



## Federal Accounting Standards Advisory Board

February 3, 2017

### Memorandum

To: Members of the Board

*Ross Simms*

From: Ross Simms, Assistant Director

*Wendy M. Payne*

Through: Wendy M. Payne, Executive Director

Subj: ***Federal Financial Reporting: Comment Letters Received through January 23, 2017***<sup>1</sup> – Tab A-1

#### MEMBER ACTION REQUESTED:

- Review responses to the exposure draft, *Federal Financial Reporting* and prepare to make decisions on issues raised in TAB A-2.

### MEETING OBJECTIVE

The meeting objective is to review responses to the exposure draft, *Federal Financial Reporting*.

### BRIEFING MATERIAL

**Staff Summary:** This memorandum provides the staff summary. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters. The summary presents:

A. Tally of Responses By Question .....	4
B. Quick Table of Responses By Question.....	8
C. Full Text of Answers and Comments by Question and by Respondent .....	11
D. Listing Of Additional Comments from Respondents.....	42

**Attachment 1** provides the full text of each comment letter.

<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of FASAB or its staff. Official positions of FASAB are determined only after extensive due process and deliberations.

Staff will also provide **TAB A-2** next week. **TAB A-2** will include the following attachments:

**Attachment 2** provides an overall summary of the responses, a list of issues for Board consideration, staff analysis of the issues, and staff recommendations for the Board.

**Attachment 3** provides the original exposure draft with suggested edits based on comments received.

## **BACKGROUND**

### **SUMMARY OF OUTREACH EFFORTS**

The Board issued the exposure draft, *Federal Financial Reporting*, on September 29, 2016 and requested comments by January 6, 2017. Upon release of the exposure draft, the Board provided notices to:

- a) The Federal Register;
- b) *FASAB News*;
- c) The *Journal of Accountancy*, *AGA Today*, the *CPA Journal*, *Government Executive*, and the *CPA Letter*;
- d) The CFO Council, the Council of the Inspectors General on Integrity and Efficiency, and the Financial Statement Audit Network; and
- e) Committees of professional associations generally commenting on exposure drafts in the past.

The Board followed this broad announcement with direct mailings to:

- a) House Committee on Oversight and Government Reform, Subcommittee on Government Operations
- b) House Transportation Committee, Subcommittee on Economic Development
- c) Senate Committee on Homeland Security and Government Affairs and the following subcommittees:
  - a. Subcommittee on Federal Spending Oversight and Emergency Management
  - b. Subcommittee on Regulatory Affairs and Federal Management
- d) Senate Committee on the Budget
- e) Senate Committee on the Environment and Public Works
- f) Senator Patty Murray, ranking member of the Senate Subcommittee on Labor, Health and Human Services, and Education, member of the Senate Committee on the Budget, and member of the Senate Committee on Veterans' Affairs.
- g) Senator Tom Carper, ranking member of the Senate Committee on Homeland Security and Governmental Affairs, member of the Senate Committee on Environment and Public Works, and member of the Senate Committee on Finance
- h) CPA Caucus

To encourage responses, the Board issued a reminder notice on December 22, 2016 to its Listserv. We also contacted professional associations directly if a response had not been received by the date requested.

## RESULT

As of January 23, 2017, we have received 16 responses from the following sources:

	<b>FEDERAL (Internal)</b>	<b>NON-FEDERAL (External)</b>
Users, academics, others		5
Auditors	3	
Preparers and financial managers	8	

The full text of the comment letters is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received. The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff summary below.

## STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

### A. Tally of Responses By Question

QUESTION	AGREE	PARTIAL AGREEMENT	COMMENTED BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	DISAGREE	NO COMMENT
<p>Q1. The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.</p> <p><b>Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.</b></p>	12	0	1	0	3

# STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	AGREE	PARTIAL AGREEMENT	COMMENTED BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	DISAGREE	NO COMMENT
<p>Q2. The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.</p> <p>Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.</p>	7	3	3	0	3
<p>Q3. The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.</p> <p>Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.</p>	10	0	2	1	3
<p>Q4. The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to</p>	11	0	1	0	4

# STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	AGREE	PARTIAL AGREEMENT	COMMENTED BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	DISAGREE	NO COMMENT
<p>paragraphs 33 to 48.</p> <p>a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.</p>					
<p>Q4. The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.</p>	9	1	2	0	4
<p>Q5. The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.</p>	11	1	1	0	3

# STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	AGREE	PARTIAL AGREEMENT	COMMENTED BUT DID NOT SPECIFY AGREEMENT OR DISAGREEMENT	DISAGREE	NO COMMENT
Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.					
Q6. The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.  Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.	12	0	1	0	3
Q7. The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.  Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.	11	0	2	0	3

## STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

### B. Quick Table of Responses By Question

A=Agree, PA=Partial Agreement, C=Commented but did not specify agreement or disagreement, D=Disagree, NC=No Comment

RESPONDENT (Organization, or name if no org.)	Q1. Relationship Between Financial Statement and RSI and Information Available to Use	Q2. Role of Financial Statements and RSI	Q3. Other Reported Financial Information (ORFI)	Q4.a. Government- wide Reporting Entity Concepts	Q4.b. Component Reporting Entity Concepts	Q5. Budgetary Concepts	Q6. Performance Results	Q7. Summary Level Info.
#1 Mitch Laine	NC	NC	NC	NC	NC	NC	NC	NC
#2 Harold Steinberg	A	C	C	NC	NC	C	C	C
# 3 Nuclear Regulatory Commission- OIG	A	A	A	A	A	A	A	A
#4 Social Security Administration	A	A	A	A	A	A	A	A
#5 Health and Human Services	A	PA <sup>2</sup>	A	A	A	PA <sup>3</sup>	A	A
#6 Homeland	A	PA <sup>4</sup>	A	A	A	A	A	A

<sup>2</sup> Clarify concepts regarding when projections should be used in financial statements versus RSI.

<sup>3</sup> Borrowing authority provides authority to borrow but does not necessarily require agencies to borrow (paragraph 53.b.)



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RESPONDENT (Organization, or name if no org.)	Q1. Relationship Between Financial Statement and RSI and Information Available to Use	Q2. Role of Financial Statements and RSI	Q3. Other Reported Financial Information (ORFI)	Q4.a. Government- wide Reporting Entity Concepts	Q4.b. Component Reporting Entity Concepts	Q5. Budgetary Concepts	Q6. Performance Results	Q7. Summary Level Info.
Security								
#7 Housing and Urban Development	A	A	A	A	A	A	A	A
#8 Department of Defense-OIG	NC	NC	NC	NC	NC	NC	NC	NC
#9 Joseph Marren	NC	NC	NC	NC	NC	NC	NC	NC
#10 Department of Defense- OUSD	A	C	C	C	C	A	A	A
#11 Greater Washington Society of CPAs	A	A	A	A	A	A	A	A
#12 Department of Commerce- OFM	A	A	A	A	A	A	A	A
#13 Department of Interior-OFM	A	A	A	A	A	A	A	A

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<sup>4</sup> Suggest including the modified accrual basis in the discussion (paragraph 19 of the ED).

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RESPONDENT (Organization, or name if no org.)	Q1. Relationship Between Financial Statement and RSI and Information Available to Use	Q2. Role of Financial Statements and RSI	Q3. Other Reported Financial Information (ORFI)	Q4.a. Government- wide Reporting Entity Concepts	Q4.b. Component Reporting Entity Concepts	Q5. Budgetary Concepts	Q6. Performance Results	Q7. Summary Level Info.
#14 Department of Labor-OIG	A	A	A	A	A	A	A	A
#15 Association of Government Accountants	C	C	D	A	C	A	A	C
#16 Department of Energy	A	PA <sup>5</sup>	A	A	PA <sup>6</sup>	A	A	A

<sup>5</sup> Suggest using estimates rather than projections if referring to component reporting entities (paragraphs 20 and 24 of the ED).

<sup>6</sup> Terms and language in paragraph 42 of the ED should be consistent with OMB Circular A-136 reporting requirements for the Combined Schedule of Spending. For instance, change budget authority to budgetary resources and obligations.

## STAFF SUMMARY OF RESPONSES – Table C: Full Text of Answers and Comments by Question

### C. Full Text of Answers and Comments by Question and by Respondent

<p><b>QUESTION #1</b> The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.</p> <p>Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	<p>I agree with the discussion and illustration, but it should be enhanced by an identification of at least some of the many types of ORFI with information similar to the basic financial statement and RSI. For instance, considerable Legislative and Executive branch attention is being devoted to the issuance of "checkbook-level" financial information through <a href="http://usaspending.gov">usaspending.gov</a> and implementation of the DATA Act. These practices should be mentioned and explained.</p> <p>Another significant absence in the ED is any discussion of electronic reporting and how it would relate to the presentation of basic financial statements and RSI.</p>
# 3 Nuclear Regulatory Commission-OIG	Agree. Figure 1 is very helpful.
#4 Social Security Administration	We agree with the discussion and illustration. We believe that the concepts focus on the objectives most relevant for the financial statements and RSI. Figure 1: Information for Assessing Accountability and for Decision Making, clearly illustrates the overall relationship among financial statements, RSI, and the larger body of financial information.
#5 Health and Human Services	We agree with the discussion laid out in paragraphs 6 thru 11 and in Figure 1. It is the responsibility of federal financial reporting to relay the most useful information in a way most understandable by the public. By clarifying SFFAC 1 and emphasizing the objectives most relevant for financial statements and RSI, and focusing on the operating performance and stewardship objectives as well as reporting budgetary information, this Statement will aid FASAB's direction in the development of future standards. This discussion agrees with our

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	understanding of the purpose of the standard.
#6 Homeland Security	DHS agrees with the discussion and illustration which demonstrate the relationship between the financial statements and RSI, and ORFI.
#7 Housing and Urban Development	HUD agrees with the discussion and illustration. Suggest referencing in the Scope section the diversity of users of federal financial reporting which encompasses an expansive group with varied interests including the citizens, the Congress, the President, the business community, and Federal employees who manage Federal programs.
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment
#10 Department of Defense-OUSD	<p>The DoD agrees with the intent of the discussion and illustration and provides the following comments /questions:</p> <p>Paragraph11 Figure 1 [description] – The Purpose section (paragraphs 1-5) talks about the users having a better understanding of the purpose and presentation of financial statements and RSI, however the description of the illustration (paragraph 11) is the first mention of the users measuring accountability and decision making using these concepts. If this is the purpose of the concepts, this should be explicit in the Purpose section.</p> <p>Comments on the Illustration on page 12:</p> <p>Financial Reporting: Suggest making reference to OMB A-136 for Financial Reporting requirements.</p>

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	<p>Financial Statements column: Statements of changes in net position, custodial activity and social insurance should be added. Additionally, please clarify what is meant by “sustainability?” Federal financial statements do not conclude on the sustainability of an agency.</p> <p>Performance Information column: Suggest providing examples (such as progress in achieving the goals and objectives of the agency). Note that DoD prepares a separate Annual Performance Report (APR) that provides detailed performance related information. The APR highlights strategic goals, strategic objectives and year-end results for each performance indicator. Is this ED suggesting to combine the APR information with the AFR?</p> <p>Management’s Discussion and Analysis column: “Financial Statements” should be changed to “Analysis of Financial Statements and Stewardship Information.” Suggest removing “Actions taken or planned to improve performance” or moving it to the Performance Information column. Suggest changing it to “Performance goals, objectives, and results” as required by OMB A-136.</p> <p>RSI column: Suggest adding “Required Supplemental Stewardship Information.”</p> <p>Financial and Non-Financial Information column: Suggest adding “Schedule of Spending” as this would be relevant information for users to ascertain how the resources are being utilized. Suggest providing specific guidance on what other information needs to be provided.</p> <p>Other Financial and Non-Financial Information column: This is not covered in the text of the concepts and should be briefly explained at a minimum.</p>

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	<p>Other General Questions and Comments:</p> <p>The illustration should identify where a user would find “summary-level information” as described in paragraphs 63-70 of the exposure draft.</p> <p>Should the graphic delineate component-level and government level reporting?</p> <p>Further consideration needs to be given to how this illustration relates to the objectives of this concept outlined in paragraph 4 of the exposure draft.</p> <p>Paragraph 12 – is the requirement intended to be monthly, quarterly, annually and should it include annual changes in debt and annual budget versus actual expenditures?</p> <p>Paragraph 13 – recommend either (b) or (d) include cyber security.</p>
#11 Greater Washington Society of CPAs	The FISC agrees with the discussion and illustration provided in the ED. The FISC suggests that the Board consider inclusion in the ED of the role of online financial reporting, such as reporting of transactional information in compliance with the Digital Accountability and Transparency Act of 2014, in the Board's views on concepts of federal financial reporting.
#12 Department of Commerce-OFM	The department agrees with the discussion and illustration. It is important to identify the types of information in the financial statements and RSI that will assist users in understanding the relationship between the information required by Generally Accepted Accounting Principles (GAAP) and ORFI.
#13 Department of Interior-	Agree. It seems broad enough to encompass the components of RSI and relationships are

