



September 6, 2006

Memorandum

To: Members of the Board

From: Julia E. Ranagan, Assistant Director

Through: Wendy M. Comes, Executive Director

Subject: **Application of the Liability Definition¹ – Tab C**

On July 13, 2006, staff circulated a survey to the federal CFO and IG community to solicit feedback on the enhancements to the liability class definitions drafted by staff and the completeness of the liability sub-classes. The survey was developed after careful consideration of the feedback from the liability classification task force, existing standards, and the current progress on the Elements and Social Insurance projects. Responses to the survey were requested by August 15, 2006.

This paper presents the results of the survey on pages 2 – 13 and requests the board's input on staff recommendations included after the summary of each survey question. To provide more detailed information on the survey responses, staff has attached the consolidated responses to the FASAB Survey on Liability Classification as *Attachment 1*, the Quick Table of Respondents and Answers as *Attachment 2*, and the Detailed Table of Answers and Comments by Respondent as *Attachment 3*.

Number of Responses Received

As of the date of this memo, 23 responses to the survey have been received, representing 17 federal entities. The CFO and IG community are both well represented, with responses from 12 CFO, 8 OIG, and 3 other. Responses were received from the following federal entities:

Abbreviation	Full Name	Office
CIA	Central Intelligence Agency	CFO
DOC	Department of Commerce	CFO
DOD/OSD	Department of Defense/Office of the Under Secretary of Defense	CFO
DOE/WAPA	Department of Energy/Western Area Power Administration	CFO
EPA	United States Environmental Protection Agency	CFO
NRC	Nuclear Regulatory Commission	CFO
NRO	National Reconnaissance Office	CFO

¹ 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 the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

Abbreviation	Full Name	Office
NSF	National Science Foundation	CFO
RRB	Railroad Retirement Board	CFO
SSA/CFO	Social Security Administration/Chief Financial Officer	CFO
USAID	United States Agency for International Development	CFO
USDA	United States Department of Agriculture	CFO
DOE/OIG	Department of Energy/Office of Inspector General	OIG
TREAS/OIG	Department of Treasury/Office of Inspector General	OIG
HUD/OIG	Housing and Urban Development/Office of Inspector General (2)*	OIG
USDA/OIG	United States Department of Agriculture/Office of Inspector General	OIG
DOD/OIG	Department of Defense/Office of Inspector General	OIG
DOJ/OIG	Department of Justice/Office of Inspector General	OIG
RRB/OIG	Railroad Retirement Board/Office of Inspector General	OIG
DOL/OIG&CFO	Department of Labor/Office of Inspector General and Chief Financial Officer (Joint Response)	Other
OMB	Office of Management and Budget	Other
SSA/OCA	Social Security Administration/Office of the Chief Actuary	Other

* The response from HUD/OIG consisted of input from two separate individuals.

It is important to note that the surveys were received from individuals from each of the above agencies at varying staff and managerial levels and do not necessarily represent the views of the agency as a whole.

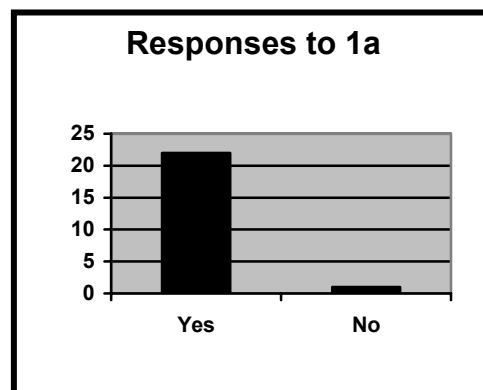
Summary of Responses Received

The questions are presented below along with a summary of the responses received. Please refer to *Attachment 1* for a more detailed look at the specific responses to each question (page numbers that correspond to the same question in *Attachment 1* are included in parentheses after each question for ease of reference). The staff's summary is intended to support your consideration of the survey responses and does not fully capture all of the comments contained within the individual responses.

Question 1a

In your experience since SFFAS 5 was implemented in 1997, have the four classes proved useful in helping your agency determine when an obligating event has occurred for purposes of liability recognition? (see page 14 for text of the full survey question including classes)

22 Yes
1 No



All but one of the 23 respondents stated that the four classes have proved useful in determining when an obligating event has occurred. One respondent said that SFFAS 5 is “inconsistent with the proposed concept statement on definition and recognition of financial statement elements, in that it does not require recognition of all liabilities. For example, the future liability for Black Lung benefits is not required to be recognized by SFFAS 5.”

The one respondent that said that the classification of exchange and nonexchange has not been useful in determining a proper recognition point provided an alternative approach, stating that the liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of value between entities. The respondent continued by saying that the starting point for recognition would be the identification of an event as government-related or non-government-related. If the event is government-related, the recognition of the liability would occur with the transfer of title, the damage to the environment, or when specified future and uncertain events are substantially met. If the event is non-government-related the liability would be recognized when the law is passed signifying the government is assuming responsibility for the event and specified future and uncertain events are substantially met.

Staff recommendation:

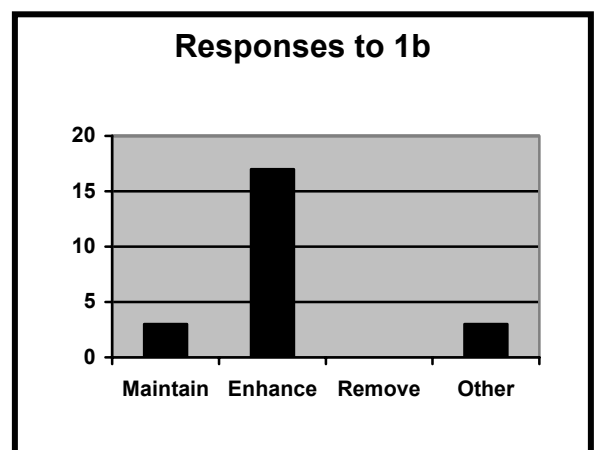
Based on the comments received to question 1a and previous leanings expressed by the board, staff recommends that the four classes remain in use for help in determining when an obligating event has occurred for purposes of liability recognition.

In addition, staff notes that it was previously recognized by the board that it may take some time for the standards to be revised to reflect new concepts. That is a common occurrence in standards-setting that is practically unavoidable because of the extensive due process that is involved in developing standards. Until SFFAS 5 is updated, it is expected that there would be some inconsistencies between the concepts statement and the standards. The standards would continue to take precedence over the concepts statements in accordance with the GAAP hierarchy.

Question 1b

Based on your response in 1a., what is your recommendation regarding the four classes and their role in future development of liability standards? (see page 16 for text of the full survey question)

- 3 Maintain the four classes without any changes or enhancements.**
- 17 Maintain the four classes with some changes or enhancements.**
- 0 Remove the four classes from use in future development of liability standards.**
- 3 Other**



21 of the 23 respondents (including one classified as "Other") preferred to maintain the four classes, but many respondents stated that some changes or enhancements to the definitions that were presented in SFFAS 5 could be made in order to provide clarity and consistency of application. One respondent stated that the existing definitions for exchange and nonexchange transaction classifications should be used and government-related and government-acknowledged (non-government-related) event classifications should be eliminated.

One respondent pointed out that government-acknowledged (non-government-related) events could be treated as nonexchange transactions since they are currently accounted for in the same manner. Several respondents stated that enhancements should be made that will better communicate how to

apply exchange/nonexchange to grey areas and explain how to handle transactions that fit into more than one category.

As noted in the summary of responses to question 1a. above, the respondent that offered an alternative to the current classifications stated, “Rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of value between entities. The respondent continued by saying that the starting point for recognition would be the identification of an event as government-related or non-government-related. If the event is government-related, the recognition of the liability would occur with the transfer of title, the damage to the environment, or when specified future and uncertain events are substantially met. If the event is non-government-related the liability would be recognized when the law is passed signifying the government is assuming responsibility for the event and specified future and uncertain events are substantially met.”

Staff recommendation:

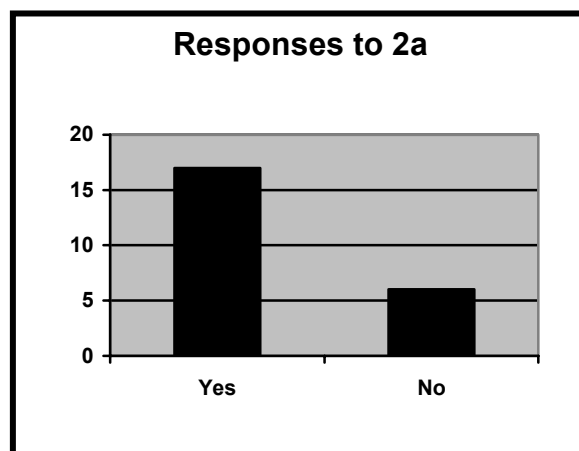
Based on the comments received to question 1b and previous leanings expressed by the board, staff recommends that the four classes remain in use for help in determining when an obligating event has occurred for purposes of liability recognition. As discussed in detail below, staff also recommends that some enhancements be made to clarify the class definitions that were presented in SFFAS 5.

Question 2a

Do you agree with the proposed enhancements to the definition of exchange transactions? (see page 18 for text of the full survey question including definition)

17 Yes
6 No

The majority of respondents agreed with the proposed enhancements to the definition of exchange transactions, stating that the changes gives the new definition more clarity and less ambiguity. The following comments were made by respondents that either disagreed with the proposed enhancements or offered suggestions for additional improvements:



- One respondent stated that the term “value” should be maintained because it allows for broader interpretation. Another respondent stated that the term “value” is understood and provides more flexibility, while the changes proposed by staff seemingly prevent the exchange of property, plant, and equipment from being considered.
- One respondent said that the first sentence was a little wordy and should be simplified.
- One respondent said that the changes are saying the same thing using different but not necessarily better terms.
- While most found the inclusion of examples to be helpful, one respondent said that the integration of examples into a description or definition can sometimes be construed as restrictive language, preventing some from agreeing that the description could be applied to federal intragovernmental transactions. One respondent stated that more challenging examples should be provided.
- One respondent stated that either “reciprocal” or “two-way” was sufficient; both terms were not needed.

- One respondent said that the liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value.

Recommendation:

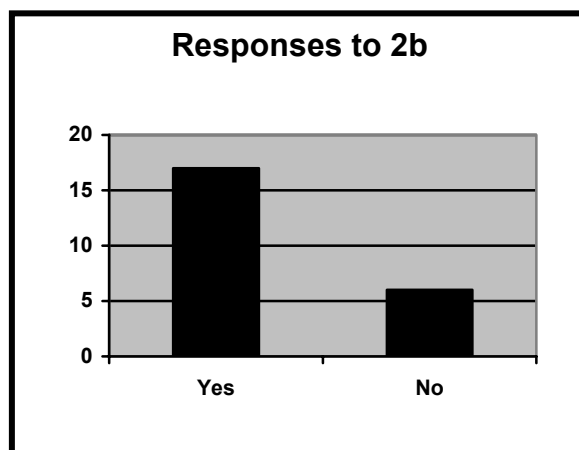
Based on the comments received to question 2a and feedback from the task force, staff recommends that the term “value” be replaced. Staff will work on developing a more concise definition that incorporates the respondents’ concerns regarding the inclusion of property, plant, and equipment as an asset, discusses how to treat transactions that could be considered either exchange or nonexchange, and would help prevent the examples from being construed as restrictive language.

Question 2b

Do you agree with the proposed enhancements to the definition of nonexchange transactions? (see page 20 for text of the full survey question including definition)

17 Yes
6 No

The majority of respondents said that the proposed enhancements to the definition of nonexchange transactions would provide more clarity to the definition. The following comments were made by respondents that either disagreed with the proposed enhancements or offered suggestions for additional improvements:



- Similar to the comments for exchange transactions, one respondent stated that the term “value” should be maintained because it allows for broader interpretation. Another respondent stated that the term “value” is understood and provides more flexibility, while the changes proposed by staff seemingly prevent the exchange of property, plant, and equipment from being considered.
- One respondent stated wording should be included to point out that there need not be a promise to provide the asset or services if there is a current obligation based on laws, regulations, or fiduciary responsibility to provide the asset or services in the present or some time in the future.
- One respondent said that the proposed wording was wordy and should be simplified.
- One respondent said that the changes are saying the same thing using different but not necessarily better terms.
- While most found the inclusion of examples to be helpful, one respondent said that the integration of examples into a description or definition can sometimes be construed as restrictive language, preventing some from agreeing that the description could be applied to federal intragovernmental transactions.
- One respondent questioned how to treat grants that could be considered exchange transactions.
- One respondent said that the liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value.

Staff recommendation:

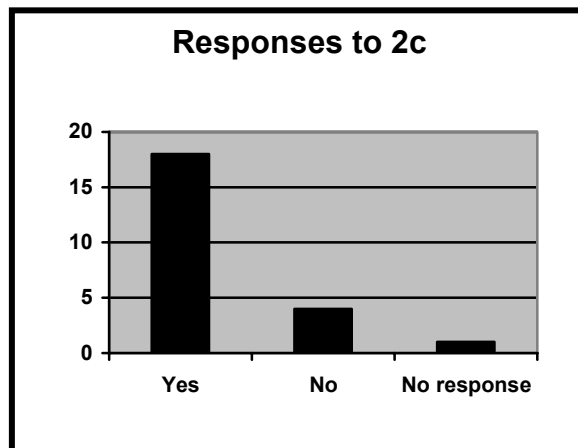
Based on the comments received to question 2b and feedback from the task force, staff recommends that the term “value” be replaced. Staff will work on developing a more concise definition that incorporates the respondents’ concerns regarding the inclusion of property, plant, and equipment as an

asset, discusses how to treat transactions that could be considered either exchange or nonexchange, and would help prevent the examples from being construed as restrictive language.

