



October 10, 2019

Memorandum

To: Members of the Board

From: Melissa Batchelor, Assistant Director

Monica R. Valentine

Through: Monica R. Valentine, Executive Director

Subj: **Loss Allowance for Intragovernmental Receivables—Analysis of Comment Letters, Tab C¹**

MEMBER ACTIONS REQUESTED:

- Respond to staff question (p.3) by October 18th

MEETING OBJECTIVE

The meeting objective is to consider the comment letters, staff analysis, and staff’s proposed Technical Bulletin (TB) 2019-1, *Loss Allowance for Intragovernmental Receivables*.

BRIEFING MATERIAL

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

A. Tally of Responses By Question.....	15
B. Quick Table of Responses by Question.....	16
C. Full Text of Answers and Comments by Question and by Respondent-.....	18
D. Other Comments	37

- Attachment 1** provides the full text of each comment letter
- Attachment 2** provides the original exposure draft with **MARKED** (suggested) edits
- Attachment 3** provides the clean proposed Technical Bulletin 2019-1, *Loss Allowance for Intragovernmental Receivables*

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

STAFF SUMMARY OF RESPONSES

BACKGROUND

The Department of the Treasury raised a concern regarding the recognition of losses against intragovernmental receivables (for example, receivables stemming from transactions among federal entities). Specifically, Treasury interpreted the absence of explicit guidance to mean FASAB had no specific view on intragovernmental receivables, or did not intend to include it in the guidance for recognition of losses. Treasury requested that the intent of SFFAS 1 with respect to the accounting for and reporting of losses on intragovernmental receivables be clarified. The exposure draft, *Loss Allowance for Intragovernmental Receivables* was issued August 30, 2019 with comments requested by October 1, 2019.

PHASE

This project is in the resolution and due process phase where the respondent comment letters are considered.

NEXT STEPS

As you may recall, Technical Bulletins are considered staff documents and are level B in the GAAP hierarchy. Due process requirements for Technical Bulletins require that the Board be given all comments for consideration at a public meeting before final issuance. A Technical Bulletin will not be issued if a majority of the FASAB members object either to the guidance in it or to communicating that guidance in a Technical Bulletin.

Although staff has certain questions for the Board on page 2, staff recommends issuing the proposed Technical Bulletin, *Loss Allowance for Intragovernmental Receivables*. Depending on the answers, feedback and changes requested, it will be up to the Board (staff assuming no members object) if they wish to see another version of the TB before it is issued.

MEMBER FEEDBACK

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-5976 or by e-mail at batchelorm@fasab.gov with a cc to valentinem@fasab.gov.

STAFF SUMMARY OF RESPONSES

SUMMARY OF QUESTIONS:

Question 1 for the Board- After reviewing the comment letters, and the accompanying Table C that includes the disposition of all comments, does the Board generally agree with the staff assessment of comments received?

Question 2 for the Board- Does the Board prefer to make one of the changes that staff deferred? If a majority of the Board prefers the change, staff will incorporate and include one or two sentences to the BfC.

Question 3 for the Board- Staff plans to incorporate the above language to the basis for conclusion and issue Technical Bulletin, 2019-1, *Loss Allowance for Intragovernmental Receivables*. Do any Board members object?

Question 4 for the Board- Do members have any other comments on staff's proposed Technical Bulletin 2019-1, *Loss Allowance for Intragovernmental Receivables*?

STAFF SUMMARY

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SUMMARY OF OUTREACH EFFORTS

The exposure draft, *Loss Allowance for Intragovernmental Receivables* was issued August 30, 2019 with comments requested by October 1, 2019.

Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, *FASAB News*, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).

To encourage responses, a reminder notice was provided to our Listserv.

RESULTS AND ANALYSIS

As of October 9, 2019, we have received 14 responses from the following sources:

Association/Industry Organization	2
Auditors	2
Individual	0
Preparers and financial managers	10
Total Respondents	14

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

Table C. Full Text of Answers and Comments by Question and by Respondent and Table D. Other Comments provide a “Staff Response²” to all comments provided by respondents.

The exposure draft proposed the following questions to respondents:

1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, does not mean the standards only apply to receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.

² Table C shaded boxes represent those where the respondent was in full agreement so there was no response required by staff.

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2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.
3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. Do you agree or disagree? Please provide the rationale for your answer.

In summary, staff determined the following from the comment letters:

- The majority of respondents (11 out of 14) generally agreed that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Respondents that agreed noted that the guidance will allow for consistent reporting. Some noted that this is how they interpreted the guidance previously, but the TB will provide further clarity and clarify the Board's intent. Further, a respondent noted the framework is flexible to address unusual and unforeseen events without requiring the need to define those events in advance. In addition, it was noted that excluding Federal receivables from collectability losses is based on an unproven assumption, and the current standard is comprehensive with the appropriate amount of flexibility.

Staff also noted:

- DOL disagreed because they because they don't believe an allowance for doubtful accounts should be recorded for intragovernmental fiduciary transactions.
 - ***Staff notes the clarifications presented in the proposed TB do not mandate an allowance for doubtful accounts for any particular account be recorded. The clarifications proposed simply mean that an assessment should be made.***
- SSA did not respond to the question specifically. SSA explained that they agree that the ED TB provides additional clarifying information regarding intragovernmental and non-Federal receivables as it applies to SFFAS 1, but they believe additional research and guidance may be required on intragovernmental receivables due to the differences at the government-wide and some believe an allowance for doubtful/uncollectible accounts should not be utilized as the intragovernmental receivables and intragovernmental payables should be eliminated as rolled-up to a consolidated single entity.
 - ***Staff understands the complexity and significance regarding intragovernmental receivables and payables between federal entities.***

STAFF SUMMARY OF RESPONSES

Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. Any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB's purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.

- DHS neither agreed nor disagreed because they believed this question was less relevant than the practical question of whether there should be allowance recorded against intragovernmental receivables or not.
 - ***The question was specific to the clarifications that were made in the proposed TB. FASAB staff wanted to ensure the clarifications and guidance resolved the perceived ambiguity.***
- The majority of respondents (13 out of 14) generally agreed that the TB clarifies that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Respondents that agreed noted consistency and there was no reason for intragovernmental receivables to be valued for more than net realizable value.

Staff also noted:

- DOL disagreed because they believe recognition of losses should not apply to intragovernmental receivables that result from fiduciary transactions.
 - ***As indicated in Q1, the proposed TB does not mandate an allowance for doubtful accounts for any particular account be recorded. The clarifications proposed simply mean that an assessment should be made.***
- DoD noted agreement with the proposal, but suggested providing an example when a loss for an intragovernmental receivable should be recognized. DoD also suggested that it would be helpful if indicators were included. HHS also noted agreement but suggested providing specific examples of when an allowance should be recognized, including updating all Treasury guidance and USSGL.
 - ***Staff notes the Board discussed this in meetings and recognized that there are factors that should be considered in assessing collectability. However, members believed that documenting criteria for evaluating collectability of intragovernmental receivables would***

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be more appropriate by management in departmental policy or guidance. In addition, the Board also recognized there is an element of judgment regarding collectability of receivables and this cannot be prescribed. So providing specific examples is not something that would be appropriate based on this.

