

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"/>	
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Please provide your name.

Name: Justice Management Division (JMD), Finance Staff c/o Quality Control and Compliance Group, Financial Management Policy

Please identify your organization, if applicable.

Organization: U.S. Department of Justice (Consolidated)

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

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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.