Question 2c

Do you agree with the proposed enhancements to the definition of government-related events? (see page 22 for text of the full survey question including definition)

<u>18</u>	Yes
<u>4</u>	No
<u>1</u>	No response



The majority of respondents approved of the enhancements to the definition of government-related events, stating that the new language provides clarification and examples, which are helpful. The following comments were made by respondents that either disagreed with the proposed enhancements or offered suggestions for additional improvements:

- Three respondents noted that the last part of the definition (“Government-related events also include events that occurred in the course of federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government”) is difficult to understand and should be reworded. One respondent also suggested that an example be included to clarify the revised definition.
- One respondent stated that FASAB should explain why “direct” interaction is being added to the definition because it has not been justified or explained. Alternately, the respondent continued, FASAB has not explained why “indirect” interaction should be excluded from the definition.
- One respondent said that based on the suggestion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.

Staff recommendation:

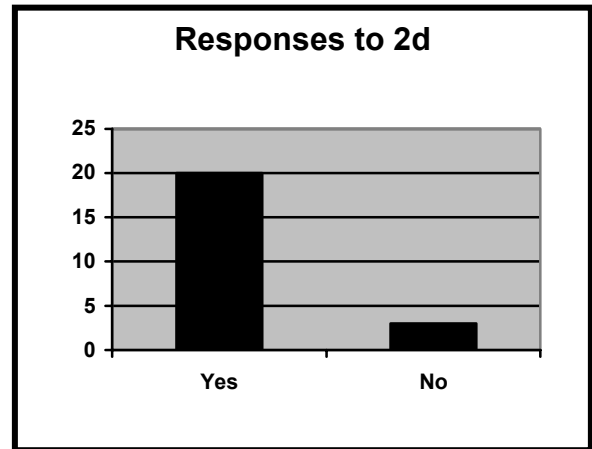
Based on the comments received to question 2c and feedback from the task force, staff will work on clarifying the language regarding events that occurred in former government agencies or before there was a foundation in law and providing examples of such, as appropriate. Staff will consider whether an explanation of direct versus indirect is necessary. In addition, staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

Question 2d

Do you agree with the proposed enhancements to the definition of non-government-related events (formerly government-acknowledged events)? (see page 24 for text of the full survey question including definition)

20 Yes
3 No

The majority of respondents approved of the enhancements to the definition of non-government-related events, stating that the new language provides clarification and examples, which are helpful. While the majority of respondents agreed with the enhancements to the classification, including the change in title from “Government-Acknowledged Events” to “Non-Government-Related Events,” one respondent disagreed with the name change, stating that the new title is vague while the old term has never been a source of confusion for that agency. One respondent said that based on the suggestion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.

**Staff recommendation:**

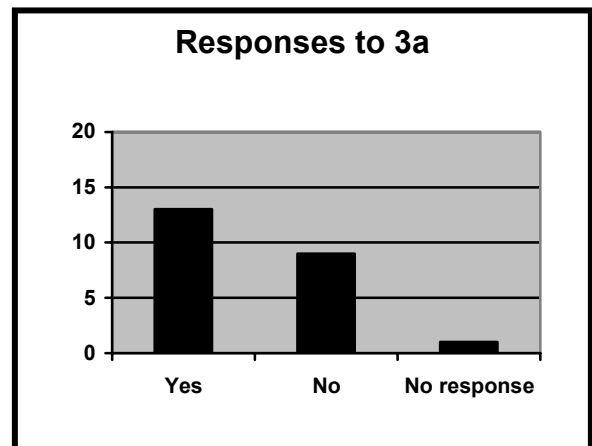
Based on the comments received to question 2d and feedback from the task force, staff believes that its proposed changes are appropriate. Staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

Question 3a

Is this a complete listing of exchange transactions that arise in the federal environment? (see page 26 for text of the full survey question including listing)

13 Yes
9 No
1 No response

While the majority of respondents agreed that the list of exchange transactions was fairly good, the following suggestions for improving the list were submitted for consideration:



- One respondent stated that the list should include “federal” and “non-federal” accounts payable for goods and services.
- Two respondents stated that the list should include annual leave under employee salaries and benefits.
- Two respondents noted that the term “accrued liabilities” should be included as either a part of accounts payable or separately.

- One respondent suggested that we add purchase of fixed assets as an example under “Accounts Payable for Goods and Services.” Another respondent stated that the use of “etc.” under Accounts Payable is unnecessary and leaves open excessive room for interpretation/questions.
- One respondent noted that research grants are considered exchange transactions as the government receives research, patents, and reports for their award funds; the respondent suggested that the issue may be resolved by referencing the footnote under nonexchange.
- Two respondents noted that custodial liabilities and deferred revenue are not included as sub-classes.
- One respondent stated that the list should be prefaced by a statement or phrase such as, “...includes, but is not limited to, the following subclasses,” so that new additions to the list may be added when new sub-classes emerge. Another respondent said that given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- One respondent suggested that it may be appropriate to acknowledge debt between federal agencies other than Treasury under “Federal Debt.” Another respondent said that although it is not a liability, something should be said about Treasury recognizing the reciprocal A/R for outstanding agency debt to Treasury.
- One respondent wrote that although the list is extensive and covers a broad array of transactions, they have reservations about the practical ability of anyone to create a complete list of transactions. The list seems to favor common transactions with the public or U.S. Treasury. Does it fully address intragovernmental transactions? Even if complete at a point in time, new business arrangements, both intragovernmental and with the public, may arise that are not listed. In addition, the respondent voiced its concern that including such a list will lead users to refer to the list rather than use the definition.
- One respondent suggested that we add the term “Deposits” as an example to advances and prepayments received.
- One respondent pointed out that the present value of net cash outflows of the loan guarantees should be recognized as a liability under the Federal Credit Reform Act of 1990.
- One respondent noted that the list may be overly inclusive by including interest on (non-revolving) trust and special funds, which is listed in SFFAS No. 7 as a nonexchange transaction.

Staff recommendation:

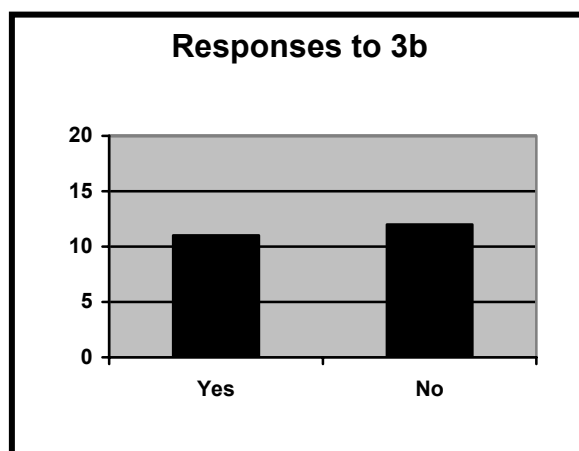
Based on the comments received to question 3a and feedback from the task force, staff will consider each of the suggestions above and revise the listing of exchange transactions, as appropriate. In addition, staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

Question 3b

Is this a complete listing of nonexchange transactions that arise in the federal environment?
(see page 28 for text of the full survey question including listing)

11 Yes
12 No

Approximately half of the respondents agreed that the list of nonexchange transactions was fairly good. The following comments were made by respondents that either disagreed with the listing or offered suggestions for improvement:



- One respondent questioned how we would consider classification of a nonexchange asset, capitalized by one agency but funded by another.
- One respondent suggested including a liability for environmental clean-up costs and a death gratuity paid to the surviving relative(s) of a Federal employee.
- Two respondents stated that a category should be added for Transfers Payable - the amount of financing source payable to a trust fund or an agency general fund that occurs as a result of a nonexchange transaction. These payables are eliminated on the governmentwide financial statements, but they impact the entity level financial statements.
- One respondent stated that the list is very good, but may not be complete, suggesting that the list be prefaced by a statement or phrase such as, "...includes, but is not limited to the following subclasses," so that new additions to that list may be added when new sub-classes emerge. Another respondent said that given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- One respondent inquired about nonexchange transactions such as taxes and fines and penalties;
- One respondent suggested that transactions between federal and non-federal entities be considered.
- HUD wrote that it has various rental housing assistance programs -- public housing, tenant-based assistance, and project-based assistance, suggesting that we add the term "Rental Assistance Subsidy" under Benefit Payments Other than Social Insurance.
- One respondent wrote that they have reservations about the practical ability of anyone to create a complete list of transactions. The list seems to favor common transactions with the public. Does it fully address the universe of intragovernmental transactions? Even if complete at a point in time, new business arrangements, both intragovernmental and with the public, may arise that are not listed. Again, the respondent voiced its concern that including such a list will lead users to refer to the list rather than use the definition.
- One respondent stated that this is not a complete listing of nonexchange transactions. DOL collects back wages from employers and then distributes them to employees. Additionally, DOL collects various miscellaneous receipts, such as fines and penalties that need to be forwarded to Treasury. The respondent stated that these are nonexchange transactions since these are items that represent receipts that DOL will forward to a third party or the U.S. Treasury. DOL has no authority to spend these items on DOL operations.
- One respondent noted that the list would appear to be incomplete if it should include interest on (non-revolving) trust and special funds as nonexchange transactions.

Staff recommendation:

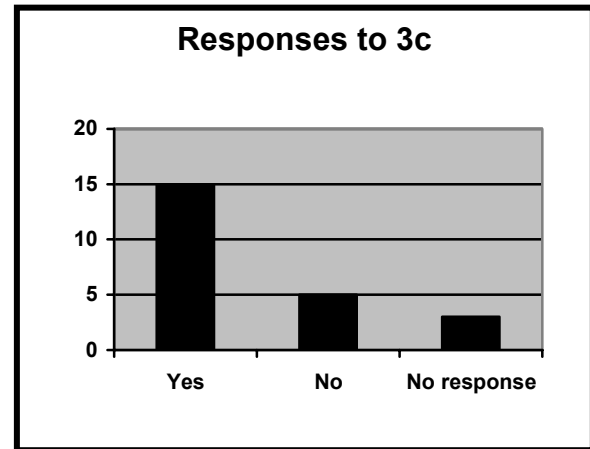
Based on the comments received to question 3b and feedback from the task force, staff will consider each of the suggestions above and revise the listing of nonexchange transactions, as appropriate. In addition, staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

Question 3c

Is this a complete listing of government-related events that arise in the federal environment? (see page 29 for text of the full survey question including listing)

15 Yes
5 No
3 No response

The majority of the respondents agreed that the list of government-related events was fairly good. The following comments were made by respondents that either disagreed with the listing or offered suggestions for improvement:



- One respondent said that this liability category is much more broad than the examples listed, suggesting that the list be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.
- One respondent recommend ending the third bullet after "...federal property," and adding a fourth bullet: "Environmental contamination occurring on non-federal property resulting from federal operations" to add clarification.
- One respondent recommend adding more detailed examples.
- One respondent said that based on the suggestion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.
- As in the two preceding questions, one respondent voiced a concern about the wisdom of including a "complete" list in the standard, noting that the list tends to address property damage but not personal injury.
- One respondent suggested that we consider adding compensations resulting from settled lawsuits to government due to interaction with its environment.
- One respondent stated that there could always be additions to this list, .e.g. injuries to people caused by Federal operations, and damage to Federal property from something other than a natural disaster, such as crime or terrorism. Another respondent said that given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.

Staff recommendation:

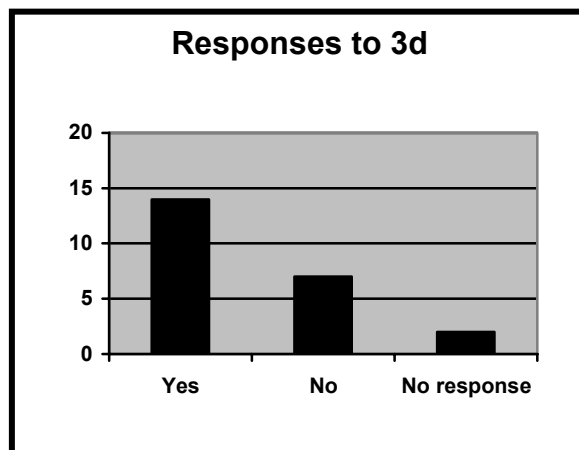
Based on the comments received to question 3c and feedback from the task force, staff will consider each of the suggestions above and revise the listing of government-related events, as appropriate. In addition, staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

Question 3d

Is this a complete listing of non-government-related events that arise in the federal environment? (see page 31 for text of the full survey question including listing)

14 **Yes**
7 **No**
2 **No response**

The majority of the respondents agreed that the list of non-government-related events was fairly good. The following comments were made by respondents that either disagreed with the listing or offered suggestions for improvement:



- As in the three preceding questions, one respondent was concerned about the wisdom of including a "complete" list in the standard, noting that the list tends to address property damage but not personal injury. Another respondent said that this liability category is more broad than the examples listed, stating that the list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes (such as terrorist-related activities) emerge. Another respondent said that given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- One respondent requested more detailed examples.
- One respondent said that based on the suggestion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.
- NSF stated that it considers its Antarctic liabilities to fall in the old Government-Acknowledged classification due to unique treaty and legal issues. NSF proposed to add the word "generally" – "are not generally the direct result of operations," stating that the use of the word "generally" would make it less absolute and could be clarified with a footnote.
- One respondent requested that we consider adding the term "losses" occasioned by other disasters. For example: The Government may choose to respond for "losses of business income" such as the losses suffered after the event on September 11, 2001.
- One respondent wrote that it would be possible for the government to choose to respond to an event other than is listed in the bullets above and they do not believe that a list of events that fit the definition of this class of liability would ever be complete.

