



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Chief Financial Officer and**  
**Assistant Secretary for Administration**  
Washington, D.C. 20230

MAR 15 2017

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the Statement of Federal Financial Accounting Standards Exposure Draft, *Budget and Accrual Reconciliation; Amending SFFAS 7, SFFAS 22, and SFFAS 24*, dated December 21, 2016.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to be "Gordon T. Alston", written over a horizontal line.

Gordon T. Alston  
Director of Financial Reporting and Internal Controls

Enclosure

cc: Julie Tao  
Bruce Henshel  
Tanya Smith  
Sean Smith

**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"/>		
Federal Entity (preparer)	<input checked="" type="checkbox"/>		
Federal Entity (auditor)	<input type="checkbox"/>		
Federal Entity (other)	<input type="checkbox"/>	If other, please specify:	<input type="text"/>
Association/Industry Organization	<input type="checkbox"/>		
Nonprofit organization/Foundation	<input type="checkbox"/>		
Other	<input type="checkbox"/>	If other, please specify:	<input type="text"/>
Individual	<input type="checkbox"/>		

**Please provide your name.**

Name:

**Please identify your organization, if applicable.**

Organization:

**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.**

The Department of Commerce agrees with the basic proposal to replace the SOF (which is now commonly referred to as the Reconciliation of Net Cost of Operations to Budget (RNCOB) footnote) with a proposed NBAR reconciliation. However, the Department ardently disagrees, in the strongest possible terms, with the *Intragovernmental and With the Public* required breakdown. With regard to **only the basic proposal**, the NBAR would be more straight-forward, easier to understand, and

**FASAB Exposure Draft: Questions for Respondents due March 14, 2017*****Budget and Accrual Reconciliation***

easier to prepare than the RNCOB because the NBAR, by establishing a more straight-forward and simpler ending point of Outlays, Net (as compared to Net Cost of Operations), eliminates the RNCOB steps of including "Other Resources" in the first section of the RNCOB ("Resources Used to Finance Activities"), and then "backing out" these same components in the second section of the RNCOB ("Resources Used to Finance Items Not Part of Net Cost of Operations"). This RNCOB first section information that was "backed out" in the second section as appropriate was voluminous, could be considered difficult to understand, and could be considered as a distraction of what may be considered the primary purpose of the RNCOB to reconcile Net Obligations Incurred to the Net Cost of Operations.

**The Department only agrees with the proposal to replace the SOF with the NBAR if the new required breakdown between Intragovernmental and With the Public is removed, as discussed at length directly below:**

The Department disagrees with the requirement of the proposed NBAR to present a breakdown between Intragovernmental and With the Public. This breakdown is demonstrated in the example NBAR; and is set forth in ED paragraph A9, which states in part:

"A9. To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately..."

The Department understands and appreciates the intent by FASAB and the U.S. Department of the Treasury (Treasury) to have the NBAR "provide detailed support to the GWA reconciliation..." (from ED paragraph A9) for the U.S. Government financial statements/footnotes.

The Department, however, firmly believes that the breakdown between Intragovernmental and With the Public is not necessary for a fair presentation of this NBAR reconciliation and that this breakdown requirement will result in significant burdens to agencies' to have to prepare this breakdown. Because the required breakdown is not necessary for a fair presentation of the NBAR, the benefits of such a breakdown clearly do not exceed the costs/burden of the requirement to agencies.

The Department respectfully opines that any agency footnote content that is ***not necessary for a fair presentation*** of the agency financial statements/footnotes, should not be added as a content ***requirement*** to agency financial statements/footnotes.

Treasury has in place other means to collect needed data from agencies for the U.S. Government financial statements/footnotes, which include agencies' Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) submissions to Treasury and agencies' Closing Package data submissions to Treasury.

### ***Budget and Accrual Reconciliation***

As there is no requirement to breakout Outlays, Net (or any component of Outlays, Net) in the Statement of Budgetary Resources by Intragovernmental and With the Public, such that this required breakdown cannot be considered, in the Department's opinion, necessary for a fair presentation of the NBAR. Furthermore, the face of the Statement of Net Cost similarly does not require a breakdown between *Intragovernmental and With the Public*.

The required breakdown between *Intragovernmental and With the Public* can be considered distracting to the primary purpose of the NBAR reconciliation, which is to reconcile Net Cost of Operations to Outlays, Net.

The required breakdown between *Intragovernmental and With the Public* will create a significant additional burden to agencies by actually requiring that *two separate reconciliations be performed and displayed* within the NBAR (one reconciliation for Intragovernmental, and another reconciliation for With the Public), with both of these breakouts needing to be materially reconciled by line item. This creates significant additional work for agencies without being necessary for a fair presentation of the NBAR.

