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			
Federal Entity (user)			
Federal Entity (preparer)	X		
Federal Entity (auditor)			
Federal Entity (other)		If other, please specify:	
Association/Industry Organization			
Nonprofit organization/Foundation			
Other		If other, please specify:	
Individual			

Please provide your name.

Name: Nathan Kessler

Please identify your organization, if applicable.

Organization: Department Veteran Affairs-Office of Management & CFO, Office of Financial Policy (OFP)

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.

VA Response: Agree with implementing the NBAR. The current Reconciliation of Net Cost of Operations to Budget (SOF) is confusing as presented and does not have clear government-wide guidance. We think that a footnote is appropriate because the information contained in the NBAR is included in current Financial Statements. The NBAR provides additional insight into the relationship of the information contained in those 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.

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Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

VA Response: Agree with including a narrative disclosure. A narrative disclosure is necessary as an explanation of the differences between budgetary and financial (proprietary) accounting. To better understand these differences, the reconciliation should explain the relationship between the net operating cost and net budget outlays by the entity during the reporting period.

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.

VA Response: Agree with the effective date.

FASAB is working with Treasury on a crosswalk to produce the NBAR. Our Agency will test the crosswalk with FY16/FY17 data to make sure everything works out prior to implementing the footnote in FY18 Q3. VA will use FY 2017 data to prepare a mock footnote disclosure for the NBAR for FY 2018 reporting.

VA sees no issue in restating the comparative prior period information as necessary to implement this pronouncement. The retrospective application of the necessary changes will have no cumulative effect on net cost of operations, net position, or any other financial statement line amounts. These changes will only impact the footnote disclosure #23 Reconciliation of Net Cost of Operations (proprietary)to Budget by requiring that the comparative prior period be retroactively updated to align with the new current period presentation.