- DHS noted agreement but with the proposal, but suggested that it could further complicate the unresolved intragovernmental eliminations issue.
 - ***Staff understands the complexity and significance regarding intragovernmental receivables and payables between federal entities. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. Any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB's purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables. (Note very similar to concerns and issues raised by SSA to Q1.)***
- The majority of respondents (10 out of 14) generally agreed that the TB clarifies that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Respondents that agreed explained that the TB provided clarity to prevent misinterpretation regarding recording an allowance does not write off a receivable or negate the collection process. Several respondents echoed the sentiment regarding the collection process and the underlying statutory responsibility to pay. Respondents also noted the encouragement to include disclosures regarding their efforts to collect receivables and explanations for the allowance.

Staff also noted:

- DOL disagreed because they believe no allowance should apply to DOL's fiduciary transactions.
 - ***As indicated in Q1, the proposed TB does not mandate an allowance for doubtful accounts for any particular account be recorded. The clarifications proposed simply mean that an assessment should be made.***

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- Although DHS disagreed, it was because they didn't believe such clarification is necessary and the TB may not be necessary either. They don't believe any agency would be confused about their statutory authority to collect, regardless of their recognition of allowance even against non-federal entities.
 - ***The clarifications and proposed TB were the result of a request to resolve ambiguity in SFFAS 1.***
- SSA did not specify whether they agreed or disagreed with question 3. They noted that additional analysis may be required to solve the problem at a consolidated entity basis and referenced their response to Q1.
 - ***Staff references response to SSA comments to Q1.***
- HHS noted agreement with the proposal but suggested that consideration be given to intragovernmental material weakness related to intragovernmental transactions and if reporting entities aren't recording the same amount.
 - ***Staff understands the complexity and significance regarding intragovernmental receivables and payables between federal entities. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. Any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB's purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables. (Note very similar to concerns and issues raised by SSA to Q1 and DHS to Q2.)***
- KPMG did not specify whether they agreed or disagreed with question 3. After offering that they agreed with paragraphs 1-14 of the proposed TB, they explained that certain aspects of paragraphs 15 through 17 may undermine those conclusions and provided comments for consideration. In summary, they suggested striking paragraph 15 in its entirety, revising paragraph 16, and striking paragraph 17 and the related paragraph A12 in their entirety.
 - ***See Table C, page 29 for a more detailed discussion--staff provides a high-level summary for each of the three areas.***
 1. ***Paragraph 15 should remain in the proposed TB. Striking paragraph 15 in its entirety is not appropriate because the language is relevant to the scope of the proposed the TB. The***

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respondent noted concern that the inclusion of paragraph 131 from the Basis for Conclusions of SFFAS 7 elevates it beyond its intended purpose. Technical Bulletins are level B GAAP guidance. Technical Bulletins provide guidance for applying existing FASAB Statements and Interpretations and resolving accounting issues not directly addressed in them by establishing new standards. Staff notes that additional insight or information regarding guidance to clarify or apply existing FASAB Statements may often be found in the basis for conclusions of relevant SFFAS because the basis provides an overview of key issues and why the Board chose proposed solutions. It may also provide relevant discussion and reasons for positions and background that may need to be included in guidance based on issued that arise. Staff added “in the Basis for Conclusions” to paragraph 15 so it now reads:

“Paragraph 131 of SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, the Board acknowledges in the Basis for Conclusions that an allowance for intragovernmental receivables may be appropriate....”

- 2. Paragraph 16 should be revised. Although paragraph 16 continues the thoughts established in paragraph 15, use of the term “Therefore” is not needed. However, staff doesn’t agree with other suggested changes because the proposed TB would also assist users because paragraph 15 brings in par. 131 of SFFAS 7 basis for conclusions. Any restrictive language that doesn’t take this into account would not be consistent with the intent of this TB and SFFAS 1. Instead, staff believes moving paragraph 17 that discusses “the factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in the reporting entity’s departmental policy” directly after this sentence.*

The revised paragraph 16 would read:

“16. In arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in the reporting entity’s departmental policy.”

- 3. Staff agrees that it may not be appropriate for the proposed to TB to include the language “be consistent with government-wide policies” in the guidance.*

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Staff agrees with certain concerns regarding paragraph 17, but not that it must be removed in its entirety. Staff agrees that it may not be appropriate for the proposed to TB to include the language “be consistent with government-wide policies” in the guidance and staff will remove that phrase from paragraph 17. This shouldn’t be included because the issuance of government-wide policy memos should be consistent with GAAP. However, staff believes it appropriate to include the statement regarding departmental policy. Although SFFAS 1 does not currently include this, it appears reasonable to include the language that such documentation be maintained at the department level to support their policies. This has been done in other Technical Bulletins; it doesn’t require a new disclosure. In addition, staff believes a brief discussion in paragraph A.12. in the basis for conclusions that reporting entity management should consult with appropriate government-wide offices to ensure proper monitoring, follow-up and other practices are followed to the fullest extent practicable and it is consistent with the government-wide policies and initiatives.

Question 1 for the Board- After reviewing the comment letters, and the accompanying Table C that includes the disposition of all comments, does the Board generally agree with the staff assessment of comments received?

OTHER COMMENTS:

Staff notes that there were 2 other comments raised outside of the scope of the regular exposure draft questions. **(see D. Other Comments for full discussion)**

1. Scope of the TB

One respondent questioned if it was appropriate to include that the TB was applies to the consolidated financial report of the U.S. Government since intragovernmental receivables and intragovernmental payables, and related allowances for estimated uncollectible amounts, should be eliminated.

Staff Response- Staff agrees with the respondent. The statement was included in our scope because one must consider the elimination process and whether the balances between departments eliminate in consolidation. Therefore, the statement was included because it was viewed as applicable to all. However, if Board members disagree and believe it may cause confusion, staff will remove “including the consolidated financial report of the U.S. Government (CFR)” from

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paragraph 2 of the proposed TB. Staff will defer any change, unless directed by the Board on this issue.

2. Effective Date

One respondent disagreed with the TB being effective upon issuance because it is unclear which reporting period it applies and how it should be applied. The respondent referred to the Treasury memo and how this causes confusion. Component reporting entities will need time to implement the TB in their financial systems and financial reporting.

The respondent also noted the proposed TB 2019-1 does not intend to change GAAP and the clarifications are intended to make GAAP clearer. However, the respondent also noted it would have precedence over Circular A-136 and the nature of the change (as the opposite of Treasury's policy) requires more specific guidance.

Staff Response- Staff believes it is most important to focus on what effective date is most appropriate with the current proposed TB. The purpose of the TB is to resolve a perceived ambiguity in SFFAS 1. This is what prompted the request— Treasury had implemented certain policy and system changes that led to concerns raised by auditors.

Therefore, once guidance was developed, it seemed important to make the change effective immediately (or upon issuance) because it was resolving a perceived ambiguity and technically not changing anything in SFFAS 1.

Staff also notes the topic of the effective date was discussed at the June 2019 meeting. At least one member suggested delaying the effective date, but other members suggested the TB was providing clarification of SFFAS 1, and not establishing new requirements. Therefore, it was suggested that it be effective when issued. Most members agreed. Members also recognized that with the timeline, the proposed TB wouldn't be issued until November 2019, so by default it wouldn't affect agencies this (FY 19) audit cycle.

Staff notes that Treasury and OMB have indicated they would prefer a delay in the effective date (or clarifying that it is for FY20) based on changes to their guidance that may have to occur. (Staff notes that these changes are needed to ensure that they are consistent with GAAP.)

