

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