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OFM	portrayed logically.
#14 Department of Labor-OIG	We agree with the discussion indicated in the Scope section. We believe the illustration in Figure 1 adequately depicts how information required by GAAP relates to ORFI. However, we suggest for the Board's consideration that Required Supplementary Stewardship Information be specifically incorporated into the discussion and illustration to avoid confusion since it is a distinct term in federal financial reporting.
#15 Association of Government Accountants	<p>We appreciate FASAB's effort in presenting the proposed concepts in a matter that makes it easier to understand the overall financial reporting emphasis. We generally support the discussion and illustrations but have a few questions and suggested changes based on feedback from some of our members.</p> <p>Per our review of Figure 1 we noted the items listed in the MD&amp;A section does not match the list of items required for MD&amp;A as listed in SFFAS 15. We recommend either remove the items from Figure 1 and refer to SFFAS 15 or retain the bulleted items making sure they are consistent with the standard.</p> <p>Our members agree that including Budgeting and Performance reporting is an important aspect since it brings new emphasis to the financial data included in the financial reports.</p> <p>Paragraph 5 of the exposure draft states that "some existing FASAB concepts statements are reemphasized, amended or rescinded" but does not specify what content is intended to be new, what content is intended to be a reemphasis, and what content is intended to amend or supersede previous concept statements. We would like to see clarification of what statements will be affected by the concept statement.</p> <p>FASAB would benefit from moving toward model for maintaining and updating standards similar to that used by FASB, where a codification is maintained and new standards or</p>

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	<p>concept statements are issued as updates to the codification. This has the benefit of making amendments clear and eliminating the need for reemphasis of points already included in standards or concept statements. It also has the benefit of making the final product more coherent and accessible since it would be organized in a comprehensive and logical manner rather than in layers based on when standards were issued as the current Handbook reads.</p> <p>Regarding Figure 1, we recommend that FASAB provide clarification on what "transparency data" is and why it should be included in the Figure 1. We also recommend clarifying the global view of the importance of the transparency information and explaining the connection between it and the financial statements and RSI information since the information is outside the traditional annual report. We are also concerned whether the information should be RSI which inherently provides more credence to the information when included with auditors report even though RSI is subjected to lesser audit scrutiny than basic information in the auditor's opinion.</p> <p>While the information is included in other financial and non-financial information we believe an explanation of what is expected for media reports will be helpful when implementing the proposed concept statement.</p> <p>Paragraph 12 should be consistent with SFFAS No. 1, which states that users of Federal financial information are also concerned about whether programs are sustainable as currently constructed. This user need is particularly important to be included in concepts because it is the basis for the unique requirement for a statement of long-term fiscal projections.</p>
#16 Department of Energy	<p>We agree the scope of the draft Statement is appropriate and the financial reporting objectives are consistent with federal financial reporting objectives as reflected in existing federal financial reporting standards and guidance. However, in Figure 1, "Information for Assessing Accountability and for Decision Making," we do not believe "Other Financial and</p>



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	<p>Nonfinancial Information" as defined in the Exposure Draft, i.e., media reports and reports of interest groups, would assist financial statement users in assessing accountability or making decisions. Specifically, we are concerned that this information could lack objectivity, completeness, and accuracy, and it may not be possible for federal agencies to identify sources of information that are valid, truthful, and reliable. Therefore, we recommend removing this portion from Figure 1.</p> <p>Also in Figure 1, we believe the inclusion of Other Reported Financial Information (ORFI) in federal financial reporting can be useful. For example, ORFI provided in the Department's Fiscal Year 2016 Agency Financial Report included improper payments information, management challenges, and other transparency data. We believe agencies should continue to have discretion in providing ORFI as long as it is relevant, there is a benefit in providing it, and the benefit outweighs the burden and cost of providing it. Agencies also need discretion in providing ORFI because it may require explanation if it appears inconsistent with financial statements and Required Supplementary Information (RSI), e.g., if it is based on different qualitative characteristics or if it is not compliant with Generally Accepted Accounting Principles (GAAP). Therefore, we agree with retaining ORFI in federal financial reporting as long as it remains voluntary and is unaudited.</p>

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<p><b>QUESTION #2</b> The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.</p> <p>Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	Financial Statement and RSI, Paragraphs 16-25, provides an extensive explanation of the differences in the basis of accounting, but little on the difference between basic financial statements and RSI. Readers are evidently supposed to understand the difference from the one example taken from Statement of Federal Financial Accounting Concept (SFFAC) No. 6. <i>Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information</i> . A better way to convey the difference would be to abstract the explanation in SFFAC No. 6, which is “Basic information is information which is essential for the financial statements and notes to be presented in conformity with GAAP. It is typically presented in financial statement and accompanying footnotes. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues, it is information expressed with other than financial measures, or it is information that may not be subject to reliable estimation.”
# 3 Nuclear Regulatory Commission-OIG	Agree. The discussion is very clear about the different accounting treatments for budgetary vs. financial accounting. I like the fact that it clarifies that depending on the financial product, GAGAS may require different procedures.
#4 Social Security Administration	We agree with the discussion on financial statements and RSI. Paragraphs 16 to 25 adequately discuss the reasons why we need both financial statements and RSI to communicate financial information to users. The discussion also provides readers with a sufficient understanding of the different methods of accounting used to prepare financial statements. The criteria described seems to meet GAAP and other GAGAS audit criteria.

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#5 Health and Human Services	We agree with most of FASAB's description of the relationship of Financial Statement and RSI reporting as described in paragraph 16 to 25. We believe that it would be useful if FASAB would clarify the basic concepts used to distinguish when projections should be used in financial statements and when the projections should be part of RSI.
#6 Homeland Security	DHS agrees with the discussion on the financial statements and RSI. The discussion provides explanations and objectives for the various type of reported information on the financial statements. However, there is no mention of modified accrual basis. DHS suggests including modified accrual basis as one of the presentation methods in paragraph 19, and later defining in paragraph 21 or a separate paragraph.
#7 Housing and Urban Development	<p>HUD agrees with the discussion including the basis of accounting.</p> <p>To include all basic characteristics for information in financial reports, suggest edit of paragraph 18 b. on page 15 to add the qualitative characteristics of timeliness, consistency, and comparability</p>
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment
#10 Department of Defense-OUSD	<p>The Department has the following comments and questions with the discussion on the financial statements and RSI:</p> <ul style="list-style-type: none"> <li>• General Observations: This section may confuse preparers and users even further because of how technical the narrative is rather than being presented in layman's terms. This section outlines accounting treatment and how financial information is prepared,</li> </ul>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2</b> The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.</p> <p>Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.</p>	
	<p>however it does not draw a relationship to how this information would meet the needs of the user as identified in paragraph 12. Utilizing examples to map paragraph 12 to the financial statements and RSI would be beneficial to the preparers and users.</p> <ul style="list-style-type: none"> <li>• Paragraph 17: The Department recommends changing the word “criteria” in paragraph 17 (4th sentence) to “sufficient evidence” because the criteria of the audit is established through GAGAS.</li> <li>• Paragraph 18: Recommend adding “consistency” to bullet (b) listing of characteristics.</li> <li>• Paragraph 19: suggest combining paragraphs 21-23 with paragraph 19 and sub-bullets for clarity. In sub-bullet (a), suggest adding “financial condition, ...”</li> <li>• Paragraph 20: Suggest updating the language as follows:  Financial projections are also prepared. Projections could be used in calculating future receipts and spending based on current policy and in depicting the result that may occur based on a set of assumptions which may be useful for assessing the sustainability of services.</li> <li>• Paragraph 21: Recommend changing the last statement to “costs reflect the amount of services provided in a period, regardless of whether or not they have been paid for yet.” This removes the assumption that the government has provided services and incurred costs when the services may have been provided by an external party.</li> </ul> <p>DoD also recommends recognizing the requirements to disclose stewardship information, or “Required Supplemental Stewardship Information,” as this financial information reports an Agency’s responsibility and stewardship over resources entrusted to it.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2</b> The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.</p> <p>Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.</p>	
#11 Greater Washington Society of CPAs	The FISC agrees with the discussion on the role of the financial statements and RSI in achieving the financial reporting objectives.
#12 Department of Commerce-OFM	The Department agrees with the discussion on financial statements and RSI. The discussion details the information in the financial statements and RSI which helps users to better understand the role of the financial statements and RSI to better assess financial results of operations.
#13 Department of Interior-OFM	Agree. It is broad and seems to define the processes or methods available for gathering RSI information. Especially paragraph 17 in regards to preparers having discretion in developing amounts reported in some RSI and the auditors lacking the criteria necessary for the expression of an opinion. RSI must have more leeway to include more qualitative information in order to convey more information to the user. Also the discussion is helpful in describing how, in different situations, that RSI vs Financial Statements may be more relevant/helpful to users and vice versa.
#14 Department of Labor-OIG	We agree with the discussion on financial statements and RSI as it distinguishes between financial statements and RSI and discusses the different bases used in preparation of the financial statements.
#15 Association of Government Accountants	<p>In Paragraph 21 we suggest the following edit to match the conventional definition of accrual: “The accrual basis of accounting recognizes revenue when earned and recognizes costs when <del>resources are consumed</del> <u>liabilities are incurred</u>. <del>The costs reflect the resources consumed in the period the government provided the services.</del>” There are many instances where liabilities are incurred but no service has yet been provided or resources consumed. This statement would apply more closely to the Paragraph 22 discussion of primarily cash-based budgetary accounting.</p> <p>In Paragraph 23 we suggest the following edit to also describe the receipt of appropriations in addition to their expenditure: “Primarily obligation-based budgetary accounting recognizes</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2</b> The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.</p> <p>Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.</p>	
	<p><u>receipts when received and outlays</u> events when the component reporting entity enters into agreements that obligate the government to make payments in the future, such as when it awards contracts.”</p> <p>One of our members brought to our attention that paragraphs 16-25 are summarizing information that has been said in other standards. Is it the intent of FASAB to replace the information in the other standards or is the FASAB summarizing concepts in one place. If the information is being summarized with no changes to the other standards, the FMSB believes there is the potential that would create confusion when reading the standards.</p>
#16 Department of Energy	<p>We believe paragraphs 16 to 25 in the draft Statement accurately reflects the role of financial statements and RSI in achieving federal financial reporting objectives with the exception of using the term "projection" in paragraphs 20 and 24. The projections referenced in these paragraphs seem to pertain to projections that are required in SFFAS 36, "Comprehensive Long-Term Projections of the U.S. Government." The scope of SFFAS 36 clarifies that its reporting requirements apply to the Consolidated Financial Report of the U.S. Government, not to financial statements prepared at the component entity level. Therefore, if the purpose of paragraphs 20 and 24 is to identify the role of financial statements and RSI in regard to financial statements prepared at the component entity level, we recommend revising the text to refer to the use of estimates. Examples of estimates in financial reporting include the estimated life of property, plant and equipment used in determining depreciation expense, and estimated costs as defined in Appendix E, "Consolidated Glossary," of the FASAB Handbook.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #3</b> The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.</p> <p>Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	The example of an ORFI in Paragraph 26 is a report on program performance. A better example would be a report that entails financial amounts. An example, as stated previously, would be the reporting mechanisms established by the Financial Transparency and Accountability Act, American Recovery and Reinvestment Act, and DATA Act since they entail reporting of financial amounts and therefore the opportunity for conflicts between the numbers reported in those systems and the amounts reported in basic financial statements and RSI. Moreover, directives regarding performance reporting is not a good example of an ORFI. A statement of program performance measures is already suggested in SFFAC No. 2, <i>Entity and Display</i> (paragraph 74), and its importance emphasized in Footnote 13.
# 3 Nuclear Regulatory Commission-OIG	Agree. Discussion is very easy to follow.
#4 Social Security Administration	We agree with the discussion on ORFI and its relationship to financial statements and RSI. The discussion adequately describes the circumstances under which entities would report ORFI, and how ORFI can contribute to achieving Federal financial reporting objectives. The discussion also points out the limitations of ORFI, and how ORFI can be useful for addressing the specific needs of a user or group and providing information to satisfy additional statutory and OMB reporting requirements.
#5 Health and Human Services	We agree with the items discussed in paragraphs 26 through 31 as it relates to ORFI and its relationship to Financial Statements and RSI section. It agrees with our understanding of the purpose of the standard.
#6 Homeland Security	DHS agrees with the discussion on ORFI and its relationship to financial statements and RSI. The ED presents the objectives of ORFI that contributes to achieving the financial

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #3</b> The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.</p> <p>Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.</p>	
	reporting objectives and its relationship to financial statements and RSI.
#7 Housing and Urban Development	HUD agrees with the discussion especially the limitations on ORFI.
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment
#10 Department of Defense-OUSD	<p>The Department has the following comments and questions with the discussion on the ORFI:</p> <ul style="list-style-type: none"> <li>• Paragraph 26: Recommend replacing “federal accounting standards” with “GAAP,” since GAAP has already been defined.</li> <li>• Paragraph 27: Recommend replacing “limitations” with “a range of quality for the presented ORFI.”</li> <li>• Paragraph 30: Suggest adding a specific example, such as compliance with IPERA, as users may be concerned with how well the Department is managing improper payments.</li> <li>• Suggest adding a paragraph to explain the requirements of the Schedule of Spending (SOS) as this is an overview of how and where agencies are spending money for a reporting period.</li> </ul>
#11 Greater Washington Society of CPAs	The FISC agrees with the discussion on ORFI and its relationship to financial statements and RSI.
#12 Department of	The Department agrees with the discussion on ORFI and its relationship to financial statements and RSI. Although not required by GAAP, ORFI contributes to the user’s ability to assess the financial condition of the reporting entity and to comply with laws and



## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #3</b> The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.</p> <p>Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.</p>	
Commerce-OFM	administrative directives. The Department also agrees that there are some limitations to ORFI, such as potential for less scrutiny over the data, and lack of consistency with GAAP reporting.
#13 Department of Interior-OFM	Agree. We like the flexibility to use the ORFI as needed. The financial statements and RSI are prepared in accordance with federal accounting standards. However, there may be relevant formation that is helpful to the readers. References such as links to websites provide the user with additional, useful information but not subject agencies to audit scrutiny like the financial statements and RSI.
#14 Department of Labor-OIG	We agree with the discussion on ORFI and its relationship to financial statements and RSI. We suggest a clear distinction between the information that should be included in MD&A and the information that would be considered ORFI.
#15 Association of Government Accountants	We respectfully disagree. To help the readers of the proposed concept statement, we recommend that FASAB clarify how the ORFI information relates and enhances the annual financial report (AFR).
#16 Department of Energy	We agree with the draft Statement's discussion of ORFI and how it contributes to achieving financial reporting objectives through its relationships with financial statements and RSI. We believe ORFI can be useful in assisting users in assessing various financial topics. We also believe that presenting financial information using multiple methods of presentation, including narrative descriptions and visual representations, may enhance users' understanding of financial statements and RSI. Given the limitations of ORFI as identified in paragraph 27 of the draft Standard, we believe agencies should continue to have discretion in providing ORFI to ensure it is relevant, there is a benefit in providing it, and the benefit outweighs the burden and cost of providing it. Therefore, we agree with retaining ORFI in federal financial reporting as long as it remains voluntary and is unaudited.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	No comment
# 3 Nuclear Regulatory Commission-OIG	Agree. Discussion is very easy to follow.
#4 Social Security Administration	We agree that the Federal Government financial statements and RSI should reflect the unique abilities to levy taxes, charge fees, and borrow funds to accomplish its objectives. We believe that the concepts pertaining to the government-wide reporting entity describe the information that would be most valuable to users.
#5 Health and Human Services	We agree with the concepts pertaining to the component reporting entities.
#6 Homeland Security	DHS agrees with the concepts pertaining to the government-wide reporting entity. The ED provides a comprehensive explanation to assist users to understand the federal government's responsibilities and operations.
#7 Housing and Urban Development	HUD agrees with the concepts pertaining to government-wide reporting entity.
#8 Department of Defense-OIG	No comment

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.</p>	
#9 Joseph Marren	No comment
#10 Department of Defense- OUSD	The Department has the following comment and question with the discussion on the government-wide reporting: Paragraph 37: Is this a comprehensive list? If not, clarify that these are examples of what information this provides to users. Suggest also adding a sub-bullet for stewardship and fiduciary activities. On sub-bullet (i), recommend changing to “the changes and explanation for changes...”
#11 Greater Washington Society of CPAs	The FISC agrees with the concepts pertaining to the government-wide reporting entity and to component reporting entities. The FISC suggests that the Board revise paragraph 45, which states that “financial positions with respect to most component reporting entities is not as meaningful as for the federal government . . . “ Some FISC members expressed concerns in our discussions that such a value judgment should be avoided in a concept statement when not referenced to an independent study or other external source, and may not fully acknowledge the important role that component-level balance sheets serve as the building blocks for the government-wide balance sheet.
#12 Department of Commerce-OFM	The Department agrees with the concepts pertaining to the government-wide reporting entity. The concepts assist users in understanding the government’s mission, performance, sources, uses of resources, financial position, and budget deficit/surplus.
#13 Department of Interior- OFM	Agree. Reporting for the government is quite different than reporting for a public company. The types of information discussed will help readers understand government-wide entity financial position and financial condition and relationship

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.</p>	
	between the two.
#14 Department of Labor-OIG	We agree with the concepts pertaining to the government-wide reporting entity. Additionally, we believe the debt limit should be included in the discussion in paragraph 36 as limits do exist in the federal government's ability to borrow.
#15 Association of Government Accountants	We agree with these concepts as they are reflective of the summary of Paragraphs 1 through 7. As noted above response, if the information is being summarized with no changes to the other concepts and or statements, that has the potential to create confusion when reading the standards.
#16 Department of Energy	We agree with the proposed concepts pertaining to the government-wide reporting entity in paragraphs 33 through 38. The RSI should provide users with an understanding of the government's ability to achieve the mission and manage resources. RSI should also be an indicator of concerns such as the effect of debt, anticipated trends, and other future impactful events.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	Although the ED is appropriate in suggesting aggregating and categorizing information by strategic goal, it is not because aggregation and categorization of the financial information assists users in understanding the entity's progress achieving its goals. Acquiring that understanding requires information on program performance. The reason to aggregate by strategic goal is that in defining its strategic goals, an agency specifies its purposes. In aggregating and categorizing information by strategic goal, readers would be able to understand how much is expended attempting to achieve those purposes and whether the amounts spent are commensurate with the program performance for those purposes.
# 3 Nuclear Regulatory Commission-OIG	Agree. Discussion is very easy to follow.
#4 Social Security Administration	We agree with the concepts pertaining to component reporting entities. We believe that the concepts describe the information that would be most valuable to users of component reporting entity reports. We believe the concepts provide useful information regarding the differences between component reporting and government-wide reporting.
#5 Health & Human Services	We agree with the concepts pertaining to the component reporting entities.
#6 Homeland Security	DHS agrees with the concepts pertaining to component reporting entities. The ED provides a comprehensive explanation to assist users to understand component reporting goals and objectives.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.</p>	
#7 Housing and Urban Development	HUD agrees with the concepts pertaining to component reporting entities. Suggest consideration be given to mentioning SFFAS 47, Reporting Entity.
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment
#10 Department of Defense-OUSD	<p>The Department has the following comments and questions with the discussion on the component reporting:</p> <ul style="list-style-type: none"> <li>Paragraph 40: Suggest adding a bullet for the SOS, “an overview of how and where agencies are spending money for the reporting period.” For sub-bullet (i), recommend changing to “the changes and explanation for changes...”</li> <li>Paragraph 43: There currently isn’t specific reporting guidance requiring an alignment of spending to strategic goals beyond the requirements to align costs by program in the Statement of Net Cost. While DoD understands that it would be useful to align the Department’s spending with strategic goals, DoD’s systems are currently not capable of producing such reporting at this time. Is the intent of this concepts statement to create this as a new requirement?</li> <li>Paragraph 46: Last statement: “...and the amount of obligations (liabilities) for which the entity has incurred but not received budget authority.” Is this really referring to anticipated obligations? The last part of last statement is directing that the amount of obligations (liabilities) for which the entity has incurred but not received budget authority be reported. Would not obligating balances without the budget authority be considered an Antideficiency Act (ADA) violation?</li> </ul>
#11 Greater Washington Society	The FISC agrees with the concepts pertaining to the government-wide reporting entity and

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.</p>	
of CPAs	to component reporting entities. The FISC suggests that the Board revise paragraph 45, which states that “financial positions with respect to most component reporting entities is not as meaningful as for the federal government . . . “ Some FISC members expressed concerns in our discussions that such a value judgment should be avoided in a concept statement when not referenced to an independent study or other external source, and may not fully acknowledge the important role that component-level balance sheets serve as the building blocks for the government-wide balance sheet.
#12 Department of Commerce-OFM	<p>The Department agrees with the concepts pertaining to component reporting entities. The concepts assist users in understanding the entity’s mission, relationship with other component entities and the government-wide reporting entity, performance, sources and uses of resources, financial position, status of budgetary resources, and possible future effects of known or anticipated events/risks.</p> <p>We would like to express a concern with the wording in paragraph 45 where it is stated “Financial position with respect to most component reporting entities is not as meaningful as for the federal government because most component reporting entities are not independent economic entities... .” While this may be true, meaningfulness is often a subjective determination by the user or group of users depending on who the user is, what the user’s needs or interests are, etc. We recommend that this sentence be reworded to better convey FASAB’s intent for this paragraph, and to better accommodate different users’ perspectives, needs, and interests.</p>
#13 Department of Interior-OFM	Agree. Reporting for the government is quite different than reporting for a public company. The types of information discussed will help readers understand component entity financial position and financial condition and relationship between the two.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.</p>	
#14 Department of Labor-OIG	<p>We agree with the concepts pertaining to component reporting entities and how the information assists users in their understanding. We suggest the removal or significant revision of paragraph 45. Our thought is that this paragraph inappropriately lessens the importance of assessing the financial position of component reporting entities, which contradicts paragraph 44 (“...assists users in understanding...the efficient and effective use of its assets and liabilities”).</p>
#15 Association of Government Accountants	<p>With regard to Question 4, we also suggest including a discussion on the concept of transfers between components or between component(s) and the government-wide entity to fund operations on a temporary (or permanent) basis. For example, transfers from the Social Security trust fund or similar entity to fund other operations of government should be made apparent in government-wide and component reporting. Figure 1 includes transparency data as part of information required by other bodies or voluntarily presented as ORFI. We suggest that such transfers or borrowings would enhance transparency.</p> <p>We suggest in Paragraph 46 the following edits, to keep terminology consistent: “... 2) the extent to which budget authority has been <u>obligated</u> <del>used</del> and remains available</p> <p>... Information is needed on the amount of the entity’s appropriations that have not been expended at the end of the period, the amount the entity has accumulated from prior period funding, and the amount of <del>obligations</del> (liabilities)-for which the entity has incurred by not received budget authority.”</p> <p>Paragraph 42 states “. . . Users of those component reporting entity financial statements <b>would be interested in the percent of the component</b> . . . “In the basis of conclusion FASAB chronicles the history of the reporting concepts project but doesn’t directly support any assertions as indicated in paragraph 42. Including any FASAB research in the basis for</p>



## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #4</b> The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.</p> <p>b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.</p>	
	<p>conclusions that supports the bolded face type statement above would be helpful.</p>
<p>#16 Department of Energy</p>	<p>We agree with the concepts pertaining to component reporting entities as proposed in paragraphs 39 through 48 with the exception of some terms in paragraph 42. We believe the information in the Combined Schedule of Spending (CSOS) required by OMB Circular A-136, "Financial Reporting Requirements," provides information that would satisfy the users' needs referenced in paragraph 42. However, there are some differences between the information provided in the CSOS and the terms used in paragraph 42:</p> <p style="padding-left: 40px;">The CSOS focuses on budgetary resources and obligations available for spending rather than budgetary authority. To ensure consistency with the CSOS, we recommend the reference to "budget authority" in paragraph 42 be changed to budgetary resources and obligations.</p> <p style="padding-left: 40px;">The CSOS reflects dollars spent for specific purposes and paid to specific entities rather than the percent of budget authority allocated to certain entities. To ensure consistency, we recommend the language in paragraph 42 be changed to conform to the CSOS reporting requirements.</p> <p>In addition, we suggest the benefit of any additional reporting requirement be carefully considered before it is established, including potential difficulties in applying uniform requirements across different organizational types.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5</b> The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.</p> <p>Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	Paragraphs 49-56 explain some elements of the Federal government budget, but do not present concepts for component reporting of budgetary information. Concepts for component reporting of budgetary information, as it is presently done, are presented in SFFAC No. 2. The ED does not provide any new concepts for how to report budgetary information, such as how much budget resources made available for a program have been used and how much are still available.
# 3 Nuclear Regulatory Commission-OIG	Agree. Discussion is very easy to follow.
#4 Social Security Administration	We agree with the concepts for budgetary information in component reporting entity financial statements and RSI. The concepts reflect necessary budgetary information reported in entity financial statements and RSI, and provide a good overview of the different aspects of budget authority.
#5 Health and Human Services	We agree with the concepts for budgetary information with the exception of Borrowing Authority in Paragraph 53, sub-paragraph b. This paragraph states that by receiving borrowing authority agencies are required to borrow funds. Borrowing Authority provides authority to borrow, but does not necessarily require agencies to borrow. Agencies may use borrowing authority based on the financial needs and other sources of budget authority for the corresponding program.
#6 Homeland Security	DHS agrees with the concepts for budgetary information in component reporting entity financial statements and RSI. The ED provides a comprehensive explanation of the complexities of the budget process and budget authority.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5</b> The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.</p> <p>Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.</p>	
#7 Housing and Urban Development	HUD agrees with the concepts for budgetary information. Suggest linking definitions in this section to Office of Management and Budget (OMB) Circular A-11, not to the Analytical Perspectives. For example, footnote 13 could be linked to A-11, Section 10, and footnote 14 linked to A-11, Section 20. Suggest consideration be given to mentioning the role of the OMB in the budget process.
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment
#10 Department of Defense-OUSD	The Department agrees with the content of this section.
#11 Greater Washington Society of CPAs	The FISC agrees with the concepts for budgeting information in component reporting entity financial statements and RSI. Some FISC members expressed concerns about the transparency and understandability of the current budgetary to proprietary reporting requirements. Although the ED communicates the importance of budgetary information to the users of federal financial statements, the FISC members suggested that additional work be done by the Board in the coming years to improve the contents of, and thereby the information communicated, in the current budgetary-to-proprietary reconciliation models.
#12 Department of Commerce-OFM	<p>The Department agrees with the concepts for budgetary information in component reporting entity financial statements and RSI. The concepts for budgetary information provides users with information on the process and classifications of budget authority.</p> <p>We would like to point out an inconsistency in wording in paragraph 52 as compared to paragraph 53a, with regard to “Budget authority provided by <b>permanent</b> laws...” in paragraph 52, as compared to “Provided in appropriations acts or <b>authorizing</b> laws...” in paragraph 53. It appears to the Department that “<b>permanent</b> laws” is the best consistent</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5</b> The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.</p> <p>Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.</p>	
	presentation.
#13 Department of Interior-OFM	Agree. FASAB did an excellent job of explaining the concepts for budgetary information in component reporting entity financial statements and RSI.
#14 Department of Labor-OIG	We agree with the concepts for budgetary information in component reporting entity financial statements and RSI, noting that they are written at the appropriate level for a concept statement.
#15 Association of Government Accountants	We agree that it should apply. The FMSB appreciates paragraph 53 and FMSB has emphasized in past responses the importance of budgetary information and further discussion of the potential for such information is welcome.
#16 Department of Energy	We agree with the discussion of budgetary information in component reporting entity financial statements and RSI. The basic concepts presented for budgetary information and the elements of budget authority are consistent with OMB Circular A-11, "Preparation, Submission, and Execution of the Budget."

