



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

July 21, 2015

MEMORANDUM FOR EXECUTIVE DIRECTOR, FEDERAL ACCOUNTING STANDARDS
ADVISORY BOARD

SUBJECT: Proposed Statement of Federal Financial Accounting Standards "Opening Balances
for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials"

We appreciate the opportunity to respond to the proposed Statement of Federal Accounting Standards, Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials – the exposure draft (ED). We have reviewed the document as requested and we concur with comment as indicated in the attached matrix; the matrix also contains our response to the "Question to Respondents." Should you have any questions or require additional assistance, please contact me or Ms. Daniela Mahoney of my staff at 703-604-8912.

Carolyn R. Hantz
Digitally signed by
HANTZ, CAROLYN RAMONA.1232141464
DN: cn=US, o=U.S. Government, ou=DoD,
ou=PKI, ou=DODIG,
cn=HANTZ, CAROLYN RAMONA.12321414
64
Date: 2015.07.21 17:03:06 -0400

Carolyn R. Hantz
Acting Deputy Inspector General
Policy and Oversight

COMMENT MATRIX FASAB Exposure Draft, "Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials" and Response to the "Question for Respondents"							
#	CLASS	COMPONENT AND POC NAME, PHONE, AND E-MAIL	PAGE #	PARA #	COMMENT TYPE (C/S)	COMMENTS, JUSTIFICATION, AND ORIGINATOR JUSTIFICATION FOR RESOLUTION	A/R/P
1	U	OIG DoD Debie Alford 703-601-5396 debra.alford@dodig.mil	5	5. 1 st Sentence	S	Coordinator Comment: Consider adding a definition for the term "unreserved assertion." Coordinator Justification: To add clarity to the guidance.	
2	U	OIG DoD Debie Alford 703-601-5396 debra.alford@dodig.mil	6	12. 1 st Sentence	S	Coordinator Comment: Consider adding an explanation regarding the term "first period" or "first reporting period." Coordinator Justification: To add clarity to the guidance. The "first period in which the reporting entity makes an unreserved assertion" could be a quarterly (interim financial statement) versus a year-end financial statement. Further, the required disclosure and description of the method should be made in the notes for each of the interim financial statements applicable to the first period in which the reporting entity makes an unreserved assertion, in addition to the year-end financial statements.	
3	U	OIG DoD Debie Alford 703-601-5396 debra.alford@dodig.mil	6	12. Last Sentence	S	Coordinator Comment: Consider adding a requirement that the amount of the deemed inventory cost be disclosed in the first period in which the reporting entity makes an unreserved assertion. The amount should be disclosed in the notes for each of the interim financial statements applicable to the first period in which the reporting entity makes an unreserved assertion, in addition to the year-end financial statements. Coordinator Justification: To provide useful information to financial statement users.	
	U	OIG DoD Debie Alford 703-601-5396 debra.alford@dodig.mil				DoD OIG Response to "Question for Respondents" Question 1. The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing opening balances for inventory, operating	

COMMENT MATRIX FASAB Exposure Draft, "Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials" and Response to the "Question for Respondents"							
#	CLASS	COMPONENT AND POC NAME, PHONE, AND E-MAIL	PAGE #	PARA #	COMMENT TYPE (C/S)	COMMENTS, JUSTIFICATION, AND ORIGINATOR JUSTIFICATION FOR RESOLUTION	A/ R/ P
						<p>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.</p> <p>The proposed Statement describes the alternative valuation method, disclosures, and amendments to SFFAS 3, <i>Accounting for Inventory and Related Property</i>.</p> <p>Do you agree or disagree with the proposed standards? Please provide your rationale.</p> <p>OIG DoD Response:</p> <p>We agree with the Board's proposal to allow DoD 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.</p> <p>The DoD OIG has identified—and DoD management has acknowledged—for many years that accounting for inventory, OM&S, and stockpile materials, and controls over DoD financial management systems are material internal control weaknesses to the Department's financial statements. DoD is generally unable to rely upon its financial management systems to produce accurate and timely historical cost data for several classes of assets, including inventory, OM&S, and stockpile materials. If the Department is to meet its statutory requirement to prepare</p>	

COMMENT MATRIX FASAB Exposure Draft, "Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials" and Response to the "Question for Respondents"							
#	CLASS	COMPONENT AND POC NAME, PHONE, AND E-MAIL	PAGE #	PARA #	COMMENT TYPE (C/S)	COMMENTS, JUSTIFICATION, AND ORIGINATOR JUSTIFICATION FOR RESOLUTION	A/R/P
						financial statements in accordance with GAAP, DoD requires a cost-effective alternative to SFFAS 3. The proposed standards should assist DoD in complying with GAAP reporting requirements while lessening the Department's financial burden in recreating historical cost data that it has been unable to previously produce using its existing financial management systems. This proposed standard will assist DoD in its efforts to produce audit-ready financial statements.	