

From: Simpson, Cynthia - OCFO

Sent: Monday, July 20, 2015 10:50 AM

To: FASAB

Cc: Brown, Kevin L - OCFO; Tekleberhan, Karen - OCFO; Sacchetti, Dylan M - OCFO; Balin, Robert - OCFO; Simpson, Cynthia - OCFO

Subject: Comments on Exposure Draft, Statement of Federal Financial Accounting Standards, "Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials (June 2, 2015)"

Sent on behalf of

Mr. Kevin L. Brown
U.S. Department of Labor
Office of the Chief Financial Officer

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Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the exposure draft of proposed Statement of Federal Financial Accounting Standards, "Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials (June 2, 2015)." Comments were requested by July 20, 2015.

Although DOL does not currently report in its financial statements Inventory, OM&S, or Stockpile Materials, DOL/OCFO appreciates the opportunity to provide comments. If there are any questions, please contact me at brown.kevin.l@dol.gov or Cynthia Simpson at simpson.cynthia@dol.gov; both may be reached at 202-693-6800.

Regards,

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(202) 693-6800

**U.S. Department of Labor  
Office of the Chief Financial Officer  
Comments on Exposure Draft, Statement of Federal Financial Accounting  
Standards,**

**“Opening Balances for Inventory, Operating Materials and Supplies  
(OM&S) and Stockpile Materials (June 2, 2015)”**

**Q1. The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing opening balances for inventory, operating materials and supplies (OM&S), and stockpile materials when presenting financial statements or one or more line items addressed by this Statement following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) either (1) for the first-time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without use of the alternative valuation method.**

**The proposed Statement describes the alternative valuation method, disclosures, and amendments to SFFAS 3, *Accounting for Inventory and Related Property*.**

**Do you agree or disagree with the proposed standards? Please provide your rationale.**

DOL/OCFO Response:

1. In paragraph 4, the circumstances are unclear with regard to presentation of one or more line items for the first time. DOL/OCFO believes that there could be a number of reasons that inventory, OM&S, or stockpile materials may be reported when they have not been reported in the past. These could be circumstances such as:

- Change in mission
- Reorganization
- New activity
- An asset or activity that has been immaterial in the past has become material (either quantitatively or qualitatively material) for the current reporting period.

DOL/OCFO believes that the standard should provide examples of the reasons that inventory, OM&S, or stockpile materials may have first-time reporting.

2. Paragraph 15 provides for an effective date of FY 2017 with earlier implementation encouraged. A material value for ending balances may only become apparent at the end of FY 2017. The standard as currently written would require an Agency to implement the standard in FY 2016 to determine the ending balance in FY 2016 to use as the opening balance for FY 2017 in the event that

the ending balance of OM&S was material at September 30, 2017. Furthermore, if the Agency's mission, organization, or activities change in FY 2017 in a manner that requires that inventory, OM&S, and stockpile materials be reported, then the Agency would be required to implement in a short period of time.

If an Agency elected early implementation in FY 2016, then work for implementing the standard to obtain values as of September 30, 2015 should already be substantively complete.

Agencies also need time to coordinate their reporting based on parent-child and other intragovernmental activities; for these types of activities, central guidance agencies may be involved in the coordination among Agencies.

Based on the reasons provided above, DOL/OCFO believes that the implementation date should be no earlier than FY 2018 and that earlier implementation should be prohibited.

3. Based on the multi-year nature of some Agencies' programs, the amounts of inventory, OM&S, and stockpile materials held at September 30 may fluctuate from being higher in some years and lower in other years. In such cases, DOL/OCFO believes that, to assist in implementation, the standard should allow the opening balance to be calculated at a September 30 where the amounts held will be at the low point in the multi-year cycle.