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #6</b> The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.</p> <p>Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	Paragraphs 57 to 62 states that concepts for presenting performance information are in SFFAC No. 1, paragraphs 192-210. They are also in SFFAC No. 2, paragraphs 106-111. They do not present any new concepts for presenting performance results information.
# 3 Nuclear Regulatory Commission-OIG	Agree. Discussion is very easy to follow.
#4 Social Security Administration	We agree with the concepts for performance results information. We believe the concepts adequately describe how financial statements and RSI can provide information that will assist users in assessing performance results.
#5 Health and Human Services	We agree with the concepts for performance results information. It agrees with our understanding of the purpose of the standard.
#6 Homeland Security	DHS agrees with the concepts for performance results information. The ED provides the rationale for presenting this type of information which help users understand performance measures and the factors that may have affected the reported performance.
#7 Housing and Urban Development	HUD agrees with the concepts for performance results information.
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #6</b> The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.</p> <p>Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.</p>	
#10 Department of Defense-OUSD	The Department agrees with the content of this section.
#11 Greater Washington Society of CPAs	The FISC agrees with the concepts for performance results information.
#12 Department of Commerce-OFM	The Department agrees with the concepts for performance results information. The performance results information helps users to understand the efforts, accomplishments, efficiency, effectiveness, and changes over time.
#13 Department of Interior-OFM	Agree. FASAB has covered this subject thoroughly.
#14 Department of Labor-OIG	We agree with the concepts for performance results information. We believe the information presented and references to SFFAC Nos. 1 and 3 are appropriate.
#15 Association of Government Accountants	We agree with the concepts that are summarized within this section.
#16 Department of Energy	We agree with the concepts discussed in this section. Paragraph 62 is especially worth noting as it highlights the limitations of performance measurement and the need for explanatory information to be included with financial statements and RSI to help users understand the reported measures.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #7</b> The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.</p> <p>Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.</p>	
#1 Mitch Laine	No comment
#2 Harold Steinberg	It is not clear as to whether Paragraphs 63-70 are supposed to be conceptual guidance for the Summary of Performance and Financial Information that Federal agencies are required to issue; or summaries in general. For instance, Paragraph 68g states summary level information assists users in assessing challenges facing the entity. This is information typically not included in financial statements or RSI. Paragraph 68c refers to basic performance goals and results, without differentiating them from non-basic performance goals and results. There is no identification of what the trend information, required by paragraph 68i, would be for.
# 3 Nuclear Regulatory Commission-OIG	Agree. Discussion is very easy to follow.
#4 Social Security Administration	Overall, we agree with the concepts for summary level information as presented. We note that the Management's Discussion and Analysis (MD&A) section of agencies' Agency Financial Reports (AFR) and Performance and Accountability Reports (PAR) includes the types of information described in the concepts. The MD&A serves as the summary of the more detailed information contained in AFRs and PARs, and typically includes hyperlinks to additional information while being written using plain language.
#5 Health and Human Services	We agree with the concepts for summary level information.
#6 Homeland Security	DHS agrees with the concepts for summary level information. The ED provides a comprehensive explanation for condensed information visual representations that could engage users while reading the financial statements and related information.

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #7</b> The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.</p> <p>Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.</p>	
#7 Housing and Urban Development	HUD agrees with the concepts for summary level information.
#8 Department of Defense-OIG	No comment
#9 Joseph Marren	No comment
#10 Department of Defense-OUSD	The Department agrees with the content of this section.
#11 Greater Washington Society of CPAs	The FISC agrees with the concepts for summary level information.
#12 Department of Commerce-OFM	The Department agrees with the concepts for summary level information. Some users may not need or want all the information provided in financial statements and RSI; having summary information will be useful for a user who does not need or want more detailed information.
#13 Department of Interior-OFM	Agree. Most users don't want to get into the "weeds" for the data. Summary data is thus critical and more likely to be read by the users.
#14 Department of Labor-OIG	We agree with the concepts for summary level information. Additionally, we believe a clear link of summary level information to Figure 1 would be useful. For instance, if the intent is for summary level information to be included in "Information Required by Other Bodies or Voluntarily Presented (Other Reported Financial Information)", then a bullet in Figure 1 identifying summary level information would help connect with this discussion and clarify



## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #7</b> The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.</p> <p>Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.</p>	
	how summary level information fits into financial reporting.
#15 Association of Government Accountants	<p>Since the exposure draft discusses two different types of information - summary information and information that supports the summary -- we suggest that these sections be presented separately under their own headers to provide clarification to the proposed draft.</p> <p>With regard to disaggregated information, the Board believes that there should be more discussion relating to financial reporting and RSI and SFFAS 2. We also believe FASAB should provide in the concept statement the benefits of the disaggregated information.</p> <p>We noted in the basis of conclusion paragraphs A16-A20 is not very clear and hard to follow. We recommend summarizing the timelines at a much higher level.</p>
#16 Department of Energy	<p>We agree with the discussion on summary-level information with respect to financial statements and RSI. The Department believes summary level information provides the greatest utility and minimal cost. The inclusion of graphic representations can be especially helpful to users in gaining an understanding of summary level information.</p>

**STAFF SUMMARY OF RESPONSES – Table D: Listing of Additional Comments from Respondents**

**D. Listing Of Additional Comments from Respondents**

<u><b>Respondent</b></u>	<u><b>Comment</b></u>
#1 Mitch Laine	<p>1) I suggest eliminating the requirement to reconcile budgetary to proprietary. They are intended to measure 2 very different things so I do not see the value in reconciling them. The existing note is very hard to understand. I wonder if anyone actually uses the info. I am aware that a task group is working on a new format. But it seems that the time (and cost) spent on this might well exceed any benefit.</p> <p>2) I suggest eliminating the 3 separate categories of RSI, RSSI, and OAI; and simply combining them into a single category called RSI. I do not believe that there is any value in distinguishing between the 3 of them.</p>
#2 Harold Steinberg	<p>I have read the Exposure Draft <i>Federal Financial Reporting</i>. I find it to be a statement to educate the Board as to what exists now, and not a conceptual framework for identifying the goals and purposes for Federal financial reporting that is sufficient for the subsequent development of accounting and reporting standards.</p> <p>For example, the Exposure Draft includes a section about the concepts of budgetary information presented in component financial statements and RSI, but does not state how the concepts should be displayed to provide the information identified as desired in Paragraphs A14 and A17. The section titled Performance Results states “cost is a component of efforts, efficiency, and effectiveness and measuring cost is a function of accounting and the financial reporting system.” Where are the concepts for how to display those relationships?</p> <p>Also, Paragraphs A6, A11, and A14a and c recognize the desire for information regarding the cost of programs. Paragraph 15 state that the Board would develop conceptual, ideal models that integrate budget, cost, and service performance information; The ED does not address the presentation of cost information. More important, there is no inkling of the structure of the conceptual, ideal model.</p> <p>I therefore conclude that this Statement of Federal Financial Accounting Concept will not give the Board a better feel for</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Comment</u>
	<p>how to fulfill the reporting objectives than it will have had prior to the Statement's release.</p> <p>Additional Comments:</p> <ol style="list-style-type: none"> <li>1. Page 12. The fourth box lists the information presented in the Management's Discussion and Analysis. The contents of the box should be made consistent with the requirements listed in Statement of Federal Financial Accounting Standards (SFFAS) No. 15, Management's Discussion and Analysis, paragraphs 2 and 3.</li> <li>2. Page 12. Explain what is meant by "transparency data" listed in the sixth box.</li> <li>3. Page 13, paragraph 12. SFFAS No. 1 states that users of Federal financial information are also concerned about whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due. This should be added to the bulleted list.</li> <li>4. Page 15, paragraph 21. The second sentence is not entirely correct. The government frequently provides services in the current period and pays the bills in a future period. In these instances, resources are not consumed until the future period.</li> <li>5. Page 15, paragraph 23. The paragraph describes only the expenditure of budget receipts. It should also describe the accounting for the receipt of appropriations.</li> <li>6. Page 16, paragraph 29. The paragraph states that narrative descriptions or visual representations may enhance users' understanding of the financial statements, RSI, and ORFI.... It does not state where these narrative descriptions or visual representations would be presented.</li> </ol>
	<ol style="list-style-type: none"> <li>7. Pages 16 and 17, paragraphs 26, 30, and 31. I do not understand why some OFRI is addressed in paragraph 26, and some four and five paragraphs later in paragraphs 30 and 31.</li> <li>8. Page 17 and 17, paragraph 37. It is unclear whether this paragraph describes what is currently provided or what the ED proposes should be provided. For instance, the government-wide financial report does not report the</li> </ol>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Comment</u>
	<p>government's performance (subparagraph b). Nor does it report the government's investment in productivity and economic growth during the period (stewardship investments) (subparagraph G).</p> <p>9. Page 20, paragraph 46, 6th line. Delete the word "obligations." Agencies do not "incur" budget authority. Furthermore, incurring an obligation without having budget authority is illegal.</p> <p>10. Page 21, paragraph 49. When agencies spend monies, they are spending against appropriations, not tax receipts. Hence budget execution does not monitor whether "tax receipts and other resources were used according to the purposes of provided budget authority;" it monitors whether appropriations were used according to the purposes of provided budget authority.</p> <p>11. Page 21, paragraph 50. The first sentence describes the Budget Committees' process. The paragraph then jumps to the appropriations process, without specifying that this is a different process. Hence, the inference is that appropriations are based on the Budget Committees' resolution, which they typically are not.</p> <p>12. Page 22, paragraph 57. Financial statements and RSI do not currently provide information that assist users in assessing the accomplishments of services; efficiency and effectiveness of providing services; or changes in the performance of services over time. Perhaps the ED means "should provide."</p>
#9 Joseph Marren	<p>The respondent notes the ED does not address the U.S. Constitution's Article I, Section 9, Clause 7 (page 34 of the response) and discusses other matters regarding FASAB's authority. The respondent's complete response, <i>Federal &amp; Municipal Financial Reporting are Rigged!: Is the SEC's Acquiescence the Lynchpin?</i>, exceeds 300 pages and is provided in a separate bound document. The complete response can also be found at <a href="http://files.fasab.gov/pdf/files/fm_9_joseph_marren.pdf">http://files.fasab.gov/pdf/files/fm_9_joseph_marren.pdf</a></p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Comment</u>
#10 Department of Defense-OUUSD	<p>1) General Question: Recommend providing clarification on how this concepts statement would change the form and content of the financial statements and whether this is applicable to annual financial statements, and/or interim financial statements.</p> <p>2) Page 9 [Purpose .1 and .2] of the Exposure Draft, implies that this will assist FASAB in developing reporting models for reporting entities. It is unclear from the ED, as drafted, how it is accomplishing this for the financial statement preparers. How are the proposed concepts enhancing the framework regarding the content and presentation of the financial statements? Is it the intention of this concept statement and usage of this to define reporting models and requirements to replace the purpose and usage of OMB A-136? There should be a discussion on how the requirements in the concept statement will effect (or not effect) compliance with the requirements of OMB A-136.</p> <p>3) Page 9 [Purpose .4] DoD understands how items #3 and #4 are being enhanced by the concepts, however, how is #1 and #2 being addressed by the concepts? By the written concepts, it's unclear how users' needs for understanding budget, costs, performance and financial condition are achieved.</p> <p>4) Page 10 [Purpose .5] Please clarify which FASAB concept statements will be rescinded through these concepts.</p>
#15 Association of Government Accountants	<p>Paragraph A16 – it was noted there was a reference to the “nation’s economy.” Unless FASAB’s focus has been on the nation’s economy when addressing past standards the wording should not be included.</p> <p>Paragraph A17 states “Based on feedback from the reporting community, . . . “In prior paragraphs FASAB references staff research with task forces and the NAPA. Is the feedback mentioned in A17 related to that work? If so, we recommend that feedback be changed to reference the worked performed.</p> <p>We note in paragraph A19 that FASAB used the term “outline” synonymously with “framework” to describe the</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Comment</u>
	<p>FASAB’s development of the exposure draft concepts. However, up to that point the basis for conclusions seemed to be saying that the FASAB has developed more substance for the concepts than the term “outline” implies. We recommend that FASAB not use outline when describing the framework related to this exposure draft. We also would like to see a more explanatory discussion on how FASAB in paragraph A20 made the decision that “. . . the guidance should focus on information required by GAAP—financial statements and RSI – rather than information presented in a GPFFR.” We believe further explanation would be beneficial to the readers of the concept statement.</p>

## Federal Financial Reporting

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**From:** mitch laine [[mailto:mitch\\_laine@yahoo.com](mailto:mitch_laine@yahoo.com)]

**Sent:** Monday, October 10, 2016 12:28 PM

**To:** Payne, Wendolyn M

**Subject:** 2 comments re exposure draft

Hi Wendy

I would like to provide 2 comments on the Federal Financial Reporting Exposure Draft:

- 1) I suggest eliminating the requirement to reconcile budgetary to proprietary. They are intended to measure 2 very different things so I do not see the value in reconciling them. The existing note is very hard to understand. I wonder if anyone actually uses the info. I am aware that a task group is working on a new format. But it seems that the time (and cost) spent on this might well exceed any benefit.
- 2) I suggest eliminating the 3 separate categories of RSI, RSSI, and OAI; and simply combining them into a single category called RSI. I do not believe that there is any value in distinguishing between the 3 of them.