Staff recommendation:

As noted above, NSF expressed concern with the changes to the definitions of government-related and government-acknowledged events because of special treaty and legal issues that exist regarding its federal operations in the Antarctic. NSF has treated these obligations the same as government-acknowledged events in the past because it was determined by NSF and its auditors that these obligations do not represent a true liability of the federal government and should not be recognized as a liability on the government's balance sheet. Staff believes that its proposed changes to the definitions of government-related and non-government-related events serve to clarify and not change the board's intent from SFFAS 5. Furthermore, if it was determined that NSF's Antarctic obligations were not considered to meet the definition of a liability under SFFAS 5, they would most likely not meet the newly proposed definition either due to the unique circumstances surrounding federal operations in the

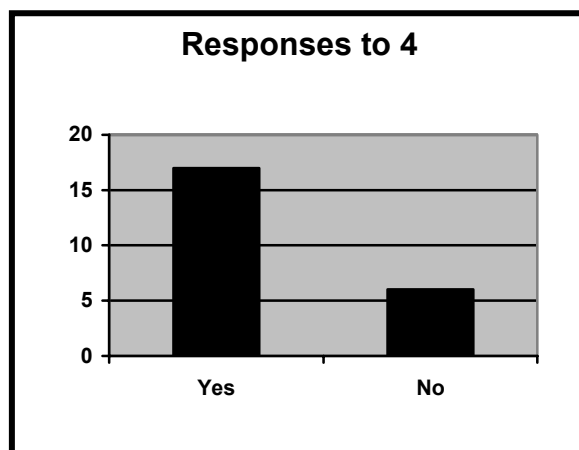
Antarctic. Therefore, staff suggests that it is unnecessary to introduce an exception into the definition of government-related events or add language to non-government-related events for such a unique situation that would only be more confusing than clarifying.

Based on the comments received to question 3d, various questions raised over the years since SFFAS 5 was implemented, and feedback from the task force, staff recommends that “government-acknowledged events” be renamed “non-government-related events.” Staff will consider each of the suggestions above and revise the listing of non-government-related events, as appropriate. In addition, staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

Question 4

Do you agree that the listing of sub-classes, as well as the discussion of contingencies, capture all of the major classes of liabilities of the federal government? (see page 32 for text of the full survey question including listing)

17 Yes
6 No



The majority of the respondents agreed that the list of sub-classes was fairly good. The following comments were made by respondents that either disagreed with the listing or offered suggestions for improvement:

- Two respondents noted that Custodial Liabilities were not included.
- One respondent wrote that the discussion of contingencies should include probability.
- One respondent stated that there is a need for more examples and commitments should be included in the category title with contingencies.
- One respondent said that based on the suggestion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.
- One respondent said that the list is not complete, stating that contingencies also includes actual litigation and claims where the likelihood of loss is less than probable. Contingent situations may arise from any of the four classes and numerous sub-classes of liabilities. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.
- One respondent stated that social insurance is properly classified and should remain classified as a nonexchange transaction.
- One respondent stated that these are probably the major classes, but questioned to what extent completeness of the list (or lack of completeness) would impact the value of the standard.
- One respondent stated that all or nearly all liabilities of the federal government fit into one of the major classes of liabilities as defined above, but some additional sub-classes of liabilities are currently needed, and additional sub-classes may arise in the future.

Staff recommendation:

Based on the comments received to question 4 and feedback from the task force, staff will consider each of the suggestions above and revise the listing of contingencies and sub-classes, as appropriate. In addition, staff will work on constructing language that would help prevent the examples from being construed as restrictive language consistent with changes that are made to other class definitions.

**Do the board members agree with the staff recommendations
presented on pages 2 – 13?**

Next Steps

Staff will provide the Board members with a brief update on the results of the survey at the September 28, 2006 Board meeting. Staff will then incorporate these comments (and any additional comments received) into the liability class definitions, as appropriate, and begin to develop general definition and recognition guidance by liability class and sub-class. If you have any questions or comments, please contact me by telephone at 202-512-7377 or by e-mail at ranaganj@fasab.gov.

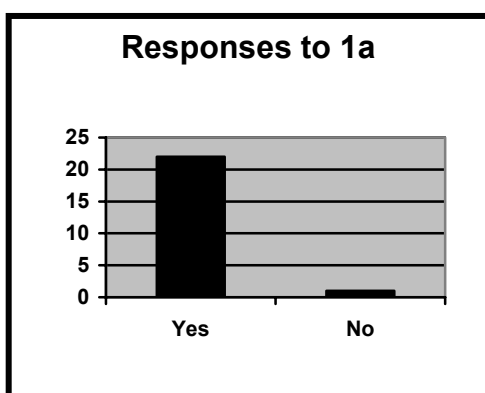
Consolidated Responses to the FASAB Survey on Liability Classification

Disclaimer: In the course of developing or updating federal accounting standards, FASAB staff periodically utilize task forces, surveys, and other means of communication to solicit feedback from the federal community. The information contained in this survey is intended to assist staff in preparing materials for the Board's deliberations; it is not intended to reflect authoritative or formal views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

1. Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*, classified transactions and events into the following four classes of liabilities:

- Exchange Transaction – arises when each party to the transaction sacrifices value and receives value in return. There is a two-way flow of resources or of promises to provide resources (excerpt from SFFAS 5, par. 22).
- Nonexchange Transaction – arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises (excerpt from SFFAS 5, par. 24).
- Government-Related Event – nontransaction-based event that involves interaction between the federal government and its environment. The event may be beyond the control of the federal entity (excerpt from SFFAS 5, par. 27).
- Government-Acknowledged Event – nontransaction-based event that is of financial consequence to the federal government because it chooses to respond to the event. The federal government has broad responsibility to provide for the public's general welfare. The federal government has established programs to fulfill many of the general needs of the public and often assumes responsibilities for which it has no prior legal obligation (SFFAS 5, par. 30).

a. In your experience since SFFAS 5 was implemented in 1997, have the above four classes proved useful in helping your agency determine when an obligating event has occurred for purposes of liability recognition?



22 Yes
1 No

Why or why not?

CFO

- Bullet 3 and 4 need their wording clarified - these two classes are mainly non-exchange commitment and contingency transactions.
- Determining NRC liabilities has been, for the most part, straight forward whereby goods or services

have been provided. The definitions have provided occasional assistance with identifying and recognizing contingent liabilities. However, the FASAB standard on contingent liabilities has proved more useful in this regard.

- Especially useful in classification of potential contingent liabilities with our satellite acquisitions to include award and incentive fees.
- Somewhat, depending on the particular agency.
- These four classes have been sufficient in classifying SSA's liabilities.
- These four definitions have been helpful to the bureau-level accounting offices in determining when events met the liability classifications. Also, these definitions have been helpful to accountants when explaining to staff scientists and other staff when certain transactions they initiate have financial consequences that result in the incurrence of liabilities.
- The classification of exchange and nonexchange has not been useful in determining a proper recognition point. For example, after Hurricane Katrina the government provided financial assistance to help clean up the damage from the hurricane. This was a government-acknowledged event and Congress appropriated the funds. If the government enters a contract with a company to clean up the damage, an exchange transaction has occurred and the recognition point for the liability occurs once the work has been performed. Conversely, if the government reimburses the money to the state of Louisiana, who then enters into a contract with a company to clean up the damage, a nonexchange transaction has occurred and the recognition of the liability includes amounts unpaid as of the reporting date. Why the difference in recognition exists for this liability is unclear.
- No explanation provided. (5 responses)

OIG

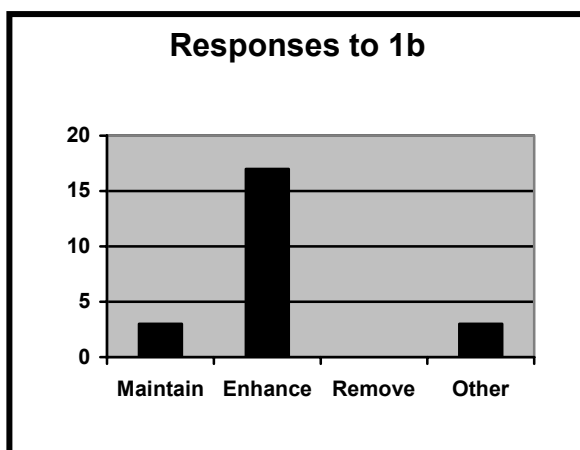
- Based on our experience of auditing the HUD consolidated financial statements, the above four classes of liabilities proved useful in helping HUD determine when an obligating event has occurred for purposes of liability recognition. As a current example of the government-acknowledged liability for the Department of Housing and Urban Development (HUD), the Congress appropriated funds in response to the hurricane Katrina disaster. During the fiscal year (FY) 2006, HUD received significant appropriation for hurricane Katrina relief--The hurricane was of financial consequence to HUD, because HUD chose to provide disaster relief. As a part of the FY 2006 audits of HUD consolidated financial statements, HUD-OIG will review the HUD-established Katrina-relief programs, and the recognition of exchange and non-exchange liability amounts as of the reporting date for the HUD consolidated financial statements.
- From an audit perspective, the four classifications have been fairly easy to work with when it comes to classification and recognition.
- I am an auditor with the HUDOIG financial audit division and I have limited experience auditing liabilities for three major HUD programs (excluding FHA/GNMA programs). HUD major (material) liabilities are related to entitlements and grants programs. I have found SFFAS No. 5 helpful because it provides an accurate description of transactions that constitute a liability. Based on my experience, I consider HUD's major programs liabilities as non-exchange transactions. Most of HUD's liabilities rise from entitlement and grant programs such as Section 8 Rental Assistance, Community Development Block Grant and Public Housing Operating Subsidy. The liabilities arise from transactions on which value flows down to serve either an eligible person or an entity servicing eligible persons. The contractual obligations are recognized as obligations in the Statement of Budgetary Resources for the total value of the contract and (or) subsidy according to the program regulations. However, the liability is recognized in the balance sheet for the portion of the amount due at the time of payment is due and not for the total contractual obligation. In most cases, once HUD finds a person or entity eligible for subsidy the liability will be recognized after the passage of time; for example: (a) the due date of the monthly subsidy payment. The value of the liability is recognized based on the corresponding amount due for that period; for example: (a) total obligated amount divided by the months which the subsidy will be provided or, (b) the total subsidy for eligible participant in a given month. In summary, for the programs mentioned above HUD recognizes liabilities from contractual obligations in a non-exchange transaction according to current law and applicable policy. And that are unpaid amounts due as of the reporting date.
- The above classifications cited have provided the needed information to adequately determine the presentation of the transaction.

- They were useful when used in conjunction with a standard that referred to those classes of transaction.
- No explanation provided. (3 responses)

Other

- The above classifications cover the types of events and transactions that may result in a liability.
- We agree the four classes of transactions and events have proven useful in helping DOL determine when it has an obligating event. We agree that SFFAS No. 5 provides sufficient guidance on what items Federal agencies should recognize as liabilities on their financial statements, but believe that it is inconsistent with the proposed concept statement on definition and recognition of financial statement elements, in that it does not require recognition of all liabilities. For example, the future liability for Black Lung benefits is not required to be recognized by SFFAS No. 5.
- No explanation provided.

b. Based on your response in 1a., what is your recommendation regarding the four classes and their role in future development of liability standards?



- 3 Maintain the four classes without any changes or enhancements.**
- 17 Maintain the four classes with some changes or enhancements.**
- 0 Remove the four classes from use in future development of liability standards.**
- 3 Other**

Why?

CFO

- Adds a little more clarity.
- Clarification or interpretation of the standards are usually helpful for those responsible for implementation.
- Enhancing the definitions, to include examples, is useful for providing clarity.
- For clarification which will be especially useful in implementing SFFAS 30. Will help agencies to better quantify inter-entity activities. More detail will help ensure consistent application of the guidance.
- More examples.
- NSF is only in favor of changes to exchange and non-exchange transactions classes.
- Revert back to 1 and 2 and eliminate 3 and 4.
- The classifications that are currently provided are sufficient, so it would be appropriate to say that no changes or enhancements are needed. However, after reading the proposed changes, it appears that some of the additions and changes provide the reader with a better understanding of the concepts. So while it is not necessary to make any changes or enhancements, we would not have a problem if some were made.
- The four classifications should be maintained, though the language used to define and describe them should be modified in certain instances to enhance clarity and understanding.

- Rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources. A law being passed in of itself does not mean the government would be bound by law. The starting point for recognition would be the identification of the event as government-related or non-government-related (government-acknowledged). Once the event has been identified, if the event was government-related, the recognition of the liability would occur with the transfer of title, the damage to the environment, or when specified future and uncertain events are substantially met. If the event was non-government-related the liability would be recognized when the law is passed signifying the government is assuming responsibility for the event and specified future and uncertain events are substantially met.
- No explanation provided. (2 responses)

OIG

- Based on our experience of HUD financial statement audits, the above four classes of liabilities proved useful. But the HUD future transactions, or events, may require enhanced definition of the four classes of liabilities.
- SFFAS No. #5 defines liabilities arising from transactions from Government-acknowledged events as a nontransaction-based event that is of financial consequence to the federal government because it chooses to respond to the event. During FY 2006 Congress provided HUD's with \$16 billion in additional funds to provide and administer assistance related to the reconstruction effort from the losses caused by hurricanes Katrina, Rita and Wilma (Katrina funds). The program funds will be administrated under the CDBG program, which process applications for grants similar to the non-exchange transactions described in SFFAS #5, paragraph 25. Liabilities rising from the Katrina's reconstruction effort program will be treated similar as to the liabilities rising from other entitlement program. A person or an entity has to be eligible under program regulations to receive the funds. The Agency has to determine and acknowledge based on the eligibility requirements under the program regulations. HUD will reach out to the affected areas or process applications from the public or entities affected. As a result a transaction is created from a nontransaction event; the flow of value goes in one direction and no value is returned as the non-exchange transaction liability. I believe that the Government-acknowledgement events liabilities can be classified under liabilities from non-exchange transactions. Obligations/liabilities from nontransaction events from disaster are appropriated and administered by the Agencies in manner similar to than those liabilities from other entitlement programs.
- Some enhancements that can better communicate how to apply exchange/nonexchange to grey areas is needed.
- The definitions appear to fit the related Federal transactions. What is needed is how to handle transactions that can fall into more than one category.
- The four classifications have been adequate in the circumstances we encounter.
- The original descriptions of the classes was rather general and left the meaning up for debate in some cases.
- They are basically ok, just need revisions to be clearer.
- No explanation provided.