Certainly in the case of the Department, the *Intragovernmental and With the Public* required breakdown would create an extremely significant burden to the Department.

**It is of critical importance to note that agencies' GTAS data currently does not require Federal (i.e., Intragovernmental) / Non-federal (i.e., With the Public) breakdown for a majority of the U.S. Standard General Ledger (USSGL) accounts that make up the composition of Outlays, Net, as follows:**

- a) None of the five applicable USSGL accounts that comprise the calculation for Outlays, Gross require a Federal / Non-federal attribute for agency GTAS submissions (see Attachment); and
- b) Only four of the 21 applicable USSGL accounts that comprise the calculation for Actual Offsetting Collections require a Federal / Non-federal attribute for agency GTAS submissions (see Attachment).

As discussed above, the required breakdown between *Intragovernmental and With the Public* for the NBAR reconciliation is not currently supported by agency GTAS submissions, and each agency would have to develop and determine its own methodology to collect this breakdown, which would or could be an extremely significant burden to agencies.

Accordingly, the Department very respectfully requests, for the reasons set forth above, that FASAB remove the *Intragovernmental and With the Public* breakdown requirement and example presentation in the standard.

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The Department is available to discuss the Department's significant disagreement with the required *Intragovernmental and With the Public* breakdown.

The Department strongly believes that the NBAR reconciliation would be appropriately presented as a note to the financial statements, primarily because NBAR is a reconciliation from Net Cost of Operations line in the Statement of Net Cost to Outlays, Net line in the Statement of Budgetary Resources. Accordingly, the NBAR can be best viewed, in the Department's opinion, as supporting the Statement of Net Cost and the Statement of Budgetary Resources. The NBAR does not provide, in the Department's opinion, what might be considered "new" information to the reader; in contrast to, for example, a Statement of Cash Flows, which could be considered to present "new" information on specifically an entity's cash flows.

The Department strongly prefers that Treasury support agencies by developing and maintaining a NBAR USSGL crosswalk that includes applicable USSGL attributes, and notates where there are any gaps in the USSGL crosswalk that cannot support the NBAR reconciliation.

- 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.**

The Department agrees that a narrative disclosure should accompany the NBAR. The narrative is useful for helping readers understand the purpose and presentation concepts of the NBAR; to set forth any needed definitions or additional information; to help readers understand the relationship between Net Cost of Operations and Outlays; and to help understand the reconciling items between the two items being reconciled. As mentioned above, we believe the NBAR and Disclosure should be made a part of the footnotes.

- 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.**

**The Department strongly disagrees with the proposed effective date of FY 2018 (the Department does not disagree with restating the comparative period, and the Department is not against early adoption being permitted), as follows:**

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Even if the Intragovernmental and With the Public breakdown requirement is removed from the NBAR as the Department notably requests and discusses in its answer to Q1, the Department unequivocally and very respectfully requests that the proposed effective date be moved to FY 2019 (moved back one additional year).

The Department and presumably other agencies will need sufficient time to implement a comprehensive solution to the new NBAR, including for the comparative period (FY 2017). Agencies may need to implement manual data collection methods, system changes, and other methods to prepare the NBAR.

The proposed effective date does not provide ample lead-time to enable agencies to review and implement Treasury's USSGL crosswalk, when published, and determine how to address any gaps in its coverage.

Other treatment issues that agencies will need time to address include the reconciliation treatment for different fund types and differences in pre-Credit Reform versus post-Credit Reform Act loan programs (e.g., subsidy reestimates, etc.). The Department believes agencies need the ability to develop and test, **fully during the comparative period**, real-time financial data during the comparative period quarters.

Considering that FY 2017 is nearly half-completed at this time, the Exposure Draft has not been finalized yet, the Department has a significant disagreement with the Intragovernmental and With the Public required breakdown as discussed in our Q1 answer, a USSGL crosswalk has not been fully developed by Treasury, and there are gaps in the USSGL crosswalk not yet identified, in the Department's opinion, there is clearly not enough time for agencies to develop and implement the NBAR for the comparative period during a reasonable timeframe, meaning the FY 2018 proposed implementation date is much too soon.

Accordingly, the Department very respectfully requests, for the reasons set forth above, that FASAB revise the FY 2018 proposed implementation date to a FY 2019 implementation date.

The Department, very respectfully, will be contacting FASAB the week of March 20, 2017 to request a meeting with FASAB to discuss the Department's significant disagreement with the Exposure Draft.