Hopefully these comments are helpful.

Take care.

Mitch



**Harold I. Steinberg  
1881 N. Nash Street  
Apt. 711  
Arlington, VA 22209**

October 15, 2016

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Mail Stop 6H19  
Washington, D. C. 20548

Dear Wendy,

I have read the Exposure Draft *Federal Financial Reporting*. I find it to be a statement to educate the Board as to what exists now, and not a conceptual framework for identifying the goals and purposes for Federal financial reporting that is sufficient for the subsequent development of accounting and reporting standards.

For example, the Exposure Draft includes a section about the concepts of budgetary information presented in component financial statements and RSI, but does not state how the concepts should be displayed to provide the information identified as desired in Paragraphs A14 and A17. The section titled Performance Results states “cost is a component of efforts, efficiency, and effectiveness and measuring cost is a function of accounting and the financial reporting system.” Where are the concepts for how to display those relationships?

Also, Paragraphs A6, A11, and A14a and c recognize the desire for information regarding the cost of programs. Paragraph 15 state that the Board would develop conceptual, ideal models that integrate budget, cost, and service performance information; The ED does not address the presentation of cost information. More important, there is no inkling of the structure of the conceptual, ideal model.

I therefore conclude that this Statement of Federal Financial Accounting Concept will not give the Board a better feel for how to fulfill the reporting objectives than it will have had prior to the Statement’s release.

Finally, the time of agency personnel and others between September 29, 2017 and January 6, 2017, the timeframe FASB has provided for responses to this ED, will be consumed by year-end closings and Holiday activities. Persons affected by this Statement and who would like to provide responses will probably not be able to give the ED the attention an ED of this nature merits.

The following are my answers to the seven questions that support the above conclusion. If the Board proceeds with issuance of a final Statement, I also provide comments on the individual paragraphs.

**Q1. Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

I agree with the discussion and illustration, but it should be enhanced by an identification of at least some of the many types of ORFI with information similar to the basic financial statement and RSI. For instance, considerable Legislative and Executive branch attention is being devoted to the issuance of “checkbook-level” financial information through usaspending.gov and implementation of the DATA Act. These practices should be mentioned and explained.

Another significant absence in the ED is any discussion of electronic reporting and how it would relate to the presentation of basic financial statements and RSI.

**Q2. Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

Financial Statement and RSI, Paragraphs 16-25, provides an extensive explanation of the differences in the basis of accounting, but little on the difference between basic financial statements and RSI. Readers are evidently supposed to understand the difference from the one example taken from Statement of Federal Financial Accounting Concept (SFFAC) No. 6. *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*. A better way to convey the difference would be to abstract the explanation in SFFAC No. 6, which is “Basic information is information which is essential for the financial statements and notes to be presented in conformity with GAAP. It is typically presented in financial statement and accompanying footnotes. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues, it is information expressed with other than financial measures, or it is information that may not be subject to reliable estimation.”

**Q3. Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

The example of an ORFI in Paragraph 26 is a report on program performance. A better example would be a report that entails financial amounts. An example, as stated previously, would be the reporting mechanisms established by the Financial Transparency and Accountability Act, American Recovery and Reinvestment Act, and DATA Act since they entail reporting of financial amounts and therefore the opportunity for conflicts between the numbers reported in those systems and the amounts reported in basic financial statements and RSI.

Moreover, directives regarding performance reporting is not a good example of an ORFI. A statement of program performance measures is already suggested in SFFAC No. 2, *Entity and Display* (paragraph 74), and its importance emphasized in Footnote 13.

**Q4. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

No comment

**Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

Although the ED is appropriate in suggesting aggregating and categorizing information by strategic goal, it is not because aggregation and categorization of the financial information assists users in understanding the entity's progress achieving its goals. Acquiring that understanding requires information on program performance. The reason to aggregate by strategic goal is that in defining its strategic goals, an agency specifies its purposes. In aggregating and categorizing information by strategic goal, readers would be able to understand how much is expended attempting to achieve those purposes and whether the amounts spent are commensurate with the program performance for those purposes.

**Q5. Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

Paragraphs 49-56 explain some elements of the Federal government budget, but do not present concepts for component reporting of budgetary information. Concepts for component reporting of budgetary information, as it is presently done, are presented in SFFAC No. 2. The ED does not provide any new concepts for how to report budgetary information, such as how much budget resources made available for a program have been used and how much are still available.

**Q6. Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

Paragraphs 57 to 62 states that concepts for presenting performance information are in SFFAC No. 1, paragraphs 192-210. They are also in SFFAC No. 2, paragraphs 106-111. They do not present any new concepts for presenting performance results information.

**Q7. Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

It is not clear as to whether Paragraphs 63-70 are supposed to be conceptual guidance for the Summary of Performance and Financial Information that Federal agencies are required to issue; or summaries in general. For instance, Paragraph 68g states summary level information assists users in assessing challenges facing the entity. This is information typically not included in financial statements or RSI. Paragraph 68c refers to basic performance goals and results, without differentiating them from non-basic performance goals and results. There is no identification of what the trend information, required by paragraph 68i, would be for.

### Comments on Individual Paragraphs

1. Page 12. The fourth box lists the information presented in the Management's Discussion and Analysis. The contents of the box should be made consistent with the requirements listed in Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis*, paragraphs 2 and 3.
2. Page 12. Explain what is meant by "transparency data" listed in the sixth box.
3. Page 13, paragraph 12. SFFAS No. 1 states that users of Federal financial information are also concerned about whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due. This should be added to the bulleted list.
4. Page 15, paragraph 21. The second sentence is not entirely correct. The government frequently provides services in the current period and pays the bills in a future period. In these instances, resources are not consumed until the future period.
5. Page 15, paragraph 23. The paragraph describes only the expenditure of budget receipts. It should also describe the accounting for the receipt of appropriations.
6. Page 16, paragraph 29. The paragraph states that narrative descriptions or visual representations may enhance users' understanding of the financial statements, RSI, and ORFI.... It does not state where these narrative descriptions or visual representations would be presented.
7. Pages 16 and 17, paragraphs 26, 30, and 31. I do not understand why some OFRI is addressed in paragraph 26, and some four and five paragraphs later in paragraphs 30 and 31.
8. Page 17 and 17, paragraph 37. It is unclear whether this paragraph describes what is currently provided or what the ED proposes should be provided. For instance, the government-wide financial report does not report the government's performance (subparagraph b). Nor does it report the government's investment in productivity and economic growth during the period (stewardship investments) (subparagraph G).
9. Page 20, paragraph 46, 6<sup>th</sup> line. Delete the word "obligations." Agencies do not "incur" budget authority. Furthermore, incurring an obligation without having budget authority is illegal.
10. Page 21, paragraph 49. When agencies spend monies, they are spending against appropriations, not tax receipts. Hence budget execution does not monitor whether "tax receipts and other resources were used according to the purposes of provided budget authority;" it monitors whether appropriations were used according to the purposes of provided budget authority.

11. Page 21, paragraph 50. The first sentence describes the Budget Committees' process. The paragraph then jumps to the appropriations process, without specifying that this is a different process. Hence, the inference is that appropriations are based on the Budget Committees' resolution, which they typically are not.
12. Page 22, paragraph 57. Financial statements and RSI do not currently provide information that assist users in assessing the accomplishments of services; efficiency and effectiveness of providing services; or changes in the performance of services over time. Perhaps the ED means "should provide."

I hope the above is useful. Please let me know if there will be a public hearing for this Exposure Draft.

Sincerely

*Hal Steinberg*

Hal Steinberg

**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 type="checkbox"/>	
Federal Entity (auditor)	<input checked="" 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 Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government’s accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer. Agree. Figure 1 is very helpful.**

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer. Agree. The discussion is very clear about the different accounting treatments for budgetary vs. financial accounting.**

**I like the fact that it clarifies that depending on the financial product, GAGAS may require different procedures.**

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

**Agree. Discussion is very easy to follow.**

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. **Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer. Agree. Discussion is very easy to follow.**
- b. **Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer. Agree. Discussion is very easy to follow.**

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer. Agree. Discussion is very easy to follow.**

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer. Agree. Discussion is very easy to follow.**

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information?  
Please provide the rationale for your answer. **Agree. Discussion is very easy to follow.****



**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: Carla Krabbe, Deputy Chief Financial Officer

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

Organization: Social Security Administration (SSA)

- Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government’s accountability and for decision-making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

**SSA Response:** We agree with the discussion and illustration. We believe that the concepts focus on the objectives most relevant for the financial statements and RSI. Figure 1: Information for Assessing Accountability and for Decision Making, clearly illustrates the overall relationship among financial statements, RSI, and the larger body of financial information.

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

SSA Response: We agree with the discussion on financial statements and RSI. Paragraphs 16 to 25 adequately discuss the reasons why we need both financial statements and RSI to communicate financial information to users. The discussion also provides readers with a sufficient understanding of the different methods of accounting used to prepare financial statements. The criteria described seems to meet GAAP and other GAGAS audit criteria.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

SSA Response: We agree with the discussion on ORFI and its relationship to financial statements and RSI. The discussion adequately describes the circumstances under which entities would report ORFI, and how ORFI can contribute to achieving Federal financial reporting objectives. The discussion also points out the limitations of ORFI, and how ORFI can be useful for addressing the specific needs of a user or group and providing information to satisfy additional statutory and OMB reporting requirements.

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

SSA Response: We agree that the Federal Government financial statements and RSI should reflect the unique abilities to levy taxes, charge fees, and borrow funds to accomplish its objectives. We believe that the concepts pertaining to the government-wide reporting entity describe the information that would be most valuable to users.

**b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

SSA Response: We agree with the concepts pertaining to component reporting entities. We believe that the concepts describe the information that would be most valuable to users of component reporting entity reports. We believe the concepts provide useful information regarding the differences between component reporting and government-wide reporting.

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

SSA Response: We agree with the concepts for budgetary information in component reporting entity financial statements and RSI. The concepts reflect necessary budgetary information reported in entity financial statements and RSI, and provide a good overview of the different aspects of budget authority.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

SSA Response: We agree with the concepts for performance results information. We believe the concepts adequately describe how financial statements and RSI can provide information that will assist users in assessing performance results.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

SSA Response: Overall, we agree with the concepts for summary level information as presented. We note that the Management's Discussion and Analysis (MD&A) section of agencies' Agency Financial Reports (AFR) and Performance and Accountability Reports (PAR) includes the types of information described in the concepts. The MD&A serves as the summary of the more detailed information contained in AFRs and PARs, and typically includes hyperlinks to additional information while being written using plain language.

**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 Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government’s accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

**We agree with the discussion laid out in paragraphs 6 thru 11 and in Figure 1. It is the responsibility of federal financial reporting to relay the most useful information in a way most understandable by the public. By clarifying SFFAC 1 and emphasizing the objectives most relevant for financial statements and RSI, and focusing on the operating performance and stewardship objectives as well as reporting budgetary information, this Statement will aid FASAB’s direction in the development of future standards. This discussion agrees with our understanding of the purpose of the standard.**

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

**We agree with most of FASAB's description of the relationship of Financial Statement and RSI reporting as described in paragraph 16 to 25. We believe that it would be useful if FASAB would clarify the basic concepts used to distinguish when projections should be used in financial statements and when the projections should be part of RSI.**

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

**We agree with the items discussed in paragraphs 26 through 31 as it relates to ORFI and its relationship to Financial Statements and RSI section. It agrees with our understanding of the purpose of the standard.**

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

**We agree with the concepts pertaining to the component reporting entities.**

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

**We agree with the concepts pertaining to the component reporting entities.**

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

**We agree with the concepts for budgetary information with the exception of Borrowing Authority in Paragraph 53, sub-paragraph b. This paragraph states that by receiving borrowing authority agencies are required to borrow funds. Borrowing Authority provides authority to borrow, but does not necessarily require agencies to borrow. Agencies may use borrowing authority based on the financial needs and other sources of budget authority for the corresponding program.**

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

**We agree with the concepts for performance results information. It agrees with our understanding of the purpose of the standard.**

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

**We agree with the concepts for summary level information.**

**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: <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 Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government’s accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

**DHS Response: DHS agrees with the discussion and illustration which demonstrate the relationship between the financial statements and RSI, and ORFI.**

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the discussion on the financial statements and RSI. The discussion provides explanations and objectives for the various type of reported information on the financial statements. However, there is no mention of modified accrual basis. DHS suggests including modified accrual basis as one of the presentation methods in paragraph 19, and later defining in paragraph 21 or a separate paragraph.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the discussion on ORFI and its relationship to financial statements and RSI. The ED presents the objectives of ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI.