Other

- As mentioned above, since the four classes cover the events and transactions which may result in a liability, no changes are necessary. However, I don't object to adding clarifying language to the definitions provided that the changes do not alter their current meaning.
- We believe that some changes or enhancements to the four classes of transactions or events could be made to provide clarity and consistency of application.
- No explanation provided.

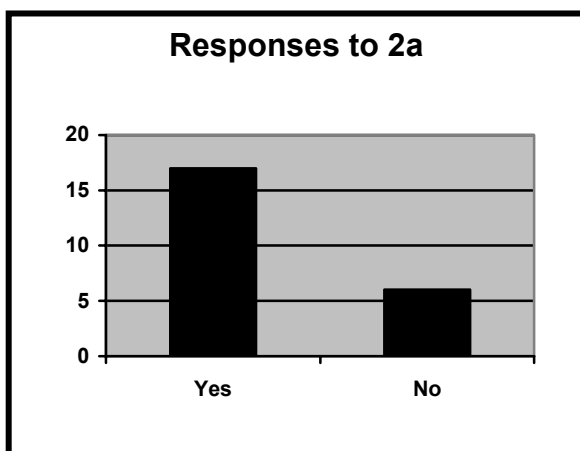
2. Based on feedback from the task force, staff has proposed the following enhancements to the existing definitions of the four classes:¹

Exchange Transactions

An exchange transaction arises when an entity ~~each party to the transaction sacrifices value and receives value in return~~ provides assets (cash, cash equivalents, or goods) or services directly to another entity in return for assets or services or promises to provide assets or services in the future. There is a reciprocal or two-way flow of resources ~~assets or services~~ or of promises to provide ~~resources~~ assets or services directly between two entities (e.g., employee salaries and the purchase of goods or services from a vendor).

Excerpt from SFFAS 5, par. 22 (underlined items and strikethroughs indicate proposed clarifications by staff to the class definition only; the statements from par. 22 regarding recognition are not currently being addressed)

- a. Staff has proposed the following changes to the above definition of exchange transactions: (1) removing the phrase “sacrifices value and receives value” and replacing it with “provides assets (cash, cash equivalents, or goods) or services directly to another entity² in return for assets or services or promises to provide assets or services in the future”; (2) inserting the word “directly” into the definition to explicitly state that an exchange is a direct transfer between the provider and the receiver; (3) emphasizing that the two-way flow of assets or services is reciprocal; and (4) providing examples in the definition (“e.g., employee salaries and the purchase of goods or services from a vendor”). **Do you agree with the proposed enhancements to the definition of exchange transactions?**



17 Yes
6 No

Why or why not?

CFO

- Although the changes proposed by the FASAB staff add some clarity to the meaning of what are exchange transactions, the changes appear to reduce the flexibility available to accountants to interpret situations. DOC believes the term “value” as used in the current definition is well understood by DOC accountants and does not require further elaboration. For example, an

¹ Note: Staff’s proposed enhancements only address the definition piece and not the additional discussion on recognition. Staff is currently seeking feedback on the classification of liabilities and the definitions of the classes, not on the recognition of liabilities.

² A detailed discussion of “entity” is contained in paragraphs 10 through 16 of the Exposure Draft on “*Definition and Recognition of Elements of Accrual-Basis Financial Statements*,” dated June 7, 2006, available at www.fasab.gov/exposure.html.

exchange transaction could be when an entity provides property, plant or equipment to another entity. The provider of property plant or equipment does not fall under the definition of providing assets (cash, cash equivalents, or goods) or services... DOC agrees with changes that add clarity and enhance understanding, but definitions should also be broad enough so that accountants can be flexible when dealing with infrequent situations. DOC concurs with the examples listed.

- Although the new language provides clarification and is needed, the word "value" should be kept because it allows for broader interpretation.
- For the most part, we agreed with the changes that were made. We checked "no" because we feel that the first sentence of the definition is a little wordy and should be simplified.
- Inclusion of examples will help assist in the identification of what category a transaction "falls into" in particular for those persons who are new to the federal government.
- It appears that we are saying the same thing simple using different and not necessarily better terms.
- NSF agrees with the proposed enhancements to the definitions of the exchange transactions because they were an improved definition on the types of transactions being exchanged. The reciprocity character of the transaction clarifies further the definition of an exchange transaction.
- Provides clarity as to what is meant by "value". Also, adding; "promises to provide future assets or services" is important for providing clarity to the definition for liability recognition.
- For clarification which will be especially useful in implementing SFFAS 30. Will help agencies to better quantify inter-entity activities. More detail will help ensure consistent application of the guidance.
- The liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value.
- No explanation provided. (3 responses)

OIG

- Agree with the definition, however the examples provided (employee salaries and purchase of goods from a vendor) are basic examples of exchange transactions that everyone should get. It would be more helpful to provide an example that is more challenging/questionable.
- Changes do not affect the contents.
- It defines the more ambiguous terms from the existing classification.
- Makes the definition clearer.
- The changes to the wording are an improvement.
- The proposed changes are less theoretical and more practical than the original. However, we have concerns about the example provided. We have found that this type of example, integrated into a description or definition, is frequently construed as restrictive language. In our experience, the addition of the example would lead some people to conclude that the description should not be applied to Federal intragovernmental transactions.
- This new definition gives more clarity.
- We agree with the proposed enhancements to the definition of exchange transactions, because: (1) "provides assets (cash, cash equivalents, or goods) or services directly to another entity" is a better, or more clear, accounting definition than "sacrifices value and receives value"; (2) inserting the word "directly" into the definition is an enhancement that describes a direct transfer between the provider and receiver; (3) with this change, maybe one of the two words--reciprocal or two-way—is sufficient; and (4) adding an example is an enhancement.

Other

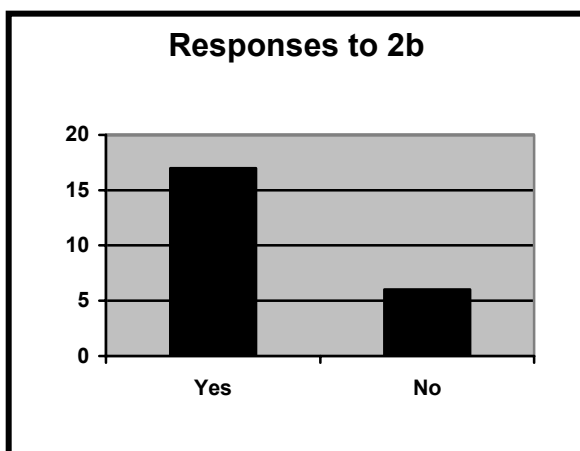
- The proposed enhancements seem to add clarity without altering the basic definition of an exchange transaction.
- We believe the proposed enhancement is consistent with the Exposure Draft on "Definition and Recognition of Elements of Accrual-Basis Financial Statements."
- No explanation provided.

Nonexchange transactions

A nonexchange transaction arises when an entity ~~one party to a transaction~~ gives assets or services without directly receiving assets or services or the promise of assets or services in return or when an entity receives ~~value~~ assets or services without directly giving or promising ~~value~~ assets or services in return. In a nonexchange transaction, there is either no reciprocal or two-way flow of assets or services or of promises to provide assets or services or the transaction is not direct (e.g., grants to state and local governments, subsidies, and other transfer programs for individuals).

Excerpt from SFFAS 5, par. 24 (underlined items and strikethroughs indicate proposed clarifications by staff to the class definition only; the statements from par. 24 regarding recognition are not currently being addressed)

- b. Staff has proposed the following changes to the above definition of nonexchange transactions: (1) removing the term “value” and replacing it with “assets or services”; (2) emphasizing that “in a nonexchange transaction, there is either no reciprocal or two-way flow of assets or services or of promises to provide assets or services or the transaction is not direct”; and (3) providing examples in the definition (“e.g., grants to state and local governments, subsidies, and other transfer programs for individuals”). **Do you agree with the proposed enhancements to the definition of nonexchange transactions?**



17 Yes
6 No

Why or why not?**CFO**

- Although the changes proposed by the FASAB staff add some clarity to the meaning of what are nonexchange transactions, the changes appear to reduce the flexibility available to accountants to interpret situations. DOC believes the term "value" as used in the current definition is well understood by DOC accountants and does not require further elaboration. DOC agrees with changes that add clarity and enhance understanding, but definitions should also be broad enough so that accountants can be flexible when dealing with infrequent situations. DOC concurs with the examples listed.
- Although the new language provides clarification and is needed, the word "value" should be kept because it allows for broader interpretation.
- As with the definition for exchange transactions, the definition provides more clarity as to what is meant by "value". It is important to include the wording that there need not be a promise to provide the asset or services, however, there is a current obligation (based on laws, regulations, fiduciary responsibility) to provide the asset or services in the present or some time in the future.
- NSF agrees with the proposed enhancements to the definition of nonexchange transactions

because they clarify the types of transactions that are exchanged but simultaneously provides further clarity that such transactions are not reciprocated at all.

- For clarification which will be especially useful in implementing SFFAS 30. Will help agencies to better quantify inter-entity activities. More detail will help ensure consistent application of the guidance.
- It appears that we are saying the same thing simple using different and not necessarily better terms.
- We found the proposed definition to be wordy and should be simplified.
- Provides clearer definition of nonexchange transactions.
- The liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value.
- No explanation provided. (3 responses)

OIG

- Again, we have concerns about the example. We have found this type of example, integrated into a description or definition, is frequently construed as restrictive language. In our experience, the addition of the examples would keep some people from agreeing that the description could be applied to Federal intragovernmental transactions.
- Agree with definition, however, are there instances where grants would be considered exchange?
- Changes provide more clarity to the definition.
- It provides more precision to the definition.
- The change to the wording is an improvement.
- The revisions make it clearer.
- This new definition provides more clarity.
- We agree with the proposed enhancements to the definition of nonexchange transactions, because: (1) "assets or services" is a more precise accounting definition than "value"; (2) inserting the word "without directly" into the definition is an enhancement that describes a non-direct transfer between the provider and receiver; and (3) adding an example is a good idea.

Other

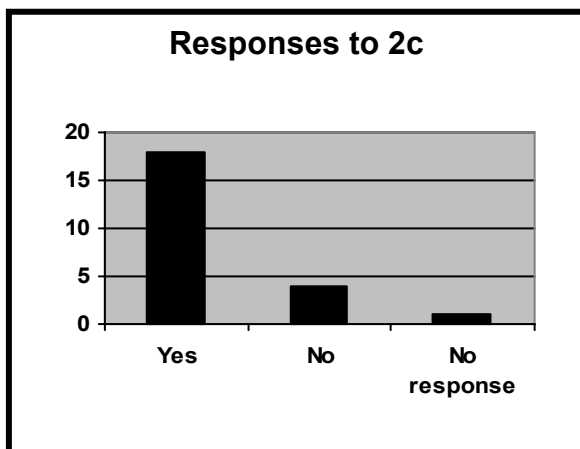
- This change could make the definitions easier to understand to some users by replacing the ambiguity of the term "value" with a more precise definition.
- The proposed enhancements provide better definitions and better examples of non-exchange transactions.
- No explanation provided.

Government-related Events

Government-related events are nontransaction-based events that are of financial consequence to the federal government because they involve direct interaction between the federal government and its environment, either through the conduct of federal operations or because the events take place on federal property (e.g., tornado damage to a federal facility or accidental damage to nonfederal property caused by federal operations). Government-related events also include events that occurred in the course of federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government.

Excerpt from SFFAS 5, par. 27 (underlined items and strikethroughs indicate proposed clarifications by staff to the class definition only; the statements from par. 27 regarding recognition are not currently being addressed)

- c. Staff has proposed the following changes to the above definition of government-related events: (1) explicitly stating that government-related events “are of financial consequence to the federal government” to be consistent with non-government-related events (previously government-acknowledged events); (2) emphasizing that government-related events involve “direct” interaction between the federal government and its environment; (3) emphasizing that government-related events result from “the conduct of federal operations or because the events take place on federal property”; (4) providing examples in the definition (“e.g., tornado damage to a federal facility or accidental damage to nonfederal property caused by federal operations”); and (5) clarifying that “government-related events also include events that occurred in the course of federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation³ to the federal government.” **Do you agree with the proposed enhancements to the definition of government-related events?**



18 Yes
4 No
1 No response

Why or why not?**CFO**

- Neutral on this.
- SSA does not typically experience these types of liabilities. The changes to the original definition simply enhance the reader's ability to understand the issue.
- The new language provides clarification and examples which are helpful.

³ The term obligation is used with its general meaning of a duty or responsibility to act in a certain way. It does not mean that an obligation of budgetary resources is required for a liability to exist in accounting or financial reporting or that a liability in accounting or financial reporting is required to exist for budgetary resources to be obligated.

- These changes for the most part add clarity to the meaning of government-related events. DOC recommends that FASAB explain in the upcoming Exposure Draft why "direct" interaction is being added to the definition. The addition of direct to interaction has not been justified or explained. Alternately, FASAB has not explained why "indirect" interaction should be excluded from the definition. Also, the last clause, "...where there was no existing legal requirements at the time provided that existing law or policy has transferred ownership of the obligation to the federal government," is very difficult to understand and should be reworded.
- This definition better aligns with application towards environmental liabilities consideration.
- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.
- No explanation provided. (6 responses)

OIG

- Again, more precision to the classification.
- The changes provide more clarity to the definition.
- The changes to the wording are an improvement.
- The proposed enhancements provide needed clarification; the examples work with the definition.
- We agree with the proposed enhancements to the definition of government-related events, because: (1) adding the language "are of financial consequence to the federal government" enhances the definition; (2) inserting the word "direct" into the definition is an enhancement that emphasizes a direct transfer between the federal government and its environment; (3) the new definition "the conduct of federal operations or because events take place on federal property" is an enhancement; (4) adding an example is a good idea; and (5) the language, "government-related events also include events that occurred in the course of federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government," perhaps needs *further clarification*—a little bit difficult to follow.
- No explanation provided. (3 responses)

Other

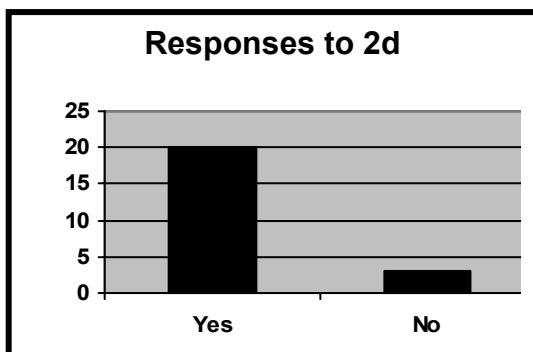
- While SSA does not typically engage in these types of events, these enhancements do appear to make the definition of government-related events more clear.
- The proposed change number 5, "government-related events also include events that occurred in the course of Federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government", is hard to understand what the revision is trying to accomplish. We believe this change needs to be rewritten and an example included to clarify this revised definition.
- No explanation provided.