With the timing of the issuance of the proposed TB, staff does not believe the proposed TB will have an impact on component audits. Based on staff's estimate, the final TB won't be issued until November 15 or later. Most respondents were in agreement with the guidance and the expectation is for Treasury guidance to be consistent with GAAP. Staff does not want any delay in implementation to be

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perceived as or the intent that other issued guidance that is conflict with GAAP takes precedence or is supported by FASAB.

Therefore, staff believes maintaining the current language of “effective upon issuance” is most appropriate.

*However, if Board members disagree and believe it may cause confusion in implementation, staff will revise the language to read “The guidance in this technical bulletin is effective for periods beginning after September 30, 2019” to be more specific if the Board believes there may be an issue. **Staff will defer any change, unless directed by the Board on this issue.***

Question 2 for the Board- Does the Board prefer to make one of the changes that staff deferred? If a majority of the Board prefers the change, staff will incorporate and include one or two sentences to the BfC.

Based on staff’s analysis of each of the letters and staff’s response to the individual comments by respondents, staff believes it should be summarized in the basis for conclusions:

DRAFT

Summary of Outreach Efforts and Responses

The exposure draft (ED), *Loss Allowance for Intragovernmental Receivables* was issued August 30, 2019 with comments requested by October 1, 2019.

Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, *FASAB News*, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).

14 comment letters were received from preparers, auditors, professional associations, and users of federal financial information. The Board considered responses to the exposure draft at its October 2019 meeting. Staff did not rely on the number in favor of or opposed to a given position. Staff considered each response and weighed the merits of the points raised. The respondents’ comments are summarized below.

The majority of respondents generally agreed with the proposed guidance. Specifically, the majority of respondents believed the TB clarified guidance covered in existing

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Statements. The majority of respondents generally agreed that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

The majority of respondents also generally agreed that the TB clarifies that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. In addition, it clarifies that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Certain respondents, though some noting agreement with the guidance, expressed concern for the unresolved intragovernmental eliminations issue. There is much complexity regarding intragovernmental receivables and payables between federal entities. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. Specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. The TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.

Two respondents that noted agreement with the proposals suggested the guidance should provide examples of when a loss for an intragovernmental receivable should be recognized. Similarly, one respondent that disagreed stated that they did not believe a loss allowance should apply to a particular type of transaction. Developing and documenting criteria for evaluating collectability of intragovernmental receivables is more appropriate by management in departmental policy or guidance. In addition, there is an element of judgment regarding collectability of receivables and this cannot be prescribed or included in specific examples. The guidance in the TB does not mandate an allowance for doubtful accounts for any particular account be recorded; it requires that an assessment be made.

Board Review- TBD

The Board has reviewed this Technical Bulletin, and a majority of members do not object to its issuance.

Question 3 for the Board- Staff plans to incorporate the above language to the basis for conclusion and issue Technical Bulletin, 2019-1, Loss

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Allowance for Intragovernmental Receivables. Do any Board members object?

STAFF SUMMARY OF RESPONSES

A. Tally of Responses By Question

QUESTION	YES/AGREE	NO/DISAGREE	RNAD=Respondent Neither agreed nor Disagreed
<p>1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, <i>Accounting for Selected Assets and Liabilities</i>, does not mean the standards only apply to receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.</p>	11	1	2
<p>2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.</p>	13	1	0
<p>3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. Do you agree or disagree? Please provide the rationale for your answer.</p>	10	2	2

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B. Quick Table of Responses by Question (A= Agrees, D= Disagrees, RNAD=Respondent Neither Agreed / Disagreed)

<u>Respondent</u>	<u>QUESTION 1</u> The absence of explicit guidance in SFFAS 1 does not mean the standards only apply to receivables from nonfederal entities.	<u>QUESTION 2</u> The recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.	<u>QUESTION 3</u> An allowance recognized in f/s does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.
#1 GSA	A	A	A
#2 DOC	A	A	A
#3 SSA	RNAD ³	A ⁴	RNAD ⁵
#4 DoD	A	A	A
#5 GWSCPA	A	A	A
#6 AGA	A	A	A
#7 HUD	A ⁶	A ⁷	A
#8 Kearney & Co.	A	A	A
#9 DOL	D ⁸	D ⁹	D ¹⁰

³ SSA explained that they agree that the ED TB provides additional clarifying information regarding intragovernmental and non-Federal receivables as it applies to SFFAS 1, but they believe additional research and guidance may be required on intragovernmental receivables due to the differences at the government-wide and some believe an allowance for doubtful/uncollectible accounts should not be utilized as the intragovernmental receivables and intragovernmental payables should be eliminated as rolled-up to a consolidated single entity.

⁴ SSA stated that they agree the TB would clarify that recognition of losses provided in paragraphs 41-51 apply to both intragovernmental receivables and receivables from non-Federal entities, but they also referenced their comments in question 1 and stated further research may be warranted.

⁵ SSA did not respond to the question specifically. SSA noted that additional analysis may be required to solve the problem at a consolidated entity basis.

⁶ Although HUD generally agreed, one office “expressed some disagreement believing it is necessary to keep both separate in order to properly see how the government dollars are received and reported on the financial statement.”

⁷ Although HUD indicated general agreement in their response, they also indicated one office “expressed a difference in opinion stating that allowance for loss can be recorded monthly or quarterly and should be handled based on the terms of the receivable and stating non-intergovernmental may be unsuspected and suspected and may or may not accrue or defer; hence, stating why should it be treated separately from obligated funds.”

⁸ DOL disagrees because they don’t believe an allowance for doubtful accounts should be recorded for intragovernmental fiduciary transactions.

⁹ DOL disagrees because they believe recognition of losses should not apply to intragovernmental receivables that result from fiduciary transactions.

¹⁰ DOL disagrees because no allowance should apply to DOL’s fiduciary transactions, referred to responses to Q1 & Q2.

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<u>Respondent</u>	<u>QUESTION 1</u> The absence of explicit guidance in SFFAS 1 does not mean the standards only apply to receivables from nonfederal entities.	<u>QUESTION 2</u> The recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.	<u>QUESTION 3</u> An allowance recognized in f/s does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.
#10 KPMG	A ¹¹	A ¹²	RNAD ¹³
#11 HHS	A	A ¹⁴	A ¹⁵
#12 DHS	RNAD ¹⁶	A ¹⁷	D ¹⁸
#13 Treasury	A	A	A
#14 DOE	A	A	A

¹¹ Although KPMG did not specifically respond to the question, their letter stated they agreed with the conclusions as stated in paragraphs 1 through 14. Staff believes this statement covers agreement with the first question because paragraphs 5-9 relate to the first question.

¹² Although KPMG did not specifically respond to the question, their letter stated they agreed with the conclusions as stated in paragraphs 1 through 14. Staff believes this statement covers agreement with the second question because paragraphs 10-12 relate to the second question.

¹³ KPMG did not specify whether they agreed or disagreed with question 3. After stating that they agreed with paragraphs 1-14 of the proposed TB, they explained that certain aspects of paragraphs 15 through 17 may undermine those conclusions and provided comments for consideration. In summary, they suggested: striking paragraph 15 in its entirety, revising paragraph 16, and striking paragraph 17 and the related paragraph A12 in their entirety.

¹⁴ HHS noted agreement with the proposal but offered suggestions that included instances where intragovernmental receivables should be accounted for differently, considering budgetary impacts, Treasury updating guidance and USSGL and providing specific examples when an allowance should be recognized.