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the concepts pertaining to the government-wide reporting entity. The ED provides a comprehensive explanation to assist users to understand the federal government's responsibilities and operations.

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the concepts pertaining to component reporting entities. The ED provides a comprehensive explanation to assist users to understand component reporting goals and objectives.



- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the concepts for budgetary information in component reporting entity financial statements and RSI. The ED provides a comprehensive explanation of the complexities of the budget process and budget authority.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the concepts for performance results information. The ED provides the rationale for presenting this type of information which help users understand performance measures and the factors that may have affected the reported performance.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

**DHS Response:** DHS agrees with the concepts for summary level information. The ED provides a comprehensive explanation for condensed information visual representations that could engage users while reading the financial statements and related information.

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

**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 type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input checked="" type="checkbox"/>	If other, please specify: HUD - departmental response by OCFO
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: Christopher Bergin

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

Organization: U.S. Department of Housing and Urban Development

- Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

**HUD agrees with the discussion and illustration. Suggest referencing in the Scope section the diversity of users of federal financial reporting which encompasses an expansive group with varied interests including the citizens, the Congress, the President, the business community, and Federal employees who manage Federal programs.**

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

HUD agrees with the discussion including the basis of accounting.

To include all basic characteristics for information in financial reports, suggest edit of paragraph 18 b. on page 15 to add the qualitative characteristics of timeliness, consistency, and comparability,

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

HUD agrees with the discussion especially the limitations on ORFI.

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

HUD agrees with the concepts pertaining to government-wide reporting entity.

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

HUD agrees with the concepts pertaining to component reporting entities. Suggest consideration be given to mentioning SFFAS 47, Reporting Entity.

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

HUD agrees with the concepts for budgetary information. Suggest linking definitions in this section to Office of Management and Budget (OMB) Circular A-11, not to the Analytical Perspectives. For example, footnote 13 could be linked to A-11, Section 10, and footnote 14 linked to A-11, Section 20. Suggest consideration be given to mentioning the role of the OMB in the budget process.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information?  
Please provide the rationale for your answer.**

HUD agrees with the concepts for performance results information.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information?  
Please provide the rationale for your answer.**

HUD agrees with the concepts for summary level information.



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

December 27, 2016

MEMORANDUM FOR EXECUTIVE DIRECTOR, FEDERAL ACCOUNTING STANDARDS  
ADVISORY BOARD

SUBJECT: Proposed Statement of Federal Financial Accounting Concepts Exposure Draft  
"Federal Financial Reporting"

We appreciate the opportunity to respond to the proposed draft "Federal Financial Reporting" and related document, "Questions to Respondents." We have reviewed the documents as requested and have no comment. Should you have any questions or require additional assistance, please contact me or Daniela Mahoney of my staff at 703-604-8912.

STONE.RANDOL  
PH.R.1259992415

Digitally signed by  
STONE.RANDOLPH.R.1259992415  
DN: cn=US, o=U.S. Government, ou=DoD,  
ou=PKI, ou=DODIG,  
cn=STONE.RANDOLPH.R.1259992415  
Date: 2016.12.28 10:28:41 -0500

Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

# ***Federal & Municipal Financial Reporting are Rigged!: Is the SEC's Acquiescence the Lynchpin?***

**“A Nation cannot plunder its own treasury without putting its Constitution and its survival in peril.”** *Justice Anthony M. Kennedy*

## **Memorandum to:**

*Federal Accounting Standards Advisory Board,  
Legislative Branch*

*Speaker of the House of Representatives Paul Ryan,  
House Minority Leader Nancy Pelosi,  
Senate Majority Leader Mitch McConnell,  
Senate Minority Leader Charles Schumer,  
Senator Elizabeth Warren,  
All Other Members of Congress,  
Comptroller General Gene Dodaro,*

*Executive Branch Officers including the President-elect and Vice President-elect and Selected Officials of Agencies of the Federal Government*

*President-elect Donald Trump  
Vice President-elect Michael Pence  
Secretary of the Treasury Nominee, Steven Mnuchin,  
Secretary of Commerce Nominee, Wilbur Ross, Jr.,  
Secretary of Defense Nominee, retired Marine General James Mattis  
Director of the Office of Management and Budget Nominee Congressman Mick Mulvaney,  
Commissioner of the Securities and Exchange Commission, Michael Piwowar  
Commissioner of the Securities and Exchange Commission, Kara Stein  
Chief Accountant of the Securities and Exchange Commission Wesley R. Bricker,  
Chair of the Board of Governors of the Federal Reserve System, Janet Yellen  
All Other Governors of the Federal Reserve System  
U.S. Attorney for the Southern District Preet Bharara,  
Office of Legal Counsel Principal Deputy Assistant Attorney General Karl Thompson,  
Director of the Federal Bureau of Investigation James Comey,*

*Judicial Branch*

*Chief Justice and Associate Justices of the Supreme Court of the United States,  
All Judges of the United States Court of Appeals  
All Judges of the United States District Courts  
All Judges of the United States Court of Federal Claims  
Chief Judge of the U.S. District Court for the Southern District of New York Loretta Preska,*

*State Courts*

*Judges of the Highest Courts of All Fifty States*

*State Governments*

*Governors of All Fifty States, Puerto Rico and Other U.S. Possessions,  
Legislatures of All Fifty States, Puerto Rico and Other U.S. Possessions,  
Attorneys General of All Fifty States, Puerto Rico and Other U.S. Possessions*

*Accounting Profession*

*Board of Trustees of the Financial Accounting Foundation,  
Board of Directors of the American Institute of Certified Public Accountants,  
Governmental Accounting Standards Board,  
General Counsel and Outside Counsel of All Accounting Firms,*

*Media and the Ratings Agencies*

*The New York Times, Wall Street Journal, Washington Post and All Other Media  
General Counsel and Outside Counsel of All Ratings Agencies*

**Joseph H. Marren, J.D., MBA, CPA** (Inactive),  
**Concerned Citizen**  
**January 6, 2017**

Notes: The views expressed by Mr. Marren do not represent the views of KStone Partners LLC or any of its other Members. The approach and discussion in this memorandum supersedes all prior publications by the author. End notes for this "working draft" document have not been completed.

Note From FASAB Staff:

Mr. Marren's complete response, "Federal and Municipal Financial Reporting are Rigged!: Is the SEC's Acquiescence the Lynchpin," is provided in a separate wire bound document. The complete response can also be found at: [http://files.fasab.gov/pdf/files/fm\\_9\\_joseph\\_marren.pdf](http://files.fasab.gov/pdf/files/fm_9_joseph_marren.pdf)



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

COMPTROLLER

JAN 05 2017

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Department of Defense (DoD) is pleased to submit the attached comments to the Federal Accounting Standards Advisory Board (FASAB) on the Exposure Draft (ED), *Federal Financial Reporting*. Our response to FASAB's request for comments, as set out below, is organized into two Sections: (1) Responses to the ED questions; and, (2) Comments on other matters contained in the ED.

The DoD understands that drawing the relationship between financial statement information, required supplementary information, and other reported financial information provides users visibility into the stewardship of the funds provided to the agencies. The information presented enhances the accountability of the agencies receiving and expending resources.

The DoD, however, is unclear on what changes (if any) will be imposed on the financial statement prepared by adopting these concepts. The comments we have provided include specific feedback on where clarity is required.

Thank you for considering DoD's responses and comments. If you have any questions concerning our comments, please contact me.

Sincerely,

Alaleh A. Jenkins  
Assistant Deputy Chief Financial Officer

Attachments:  
As stated



**SECTION 1 – RESPONSES TO EXPOSURE DRAFT QUESTIONS**

**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: _____
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: Ms. Alaleh Jenkins

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

Organization: Department of Defense, Office of the Under Secretary of Defense, Comptroller

**Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

***DoD Response: The DoD agrees with the intent of the discussion and illustration and provides the following comments /questions:***

*Paragraph 11 Figure 1 [description] – The Purpose section (paragraphs 1-5) talks about the users having a better understanding of the purpose and presentation of financial statements and RSI, however the description of the illustration (paragraph 11) is the first mention of the users measuring accountability and decision making using these concepts. If this is the purpose of the concepts, this should be explicit in the Purpose section.*

Comments on the Illustration on page 12:



- *Financial Reporting:* Suggest making reference to OMB A-136 for Financial Reporting requirements.
- *Financial Statements column:* Statements of changes in net position, custodial activity and social insurance should be added. Additionally, please clarify what is meant by "sustainability?" Federal financial statements do not conclude on the sustainability of an agency.
- *Performance Information column:* Suggest providing examples (such as progress in achieving the goals and objectives of the agency). Note that DoD prepares a separate Annual Performance Report (APR) that provides detailed performance related information. The APR highlights strategic goals, strategic objectives and year-end results for each performance indicator. Is this ED suggesting to combine the APR information with the AFR?
- *Management's Discussion and Analysis column:* "Financial Statements" should be changed to "Analysis of Financial Statements and Stewardship Information." Suggest removing "Actions taken or planned to improve performance" or moving it to the Performance Information column. Suggest changing it to "Performance goals, objectives, and results" as required by OMB A-136.
- *RSI column:* Suggest adding "Required Supplemental Stewardship Information."
- *Financial and Non-Financial Information column:* Suggest adding "Schedule of Spending" as this would be relevant information for users to ascertain how the resources are being utilized. Suggest providing specific guidance on what other information needs to be provided.
- *Other Financial and Non-Financial Information column:* This is not covered in the text of the concepts and should be briefly explained at a minimum.
- *Other General Questions and Comments:*
  - The illustration should identify where a user would find "summary-level information" as described in paragraphs 63-70 of the exposure draft.
  - Should the graphic delineate component-level and government level reporting?
  - Further consideration needs to be given to how this illustration relates to the objectives of this concept outlined in paragraph 4 of the exposure draft.
- Paragraph 12 – is the requirement intended to be monthly, quarterly, annually and should it include annual changes in debt and annual budget versus actual expenditures?
- Paragraph 13 – recommend either (b) or (d) include cyber security.

**Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

**DoD Response:** The Department has the following comments and questions with the discussion on the financial statements and RSI:

- **General Observations:** This section may confuse preparers and users even further because of how technical the narrative is rather than being presented in layman's terms. This section outlines accounting treatment and how financial information is prepared, however it does not draw a relationship to how this information would meet the needs of the user as identified in paragraph 12. Utilizing examples to map paragraph 12 to the financial statements and RSI would be beneficial to the preparers and users.
- **Paragraph 17:** The Department recommends changing the word "criteria" in paragraph 17 (4th sentence) to "sufficient evidence" because the criteria of the audit is established through GAGAS.
- **Paragraph 18:** Recommend adding "consistency" to bullet (b) listing of characteristics.
- **Paragraph 19:** suggest combining paragraphs 21-23 with paragraph 19 and sub-bullets for clarity. In sub-bullet (a), suggest adding "financial condition, ..."
- **Paragraph 20:** Suggest updating the language as follows:  
  
Financial projections are also prepared. Projections could be used in calculating future receipts and spending based on current policy and in depicting the result that may occur based on a set of assumptions which may be useful for assessing the sustainability of services.
- **Paragraph 21:** Recommend changing the last statement to "costs reflect the amount of services provided in a period, regardless of whether or not they have been paid for yet." This removes the assumption that the government has provided services and incurred costs when the services may have been provided by an external party.

DoD also recommends recognizing the requirements to disclose stewardship information, or "Required Supplemental Stewardship Information," as this financial information reports an Agency's responsibility and stewardship over resources entrusted to it.

**Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26-31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

**DoD Response:** The Department has the following comments and questions with the discussion on the ORFI:

- Paragraph 26: Recommend replacing "federal accounting standards" with "GAAP," since GAAP has already been defined.
- Paragraph 27: Recommend replacing "limitations" with "a range of quality for the presented ORFI."
- Paragraph 30: Suggest adding a specific example, such as compliance with IPERA, as users may be concerned with how well the Department is managing improper payments.
- Suggest adding a paragraph to explain the requirements of the Schedule of Spending (SOS) as this is an overview of how and where agencies are spending money for a reporting period.

**Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33-48.

**a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

**DoD Response:** The Department has the following comment and question with the discussion on the government-wide reporting: Paragraph 37: Is this a comprehensive list? If not, clarify that these are examples of what information this provides to users. Suggest also adding a sub-bullet for stewardship and fiduciary activities. On sub-bullet (i), recommend changing to "the changes and explanation for changes..."

**b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

**DoD Response:** The Department has the following comments and questions with the discussion on the component reporting:

- Paragraph 40: Suggest adding a bullet for the SOS, "an overview of how and where agencies are spending money for the reporting period." For sub-bullet (i), recommend changing to "the changes and explanation for changes..."