Government-acknowledged Non-Government-related Events

Government-acknowledged Non-Government-related events are nontransaction-based events that are not the direct result of federal operations and do not take place on federal property but are of financial consequence to the federal government because it chooses to respond to the event (e.g., damage to nonfederal property caused by a natural disaster).

Excerpt from SFFAS 5, par. 30 (underlined items and strikethroughs indicate proposed clarifications by staff to the class definition only; the statements from par. 30 regarding recognition are not currently being addressed)

- d. Staff has proposed the following changes to the above definition of non-government-related events: (1) changing the term “government-acknowledged” to “non-government-related” due to the amount of confusion caused by the term “acknowledged.” For example, a government-related event must also be “acknowledged” to the extent that the government determines that the event occurred, it is either the direct result of federal operations or takes place on federal property; it meets the definition of a liability, and a liability amount can be measured; (2) explicitly stating that non-government-related events “are not the direct result of federal operations and do not take place on federal property” to be consistent with the definition of government-related events; and (3) providing an example in the definition (“e.g., damage to nonfederal property caused by a natural disaster”). **Do you agree with the proposed enhancements to the definition of non-government-related events?**



20 Yes
3 No

Why or why not?**CFO**

- Adds clarification.
- Agree with the rationale for changing the title to "Non-Government-related Events". New definition provides examples and clarity for this type of event.
- DOC disagrees with the term name change. Non-government-related events is so vague that it adds confusion not clarity to the meaning of the term. The term government-acknowledged events is much more clear and has never been a source of confusion to Department-level and bureau-level accounting and financial reporting staff. However, the changes described in (2) and (3) do add clarity to the meaning of what are government-acknowledged events and should be added to the definition. DOC concurs with the example listed.
- SSA does not typically experience these types of liabilities. The changes to the original definition simply enhance the readers ability to understand the issue.
- The new language provides clarification and examples which are helpful.
- You need to add specific examples.
- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in

relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.

- No explanation provided. (5 responses)

OIG

- Changes provide clarity to the definition.
- More precision to the existing classification.
- The change to the wording is an improvement.
- The proposed enhancements provide needed clarification; the examples work with the definition.
- We agree with the proposed enhancements to the definition of non-government-related events, because: (1) non-government-related” is a more precise term than “government-acknowledged”; (2) definition of non-government-related events must be consistent with the definition of government-related events; and (3) adding the example is an enhancement.
- No explanation provided. (3 responses)

Other

- Again while SSA typically does not have liabilities arising from these types of events, the proposed enhancements will make the definition more clear.
- We agree that the change in title to Non-Government-related Events and the proposed enhancements will improve the definition of these liabilities.
- No explanation provided.

3. Staff has proposed sub-classes within each of the four classes to assist staff in determining if it has considered the full population of events and transactions that result in future outflows (provision of assets or services). In addition, staff has included a definition of contingencies that affect all of the classes.

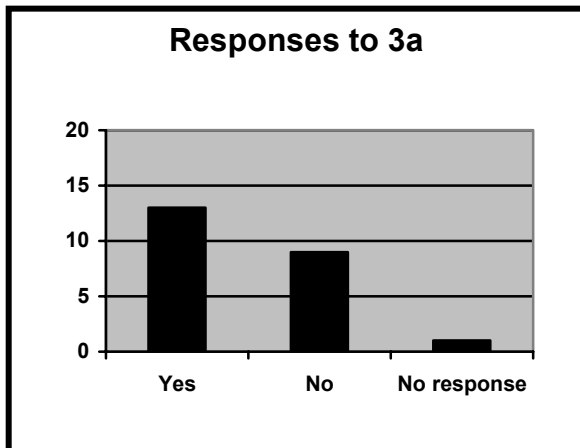
Exchange Transactions – arise when an entity provides assets (cash, cash equivalents, or goods) or services directly to another entity in return for assets or services or promises to provide assets or services in the future. There is a reciprocal or two-way flow of assets or services or of promises to provide assets or services directly between two entities (e.g., employee salaries and the purchase of goods or services from a vendor).

- **Employee and Veteran Salaries and Benefits** – Examples would be employees’ wages, salaries, and bonuses; federal employee pension and other retirement benefits; military pension and other retirement benefits; other post-employment benefits; FECA; and Veterans disability compensation.⁴
- **Capital Leases** – Leases that transfer substantially all the benefits and risks of ownership to the lessee;
- **Federal Debt** – Includes Treasury debt to federal agencies, federal agency debt to the Treasury, and federal debt to the public.
- **Accounts Payable for Goods and Services** – Includes goods and services purchased through any means, including contracts, purchase orders, blanket purchase agreements, credit cards, intragovernmental agreements, etc. and for any purpose (e.g., purchase of office supplies or services received from vendor contracted to cleanup environmental and disposal liabilities).
- **Interest Payable** – The amount of interest expense incurred and unpaid. Interest incurred results from borrowing funds from Treasury, Federal Financing Bank, other federal entities, or the public. Interest also should be recorded on late payment of bills by the federal entity.

⁴ Disability compensation is paid to veterans who are disabled by injury or disease incurred or aggravated during active military service in the line of duty. The service of the veterans must have been terminated through separation or discharge under conditions that were other than dishonorable. Monetary benefits are related to the residual effects of the injury or disease. [Department of Veterans Affairs, Federal Benefits for Veterans and Dependents, 1993 Edition].

- **Advances and Prepayments Received** – advances and prepayments received from other entities for goods to be delivered or services to be performed.
- **Treaties and executive agreements** – Includes treaties and binding agreements under international law between two sovereign entities.

a. Is this a complete listing of exchange transactions that arise in the federal environment?



<u>13</u>	Yes
<u>9</u>	No
<u>1</u>	No response

Why or why not?

CFO

- Also recommend having both "federal" and "non-federal" accounts payable for goods and services.
- Appears so.
- Include under employee salaries and benefit: annual leave. Also Include the term "accrued liabilities" either as part of accounts payable or separately.
- Recommend adding purchase of fixed assets to fourth bullet.
- Research Grants are considered exchange transaction as the Government receives research, patents and reports for their award funds. May be resolved with reference to footnote under non-exchange.
- SSA's exchange transactions fit into these categories.
- The 2 sub-classes, exchange and nonexchange, appear to consider our agency's most complicated transactions with Treasury-BPD, CMS, and SSA.
- The list is very good, but it is not complete. For example, custodial liabilities and deferred revenue are not included as sub-classes. Also, the list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.
- Unfunded annual leave is an exchange transaction whereby the employee provides services to the government and earns annual leave that may be taken or reimbursed upon leaving Federal service. The government has an obligation to pay the employee for services rendered and annual leave earned.
- We believe in light of OMB's ruling in 2003 (and based on the AAPC's conclusions), it would be appropriate to acknowledge under 'Federal Debt' debt between federal agencies other than Treasury. Moreover, the use of "etc." under Accounts Payable is unnecessary and leaves open excessive room for interpretation/questions. Though not a liability, we believe something should be said about Treasury recognizing the reciprocal AR for outstanding agency debt to Treasury.
- Given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- No explanation provided.

OIG

- Accrued Expenses (similar to Accounts Payable) and Deferred Revenues are not listed.
- Although extensive and covering a broad array of transactions, we have reservations about the practical ability of anyone to create a complete list of transactions. The list seems to favor common transactions with the public or U.S. Treasury. Does it fully address intragovernmental transactions? Even if complete at a point in time, new business arrangements, both intragovernmental and with the public, may arise that are not listed. In addition, we have concerns that including such a list will lead users to refer to the list rather than use the definition.
- I suggest add the term "Deposits" as an example to advances and prepayments received.
- The FY 05 HUD consolidated financial statements disclosed (in the Note 9) the face value of FHA guaranteed loans outstanding and the amounts guaranteed. Under the Federal Credit Reform Act of 1990, the present value of net cash outflows of the loan guarantees should be recognized as a liability.
- No explanation provided. (3 responses)

Other

- The above list appears to be a complete list of the typical exchange transactions that occur in government.
- Employees and Veteran's Salaries and Benefits should also include annual leave. The revised Circular OMB A-136 requires Federal agencies to report accrued leave as part of other liabilities on the Balance Sheet.
- The list may be overly inclusive by including interest on (non-revolving) trust and special funds, which is listed in SFFAS No. 7 as a non-exchange transaction.

Nonexchange Transactions - arise when an entity gives assets or services without directly receiving assets or services or the promise of assets or services in return or when an entity receives assets or services without directly giving or promising assets or services in return. In a nonexchange transaction, there is either no reciprocal or two-way flow of assets or services or of promises to provide assets or services or the transaction is not direct (e.g., grants to state and local governments, subsidies, and other transfer programs for individuals).

- ***Social Insurance*** – Specifically limited to five federal programs: Social Security, Medicare, Railroad Retirement, Black Lung, and Unemployment Insurance.
- ***Benefit Payments other than Social Insurance*** – Includes various entitlement and other benefit programs such as Supplemental Security Income, Food Stamps, Medicaid, Veterans Administration Pension,⁵ and Temporary Assistance for Needy Families.
- ***Insurance and Guarantees other than Social Insurance***⁶ – Federal programs that provide protection to individuals or entities against specified risks. Many of these programs were established to assume risks that private sector entities are unable or unwilling to assume (at least at prices that beneficiaries of the program can afford [in some cases] or want to pay [in other cases]) or to subsidize the provision of insurance to achieve social objectives. Includes such programs as Pension Benefit Guarantee Corporation, Federal Crop Insurance Corporation, National Flood Insurance Fund, Federal Deposit

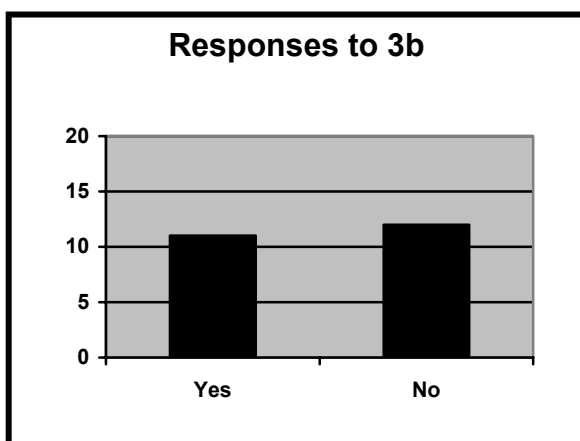
⁵ This program is an entitlement program that veterans may be eligible for if they have limited income when they have 90 days or more of active military service, at least one day of which was during a period of war. Their discharge from active duty must have been during a period of war. Their discharge from active duty must have been under conditions other than dishonorable. They must be permanently and totally disabled for reasons neither traceable to military service nor to willful misconduct. [Department of Veterans Affairs, Federal Benefits for Veterans and Dependents, 1993 Edition].

⁶ The purpose of the four classes is to allow grouping and discussion of common events and relationships within a class that would be relevant to applying the liability definition. As discussed by the FASAB task force on liability classification, in certain scenarios, some nonexchange transactions could be classified as exchange or "exchange-like" (e.g., insurance programs where premiums are collected or research grants where the government retains the rights to patents and related future revenues). However, staff believes that over-emphasizing the effect of classification would be unproductive since the Board is applying the same liability definition to all transactions and events. Therefore, the accounting would most likely be the same for these transactions regardless of how they are classified because the underlying substance of the transaction would be the same.

Insurance Corporation, Overseas Private Investment Corporation, the Milk Income Loss Contract Program, Feed Grains Direct and Counter-Cyclical Payment Program, and loan guarantees.

- **Grant and Award Payments⁷** – an award of financial assistance in the form of money or property. Government grants and awards can be provided under many different scenarios. Some can be provided without any significant requirements (e.g., formula-type grants to states based on population), while others may require specific activities to occur before the funds are available (e.g., the Corporation for National and Community Service's Service Award Program).

b. Is this a complete listing of nonexchange transactions that arise in the federal environment?



11 Yes
12 No

Why or why not?

CFO

- How would you consider classification of a non-exchange asset, capitalized by one agency but funded by another?
- I question your classifying these as nonexchange transaction.
- Liability for environmental clean-up costs. Liability for a death gratuity paid to the surviving relative(s) of a Federal employee.
- Need to add a category : Transfers Payable - the amount of financing source payable to a trust fund or an agency general fund that occurs as a result of a nonexchange transaction. These payables are eliminated on the governmentwide financial statements. This may be the reason that these payables were not included as a sub-class of nonexchange transactions.
- The 2 sub-classes, exchange and nonexchange, appear to consider our agency's most complicated transactions with Treasury-BPD, CMS, and SSA.
- The list is very good, but it may not be complete. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to the following subclasses," so that new additions to that list may be added when new sub-classes emerge.
- What about nonexchange transactions such as taxes and fines and penalties?
- Would add or consider transactions between federal and non-federal entities.
- Given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- No explanation provided. (3 responses)

OIG

- Add the term "Rental Assistance Subsidy" under Benefit Payments Other than Social Insurance.
- As we said before, we have reservations about the practical ability of anyone to create a complete list of transactions. The list seems to favor common transactions with the public. Does it fully

⁷ See footnote 6.

address the universe of intragovernmental transactions? Even if complete at a point in time, new business arrangements, both intragovernmental and with the public, may arise that are not listed. Again, we have concerns that including such a list will lead users to refer to the list rather than use the definition.

