

**Department of Energy**

Washington, DC 20585

January 19, 2017

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**FROM:**Tom Park 
Director, Office of Finance and Accounting**SUBJECT:**Comments on Statement of Federal Financial Accounting Concepts
Exposure Draft: Federal Financial Reporting

The Department of Energy (Department) reviewed the Statement of Federal Financial Accounting Concepts (SFFAC) Exposure Draft: *Federal Financial Reporting*, and is pleased to provide responses to the questions in the draft Standard. Overall, we found the draft Statement provides a high level, general perspective of federal financial reporting, and its concepts are consistent with more detailed standards, requirements, and guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and other accounting governing bodies. The Department's responses to the questions in the Exposure Draft are provided below.

Q1. The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making. Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.

We agree the scope of the draft Statement is appropriate and the financial reporting objectives are consistent with federal financial reporting objectives as reflected in existing federal financial reporting standards and guidance. However, in Figure 1, "Information for Assessing Accountability and for Decision Making," we do not believe "Other Financial and Nonfinancial Information" as defined in the Exposure Draft, i.e., media reports and reports of interest groups, would assist financial statement users in assessing accountability or making decisions. Specifically, we are concerned that this information could lack objectivity, completeness, and accuracy, and it may not be possible for federal agencies to identify sources of information that are valid, truthful, and reliable. Therefore, we recommend removing this portion from Figure 1.

Also in Figure 1, we believe the inclusion of Other Reported Financial Information (ORFI) in federal financial reporting can be useful. For example, ORFI provided in the Department's Fiscal Year 2016 Agency Financial Report included improper payments information, management challenges, and other transparency data. We believe agencies should continue to have discretion in providing ORFI as long as it is relevant, there is a benefit in providing it, and the benefit outweighs the burden and cost of providing it. Agencies also need discretion in providing ORFI because it may require explanation if it appears inconsistent with financial statements and Required Supplementary Information (RSI), e.g., if it is based on different qualitative characteristics or if it is not compliant with Generally Accepted Accounting Principles (GAAP). Therefore, we agree with retaining ORFI in federal financial reporting as long as it remains voluntary and is unaudited.

Q2. The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25. Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.

We believe paragraphs 16 to 25 in the draft Statement accurately reflects the role of financial statements and RSI in achieving federal financial reporting objectives with the exception of using the term "projection" in paragraphs 20 and 24. The projections referenced in these paragraphs seem to pertain to projections that are required in SFFAS 36, "Comprehensive Long-Term Projections of the U.S. Government." The scope of SFFAS 36 clarifies that its reporting requirements apply to the Consolidated Financial Report of the U.S. Government, not to financial statements prepared at the component entity level. Therefore, if the purpose of paragraphs 20 and 24 is to identify the role of financial statements and RSI in regard to financial statements prepared at the component entity level, we recommend revising the text to refer to the use of estimates. Examples of estimates in financial reporting include the estimated life of property, plant and equipment used in determining depreciation expense, and estimated costs as defined in Appendix E, "Consolidated Glossary," of the FASAB Handbook.

Q3. The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31. Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.

We agree with the draft Statement's discussion of ORFI and how it contributes to achieving financial reporting objectives through its relationships with financial statements and RSI. We believe ORFI can be useful in assisting users in assessing various financial topics. We also believe that presenting financial information using multiple methods of presentation, including narrative descriptions and visual representations, may enhance users' understanding of financial statements and RSI. Given the limitations of ORFI as identified in paragraph 27 of the draft Standard, we believe agencies should continue to have discretion in providing ORFI to ensure it is relevant, there is a benefit in providing it, and the benefit outweighs the burden and cost of providing it. Therefore, we agree with retaining ORFI in federal financial reporting as long as it remains voluntary and is unaudited.

Q4. The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.

We agree with the proposed concepts pertaining to the government-wide reporting entity in paragraphs 33 through 38. The RSI should provide users with an understanding of the government's ability to achieve the mission and manage resources. RSI should also be an indicator of concerns such as the effect of debt, anticipated trends, and other future impactful events.

b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.

We agree with the concepts pertaining to component reporting entities as proposed in paragraphs 39 through 48 with the exception of some terms in paragraph 42. We believe the information in the Combined Schedule of Spending (CSOS) required by OMB Circular A-136, "Financial Reporting Requirements," provides information that would satisfy the users' needs referenced in paragraph 42. However, there are some differences between the information provided in the CSOS and the terms used in paragraph 42:

- The CSOS focuses on budgetary resources and obligations available for spending rather than budgetary authority. To ensure consistency with the CSOS, we recommend the reference to "budget authority" in paragraph 42 be changed to budgetary resources and obligations.
- The CSOS reflects dollars spent for specific purposes and paid to specific entities rather than the percent of budget authority allocated to certain entities. To ensure consistency, we recommend the language in paragraph 42 be changed to conform to the CSOS reporting requirements.

In addition, we suggest the benefit of any additional reporting requirement be carefully considered before it is established, including potential difficulties in applying uniform requirements across different organizational types.

Q5. The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56. Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.

We agree with the discussion of budgetary information in component reporting entity financial statements and RSI. The basic concepts presented for budgetary information and the elements of budget authority are consistent with OMB Circular A-11, "Preparation, Submission, and Execution of the Budget."

Q6. The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62. Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.

We agree with the concepts discussed in this section. Paragraph 62 is especially worth noting as it highlights the limitations of performance measurement and the need for explanatory information to be included with financial statements and RSI to help users understand the reported measures.

Q7. The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70. Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.

We agree with the discussion on summary-level information with respect to financial statements and RSI. The Department believes summary level information provides the greatest utility and minimal cost. The inclusion of graphic representations can be especially helpful to users in gaining an understanding of summary level information.

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, or John Wall, of the Financial Policy Division, at John.Wall@hq.doe.gov or (202) 586-5728.