- Paragraph 43: There currently isn't specific reporting guidance requiring an alignment of spending to strategic goals beyond the requirements to align costs by program in the Statement of Net Cost. While DoD understands that it would be useful to align the Department's spending with strategic goals, DoD's systems are currently not capable of producing such reporting at this time. Is the intent of this concepts statement to create this as a new requirement?
- Paragraph 46: Last statement: "...and the amount of obligations (liabilities) for which the entity has incurred but not received budget authority." Is this really referring to anticipated obligations? The last part of last statement is directing that the amount of obligations (liabilities) for which the entity has incurred but not received budget authority be reported. Would not obligating balances without the budget authority be considered an Antideficiency Act (ADA) violation?

**Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49-56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

**DoD Response:** The Department agrees with the content of this section.

**Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57-62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

**DoD Response:** The Department agrees with the content of this section.

**Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63-70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

**DoD Response:** The Department agrees with the content of this section.

## **SECTION 2 – COMMENTS ON OTHER MATTERS CONTAINED IN THE EXPOSURE DRAFT**

- 1) General Question: Recommend providing clarification on how this concepts statement would change the form and content of the financial statements and whether this is applicable to annual financial statements, and/or interim financial statements.

- 2) Page 9 [Purpose .1 and .2] of the Exposure Draft, implies that this will assist FASAB in developing reporting models for reporting entities. It is unclear from the ED, as drafted, how it is accomplishing this for the financial statement preparers. How are the proposed concepts enhancing the framework regarding the content and presentation of the financial statements? Is it the intention of this concept statement and usage of this to define reporting models and requirements to replace the purpose and usage of OMB A-136? There should be a discussion on how the requirements in the concept statement will effect (or not effect) compliance with the requirements of OMB A-136.
- 3) Page 9 [Purpose .4] DoD understands how items #3 and #4 are being enhanced by the concepts, however, how is #1 and #2 being addressed by the concepts? By the written concepts, it's unclear how users' needs for understanding budget, costs, performance and financial condition are achieved.
- 4) Page 10 [Purpose .5] Please clarify which FASAB concept statements will be rescinded through these concepts.

January 6, 2017

Wendy Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6K17V  
441 G Street, NW – Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Concept (SFFAC), *Federal Financial Reporting*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our responses to the ED questions are included below.

Q1. The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1, *Information for Assessing Accountability and for Decision Making*.

Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.

A1. The FISC agrees with the discussion and illustration provided in the ED. The FISC suggests that the Board consider inclusion in the ED of the role of online financial reporting, such as reporting of transactional information in compliance with the *Digital Accountability and Transparency Act of 2014*, in the Board's views on concepts of federal financial reporting.

- Q2. The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.

- A2. The FISC agrees with the discussion on the role of the financial statements and RSI in achieving the financial reporting objectives.

- Q3. The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.

- A3. The FISC agrees with the discussion on ORFI and its relationship to financial statements and RSI.

- Q4. The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

A. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.

B. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.

- A4. The FISC agrees with the concepts pertaining to the government-wide reporting entity and to component reporting entities. The FISC suggests that the Board revise paragraph 45, which states that “financial positions with respect to most component reporting entities is not as meaningful as for the federal government . . . .” Some FISC members expressed concerns in our discussions that such a value judgment should be avoided in a concept statement when not referenced to an independent study or other external source, and may not fully acknowledge the important role that component-level balance sheets serve as the building blocks for the government-wide balance sheet.

- Q5. The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.

A5. The FISC agrees with the concepts for budgeting information in component reporting entity financial statements and RSI. Some FISC members expressed concerns about the transparency and understandability of the current budgetary to proprietary reporting requirements. Although the ED communicates the importance of budgetary information to the users of federal financial statements, the FISC members suggested that additional work be done by the Board in the coming years to improve the contents of, and thereby the information communicated, in the current budgetary-to-proprietary reconciliation models.

Q6. The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.

A6. The FISC agrees with the concepts for performance results information.

Q7. The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.

A7. The FISC agrees with the concepts for summary level information.

\*\*\*\*\*

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,



Andrew C. Lewis  
FISC Chair





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

JAN -6 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 Concepts Exposure Draft, *Federal Financial Reporting*, dated September 29, 2016.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-0646 or [bhenshel@doc.gov](mailto:bhenshel@doc.gov).

Sincerely,

A handwritten signature in blue ink that reads "Bruce Henshel".

Bruce Henshel  
Accountant, Office of Financial Management

Enclosure

cc: Gordon T. Alston  
Julie Tao  
Elleni Mekbeb

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

**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)  
Federal Entity (auditor)  
Federal Entity (other)  
Association/Industry Organization  
Nonprofit organization/Foundation  
Other  
Individual

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<input type="checkbox"/>

If other, please specify: \_\_\_\_\_

If other, please specify: \_\_\_\_\_

**Please provide your name.**

Name: Bruce Henshel

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

Organization: Department of Commerce

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**Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

The Department agrees with the discussion and illustration. It is important to identify the types of information in the financial statements and RSI that will assist users in understanding the relationship between the information required by Generally Accepted Accounting Principles (GAAP) and ORFI.

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

The Department agrees with the discussion on financial statements and RSI. The discussion details the information in the financial statements and RSI which helps users to better understand the role of the financial statements and RSI to better assess financial results of operations.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

The Department agrees with the discussion on ORFI and its relationship to financial statements and RSI. Although not required by GAAP, ORFI contributes to the user's ability to assess the financial condition of the reporting entity and to comply with laws and administrative directives. The Department also agrees that there are some limitations to ORFI, such as potential for less scrutiny over the data, and lack of consistency with GAAP reporting.

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

The Department agrees with the concepts pertaining to the government-wide reporting entity. The concepts assist users in understanding the government's mission, performance, sources, uses of resources, financial position, and budget deficit/surplus.

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

The Department agrees with the concepts pertaining to component reporting entities. The concepts assist users in understanding the entity's mission, relationship with other component entities and the government-wide reporting entity, performance, sources and uses of resources, financial position, status of budgetary resources, and possible future effects of known or anticipated events/risks.

We would like to express a concern with the wording in paragraph 45 where it is stated "Financial position with respect to most component reporting entities is not as meaningful as for the federal government because most component reporting entities are not independent economic entities...." While this may be true, meaningfulness is often a subjective determination by the user or group of users depending on who the user is, what the user's needs or interests are, etc. We recommend that this sentence be reworded to better convey FASAB's intent for this paragraph, and to better accommodate different users' perspectives, needs, and interests.

- Q5. The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.**

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

The Department agrees with the concepts for budgetary information in component reporting entity financial statements and RSI. The concepts for budgetary information provides users with information on the process and classifications of budgetary authority.

We would like to point out an inconsistency in wording in paragraph 52 as compared to paragraph 53a, with regard to "Budget authority provided by **permanent** laws..." in paragraph 52, as compared to "Provided in appropriations acts or **authorizing** laws..." in paragraph 53. It appears to the Department that "**permanent** laws" is the best consistent presentation.

**FASAB Exposure Draft: Questions for Respondents due January 6, 2017*****Federal Financial Reporting***

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

The Department agrees with the concepts for performance results information. The performance results information helps users to understand the efforts, accomplishments, efficiency, effectiveness, and changes over time.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

The Department agrees with the concepts for summary level information. Some users may not need or want all the information provided in the financial statements and RSI; having summary information will be useful for a user who does not need or want more detailed information.

**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: Sherry Lee / Paul McEnrue

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

Organization: Department of the Interior

- Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

Agree. It seems broad enough to encompass the components of RSI and relationships are portrayed logically.

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

Agree. It is broad and seems to define the processes or methods available for gathering RSI information. Especially paragraph 17 in regards to preparers having discretion in developing amounts reported in some RSI and the auditors lacking the criteria necessary for the expression of an opinion. RSI must have more leeway to include more qualitative information in order to convey more information to the user. Also the discussion is helpful in describing how, in different situations, that RSI vs Financial Statements may be more relevant/helpful to users and vice versa.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

Agree. We like the flexibility to use the ORFI as needed. The financial statements and RSI are prepared in accordance with federal accounting standards. However, there may be relevant formation that is helpful to the readers. References such as links to websites provide the user with additional, useful information but not subject agencies to audit scrutiny like the financial statements and RSI.

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

Agree. Reporting for the government is quite different than reporting for a public company. The types of information discussed will help readers understand government-wide entity financial position and financial condition and relationship between the two.

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

Agree. Reporting for the government is quite different than reporting for a public company. The types of information discussed will help readers understand component entity financial position and financial condition and relationship between the two.

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

Agree. FASAB did an excellent job of explaining the concepts for budgetary information in component reporting entity financial statements and RSI.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

Agree. FASAB has covered this subject thoroughly.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

Agree. Most users don't want to get into the "weeds" for the data. Summary data is thus critical and more likely to be read by the users.



**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



**JAN 06 2017**

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Office of Audit, Office of Inspector General, Department of Labor, enclosed are our responses to questions posed in the exposure draft titled, "Federal Financial Reporting."

If you have any questions or need additional information, please contact Joseph L. Donovan, Jr., Audit Director, Financial Statement Audits, at 202-693-5248.

Sincerely,

A handwritten signature in cursive script that reads "Elliot P. Lewis".

Elliot P. Lewis  
Assistant Inspector General for Audit

Enclosure

### Federal Financial Reporting

**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)	_____	
Federal Entity (auditor)	<u>  X  </u>	
Federal Entity (other)	_____	If other, please specify: _____
Association/Industry Organization	_____	
Nonprofit organization/Foundation	_____	
Other	_____	If other, please specify: _____
Individual	_____	

**Please provide your name.**

Name: Elliot P. Lewis, Assistant Inspector General for Audit

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

Organization: U.S. Department of Labor, Office Inspector General

**Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and Other Reported Financial Information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

We agree with the discussion indicated in the Scope section. We believe the illustration in Figure 1 adequately depicts how information required by GAAP relates to ORFI. However, we suggest for the Board's consideration that Required Supplementary Stewardship Information be specifically incorporated into the discussion and illustration to avoid confusion since it is a distinct term in federal financial reporting.

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16-25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

We agree with the discussion on the financial statements and RSI as it distinguishes between financial statements and RSI and discusses the different bases used in preparation of the financial statements.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

We agree with the discussion on ORFI and its relationship to financial statements and RSI. We suggest a clear distinction between the information that should be included in MD&A and the information that would be considered ORFI.

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

We agree with the concepts pertaining to the government-wide reporting entity. Additionally, we believe the debt limit should be included in the discussion in paragraph 36 as limits do exist in the federal government's ability to borrow.

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

We agree with the concepts pertaining to component reporting entities and how the information assists users in their understanding. We suggest the removal or significant revision of paragraph 45. Our thought is that this paragraph inappropriately lessens the importance of assessing the financial position of component reporting entities, which contradicts paragraph 44

(“...assists users in understanding...the efficient and effective use of its assets and liabilities”).

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraph 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

We agree with the concepts for budgetary information in component reporting entity financial statements and RSI, noting that they are written at the appropriate level for a concept statement.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraph 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

We agree with the concepts for performance results information. We believe the information presented and references to SFFAC Nos. 1 and 3 are appropriate.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

We agree with the concepts for summary level information. Additionally, we believe a clear link of summary level information to Figure 1 would be useful. For instance, if the intent is for summary level information to be included in “Information Required by Other Bodies or Voluntarily Presented (Other Reported Financial Information)”, then a bullet in Figure 1 identifying summary level information would help connect with this discussion and clarify how summary level information fits into financial reporting.



January 10, 2017

Ms. Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its September 29, 2016 exposure draft entitled *Federal Financial Reporting*. The FMSB is comprised of 22 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the exposure draft and overall supports the adoption of this standard by the FASAB and have answered the questions requested by FASAB.

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**Q1.** The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making.

**Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

We appreciate FASAB's effort in presenting the proposed concepts in a matter that makes it easier to understand the overall financial reporting emphasis. We generally support the discussion and illustrations but have a few questions and suggested changes based on feedback from some of our members.

Per our review of Figure 1 we noted the items listed in the MD&A section does not match the list of items required for MD&A as listed in SFFAS 15. We recommend either remove the items

from Figure 1 and refer to SFFAS 15 or retain the bulleted items making sure they are consistent with the standard.

Our members agree that including Budgeting and Performance reporting is an important aspect since it brings new emphasis to the financial data included in the financial reports.

Paragraph 5 of the exposure draft states that “some existing FASAB concepts statements are reemphasized, amended or rescinded” but does not specify what content is intended to be new, what content is intended to be a reemphasis, and what content is intended to amend or supersede previous concept statements. We would like to see clarification of what statements will be affected by the concept statement.

FASAB would benefit from moving toward model for maintaining and updating standards similar to that used by FASB, where a codification is maintained and new standards or concept statements are issued as updates to the codification. This has the benefit of making amendments clear and eliminating the need for reemphasis of points already included in standards or concept statements. It also has the benefit of making the final product more coherent and accessible since it would be organized in a comprehensive and logical manner rather than in layers based on when standards were issued as the current Handbook reads.

Regarding Figure 1, we recommend that FASAB provide clarification on what “transparency data” is and why it should be included in the Figure 1. We also recommend clarifying the global view of the importance of the transparency information and explaining the connection between it and the financial statements and RSI information since the information is outside the traditional annual report. We are also concerned whether the information should be RSI which inherently provides more credence to the information when included with auditors report even though RSI is subjected to lesser audit scrutiny than basic information in the auditor’s opinion.

While the information is included in other financial and non-financial information we believe an explanation of what is expected for media reports will be helpful when implementing the proposed concept statement.