- These are the types of transactions and balances we deal with.
- Under the nonexchange transactions category of “Benefits other than Social Insurance,” HUD has various rental housing assistance programs -- public housing, tenant-based assistance, and project-based assistance.
- No explanation provided. (4 responses)

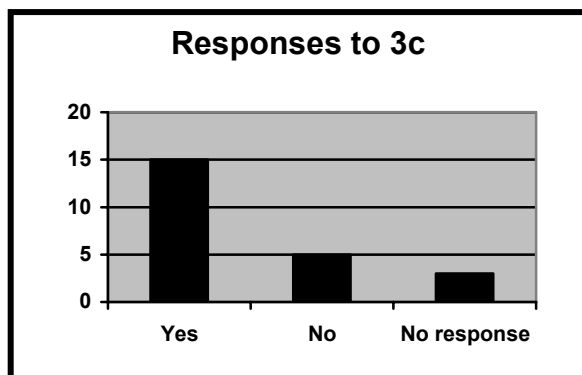
Other

- The above list appears to be a complete list of the typical non-exchange transactions that impact the governmentwide financial statements, however, at least on the entity level another category should be added for Transfers Payable. Transfers payable are the amount of financing payable to a trust fund or an agency general fund that occurs as a result of nonexchange transactions.
- We believe this is not a complete listing of non-exchange transactions. DOL collects back wages from employers and then distributes them to employees. Additionally, DOL collects various miscellaneous receipts, such as fines and penalties that need to be forwarded to Treasury. We believe these are non-exchange transactions since these are items that represent receipts that DOL will forward to a third party or the U.S. Treasury. DOL has no authority to spend these items on DOL operations.
- The list would appear to be incomplete if it should include interest on (non-revolving) trust and special funds as nonexchange transactions. See previous response.

Government-Related Events - nontransaction-based events that are of financial consequence to the federal government because they involve direct interaction between the federal government and its environment, either through the conduct of federal operations or because the events take place on federal property (e.g., tornado damage to a federal facility or accidental damage to nonfederal property caused by federal operations). Government-related events also include events that occurred in the course of federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government.

- Damage to nonfederal property caused by federal operations
- Damage to federal property resulting from federal operations or natural disasters
- Environmental contamination occurring on federal property or resulting from federal operations

c. Is this a complete listing of government-related events that arise in the federal environment?



15 Yes
5 No
3 No response

Why or why not?

CFO

- Cannot be sure of that.
- DOC believes that this liability category is much more broad than the examples listed. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.
- Recommend ending third bullet after "...federal property." And add fourth bullet "Environmental contamination occurring on non-federal property resulting from federal operations" to add clarification.
- SSA does not have any activities of this type to add.
- Would recommend adding more detailed examples.
- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events. In addition, given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- No explanation provided. (6 responses)

OIG

- As in the two preceding questions, we are concerned about the wisdom of including a "complete" list in the standard. In this case, we note that the list tends to address property damage but not personal injury.
- As it relates to transactions we deal with.
- Changes provide an accurate definition. I suggest to consider adding compensations resulting from settled lawsuits to government due to interaction with its environment.
- No explanation provided. (4 responses)
- No response

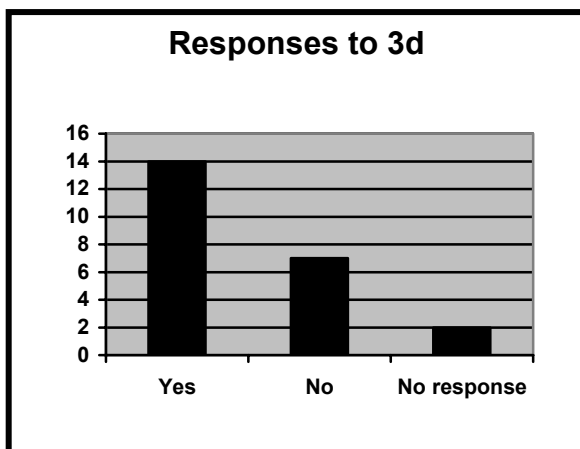
Other

- This appears to be a complete listing.
- We believe that there could always be additions to this list, e.g. injuries to people caused by Federal operations, and damage to Federal property from something other than a natural disaster, such as crime or terrorism.
- No explanation provided.

Non-Government-related Events - nontransaction-based events that are not the direct result of federal operations and do not take place on federal property but are of financial consequence to the federal government because it chooses to respond to the event (e.g., damage to nonfederal property caused by a natural disaster).

- Damage to nonfederal property caused by natural disasters
- Environmental contamination on nonfederal property that is not caused by federal operations

d. Is this a complete listing of non-government-related events that arise in the federal environment?



14 Yes
7 No
2 No response

Why or why not?

CFO

- Concur as written.
- DOC believes that this liability category is more broad than the examples listed. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes (such as terrorist-related activities) emerge.
- More detailed examples.
- NSF considers its Antarctic liabilities to fall in the old Government-acknowledged classification due to unique treaty and legal issues. NSF has proposed to add the word "Generally" – "are not generally the direct result of operations." This would make it less absolute and could be clarified with a footnote.
- Cannot be sure of that.
- SSA does not have any activities of this type to add.
- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events. In addition, given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.
- No explanation provided. (5 responses)

OIG

- Consider adding the term "losses" occasioned by other disasters. For example: The Government may choose to respond for "losses of business income" such as the losses suffered after the event on September 11, 2001.
- As in the three preceding questions, we are concerned about the wisdom of including a "complete" list in the standard. Again in this case, we note that the list tends to address property damage but

- not personal injury.
- These are the types of events we deal with.
- No explanation provided. (4 responses)
- No response

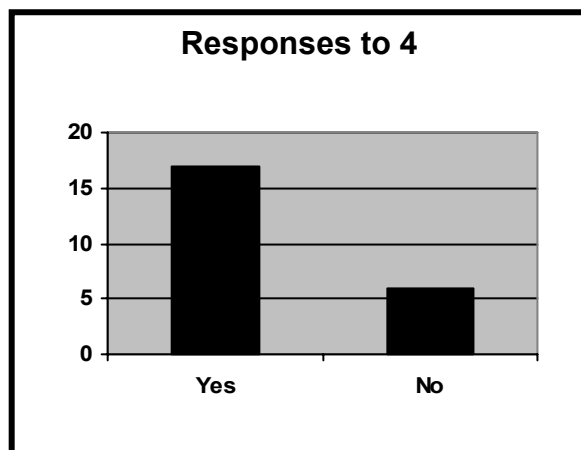
Other

- This appears to be a complete listing.
- We did not identify any additional items that FASAB include on the list. However, as defined we believe that it would be possible for the government to choose to respond to an event other than is listed in the bullets above. We do not believe that a list of events that fit the definition of this class of liability would ever be complete.
- No explanation provided.

Contingencies – An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain (i.e., acquisition of an asset or reduction of a liability) or a loss (i.e., loss or impairment of an asset or the incurrence of a liability).

- Pending or threatened litigation
- Unasserted claims

4. Do you agree that the sub-classes listed above, as well as the discussion of contingencies, capture all of the major classes of liabilities of the federal government?



17 Yes
6 No

Why or why not?

CFO

- Concur as written.
- Custodial Liabilities were not discussed.
- Discussion of contingencies should include probability.
- For the most part, all of the proposed changes (discussed above) will help clarify the reporting of liabilities. We wish to point out that the Railroad Retirement Board administers a social insurance program and generally relies on SFFAS No. 17 for the reporting of its largest liability.
- Need more examples, commitments should be included in category title.
- The list is not complete. Contingencies also includes actual litigation and claims where the

likelihood of loss is less than probable. Contingent situations may arise from any of the four classes and numerous sub-classes of liabilities. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.

- To my knowledge, the sub-classes capture all the major classes of liabilities.
- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events. In addition, given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow. We do agree with the discussion of contingencies and recognize this is a type of liability but not a sub-class of liability.
- No explanation provided. (4 responses)

OIG

- I agree.
- These are probably the major classes. We would like to ask to what extent will completeness of the list (or lack of completeness) impact the value of the standard.
- We agree that the sub-classes listed, as well as the discussion of contingencies, capture all of the major classes of liabilities of the federal government. As an example, see the HUD FY 05 Consolidated Financial Statements Note 16 below for disclosure on contingencies. The Note 16 discloses, as required by OMB Circular 136 Revised, that HUD is subject to various claims and contingencies related to lawsuits incidental to its operations either brought by it or against it. Note 16 – Contingencies The Department is subject to various claims and contingencies related to lawsuits incidental to its operations either brought by it or against it. For FY 2005, the Department was party to a number of suits with total claimed amounts of approximately \$1.76 billion, plus other suits with unspecified claims. Of this claimed amount, \$1.7 billion is linked to cases where the possibility of actual loss is considered remote. The Department had two cases where judgments were issued on September 30, with probable losses totaling \$42 million, pending a decision to appeal on one and the results of an appeal on the other.
- No explanation provided. (5 responses)

Other

- We noted that there was no discussion of custodial liabilities.
- We believe that all or nearly all liabilities of the federal government fit into one of the major classes of liabilities as defined above. As noted in our previous responses, we believe some additional sub-classes of liabilities are currently needed, and additional sub-classes may arise in the future.
- Social insurance is properly classified and should remain classified as a nonexchange transaction.

Quick Table of Survey Respondents and Answers

Agency	Question 1a - In your experience since SFFAS 5 was implemented in 1997, have the four classes proved useful in helping your agency determine when an obligating event has occurred for purposes of liability recognition?	Question 1b - Based on your response in 1a., what is your recommendation regarding the four classes and their role in future development of liability standards?	Question 2a - Do you agree with the proposed enhancements to the definition of exchange transactions?	Question 2b - Do you agree with the proposed enhancements to the definition of nonexchange transactions?	Question 2c - Do you agree with the proposed enhancements to the definition of government-related events?
CIA	Yes	Enhance	Yes	Yes	Yes
DOC	Yes	Enhance	No	No	No
DOD/OIG	Yes	Enhance	Yes	Yes	Yes
DOD/OSD	No	Other	No	No	No
DOE/OIG	Yes	No change	Yes	Yes	Yes
DOE/WAPA	Yes	Enhance	Yes	Yes	Yes
DOJ/OIG	Yes	Enhance	Yes	Yes	Yes
DOL/OIG&CFO	Yes	Enhance	Yes	Yes	No
EPA	Yes	Enhance	Yes	Yes	Yes
HUD/OIG	Yes	Enhance	Yes	Yes	Yes
HUD/OIG	Yes	Enhance	Yes	Yes	Yes
NRC	Yes	Enhance	Yes	Yes	Yes
NRO	Yes	Enhance	Yes	Yes	Yes
NSF	Yes	Enhance	Yes	Yes	No
OMB	Yes	No change	Yes	Yes	Yes
RRB	Yes	Enhance	No	No	Yes
RRB/OIG	Yes	Enhance	No	No	Yes
SSA/CFO	Yes	Other	No	No	Yes
SSA/OCA	Yes	No change	Yes	Yes	Yes
TREAS/OIG	Yes	Enhance	Yes	Yes	Yes
USAID	Yes	Other	No	No	No response
USDA	Yes	Enhance	Yes	Yes	Yes
USDA/OIG	Yes	Enhance	Yes	Yes	Yes

Quick Table of Survey Respondents and Answers

Agency	Question 2d - Do you agree with the proposed enhancements to the definition of non-government-related events?	Question 3a - Is this a complete listing of exchange transactions that arise in the federal environment?	Question 3b - Is this a complete listing of nonexchange transactions that arise in the federal environment?	Question 3c - Is this a complete listing of government-related events that arise in the federal environment?	Question 3d - Is this a complete listing of non-government-related events that arise in the federal environment?	Question 4 - Do you agree that the sub-classes, as well as the discussion of contingencies, capture all of the major classes of liabilities of the federal government?
CIA	Yes	Yes	Yes	Yes	Yes	No
DOC	No	No	No	No	No	No
DOD/OIG	Yes	Yes	Yes	Yes	Yes	Yes
DOD/OSD	No	No	No	No	No	No
DOE/OIG	Yes	No	Yes	Yes	Yes	Yes
DOE/WAPA	Yes	No	Yes	Yes	Yes	Yes
DOJ/OIG	Yes	Yes	Yes	Yes	Yes	Yes
DOL/OIG&CFO	Yes	No	No	No	No	No
EPA	Yes	No	No	Yes	Yes	Yes
HUD/OIG	Yes	Yes	Yes	No response	No response	Yes
HUD/OIG	Yes	Yes	No	No	No	Yes
NRC	Yes	No	No	Yes	Yes	Yes
NRO	Yes	Yes	No	Yes	Yes	Yes
NSF	No	No	Yes	Yes	No	Yes
OMB	Yes	No response	No	No response	No response	Yes
RRB	Yes	Yes	Yes	Yes	Yes	Yes
RRB/OIG	Yes	No	No	No	No	Yes
SSA/CFO	Yes	Yes	No	Yes	Yes	No
SSA/OCA	Yes	Yes	No	Yes	Yes	No
TREAS/OIG	Yes	Yes	Yes	Yes	Yes	Yes
USAID	Yes	Yes	No	No response	No	Yes
USDA	Yes	Yes	Yes	Yes	Yes	Yes
USDA/OIG	Yes	Yes	Yes	Yes	Yes	Yes

Detailed Table of Answers and Comments by Respondent

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
CIA	Yes -- Bullet 3 and 4 need their wording clarified - these two classes are mainly non-exchange commitment and contingency transactions.	Enhance -- More examples.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
DOC	Yes -- These four definitions have been helpful to the bureau-level accounting offices in determining when events met the liability classifications. Also, these definitions have been helpful to accountants when explaining to staff scientists and other staff when certain transactions they initiate have financial consequences that result in the incurrence of liabilities.	Enhance -- The four classifications should be maintained, though the language used to define and describe them should be modified in certain instances to enhance clarity and understanding.	No -- Although the changes proposed by the FASAB staff add some clarity to the meaning of what are exchange transactions, the changes appear to reduce the flexibility available to accountants to interpret situations. DOC believes the term "value" as used in the current definition is well understood by DOC accountants and does not require further elaboration. For example, an exchange transaction could be when an entity provides property, plant or equipment to another entity. The provider of property plant or equipment does not fall under the definition of providing assets (cash, cash equivalents, or goods) or services... DOC agrees with changes that add clarity and enhance understanding, but definitions should also be broad enough so that accountants can be flexible when dealing with infrequent situations. DOC concurs with the examples listed.	No -- Although the changes proposed by the FASAB staff add some clarity to the meaning of what are nonexchange transactions, the changes appear to reduce the flexibility available to accountants to interpret situations. DOC believes the term "value" as used in the current definition is well understood by DOC accountants and does not require further elaboration. DOC agrees with changes that add clarity and enhance understanding, but definitions should also be broad enough so that accountants can be flexible when dealing with infrequent situations. DOC concurs with the examples listed.	No -- These changes for the most part add clarity to the meaning of government-related events. DOC recommends that FASAB explain in the upcoming Exposure Draft why "direct" interaction is being added to the definition. The addition of direct to interaction has not been justified or explained. Alternately, FASAB has not explained why "indirect" interaction should be excluded from the definition. Also, the last clause, "...where there was no existing legal requirements at the time provided that existing law or policy has transferred ownership of the obligation to the federal government," is very difficult to understand and should be reworded.
DOD/ OIG	Yes -- No explanation provided.	Enhance -- They are basically ok, just need revisions to be clearer.	Yes -- Makes the definition clearer.	Yes -- The revisions make it clearer.	Yes -- No explanation provided.