¹⁵ HHS noted agreement with the proposal but suggested that consideration be given to intragovernmental material weakness related to intragovernmental transactions and if reporting entities aren't recording the same amount. HHS suggested the proposed TB should suggest that the Congress would have to legally appropriate money to cover the liability.

¹⁶ DHS neither agreed nor disagreed because they believed this question was less relevant than the practical question of whether there should be allowance recorded against intragovernmental receivables or not.

¹⁷ Although DHS agreed, they suggested it could be problematic and could further complicate the unresolved intragovernmental eliminations issue.

¹⁸ DHS disagreed because they don't believe such clarification is necessary and the TB may not be necessary either. They don't believe any agency would be confused about their statutory authority to collect, regardless of their recognition of allowance even against non-federal entities.

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

(Note shaded boxes represent respondent was in full agreement so there was no response required by staff.)

<p>QUESTION #1 The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, <i>Accounting for Selected Assets and Liabilities</i>, does not mean the standards only apply to receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.</p>	
<p>#1 GSA</p>	<p>We agree. While GSA has historically interpreted the paragraphs 40-51 regarding accounts receivables in SFFAS 1 to be generally encompassing of both Federal and non-Federal receivables, the proposed language in the ED does provide clarity to prevent a misinterpretation of SFFAS 1.</p>
<p>#2 DOC</p>	<p>The Department agrees. This will allow for consistent reporting of both federal and nonfederal accounts receivable.</p>
<p>#3 SSA</p>	<p>SSA Response: Overall, we agree that the Exposure Draft (ED) TB provides additional clarifying information regarding intragovernmental and non-Federal (public) receivables as it applies to SFFAS 1, <i>Accounting for Selected Assets and Liabilities</i>.</p> <p>However, we believe that additional research and guidance may be required on intragovernmental receivables, as detailed below (and applicable to this and the following two questions).</p> <p>As discussed at the April 2019 FASAB meeting, Treasury’s slide deck included a slide that stated per the fiscal year (FY) 2018 Government Accountability Office (GAO) independent auditor’s report, “If two Federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not be in agreement, resulting in errors in the consolidated financial statements.” As also stated in Treasury’s slide deck, “As it has for each of the past 22 fiscal years, the U.S. Government Accountability Office (GAO) issued a disclaimer of opinion on the FY 2017 Financial Report of the U.S. Government. In its report, GAO cited the government’s difficulty to ‘adequately account for and reconcile intragovernmental activity and balances between</p>

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Federal entities' as a material weakness and a major impediment to expressing an opinion.”

The Treasury Financial Manual and Office of Management and Budget (OMB) Circular A-136 took steps to alleviate this government-wide problem by disallowing an allowance for doubtful/uncollectible accounts on intragovernmental receivables. The action taken by Treasury and OMB appears to be generally accepted accounting principle compliant, prior to the issuance of this ED TB, as current FASAB Standards did not appear to separately address intragovernmental receivables that roll-up to a consolidated entity other than to state in SFFAS 7 (paragraph 131), “For intragovernmental transactions, allowances for bad debts may not always be needed, because full payment can often be assumed.” The Financial Accounting Standards Board in Accounting Research Bulletin 51, *Consolidated Financial Statements*, as amended, does state, “Consolidated statements assume that they represent the financial position and operating results of a single business enterprise.”

There also appears to be a disconnect between GAO’s findings and the FASAB desired reporting of intragovernmental receivables. How can this problem be resolved, as some believe an allowance for doubtful/uncollectible accounts should not be utilized as the intragovernmental receivables and intragovernmental payables should be eliminated as rolled-up to a consolidated single entity and because the intragovernmental receivables are considered fully collectible? Perhaps a conversation with GAO, other auditors, and preparers could result in alternatives to recording an allowance for doubtful/uncollectible accounts, such as a note disclosure on any “potential” differences or reason for recording an allowance for doubtful/uncollectible accounts, so that the intragovernmental receivable/payable problem noted on the consolidated financial statements in the Financial Report of the U.S. Government would be resolved (similar to the discussions held for removing Land off the Balance Sheet).

Given the guidance of other standard setting bodies, and normal consolidated entity practices, it could easily be assumed that the standard should be that consolidated statements represent the financial position and operating results of a single business enterprise and are deemed fully collectible (no allowance for intragovernmental receivables utilized). We believe further research on this matter hopeful result of solving the consolidated entry unbalanced intragovernmental receivables/payables issue would be optimal with a while also abiding by the full disclosure principle.

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	<p><i>FASAB staff appreciates the comments and understand the complexity and significance regarding intragovernmental receivables and payables between federal entities, especially if there is conflicting guidance. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. FASAB staff believes any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB’s purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.</i></p> <p><i>There are no specific action items for FASAB or changes required to the proposed TB.</i></p>
#4 DoD	<p>Agree. This TB will clarify the Board's intent that paragraph 42 of SFFAS 1: <i>Accounting for Selected Assets and Liabilities</i>, which requires entities to report receivables from federal entities (intragovernmental), separately from receivables for nonfederal entities, does not mean that the other paragraphs in SFFAS 1 only apply to receivables from nonfederal entities.</p>
#5 GWSCPA	<p>The FISC agrees with this clarification for the reasons stated in the ED.</p>
#6 AGA	<p>We agree with the FASAB’s conclusion that the standards do not apply only to receivables from nonfederal entities.</p>
#7 HUD	<p>HUD generally agrees with the proposal to provide the absence of explicit guidance in SFFAS 1 does not mean the standard only apply to receivables from nonfederal entities. HUD’s OCFO believes that the distinction in SFFAS 1 does not imply that the accounts receivable standards in other areas should be applied differently to intragovernmental receivables and receivables from nonfederal entities. In the absence of such clarification, it is improper to infer the standard only applies to non-federal receivables.</p> <p>Differing is HUD OCFO’s Funds Control expressed some disagreement believing it is necessary to keep both separate in order to properly see how the government dollars are received and reported</p>

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	<p>on the financial statement.</p> <p>Staff response- Staff notes that HUD responded that they generally agreed with once office noting a difference. The proposed TB does not change the requirement regarding separate reporting. In fact, par. 8 states “SFFAS 1 acknowledges that there are two types of receivables and provides for separate reporting in paragraph 42 as follows: “Separate reporting. Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities.” No further action or change required to the proposed TB.</p>
<p>#8 Kearney & Company</p>	<p>Agree – The accounting framework requires that receivable balances are recognized at net realizable value when it is more likely than not that the balance will not be totally collected. The framework then describes the process in which losses are estimated and the frequency of the evaluation. The process provides flexibility and is appropriate for Federal and non-Federal receivables.</p> <p>While several factors exist that make uncollectible losses less likely on Federal receivables, situations may arise in which it is necessary and appropriate to recognize uncollectible losses on Federal receivables. The current framework provides the flexibility to address unusual and unforeseen events without requiring the need to define those events in advance. If the accounting framework were to specifically exclude Federal receivables from collectability analysis, it would create a gap in the framework, meaning that no guidance would exist to address Federal collectability issues if the need arose. Excluding Federal receivables from collectability losses is based on an unproven assumption, and the current standard is comprehensive with the appropriate amount of flexibility.</p>
<p>#9 DOL</p>	<p>Disagree. Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 (I TFM 2-4700, July 2019 version) has specific guidance that designates the U.S. Department of Labor (DOL) as the authoritative source for the intragovernmental fiduciary transactions in these programs:</p> <ul style="list-style-type: none"> -- Federal Employees’ Compensation Act (FECA) workers’ compensation program and -- Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-service members (UCX). <p>DOL/OCFO/DFR publishes on its website on a quarterly basis, the billing, collections, receivables, and revenues (among other things) for the Agencies’ fiduciary transactions. The DOL/OCFO</p>