Paragraph 12 should be consistent with SFFAS No. 1, which states that users of Federal financial information are also concerned about whether programs are sustainable as currently constructed. This user need is particularly important to be included in concepts because it is the basis for the unique requirement for a statement of long-term fiscal projections.

- Q2.** The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25.

**Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

In Paragraph 21 we suggest the following edit to match the conventional definition of accrual: “The accrual basis of accounting recognizes revenue when earned and recognizes costs when ~~resources are consumed~~ liabilities are incurred. ~~The costs reflect the resources consumed in the period the government provided the services.~~” There are many instances where liabilities are incurred but no service has yet been provided or resources consumed. This statement would apply more closely to the Paragraph 22 discussion of primarily cash-based budgetary accounting.

In Paragraph 23 we suggest the following edit to also describe the receipt of appropriations in addition to their expenditure: “Primarily obligation-based budgetary accounting recognizes ~~receipts when received and outlays events~~ when the component reporting entity enters into agreements that obligate the government to make payments in the future, such as when it awards contracts.”

One of our members brought to our attention that paragraphs 16-25 are summarizing information that has been said in other standards. Is it the intent of FASAB to replace the information in the other standards or is the FASAB summarizing concepts in one place. If the information is being summarized with no changes to the other standards, the FMSB believes there is the potential that would create confusion when reading the standards.

- Q3.** The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31.

**Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

We respectfully disagree. To help the readers of the proposed concept statement, we recommend that FASAB clarify how the ORFI information relates and enhances the annual financial report (AFR).

- Q4.** The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.

- a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.**

We agree with these concepts as they are reflective of the summary of Paragraphs 1 through 7. As noted above response, if the information is being summarized with no changes to the other concepts and or statements, that has the potential to create confusion when reading the standards.

- b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.**

With regard to Question 4, we also suggest including a discussion on the concept of transfers between components or between component(s) and the government-wide entity to fund operations on a temporary (or permanent) basis. For example, transfers from the Social Security trust fund or similar entity to fund other operations of government should be made apparent in government-wide and component reporting. Figure 1 includes transparency data as part of information required by other bodies or voluntarily presented as ORFI. We suggest that such transfers or borrowings would enhance transparency.

We suggest in Paragraph 46 the following edits, to keep terminology consistent: “... 2) the extent to which budget authority has been ~~obligated~~ ~~used~~ and remains available

... Information is needed on the amount of the entity's appropriations that have not been expended at the end of the period, the amount the entity has accumulated from prior period funding, and the amount of ~~obligations~~ (liabilities) for which the entity has incurred by not received budget authority."

Paragraph 42 states "... Users of those component reporting entity financial statements **would be interested in the percent of the component** ... "In the basis of conclusion FASAB chronicles the history of the reporting concepts project but doesn't directly support any assertions as indicated in paragraph 42. Including any FASAB research in the basis for conclusions that supports the bolded face type statement above would be helpful.

- Q5.** The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56.

**Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

We agree that it should apply. The FMSB appreciates paragraph 53 and FMSB has emphasized in past responses the importance of budgetary information and further discussion of the potential for such information is welcome.

- Q6.** The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62.

**Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

We agree with the concepts that are summarized within this section.

- Q7.** The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70.

**Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

Since the exposure draft discusses two different types of information - summary information and information that supports the summary -- we suggest that these sections be presented separately under their own headers to provide clarification to the proposed draft.

With regard to disaggregated information, the Board believes that there should be more discussion relating to financial reporting and RSI and SFFAS 2. We also believe FASAB should provide in the concept statement the benefits of the disaggregated information.

We noted in the basis of conclusion paragraphs A16-A20 is not very clear and hard to follow. We recommend summarizing the timelines at a much higher level.

## Other Items



We noted other items as discussed below.

Paragraph A16 – it was noted there was a reference to the “nation’s economy.” Unless FASAB’s focus has been on the nation’s economy when addressing past standards the wording should not be included.

Paragraph A17 states “Based on feedback from the reporting community, . . . “In prior paragraphs FASAB references staff research with task forces and the NAPA. Is the feedback mentioned in A17 related to that work? If so, we recommend that feedback be changed to reference the worked performed.

We note in paragraph A19 that FASAB used the term “outline” synonymously with “framework” to describe the FASAB’s development of the exposure draft concepts. However, up to that point the basis for conclusions seemed to be saying that the FASAB has developed more substance for the concepts than the term “outline” implies. We recommend that FASAB not use outline when describing the framework related to this exposure draft. We also would like to see a more explanatory discussion on how FASAB in paragraph A20 made the decision that “. . . the guidance should focus on information required by GAAP—financial statements and RSI – rather than information presented in a GPFFR.” We believe further explanation would be beneficial to the readers of the concept statement.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, CGFM, FSMB Chair, at [lmiller@eidebailly.com](mailto:lmiller@eidebailly.com) or at 208-383-4756.

Sincerely,



Lealan Miller, CGFM, CPA  
Chair- AGA Financial Management Standards Board

Association of Government Accountants  
Financial Management Standards Board

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**Department of Energy**

Washington, DC 20585

January 19, 2017

**MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD****FROM:**Tom Park   
Director, Office of Finance and Accounting**SUBJECT:**Comments on Statement of Federal Financial Accounting Concepts  
Exposure Draft: Federal Financial Reporting

The Department of Energy (Department) reviewed the Statement of Federal Financial Accounting Concepts (SFFAC) Exposure Draft: *Federal Financial Reporting*, and is pleased to provide responses to the questions in the draft Standard. Overall, we found the draft Statement provides a high level, general perspective of federal financial reporting, and its concepts are consistent with more detailed standards, requirements, and guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and other accounting governing bodies. The Department's responses to the questions in the Exposure Draft are provided below.

**Q1. The Statement illustrates the relationship between financial statements and required supplementary information (RSI) and the larger body of information available to users for assessing the government's accountability and for decision making. The reporting objectives are intended to be broad to address the range of information users need. In this Statement, FASAB focuses on the Operating Performance and Stewardship objectives and supports reporting budgetary information. The proposed concepts will assist the Board in determining the types of information presented in financial statements and RSI and will assist users in understanding the relationship between information presented in financial statements and RSI and other reported information (ORFI). Refer to paragraphs 6 to 11 and Figure 1: Information for Assessing Accountability and for Decision Making. Do you agree or disagree with the discussion and illustration? Please provide the rationale for your answer.**

We agree the scope of the draft Statement is appropriate and the financial reporting objectives are consistent with federal financial reporting objectives as reflected in existing federal financial reporting standards and guidance. However, in Figure 1, "Information for Assessing Accountability and for Decision Making," we do not believe "Other Financial and Nonfinancial Information" as defined in the Exposure Draft, i.e., media reports and reports of interest groups, would assist financial statement users in assessing accountability or making decisions. Specifically, we are concerned that this information could lack objectivity, completeness, and accuracy, and it may not be possible for federal agencies to identify sources of information that are valid, truthful, and reliable. Therefore, we recommend removing this portion from Figure 1.

Also in Figure 1, we believe the inclusion of Other Reported Financial Information (ORFI) in federal financial reporting can be useful. For example, ORFI provided in the Department's Fiscal Year 2016 Agency Financial Report included improper payments information, management challenges, and other transparency data. We believe agencies should continue to have discretion in providing ORFI as long as it is relevant, there is a benefit in providing it, and the benefit outweighs the burden and cost of providing it. Agencies also need discretion in providing ORFI because it may require explanation if it appears inconsistent with financial statements and Required Supplementary Information (RSI), e.g., if it is based on different qualitative characteristics or if it is not compliant with Generally Accepted Accounting Principles (GAAP). Therefore, we agree with retaining ORFI in federal financial reporting as long as it remains voluntary and is unaudited.

**Q2. The Financial Statements and RSI section of the Statement discusses the role of financial statements and RSI in achieving the financial reporting objectives. Refer to paragraphs 16 to 25. Do you agree or disagree with the discussion on financial statements and RSI? Please provide the rationale for your answer.**

We believe paragraphs 16 to 25 in the draft Statement accurately reflects the role of financial statements and RSI in achieving federal financial reporting objectives with the exception of using the term "projection" in paragraphs 20 and 24. The projections referenced in these paragraphs seem to pertain to projections that are required in SFFAS 36, "Comprehensive Long-Term Projections of the U.S. Government." The scope of SFFAS 36 clarifies that its reporting requirements apply to the Consolidated Financial Report of the U.S. Government, not to financial statements prepared at the component entity level. Therefore, if the purpose of paragraphs 20 and 24 is to identify the role of financial statements and RSI in regard to financial statements prepared at the component entity level, we recommend revising the text to refer to the use of estimates. Examples of estimates in financial reporting include the estimated life of property, plant and equipment used in determining depreciation expense, and estimated costs as defined in Appendix E, "Consolidated Glossary," of the FASAB Handbook.

**Q3. The Other Reported Financial Information and Its Relationship to Financial Statements and RSI section of the Statement discusses ORFI that contributes to achieving the financial reporting objectives and its relationship to financial statements and RSI. Refer to paragraphs 26 to 31. Do you agree or disagree with the discussion on ORFI and its relationship to financial statements and RSI? Please provide the rationale for your answer.**

We agree with the draft Statement's discussion of ORFI and how it contributes to achieving financial reporting objectives through its relationships with financial statements and RSI. We believe ORFI can be useful in assisting users in assessing various financial topics. We also believe that presenting financial information using multiple methods of presentation, including narrative descriptions and visual representations, may enhance users' understanding of financial statements and RSI. Given the limitations of ORFI as identified in paragraph 27 of the draft Standard, we believe agencies should continue to have discretion in providing ORFI to ensure it is relevant, there is a benefit in providing it, and the benefit outweighs the burden and cost of providing it. Therefore, we agree with retaining ORFI in federal financial reporting as long as it remains voluntary and is unaudited.

**Q4. The Concepts for Government-Wide and Component Reporting Entities section of the Statement discusses concepts for the government-wide and component reporting entities. The concepts include a discussion on the types of information the government-wide reporting entity financial statements and RSI collectively provide and the types of information component reporting entity financial statements and RSI collectively provide. Refer to paragraphs 33 to 48.**

a. Do you agree or disagree with the concepts pertaining to the government-wide reporting entity? Please provide the rationale for your answer.

We agree with the proposed concepts pertaining to the government-wide reporting entity in paragraphs 33 through 38. The RSI should provide users with an understanding of the government's ability to achieve the mission and manage resources. RSI should also be an indicator of concerns such as the effect of debt, anticipated trends, and other future impactful events.

b. Do you agree or disagree with the concepts pertaining to component reporting entities? Please provide the rationale for your answer.

We agree with the concepts pertaining to component reporting entities as proposed in paragraphs 39 through 48 with the exception of some terms in paragraph 42. We believe the information in the Combined Schedule of Spending (CSOS) required by OMB Circular A-136, "Financial Reporting Requirements," provides information that would satisfy the users' needs referenced in paragraph 42. However, there are some differences between the information provided in the CSOS and the terms used in paragraph 42:

- The CSOS focuses on budgetary resources and obligations available for spending rather than budgetary authority. To ensure consistency with the CSOS, we recommend the reference to "budget authority" in paragraph 42 be changed to budgetary resources and obligations.
- The CSOS reflects dollars spent for specific purposes and paid to specific entities rather than the percent of budget authority allocated to certain entities. To ensure consistency, we recommend the language in paragraph 42 be changed to conform to the CSOS reporting requirements.

In addition, we suggest the benefit of any additional reporting requirement be carefully considered before it is established, including potential difficulties in applying uniform requirements across different organizational types.

**Q5. The Concepts for Budgetary Information in Component Reporting Entity Financial Statements and RSI section of the Statement discusses component reporting entity budgetary concepts. Refer to paragraphs 49 to 56. Do you agree or disagree with the concepts for budgetary information in component reporting entity financial statements and RSI? Please provide the rationale for your answer.**

We agree with the discussion of budgetary information in component reporting entity financial statements and RSI. The basic concepts presented for budgetary information and the elements of budget authority are consistent with OMB Circular A-11, "Preparation, Submission, and Execution of the Budget."

**Q6. The Performance Results section of the Statement discusses the role of financial statements and RSI in providing information on the reporting entity's performance results. Refer to paragraphs 57 to 62. Do you agree or disagree with the concepts for performance results information? Please provide the rationale for your answer.**

We agree with the concepts discussed in this section. Paragraph 62 is especially worth noting as it highlights the limitations of performance measurement and the need for explanatory information to be included with financial statements and RSI to help users understand the reported measures.

**Q7. The Summary Level Information section of the Statement discusses summary level information with respect to financial statements and RSI. Refer to paragraphs 63 to 70. Do you agree or disagree with the concepts for summary level information? Please provide the rationale for your answer.**

We agree with the discussion on summary-level information with respect to financial statements and RSI. The Department believes summary level information provides the greatest utility and minimal cost. The inclusion of graphic representations can be especially helpful to users in gaining an understanding of summary level information.

The Department appreciates the opportunity to provide comments on the Exposure Draft. If there are questions concerning our responses they may be referred to William Truitt, Director, Financial Policy Division, Office of Finance and Accounting, at [William.Truitt@hq.doe.gov](mailto:William.Truitt@hq.doe.gov) or (202) 586-1065, or John Wall, of the Financial Policy Division, at [John.Wall@hq.doe.gov](mailto:John.Wall@hq.doe.gov) or (202) 586-5728.