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
DOD/ OSD	No -- The classification of exchange and nonexchange has not been useful in determining a proper recognition point. For example, after Hurricane Katrina the government provided financial assistance to help clean up the damage from the hurricane. This was a government-acknowledged event and Congress appropriated the funds. If the government enters a contract with a company to clean up the damage, an exchange transaction has occurred and the recognition point for the liability occurs once the work has been performed. Conversely, if the government reimburses the money to the state of Louisiana, who then enters into a contract with a company to clean up the damage, a nonexchange transaction has occurred and the recognition of the liability includes amounts unpaid as of the reporting date. Why the difference in recognition exists for this liability is unclear.	Other -- Rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources. A law being passed in and of itself does not mean the government would be bound by law. The starting point for recognition would be the identification of the event as government-related or non-government-related (government-acknowledged). Once the event has been identified, if the event was government-related, the recognition of the liability would occur with the transfer of title, the damage to the environment, or when specified future and uncertain events are substantially met. If the event was non-government-related the liability would be recognized when the law is passed signifying the government is assuming responsibility for the event and specified future and uncertain events are substantially met.	No -- The liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value.	No -- The liability recognition point should be based on when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value.	No -- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events.
DOE/ OIG	Yes -- The above classifications cited have provided the needed information to adequately determine the presentation of the transaction.	No change -- The four classifications have been adequate in the circumstances we encounter.	Yes -- The changes to the wording are an improvement.	Yes -- The change to the wording is an improvement.	Yes -- The changes to the wording are an improvement.

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
DOE/ WAPA	Yes -- No explanation provided.	Enhance -- Adds a little more clarity.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
DOJ/ OIG	Yes -- No explanation provided.	Enhance -- Some enhancements that can better communicate how to apply exchange/nonexchange to grey areas is needed.	Yes -- Agree with the definition, however the examples provided (employee salaries and purchase of goods from a vendor) are basic examples of exchange transactions that everyone should get. It would be more helpful to provide an example that is more challenging/ questionable.	Yes -- Agree with definition, however, are there instances where grants would be considered exchange?	Yes -- No explanation provided.
DOL/OI G&CFO	Yes -- We agree the four classes of transactions and events have proven useful in helping DOL determine when it has an obligating event. We agree that SFFAS No. 5 provides sufficient guidance on what items Federal agencies should recognize as liabilities on their financial statements, but believe that it is inconsistent with the proposed concept statement on definition and recognition of financial statement elements, in that it does not require recognition of all liabilities. For example, the future liability for Black Lung benefits is not required to be recognized by SFFAS No. 5.	Enhance -- We believe that some changes or enhancements to the four classes of transactions or events could be made to provide clarity and consistency of application.	Yes -- We believe the proposed enhancement is consistent with the Exposure Draft on "Definition and Recognition of Elements of Accrual-Basis Financial Statements.	Yes -- The proposed enhancements provide better definitions and better examples of non-exchange transactions.	No -- The proposed change number 5, "government-related events also include events that occurred in the course of Federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government", is hard to understand what the revision is trying to accomplish. We believe this change needs to be rewritten and an example included to clarify this revised definition.
EPA	Yes -- No explanation provided.	Enhance -- No explanation provided.	Yes -- Inclusion of examples will help assist in the identification of what category a transaction "falls into" in particular for those persons who are new to the federal government.	Yes -- Yes. Provides clearer definition of nonexchange transactions.	Yes -- No explanation provided.

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
HUD/ OIG	Yes -- Based on our experience of auditing the HUD consolidated financial statements, the above four classes of liabilities proved useful in helping HUD determine when an obligating event has occurred for purposes of liability recognition. As a current example of the government-acknowledged liability for the Department of Housing and Urban Development (HUD), the congress appropriated funds in response to the hurricane Katrina disaster. During the fiscal year (FY) 2006, HUD received significant appropriation for hurricane Katrina relief--The hurricane was of financial consequence to HUD, because HUD chose to provide disaster relief. As a part of the FY 2006 audits of HUD consolidated financial statements, HUD-OIG will review the HUD-established Katrina-relief programs, and the recognition of exchange and non-exchange liability amounts as of the reporting date for the HUD consolidated financial statements.	Enhance -- Based on our experience of HUD financial statement audits, the above four classes of liabilities proved useful. But the HUD future transactions, or events, may require enhanced definition of the four classes of liabilities.	Yes -- We agree with the proposed enhancements to the definition of exchange transactions, because: (1) "provides assets (cash, cash equivalents, or goods) or services directly to another entity" is a better, or more clear, accounting definition than "sacrifices value and receives value"; (2) inserting the word "directly" into the definition is an enhancement that describes a direct transfer between the provider and receiver; (3) with this change, maybe one of the two words--reciprocal or two-way—is sufficient; and (4) adding an example is an enhancement.	Yes -- We agree with the proposed enhancements to the definition of nonexchange transactions, because: (1) "assets or services" is a more precise accounting definition than "value"; (2) inserting the word "without directly" into the definition is an enhancement that describes a non-direct transfer between the provider and receiver; and (3) adding an example is a good idea.	Yes -- We agree with the proposed enhancements to the definition of government-related events, because: (1) adding the language "are of financial consequence to the federal government" enhances the definition; (2) inserting the word "direct" into the definition is an enhancement that emphasizes a direct transfer between the federal government and its environment; (3) the new definition "the conduct of federal operations or because events take place on federal property" is an enhancement; (4) adding an example is a good idea; and (5) the language, "government-related events also include events that occurred in the course of federal operations of a former agency or where there was no existing legal requirement at the time provided that existing law or policy has transferred ownership of the obligation to the federal government," perhaps needs <i>further clarification</i> —a little bit difficult to follow.
HUD/ OIG	Yes -- I am an auditor with the HUD/OIG financial audit division and I have limited experience auditing liabilities for three major HUD programs (excluding	Enhance -- SFFAS No. #5 defines liabilities arising from transactions from Government-acknowledged events as a nontransaction-based event that is of financial consequence to the	Yes -- Changes do not affect the contents.	Yes -- Changes provide more clarity to the definition.	Yes -- The changes provide more clarity to the definition.

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
	<p>FHA/GNMA programs). HUD major (material) liabilities are related to entitlements and grants programs. I have found SFFAS No. 5 helpful because it provides an accurate description of transactions that constitute a liability. Based on my experience, I consider HUD's major programs liabilities as non-exchange transactions. Most of HUD's liabilities rise from entitlement and grant programs such as Section 8 Rental Assistance, Community Development Block Grant and Public Housing Operating Subsidy. The liabilities arise from transactions on which value flows down to serve either an eligible person or an entity servicing eligible persons. The contractual obligations are recognized as obligations in the Statement of Budgetary Resources for the total value of the contract and (or) subsidy according to the program regulations. However, the liability is recognized in the balance sheet for the portion of the amount due at the time of payment is due and not for the total contractual obligation. In most cases, once HUD finds a person or entity eligible for subsidy the liability will be recognized after the passage of time; for</p>	<p>federal government because it chooses to respond to the event. During FY 2006 Congress provided HUD's with \$16 billion in additional funds to provide and administer assistance related to the reconstruction effort from the losses caused by hurricanes Katrina, Rita and Wilma (Katrina funds). The program funds will be administrated under the CDBG program, which process applications for grants similar to the non-exchange transactions described in SFFAS #5, paragraph 25. Liabilities rising from the Katrina's reconstruction effort program will be treated similar as to the liabilities rising from other entitlement program. A person or an entity has to be eligible under program regulations to receive the funds. The Agency has to determine and acknowledge based on the eligibility requirements under the program regulations. HUD will reach out to the affected areas or process applications from the public or entities affected. As a result a transaction is created from a nontransaction event; the flow of value goes in one direction and no value is returned as the non-exchange transaction liability. I believe that the Government-acknowledgement events liabilities can be classified under liabilities from non-exchange transactions. Obligations/liabilities from nontransaction events from disaster are appropriated and administered by the Agencies in manner similar to than those</p>			

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
	example: (a) the due date of the monthly subsidy payment. The value of the liability is recognized based on the corresponding amount due for that period; for example: (a) total obligated amount divided by the months which the subsidy will be provided or, (b) the total subsidy for eligible participant in a given month. In summary, for the programs mentioned above HUD recognizes liabilities from contractual obligations in a non-exchange transaction according to current law and applicable policy. And that are unpaid amounts due as of the reporting date.	liabilities from other entitlement programs.			
NRC	Yes -- Determining NRC liabilities has been, for the most part, straight forward whereby goods or services have been provided. The definitions have provided occasional assistance with identifying and recognizing contingent liabilities. However, the FASAB standard on contingent liabilities has proved more useful in this regard.	Enhance -- Enhancing the definitions, to include examples, is useful for providing clarity.	Yes -- Provides clarity as to what is meant by "value". Also, adding; "promises to provide future assets or services" is important for providing clarity to the definition for liability recognition.	Yes -- As with the definition for exchange transactions, the definition provides more clarity as to what is meant by "value". It is important to include the wording that there need not be a promise to provide the asset or services, however, there is a current obligation (based on laws, regulations, fiduciary responsibility) to provide the asset or services in the present or some time in the future.	Yes -- No explanation provided.
NRO	Yes -- Especially useful in classification of potential contingent liabilities with our satellite acquisitions to include award and incentive fees.	Enhance -- For clarification which will be especially useful in implementing SFFAS 30. Will help agencies to better quantify inter-entity activities. More detail will help ensure consistent application of the guidance.	Yes -- Same as 1b.	Yes -- Same as 1b.	Yes -- This definition better aligns with application towards environmental liabilities consideration.

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
NSF	Yes -- No explanation provided.	Enhance -- NSF is only in favor of changes to exchange and non-exchange transactions classes.	Yes -- NSF agrees with the proposed enhancements to the definitions of the exchange transactions because they were an improved definition on the types of transactions being exchanged. The reciprocity character of the transaction clarifies further the definition of an exchange transaction.	Yes -- NSF agrees with the proposed enhancements to the definition of nonexchange transactions because they clarify the types of transactions that are exchanged but simultaneously provides further clarity that such transactions are not reciprocated at all.	No -- No explanation provided.
OMB	Yes -- No explanation provided.	No change -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
RRB	Yes -- No explanation provided.	Enhance -- Clarification or interpretation of the standards are usually helpful for those responsible for implementation.	No -- Although the new language provides clarification and is needed, the word "value" should be kept because it allows for broader interpretation.	No -- Although the new language provides clarification and is needed, the word "value" should be kept because it allows for broader interpretation.	Yes -- The new language provides clarification and examples which are helpful.
RRB/ OIG	Yes -- They were useful when used in conjunction with a standard that referred to those classes of transaction.	Enhance -- The original descriptions of the classes was rather general and left the meaning up for debate in some cases.	No -- The proposed changes are less theoretical and more practical than the original. However, we have concerns about the example provided. We have found that this type of example, integrated into a description or definition, is frequently construed as restrictive language. In our experience, the addition of the example would lead some people to conclude that the description should not be applied to Federal intragovernmental transactions.	No -- Again, we have concerns about the example. We have found this type of example, integrated into a description or definition, is frequently construed as restrictive language. In our experience, the addition of the examples would keep some people from agreeing that the description could be applied to Federal intragovernmental transactions.	Yes -- The proposed enhancements provide needed clarification; the examples work with the definition.
SSA/ CFO	Yes -- These four classes have been sufficient in classifying SSA's liabilities.	Other -- The classifications that are currently provided are sufficient, so it would be appropriate to say that no changes or enhancements are needed. However, after reading	No -- For the most part, we agreed with the changes that were made. We checked "no" because we feel that the first sentence of the definition is a little wordy and should be	No -- We found the proposed definition to be wordy and should be simplified.	Yes -- SSA does not typically experience these types of liabilities. The changes to the original definition simply enhance the readers ability to

Agency	Question 1a	Question 1b	Question 2a	Question 2b	Question 2c
		the proposed changes, it appears that some of the additions and changes provide the reader with a better understanding of the concepts. So while it is not necessary to make any changes or enhancements, we would not have a problem if some were made.	simplified.		understand the issue.
SSA/ OCA	Yes -- The above classifications cover the types of events and transactions that may result in a liability.	No change -- As mentioned above, since the four classes cover the events and transactions which may result in a liability, no changes are necessary. However, I don't object to adding clarifying language to the definitions provided that the changes do not alter their current meaning.	Yes -- The proposed enhancements seem to add clarity without altering the basic definition of an exchange transaction.	Yes -- This change could make the definitions easier to understand to some users by replacing the ambiguity of the term "value" with a more precise definition.	Yes -- While SSA does not typically engage in these types of events, these enhancements do appear to make the definition of government-related events more clear.
TREAS/ OIG	Yes -- No explanation provided.	Enhance -- No explanation provided.	Yes -- This new definition gives more clarity.	Yes -- This new definition provides more clarity.	Yes -- No explanation provided.
USAID	Yes -- Somewhat, depending on the particular agency.	Other -- Revert back to 1 and 2 and eliminate 3 and 4.	No -- It appears that we are saying the same thing simple using different and not necessarily better terms.	No -- See previous response.	No response -- Neutral on this.
USDA	Yes -- No explanation provided.	Enhance -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
USDA/ OIG	Yes -- From an audit perspective, the four classifications have been fairly easy to work with when it comes to classification and recognition.	Enhance -- The definitions appear to fit the related Federal transactions. What is needed is how to handle transactions that can fall into more than one category.	Yes -- It defines the more ambiguous terms from the existing classification.	Yes -- It provides more precision to the definition.	Yes -- Again, more precision to the classification.