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	<p>website is: https://www.dol.gov/agencies/ocfo/publications</p> <p>As the fiduciary Agency, the DOL’s FECA program is separately audited for, among other things, its systems compliance as a service provider and schedules of receivables and benefits expenses. DOL should not record an allowance for doubtful accounts for these programs’ intragovernmental receivables because Agencies are required to reconcile to and report in accordance with DOL’s balances per I TFM 2-4700; the TFM has detailed guidance for eliminating the intragovernmental balances for these fiduciary transactions.</p> <p><i>Staff response-The proposed TB does not mandate an allowance for doubtful accounts for any particular account be recorded. The clarifications proposed simply mean that an assessment should be made. No further action or change required to the proposed TB.</i></p>
#10 KPMG	<p>Staff notes KPMG did not specifically respond to the questions provided. However, staff notes that their letter stated “We appreciate the opportunity to respond to the proposed Technical Bulletin 2019-1, <i>Loss Allowance for Intragovernmental Receivables</i> (the exposure draft or ED). We support the efforts to clarify the existing standards regarding recognition of a loss allowance on intragovernmental receivables, and we agree with the conclusions as stated in paragraphs 1 through 14.” Staff believes this statement covers agreement with the first question because paragraphs 5-9 relate to the first question.</p>
#11 HHS	<p>HHS agrees that there is a need for explicit guidance for distinguishing between the accounting for intragovernmental receivables and receivables from nonfederal entities. As expressed in other federal guidance, such as the Office of Management and Budget (OMB) Circular A-11, Preparation, Submission, and Execution of the Budget (Circular A-11), intragovernmental receivables and receivables from nonfederal entities should be explained based on their different characteristics. Circular A-11 Section 86, Special Schedules, defines Federal Assets, Receivables, Net as “Accounts receivable and interest receivable, net of uncollectible amounts. Report receivables from Federal agencies separately from receivables from non-Federal entities.”</p>
#12 DHS	<p>Neither Agree nor Disagree. We believe this question is less relevant than the practical question of whether there should be allowance recorded against intragovernmental receivables or not. And for this question, we believe the answer should be no, for the reasons provided in our response to Question No. 2 below.</p>

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	<i>Staff Response-The question was specific to the clarifications that were made in the proposed TB. FASAB staff wanted to ensure the clarifications and guidance resolved the perceived ambiguity.</i>
#13 Treasury	We agree with the proposed TB, as this will help clear up any ambiguity between federal and non-federal entities. The proposed language clarifies the existing standard in a way that is helpful to preparers by facilitating consistent reporting of receivables in accordance with generally accepted accounting principles.
#14 DOE	SFFAS 1 should govern both intragovernmental receivables and receivables from non-Federal entities. The reemphasizing of this point is important because agencies may interpret the standard differently.

QUESTION #2 The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.	
#1 GSA	We agree. We concur that the concept of adjusting balances of accounts receivable to their net realizable value through the use of allowance accounts is as applicable to intragovernmental receivables as non-Federal receivables, to prevent overstatement of such assets. Where there are identified risks and uncertainty regarding the collection of accounts receivable, amounts that can be estimated as likely uncollectable should be recorded. We know of no reason an intragov account receivable would warrant being valued for more than the expected realizable value, and see no reason for delaying related recognition of reasonably estimable losses.
#2 DOC	The Department agrees. The clarification will allow for consistent reporting of both federal and non-federal accounts receivable.
#3 SSA	See response to Q1 above. The guidance in the ED TB would clarify that recognition of losses provided in paragraphs 41-51 apply to both intragovernmental receivables and receivables from non-Federal entities. As indicated in our Q1 response, we believe further research may be warranted, especially on allowance for doubtful/uncollectible accounts on intragovernmental

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	<p>receivables reporting up to a consolidated entity where collectability can be assumed.</p> <p>Staff response- Staff notes the respondent stated that the TB would clarify that recognition of losses provided in paragraphs 41-51 apply to both intragovernmental receivables and receivables from non-Federal entities and that is what question 2 pertains to. However, they referred back to their Q1 response; please see staff response at Q1. No further action or change required to the proposed TB.</p>
<p>#4 DoD</p>	<p>Agree. The language in paragraphs 10, 11, and 12 of the proposed TB clearly state that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.</p> <p>Note that although we agree that the proposed TB clarifies that paragraphs 41 -51 applies to both intragovernmental receivables and receivables from nonfederal entities, in light of paragraph 15 of the proposed TB and the language in paragraph 131 of SFFAS 7: <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>, we believe it would be helpful for this TB to include an example of a situation when a loss for an intragovernmental receivable should be recognized, as well as some additional guidance providing some indicators to be aware of that would provide evidence that a loss allowance for an intragovernmental receivable should be considered.</p> <p>Staff response- The Board discussed this in meetings and recognized that there are factors that should be considered in assessing collectability. However, members believed that documenting criteria for evaluating collectability of intragovernmental receivables would be more appropriate by management in departmental policy or guidance. In addition, the Board also recognized there is an element of judgment regarding collectability of receivables and this cannot be prescribed. No further action or change required to the proposed TB.</p>
<p>#5 GWSCPA</p>	<p>The FISC agrees with this clarification for the reasons stated in the ED.</p>
<p>#6 AGA</p>	<p>We agree that, for consistency purposes the recognition of losses should apply to both intragovernmental receivables and receivables from nonfederal entities. We would recommend the</p>

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	technical bulletin refer to the receivable section, since the section covers paragraph 40-52.
#7 HUD	<p>HUD generally agrees that proposal to provide clarification that recognition of losses provided in paragraphs 4-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. Even if intragovernmental receivables represent payments that are required by statute, we believe that this statutory requirement does not, eliminate the need to report an allowance for financial statement presentation. In the absence of such clarification, it is improper to infer the standard only applies to non-federal allowances for accounts receivable.</p> <p>HUD OCFO's Funds Control expressed a difference in opinion stating that allowance for loss can be recorded monthly or quarterly and should be handled based on the terms of the receivable and stating non-intergovernmental may be unsuspected and suspected and may or may not accrue of defer; hence, stating why should it be treated separately from obligated funds.</p> <p>Staff response- Staff notes that HUD responded that they generally agreed with once office noting a difference. Staff noted the proposed TB does not change any of the requirements as stated. No further action or change required to the proposed TB.</p>
#8 Kearney & Company	Agree – See rationale in answer to Q1 above.
#9 DOL	<p>Disagree. Recognition of losses should not apply to intragovernmental receivables that result from fiduciary transactions.</p> <p>Staff response-The clarifications presented in the proposed TB do not mandate recognition of losses. The clarifications proposed simply mean that an assessment regarding an allowance for doubtful accounts should be made. No further action or change required to the proposed TB.</p>
#10 KPMG	Staff notes KPMG did not specifically respond to the questions provided. However, staff notes that their letter stated “We appreciate the opportunity to respond to the proposed Technical Bulletin 2019-1, <i>Loss Allowance for Intragovernmental Receivables</i> (the exposure draft or ED). We support the efforts to clarify the existing standards regarding recognition of a loss allowance on intragovernmental receivables, and we agree with the conclusions as stated in paragraphs 1

