

# 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"/>	
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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.**

HHS agrees with replacing the Statement of Financing (SOF) with the new budget and accrual reconciliation (NBAR). HHS recommends that the NBAR be presented as a footnote to support the basic consolidated financial statements. The implementation of the NBAR will simplify the complexities of the existing SOF and support government-wide reporting. Most importantly, the NBAR will provide readers a better understanding of the relationship between the budgetary outlays and the net cost of operations.

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- 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.**

HHS agrees that a narrative disclosure should accompany the NBAR. The narrative will provide the readers an understanding of the purpose of the reconciliation and highlight the reasons for differences between budgetary accounting and financial accrual based accounting. This disclosure will support our commitment to providing financial transparency and accountability.

- 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.**

HHS recommends implementing NBAR by the 3<sup>rd</sup> quarter in fiscal year 2018 as a footnote. Since NBAR will completely replace the SOF presentation, HHS suggests preparing and publishing current year data only for the first year of implementation and producing the footnote with comparative data thereafter.

If the Board decides that the prior year should be presented, HHS recommends using the word “reclassified” for presentation purposes. The “Effective Date” section of the ED which now reads, “Comparative prior period information should be “restated” consistent with this Statement” would be changed to say “reclassified.”

The implementation of NBAR will require system reconfigurations and extensive coordination with the operational divisions throughout HHS. HHS recommends that Treasury Fiscal Service finalize the NBAR crosswalk prior to fiscal year 2018 and update the crosswalk regularly thereafter.