Agency	Question 2d	Question 3a	Question 3b	Question 3c	Question 3d	Question 4
CIA	Yes -- No explanation provided.	Yes -- Recommend adding purchase of fixed assets to fourth bullet.	Yes -- Would add or consider transactions between federal and non-federal entities.	Yes -- Would recommend adding more detailed examples.	Yes -- More detailed examples.	No -- Need more examples, commitments should be included in category title.
DOC	No -- DOC disagrees with the term name change. Non-government-related events is so vague that it adds confusion not clarity to the meaning of the term. The term government-acknowledged events is much more clear and has never been a source of confusion to Department-level and bureau-level accounting and financial reporting staff. However, the changes described in (2) and (3) do add clarity to the meaning of what are government-acknowledged events and should be added to the definition. DOC concurs with the example listed.	No -- The list is very good, but it is not complete. For example, custodial liabilities and deferred revenue are not included as sub-classes. Also, the list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.	No -- The list is very good, but it may not be complete. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to the following subclasses," so that new additions to that list may be added when new sub-classes emerge.	No -- DOC believes that this liability category is much more broad than the examples listed. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.	No -- DOC believes that this liability category is more broad than the examples listed. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes (such as terrorist-related activities) emerge.	No -- The list is not complete. Contingencies also includes actual litigation and claims where the likelihood of loss is less than probable. Contingent situations may arise from any of the four classes and numerous sub-classes of liabilities. The list should be prefaced by a statement or phrase such as, "...includes, but is not limited to, the following subclasses," so that new additions to that list may be added when new sub-classes emerge.
DOD/OIG	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
DOD/OSD	No -- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the	No -- Given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.	No -- Given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.	No -- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the	No -- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay	No -- Based on the discussion to recognize liabilities when an entity is bound by current law or binding agreement under international law to outlay resources rather than defining the

Agency	Question 2d	Question 3a	Question 3b	Question 3c	Question 3d	Question 4
	recognition point in relation to an exchange or a nonexchange of some form of value, the non-government-related events should be expanded to include both transaction and nontransaction-based events.			recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events. In addition, given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.	resources rather than defining the recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events. In addition, given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow.	recognition point in relation to an exchange or a nonexchange of some form of value, the government-related events should be expanded to include both transaction and nontransaction-based events. In addition, given the possibility that new types of liabilities may be recognized in the future, developing a pick list in a standard to capture all known liabilities may not be the best course to follow. We do agree with the discussion of contingencies and recognize this is a type of liability but not a subclass of liability.
DOE/ OIG	Yes -- The change to the wording is an improvement.	No -- Accrued Expenses (similar to Accounts Payable) and Deferred Revenues are not listed.	Yes -- These are the types of transactions and balances we deal with.	Yes -- As it relates to transactions we deal with.	Yes -- These are the types of events we deal with.	Yes -- No explanation provided.
DOE/ WAPA	Yes -- No explanation provided.	No -- We believe in light of OMB's ruling in 2003 (and based on the AAPC's conclusions), it would be appropriate to acknowledge under 'Federal Debt' debt between federal agencies other than Treasury. Moreover, the use of "etc." under Accounts Payable is unnecessary and leaves open excessive room for interpretation/questions. Though not a liability, we believe something should be said about Treasury recognizing	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.

Agency	Question 2d	Question 3a	Question 3b	Question 3c	Question 3d	Question 4
		the reciprocal AR for outstanding agency debt to Treasury.				
DOJ/OIG	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
DOL/OIG&CFO	Yes -- We agree that the change in title to Non-Government-Related Events and the proposed enhancements will improve the definition of these liabilities.	No -- Employees and Veteran's Salaries and Benefits should also include annual leave. The revised Circular OMB A-136 requires Federal agencies to report accrued leave as part of other liabilities on the Balance Sheet.	No -- We believe this is not a complete listing of non-exchange transactions. DOL collects back wages from employers and then distributes them to employees. Additionally, DOL collects various miscellaneous receipts, such as fines and penalties that need to be forwarded to Treasury. We believe these are non-exchange transactions since these are items that represent receipts that DOL will forward to a third party or the U.S. Treasury. DOL has no authority to spend these items on DOL operations.	No -- We believe that there could always be additions to this list, e.g. injuries to people caused by Federal operations, and damage to Federal property from something other than a natural disaster, such as crime or terrorism.	No -- We did not identify any additional items that FASAB include on the list. However, as defined we believe that it would be possible for the government to choose to respond to an event other than is listed in the bullets above. We do not believe that a list of events that fit the definition of this class of liability would ever be complete.	No -- We believe that all or nearly all liabilities of the federal government fit into one of the major classes of liabilities as defined above. As noted in our previous responses, we believe some additional sub-classes of liabilities are currently needed, and additional sub-classes may arise in the future.
EPA	Yes -- No explanation provided.	No -- Include under employee salaries and benefit: annual leave. Also Include the term "accrued liabilities" either as part of accounts payable or separately.	No -- What about nonexchanges transactions such as taxes and fines and penalties?	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
HUD/OIG	Yes -- We agree with the proposed enhancements to the definition of non-government-related events, because: (1) "non-government-related" is a more precise term than "government-	Yes -- The FY 05 HUD consolidated financial statements disclosed (in the Note 9) the face value of FHA guaranteed loans outstanding and the amounts guaranteed. Under the Federal Credit Reform Act of 1990, the present	Yes -- Under the nonexchange transactions category of "Benefits other than Social Insurance," HUD has various rental housing assistance programs -- public housing, tenant-based	No response -- No response	No response -- No response	Yes -- We agree that the sub-classes listed, as well as the discussion of contingencies, capture all of the major classes of liabilities of the federal government. As

Agency	Question 2d	Question 3a	Question 3b	Question 3c	Question 3d	Question 4
	acknowledged"; (2) definition of non-government-related events must be consistent with the definition of government-related events; and (3) adding the example is an enhancement.	value of net cash outflows of the loan guarantees should be recognized as a liability.	assistance, and project-based assistance.			<p>an example, see the HUD FY 05 Consolidated Financial Statements Note 16 below for disclosure on contingencies. The Note 16 discloses, as required by OMB Circular 136 Revised, that HUD is subject to various claims and contingencies related to lawsuits incidental to its operations either brought by it or against it. Note 16 – Contingencies The Department is subject to various claims and contingencies related to lawsuits incidental to its operations either brought by it or against it. For FY 2005, the Department was party to a number of suits with total claimed amounts of approximately \$1.76 billion, plus other suits with unspecified claims. Of this claimed amount, \$1.7 billion is linked to cases where the possibility of actual loss is considered remote. The Department had two cases where judgments were issued on September 30, with probable losses totaling \$42 million, pending a decision to appeal on one and the results of an appeal on the other.</p>

Agency	Question 2d	Question 3a	Question 3b	Question 3c	Question 3d	Question 4
HUD/ OIG	Yes -- Changes provide clarity to the definition.	Yes -- I suggest add the term "Deposits" as an example to advances and prepayments received.	No -- Add the term "Rental Assistance Subsidy" under Benefit Payment sOther than Social Insurance.	No -- Changes provide an accurate definition. I suggest to consider adding compensations resulting from settled lawsuits to government due to interaction with its environment.	No -- Consider adding the term "losses" occasioned by other disasters. For example: The Government may choose to respond for "losses of business income" such as the losses suffered after the event on September 11, 2001.	Yes -- I agree.
NRC	Yes -- Agree with the rationale for changing the title to "Non-Government-related Events". New definition provides examples and clarity for this type of event.	No -- Unfunded annual leave is an exchange transaction whereby the employee provides services to the government and earns annual leave that may be taken or reimbursed upon leaving Federal service. The government has an obligation to pay the employee for services rendered and annual leave earned.	No -- Liability for environmental clean-up costs. Liability for a death gratuity paid to the surviving relative(s) of a Federal employee.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- To my knowledge, the sub-classes capture all the major classes of liabilities.
NRO	Yes -- Adds clarification.	Yes -- Also recommend having both "federal" and "non-federal" accounts payable for goods and services.	No -- How would you consider classification of a non-exchange asset, capitalized by one agency but funded by another?	Yes -- Recommend ending third bullet after "...federal property." And add fourth bullet "Environmental contamination occurring on non-federal property resulting from federal operations" to add clarification.	Yes -- Concur as written.	Yes -- Concur as written.
NSF	No -- No explanation provided.	No -- Research Grants are considered exchange transaction as the government receives research, patents and reports for their award funds. May be resolved with reference to footnote under non-exchange.	Yes -- No explanation provided.	Yes -- No explanation provided.	No -- NSF considers its Antarctic liabilities to fall in the old government-acknowledged classification due to unique treaty and legal issues. NSF has proposed to add the	Yes -- Discussion of contingencies should include probability.

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					word "Generally" – "are not generally the direct result of operations." This would make it less absolute and could be clarified with a footnote.	
OMB	Yes -- No explanation provided.	No response -- The list may be overly inclusive by including interest on (non-revolving) trust and special funds, which is listed in SFFAS No. 7 as a non-exchange transaction.	No -- The list would appear to be incomplete if it should include interest on (non-revolving) trust and special funds as nonexchange transactions. See previous response.	No response -- No response.	No response -- No response.	Yes -- Social insurance is properly classified and should remain classified as a nonexchange transaction.
RRB	Yes -- The new language provides clarification and examples which are helpful.	Yes -- The 2 sub-classes, exchange and nonexchange, appear to consider our agency's most complicated transactions with Treasury-BPD, CMS, and SSA.	Yes -- The 2 sub-classes, exchange and nonexchange, appear to consider our agency's most complicated transactions with Treasury-BPD, CMS, and SSA.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- For the most part, all of the proposed changes (discussed above) will help clarify the reporting of liabilities. We wish to point out that the Railroad Retirement Board administers a social insurance program and generally relies on SFFAS No. 17 for the reporting of its largest liability.
RRB/OIG	Yes -- The proposed enhancements provide needed clarification; the examples work with the definition.	No -- Although extensive and covering a broad array of transactions, we have reservations about the practical ability of anyone to create a complete list of transactions. The list seems to favor common transactions with the public or U.S. Treasury. Does it fully address intragovernmental transactions? Even if complete at a point in time, new business	No -- As we said before, we have reservations about the practical ability of anyone to create a complete list of transactions. The list seems to favor common transactions with the public. Does it fully address the universe of intragovernmental transactions? Even if	No -- As in the two preceding questions, we are concerned about the wisdom of including a "complete" list in the standard. In this case, we note that the list tends to address property damage but not personal injury.	No -- See our response to the foregoing three questions.	Yes -- These are probably the major classes. We would like to ask to what extent will completeness of the list (or lack of completeness) impact the value of the standard.

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		arrangements, both intragovernmental and with the public, may arise that are not listed. In addition, we have concerns that including such a list will lead users to refer to the list rather than use the definition.	complete at a point in time, new business arrangements, both intragovernmental and with the public, may arise that are not listed. Again, we have concerns that including such a list will lead users to refer to the list rather than use the definition.			
SSA/ CFO	Yes -- SSA does not typically experience these types of liabilities. The changes to the original definition simply enhance the readers ability to understand the issue.	Yes -- SSA's exchange transactions fit into these categories.	No -- Need to add a category : Transfers Payable - the amount of financing source payable to a trust fund or an agency general fund that occurs as a result of a nonexchange transaction. These payables are eliminated on the governmentwide financial statements. This may be the reason that these payables were not included as a sub-class of nonexchange transactions.	Yes -- SSA does not have any activities of this type to add.	Yes -- SSA does not have any activities of this type to add.	No -- Custodial Liabilities were not discussed.
SSA/ OCA	Yes -- Again while SSA typically does not have liabilities arising from these types of events, the proposed enhancements will make the definition more clear.	Yes -- The above list appears to be a complete list of the typical exchange transactions that occur in government.	No -- The above list appears to be a complete list of the typical non-exchange transactions that impact the governmentwide financial statements, however, at least on the entity level another category should be added for Transfers Payable. Transfers payable are the amount of financing payable to a trust fund or an agency general fund that occurs	Yes -- This appears to be a complete listing.	Yes -- This appears to be a complete listing.	No -- We noted that there was no discussion of custodial liabilities.

Agency	Question 2d	Question 3a	Question 3b	Question 3c	Question 3d	Question 4
			as a result of nonexchange transactions.			
TREAS/OIG	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
USAID	Yes -- You need to add specific examples.	Yes -- Appears so.	No -- I question your classifying these as nonexchange transaction.	No response -- Cannot be sure of that.	No -- See previous answer.	Yes -- No explanation provided.
USDA	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.
USDA/OIG	Yes -- More precision to the existing classification.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.	Yes -- No explanation provided.