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	<p>through 14.” Staff believes this statement covers agreement with the second question because paragraphs 10-12 relate to the second question.</p>
<p>#11 HHS</p>	<p>HHS agrees that these paragraphs should apply for both intragovernmental receivables and receivables from nonfederal entities. However, we are aware of instances where intragovernmental receivables should be accounted for differently. HHS recommends clarification be added for these instances to help agencies with proper accounting.</p> <p>In September 2017, the Department of Treasury (Treasury) issued policy memorandum, <i>Intragovernmental Receivables - No Allowance for Losses</i>, to resolve inconsistent application of SFFAS 1 in relation to accounting for losses on intragovernmental receivables between federal agencies. The memorandum provides examples associated with the Judgment Fund and the Contract Disputes Act payments which represented the largest number of intragovernmental differences in dispute. This memo states “In absence of an explicit FASAB standard for accounting treatment of intragovernmental receivables, the legal requirement for agencies to repay amounts that prohibit write-offs, and the fact that intragovernmental receivables exist within the same legal entity, the policy in the federal government is that no allowance for loss will be recognized in federal agencies’ accounting records or financial statements for intragovernmental receivables.”</p> <p>HHS recommends that the language in paragraphs 41- 51 of SFFAS 1 should be updated to provide examples of when recognition of allowance for losses with the public and with the government can take place. In addition, HHS recommends the Board to consider the budgetary impact. For example, agency records anticipated collections from federal sources when a receivable is from another federal entity. The U.S. Standard General Ledger (USSGL) would need to include scenario for when the receiving entity records the allowance, how that would impact the payable agencies budgetary accounts.</p> <p>The USSGL allowance accounts currently only have a nonfederal attribute. Therefore, an allowance for doubtful accounts cannot be recorded by federal entities when customers are federal entities. Treasury will need to change these USSGLs to accommodate an allowance for federal entities.</p> <p><i>Staff Response- FASAB staff appreciates the comments and understands the complexity and significance regarding intragovernmental receivables and payables</i></p>

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	<p><i>between federal entities, especially if there is conflicting guidance. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. FASAB staff believes any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB’s purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury should ensure policy memorandums are consistent with all FASAB guidance. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.</i></p> <p><i>There are no specific action items for FASAB or changes required to the proposed TB.</i></p>
<p>#12 DHS</p>	<p>Agree that the proposed TB as written does clearly state that paragraphs 41-51 of SFFAS 1 are applicable to both intragovernmental receivables and receivables from nonfederal entities. However, that could be problematic from a practical standpoint. We are concerned that this TB will have an adverse impact on both the agency financial statements preparation and audit, as well as on FR of the US Government. For agencies, the combined effect of this TB would run contrary to OMB’s overall reporting burden reduction initiative, and it would also introduce potential audit issues due to the ambiguity as to when it would be appropriate for agencies to recognize allowance against intragovernmental receivables. For governmentwide FR (i.e., Fiscal Service perspective), by allowing recognition of bad debt expense for one trading partner without providing specific guidelines on recognition of the reciprocating revenue/gain by the other trading partner, this TB could further complicate the unresolved intragovernmental eliminations issue. In other words, this could be another example of a typical gap between an academic/theoretic FASAB standards vs. the Fiscal Service’s and agencies’ need to apply practical and specific accounting guidelines, in order to resolve the governmentwide elimination issue in preparing FR. Such situation would potentially create costly audit issues at multiple levels...</p> <p><i>Staff Response- FASAB staff appreciates the comments and understands the complexity and significance regarding intragovernmental receivables and payables between federal entities, especially if there is conflicting guidance. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. FASAB staff</i></p>

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	<p><i>believes any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB’s purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury should ensure policy memorandums are consistent with all FASAB guidance. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.</i></p> <p><i>There are no specific action items for FASAB or changes required to the proposed TB.</i></p>
#13 Treasury	We agree with the proposed TB, that it will clarify SFFAS 1 to apply to both intragovernmental receivables and nonfederal entities. The TB is helpful to preparers by facilitating consistent reporting of receivables.
#14 DOE	The Department agrees with this clarification

QUESTION #3 The proposed TB would clarify that an allowance recognized in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. Do you agree or disagree? Please provide the rationale for your answer.	
#1 GSA	We agree. We believe accounting recognition and recording of estimates of allowances for amounts of intragovernmental accounts receivable likely to be uncollectable should have no bearing on the legal rights, authorities, or obligations governing the final settlement of the accounts. Accordingly, the proposed language in this ED provides such clarity to prevent misinterpretation.
#2 DOC	The Department agrees. Recording an allowance does not write off a receivable or negate the collection process.
#3 SSA	If the receivables are legally required to be collected, and they are historically collected in full, then an agency is not precluded from setting the allowance for loss at zero. However, we understand

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	<p>for the consolidated statements if an allowance is booked, the intragovernmental receivables/payables would not net to zero (as it should), so additional analysis may be required to solve the problem at a consolidated entity basis.</p> <p>Staff response- FASAB staff believes any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB's purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury should ensure policy memorandums are consistent with all FASAB guidance. There are no specific action items for FASAB or changes required to the proposed TB.</p>
#4 DoD	Agree. The language in paragraph 16 of the proposed TB clearly states that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.
#5 GWSCPA	The FISC agrees with this clarification for the reasons stated in the ED.
#6 AGA	We agree that an allowance should not release an entity from trying to collect the receivable, nor release the other government entity from its obligation.
#7 HUD	HUD agrees with the Board's proposal to clarify that an allowance recognized in an entity's financial statement does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. Simply recognizing an allowance, whether for Intragovernmental or non-federal accounts receivable, does not equate to absolving the debtor from payment.
#8 Kearney & Company	<p>Agree – The allowance is a financial reporting concept to recognize estimated net realizable value at a point in time. It is subject to prospective upwards or downwards revision. Actual amounts collected may differ from the estimated amount. The allowance is a mechanism for management to acknowledge that facts exist which indicate the entire balance may not be collected.</p> <p>Recognition of an allowance does not alter or weaken an entity's legal claim for the entire balance. The legal claim can only be relieved through legal or regulatory action. As required by statues, the creditor agency should pursue all means available to collect outstanding funds. These collection</p>

