to-year in the NBAR. However, the community believes it would be helpful for FASAB to provide additional guidance on the types of disclosures required, to include but not limited to establishing materiality thresholds required to be reported (e.g. dollar or percentage thresholds) and line items which always require disclosure.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

Agree with the effective date. Disagree with early adoption as this does not promote consistency among agencies, especially consolidating entities.

Disagree with the suggested restatement of comparative prior period information. The cost to perform the restatement outweighs the benefit of providing comparative information during the first year of implementing the NBAR disclosure.

Additional comment / questions:

Does FASAB plan on releasing any detailed guidance or NBAR templates / example to help agencies build the NBAR into their current financial reporting tools?

Recommend eliminating the section "RELATED AMOUNTS ON THE STATEMENT OF BUDGETARY RESOURCES" to include the following lines: (1) Outlays, gross; (2) Actual Offsetting Collections; and (3) Distributed Offsetting Receipts. This information is already presented on the SBR. Therefore, it appears duplicative. If necessary, please reference the relationship of both Outlay components and Net Cost components in the disclosure narrative and/or footnote.