Part 2

Fiscal Year 2017 Reporting

SUPPLEMENT

Section V

USSGL Crosswalk - Statement of Budgetary Resources

Line No.	USSGL Acct.	USSGL Account Title	Debit/Credit	Begin/End	Auth Type	Fed/Non Fed	TAS Status	Fund Type	Addl. Info.
<b>4179</b>	<b>Anticipated offsetting collections (discretionary and mandatory) (+ or -)</b>								
4179	404700	Anticipated Transfers to the General Fund of the Treasury - Current-Year Authority	C	E	S		U	EC/EG/EM/EP/ER/ES /ET/TR	2
4179	406000	Anticipated Collections From Non-Federal Sources	D	E			U	EC/EG/EM/EP/ER/ES /ET/TR	2
4179	407000	Anticipated Collections From Federal Sources	D	E			U	EC/EG/EM/EP/ER/ES /ET/TR	2
4179	416000	Anticipated Transfers - Current-Year Authority	D/C	E	S		U	EC/EG/EM/EP/ER/ES /ET/TR	2
4179	421000	Anticipated Reimbursements and Other Income	D	E			U	EC/EG/EM/EP/ER/ES /ET/TR	2
4179	421500	Anticipated Expenditure Transfers from Trust Funds	D	E			U	EC/EG/EM/EP/ER/ES /ET/TR	2
<b>4180</b>	<b>Budget authority, net (total) (discretionary and mandatory)</b>								
	This line is calculated. Equals sum of SBR lines 4175, 4176, 4177, 4178 and 4179.								
<b>4185</b>	<b>Outlays, gross (discretionary and mandatory)</b>								
4185	480200	Undelivered Orders - Obligations, Prepaid/Advanced	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	1
4185	480200	Undelivered Orders - Obligations, Prepaid/Advanced	D/C	B			U/E	EC/EG/EM/EP/ER/ES /ET/TR	1
4185	488200	Upward Adjustments of Prior-Year Undelivered Orders - Obligations, Prepaid/Advanced	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4185	490200	Delivered Orders - Obligations, Paid	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4185	490800	Authority Outlaid Not Yet Disbursed	D/C	E			U	EG/ER	1
4185	490800	Authority Outlaid Not Yet Disbursed	D/C	B			U	EG/ER	1
4185	498200	Upward Adjustments of Prior-Year Delivered Orders - Obligations, Paid	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
<b>4187</b>	<b>Actual offsetting collections (discretionary and mandatory) (-)</b>								
4187	421200	Liquidation of Deficiency - Offsetting Collections	D	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	422200	Unfilled Customer Orders With Advance	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	1
4187	422200	Unfilled Customer Orders With Advance	D/C	B		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	1
4187	425200	Reimbursements and Other Income Earned - Collected	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	425300	Prior-Year Unfilled Customer Orders With Advance - Refunds Paid	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	425500	Expenditure Transfers from Trust Funds - Collected	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426000	Actual Collections of "governmental-type" Fees	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426100	Actual Collections of Business-Type Fees	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426200	Actual Collections of Loan Principal	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426300	Actual Collections of Loan Interest	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426400	Actual Collections of Rent	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426500	Actual Collections From Sale of Foreclosed Property	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	426600	Other Actual Business-Type Collections From Non-Federal Sources	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	

Part 2

Fiscal Year 2017 Reporting

SUPPLEMENT

Section V

USSGL Crosswalk - Statement of Budgetary Resources

Line No.	USSGL Acct.	USSGL Account Title	Debit/Credit	Begin/End	Auth Type	Fed/Non-Fed	TAS Status	Fund Type	Add. Info.
4187	426700	Other Actual "governmental-type" Collections From Non-Federal Sources	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427100	Actual Program Fund Subsidy Collected	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427300	Interest Collected From Treasury	D/C	E			U	EG/EP/ER/TR	
4187	427500	Actual Collections From Liquidating Fund	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427600	Actual Collections From Financing Fund	D	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	427700	Other Actual Collections - Federal	D/C	E			U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	429000	Amortization of Investments in U.S. Treasury Zero Coupon Bonds	D/C	E			U	EP/ER/TR	
4187	487200	Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected	D/C	E		F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
4187	497200	Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected	D/C	E		E/F/N	U/E	EC/EG/EM/EP/ER/ES /ET/TR	
<b>4190</b>	<b>Outlays, net (total) (discretionary and mandatory)</b>								
	<b>This line is calculated. Equals sum of SBR lines 4185 and 4187.</b>								
4200	Distributed offsetting receipts (-)								
	(Not supported by USSGL)								
4210	Agency outlays, net (discretionary and mandatory)								
	(Not supported by USSGL)								