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	<p>actions are independent of allowance recognition, and the statues provide a clear roadmap of collection options. A similar statutory requirement exists for the debtor agency once any underlying issues are resolved.</p>
<p>#9 DOL</p>	<p>Disagree. Refer to the responses for Q1 and Q2. No allowance should apply to DOL’s fiduciary transactions.</p> <p><i>Staff response-The proposed TB does not mandate an allowance for doubtful accounts for any particular account be recorded. The clarifications proposed simply mean that an assessment should be made. No further action or change required to the proposed TB.</i></p>
<p>#10 KPMG</p>	<p>Staff notes KPMG did not specifically respond to the questions provided. Staff noted in questions 1 & 2 that their letter stated they agreed with conclusions reached in par. 1-14. Their letter provided the following which is directly related to question 3:</p> <p>However, we believe certain aspects of paragraphs 15 through 17 may undermine those conclusions. Therefore, we provide the following comments for consideration.</p> <p>Paragraph 15</p> <p>Paragraph 15 of the ED cites paragraph 131 from the Basis for Conclusions of SFFAS 7. We are concerned that the inclusion of that paragraph 131 elevates it beyond its intended purpose. Also, we note that the use of “therefore” in paragraph 16 indicates that it flows logically from paragraph 15; however, we do not see the connection between the two paragraphs.</p> <p>We recommend striking paragraph 15 in its entirety.</p> <p>Paragraph 16</p> <p>Paragraph 16 of the ED states that “any guarantee or statutory obligation of payment should be considered”. We recommend FASAB clarify what is intended by the phrase “should be considered” or revise paragraph 16 as follows: (deleted text struck-through; added text underlined):</p> <p><u>16. Therefore, in arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. In determining the loss allowance, the reporting entity should apply the considerations in paragraphs 44 and 46 of SFFAS 1 notwithstanding any guarantee or statutory obligation of payment.</u> As explained, SFFAS 1 requires only accounts receivable, net of an allowance, to be reported on the financial statements. It does not require the write-off of a receivable. Further, recognizing an allowance on a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.</p>

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For example, intragovernmental receivables may represent payments that are required by statute, but this statutory requirement does not, in itself, eliminate the need of reporting an allowance for financial statement presentation.

Paragraph 17 of the ED states:

“The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in departmental policy and *be consistent with government-wide policies* [emphasis added].”

We believe paragraph 17 introduces considerations that were not in SFFAS 1 and poses the risk of contradicting paragraphs 10 and 11 of the ED. As described in paragraph A4, the ED was requested by Treasury because of the concerns raised after its issuance of a government-wide policy memo that precluded agencies from reporting an allowance for losses of intergovernmental receivables. Paragraph 17 could be read by agencies that policies issued at the government-wide level are now incorporated as Level B GAAP.

We also believe there are instances when the factors considered by a department preparing stand-alone financial statements would not be consistent with the factors considered when preparing the government-wide financial statements. For example, a department may be concerned about whether the accounts receivable balance from another agency is collectible and, if so, an allowance may be appropriate in those circumstances. However, the concern in preparing the government-wide financial statements is whether the balances between departments eliminate in consolidation.

We recommend striking paragraph 17 and the related paragraph A12 in *Appendix A: Basis for Conclusions* in their entirety.

Staff Response- Based on the above, the respondent provided three suggestions:

- 1. Striking paragraph 15 in its entirety***
- 2. Revising paragraph 16***
- 3. Striking paragraph 17 and the related paragraph A12 in their entirety***

Staff will respond to each below.

1. Striking paragraph 15 in its entirety

Paragraph 15 of the proposed TB states:

“15. Paragraph 131 of SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, acknowledges that an allowance for intragovernmental receivables may be appropriate, but may not always

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needed:

The allowance for bad debts should be based on an analysis of both individual accounts and groups of accounts, as appropriate under the circumstances. This principle is explained in the standard for accounts receivable. For intragovernmental transactions, allowances for bad debts may not always be needed, because full payment can often be assumed.”

The respondent noted concern that the inclusion of paragraph 131 from the Basis for Conclusions of SFFAS 7 elevates it beyond its intended purpose. Technical Bulletins are level B GAAP guidance.

Technical Bulletins provide guidance for applying existing FASAB Statements and Interpretations and resolving accounting issues not directly addressed in them by establishing new standards. The following kinds of guidance may be provided in a TB:

- a. Guidance to clarify, explain, or elaborate on an underlying Statement or Interpretation,***
- b. Guidance to address areas not directly covered by existing Statements or Interpretations,***
- c. Interim guidance on problems in applying an existing Statement or Interpretation currently under study by the FASAB, or***
- d. If applicable, guidance for applying FASB or GASB standards to federal activities.***

Staff notes that additional insight or information regarding guidance to clarify or apply existing FASAB Statements may often be found in the basis for conclusions of relevant SSFFAS because the basis provides an overview of key issues and why the Board chose proposed solutions. It may also provide relevant discussion and reasons for positions and background that may need to be included in guidance based on issued that arise. Providing references to this appears practical. This is consistent with previous Technical Bulletins. Staff notes reference to SFFAS 7, paragraph 111 (which is also in basis for conclusions of SFFAS 7) in TB 2017-1

Further, staff believes the language is relevant to the scope of the proposed the TB. Staff believes paragraph should remain in the proposed TB, but will add a reference that the

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language is from the basis for conclusions.

2. Revising paragraph 16

The respondent noted the use of “therefore” in paragraph 16 indicates that it flows logically from paragraph 15. They did not see the connection between the two paragraphs.

Paragraph 16 of the ED states that “any guarantee or statutory obligation of payment should be considered”. We recommend FASAB clarify what is intended by the phrase “should be considered” or revise paragraph 16 as follows: (deleted text struck-through; added text underlined):

16. Therefore, in arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. In determining the loss allowance, the reporting entity should apply the considerations in paragraphs 44 and 46 of SFFAS 1 notwithstanding any guarantee or statutory obligation of payment....

Although paragraph 16 continues the thoughts established in paragraph 15, use of the term “Therefore” is not needed. However, staff doesn’t agree with other suggested changes because the proposed TB would also assist users because paragraph 15 brings in par. 131 of SFFAS 7 basis for conclusions. Any restrictive language that doesn’t take this into account would not be consistent with the intent of this TB and SFFAS 1.

Instead, staff believes moving paragraph 17 that discusses “the factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in the reporting entity’s departmental policy” directly after this sentence.

“16. In arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in the reporting entity’s departmental policy.”

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	<p><u>3. Striking paragraph 17 and the related paragraph A12 in their entirety</u> <i>Staff agrees with certain concerns regarding paragraph 17. Specifically, the issuance government-wide policy memos should be consistent with GAAP. Therefore, it may not be appropriate for the proposed to TB to include the language “be consistent with government-wide policies” in the guidance. Therefore, staff will remove that phrase from paragraph 17.</i> <i>However, staff believes it appropriate to include the statement regarding departmental policy. Although SFFAS 1 does not currently include this, it appears reasonable to include the language that such documentation be maintained at the department level to support their policies. This has been done in other Technical Bulletins; it doesn’t require a new disclosure.</i> <i>Staff also believes it appropriate to include a brief discussion in paragraph A.12. in the basis for conclusions that reporting entity management should consult with appropriate government-wide offices to ensure proper monitoring, follow-up and other practices are followed to the fullest extent practicable and it is consistent with the government-wide policies and initiatives.</i></p>
<p>#11 HHS</p>	<p>HHS agrees that the proposed TB should clarify that an allowance recognized in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.</p> <p>In April 2019 presentation, the Bureau of Fiscal Service referenced this issue for as an intragovernmental material weakness for the federal government for the past 22 fiscal years. This presentation referenced a Fiscal Year 2018 U.S. Government Accountability Office Independent Auditor’s Report that states “if two federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not in agreement, resulting in errors in the consolidated financial statements.”</p> <p>The proposed TB should suggest that the Congress would have to legally appropriate money to cover the liability. HHS has judgment fund payments that have not been paid because it is unfunded.</p>

