

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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Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
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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.

AGREE

The SOF was a difficult report to prepare because of the complexity of the crosswalk and the lack of proper USSGL agency accounting data. Using properly posted and balanced data, the SOF works perfectly and is the quickest indicator of the accuracy of proper SGL posting logic contained within the reports. Unfortunately, most agencies do not have proper posting and the timing discrepancies of the entries made this report very difficult to complete correctly. These unidentifiable differences forced a “plug” to be entered to make the balance work. When it moved to a footnote, the lack of an accurate crosswalk compounded the problem to the point that it was an inaccurate and useless footnote. The adjustment to use net outlays instead of net obligations makes process toward reconciliation while allowing the report to be more easily prepared, but does not accomplish the full of objectives of the SOF. It removes the requirement for federal accountants to understand the relationship between budgetary and proprietary

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events from receipt and use of authority to the receipt and use of assets and expenses. This being said, the NBAR is still a step forward to what might ultimately be the reestablishment of the SOF. I agree that it should be implemented and included as an auditable portion of the basic financial statements. This will require agencies to not only prepare the report but be forced to deal with the interrelationship of the USSGL accounts and posting logic from the cost versus cash perspective, which is unfortunately more commercial than government. It still falls short of the full relationship of budgetary to proprietary but it is a good start toward a more challenging requirement. A good start can lead to an eventual good finish.

- 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.

DISAGREE

The addition of a narrative on non-cash outlays is overkill. This is not a universal item which will only serve to confuse agencies that do not participate in this area. If after implementation it is evident that the new report is incomplete without this information, then it can be added. Initially, it will be difficult enough getting the new report into place.

- 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.

AGREE

The sooner the better, if only to get rid of the bad footnote. This information should be readily available for both the current period and a restatement (creation) of the comparative period.