STAFF SUMMARY OF RESPONSES

	<p><i>Staff Response- FASAB staff appreciates the comments and understands the complexity and significance regarding intragovernmental receivables and payables between federal entities and the issues the Federal government faces when there are differences, which leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. FASAB staff believes any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB’s purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. FASAB staff notes the proposed TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.</i></p> <p><i>There are no specific action items for FASAB or changes required to the proposed TB.</i></p>
<p>#12 DHS</p>	<p>Disagree. DHS doesn’t believe such clarification is necessary as we don’t believe any agency would be confused about their statutory authority to collect, regardless of their recognition of allowance even against non-federal entities. Therefore, this TB may not be necessary either.</p> <p><i>Staff Response- The clarifications and proposed TB were the result of a request to resolve ambiguity in SFFAS 1.</i></p>
<p>#13 Treasury</p>	<p>We agree to proposed guidance, that the allowance recognized in the financial statements does not alter the underlying statutory authority to collect the receivable.</p>
<p>#14 DOE</p>	<p>The Department agrees that the establishment of an allowance does not alter the underlying rules governing interagency payments and collections. The bulletin should acknowledge, however, that an uncollectable debt should be cancelled, and agencies have appropriate discretion for determining when a debt is not collectable.</p> <p><i>Staff response- The respondent is in agreement. FASAB acknowledging actions that are not within FASAB’s control does not change the basis of this guidance or that an allowance recognized in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other</i></p>

STAFF SUMMARY OF RESPONSES

	<i>intragovernmental entity to pay.</i>
--	---

D. Other Comments

#4. DoD

Paragraph 2 of the proposed TB states:

"This guidance applies to all reporting entities that present general purpose federal financial reports (GPFRRs), including the consolidated financial report of the U.S. Government (CFR) "

The focus of this proposed TB is to clarify and emphasize that an aspect of SFFAS 1 is applicable to intragovernmental receivables. Specifically, whether an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of intragovernmental receivables to its net realizable value. Since intragovernmental receivables and intragovernmental payables, and related allowances for estimated uncollectible amounts, should be eliminated in the consolidated financial report of the U.S. Government, it seems that the proposed TB is not applicable to the consolidated financial report of the U.S. Government.

Staff Response- While staff agrees with the points above, one must consider whether the balances between departments eliminate in consolidation. Therefore, the statement was included because it was viewed as applicable. However, if Board members disagree and believe it may cause confusion, staff will remove "including the consolidated financial report of the U.S. Government (CFR)" from paragraph 2 of the proposed TB.

Staff will defer any change, unless directed by the Board on this issue.

#6. AGA

As noted above we agreed with the FASAB's position in the exposure draft but do not believe the guidance offers any new insights regarding receivables. This is especially true since SFFAS 1 is very clear and does not create room for misinterpretations regarding the recording of allowances on receivables. We understand the complexity and significance regarding intragovernmental receivables and payables between federal entities and the issues the Federal government faces when there are differences, which prevent proper elimination during the preparation of the consolidated financial statements of the U.S. Government. The differences between the Federal agencies, arises from either improper or inconsistent application of accounting standards, as well as lack of communication between agencies. We believe that guidance should come from U.S. Treasury regarding who has priority in setting the receivable/payable, we would recommend the seller unless the buyer has a stronger case. U.S. Treasury could

STAFF SUMMARY OF RESPONSES

also specify mechanisms for collection of receivables that are required by statute or law, for example the Intra-governmental Payment and Collection (IPAC) system. U.S. Treasury should also include guidance on communication between Federal agencies, budgeting of payments, etc. Further, we believe the US Treasury and other federal agencies should be cautious about issuing guidance that appears to directly conflict with FASAB standards.

Staff Response- The proposed guidance clarifies SFFAS 1 because there was a perceived ambiguity based on the request received. FASAB staff appreciates the comments and understand the complexity and significance regarding intragovernmental receivables and payables between federal entities and the issues the Federal government faces when there are differences, which leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. FASAB staff agrees that any specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process is outside of FASAB's purview and should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. There are no specific action items for FASAB or changes required to the proposed TB.

#9 DOL

This comment is with regard to the proposed TB 2019-1 paragraph 19 effective date. We disagree with "effective upon issuance." This is unclear as to which reporting period the TB should be applied and how it should be applied. Because the Treasury has a policy memorandum currently in effect for FY 2019 reporting the effective date must be specific or this may cause confusion.

For example, FASAB issued two TBs where the timing of the issuance date and lack of specific effective date may have caused confusion:

- TB 2017-1: Intragovernmental Exchange Transactions dated November 1, 2017 and effective upon issuance and
- TB 2017-2: Technical Bulletin 2017-2: Assigning Assets to Component Reporting Entities dated November 1, 2017 and effective upon issuance.

Per TB 2000-1, paragraph 10

Page 5 - Technical Bulletin 2000-1; FASAB Handbook, Version 17 (06/18)

10. Each Technical Bulletin will specify an effective date and transition provisions for initial application. While the FASAB expects that most Technical Bulletins will be applied prospectively, Technical Bulletins may require retroactive application if appropriate in the circumstances.

STAFF SUMMARY OF RESPONSES

The **default** effective dates for TBs 2017-1 and 2017-2 were prospective and no transition provisions were made for initial application. The effective date paragraphs for the 2017 TBs:

- did not prohibit retroactive application, so an Agency may choose to implement for FY 2017 reporting;
- did not require retroactive application, so an Agency may choose to implement for FY 2018 reporting based on the November 1, 2017 issuance dates; and
- were silent as to transition provisions for initial application.

If the proposed TB 2019-1 is issued during

- a component reporting entity's subsequent events reporting period, e.g., October 1 through November 19 (for the FY 2019 reporting period) or
- the governmentwide reporting entity's subsequent events reporting period, e.g., November 16 through March 18 (for the FY 2018 reporting period due to partial lapse in appropriations)

this may cause confusion and the reporting entity and their auditor may disagree about the reporting period(s) in which to apply the TB and how to apply it (e.g., retroactive, change in accounting principle, restatement of prior years' financial statements) because the proposed TB 2019-1's policy is the opposite of the Treasury policy described in their memorandum, I TFM 2-4700 Appendix 6 (July 2019 version), and OMB Circular A-136 page 27 (June 28, 2019 version). Furthermore, the Treasury will need time to

- adjust its systems for governmentwide reporting and
- provide guidance to the component reporting entities.

Component reporting entities will need time to implement the TB in their financial systems and financial reporting.

We realize that the proposed TB 2019-1:

- does not intend to change GAAP, instead the clarifications are intended to make GAAP clearer and
- as Level B in the GAAP hierarchy would have precedence over Circular A-136 as level D in the GAAP hierarchy but the nature of the change (as the opposite of Treasury's policy) requires more specific guidance.

Therefore, paragraph 19 should be specific as to effective date and transition provisions. Paragraph 19 should state that

- the effective date is for reporting periods after September 30, 2020 (or later),
- there is no retroactive application, and
- earlier implementation is not permitted.

STAFF SUMMARY OF RESPONSES

Staff response- Staff does not believe it necessary to use valuable Board time to revisit effective dates of previous pronouncements because effective dates are established for each piece of guidance is treated on a case-by-case basis. Half of the TBs issued have been effective upon issuance. For example, there may be situations where guidance is not mandatory and is elective, such as in TB 2017-2. Additionally, guidance may not establish any new requirements, but simply clarify existing GAAP.

Staff believes it is most important to focus on what effective date is most appropriate with the current proposed TB. The purpose of the TB is to resolve a perceived ambiguity in SFFAS 1. This is what prompted the request—Treasury had implemented certain policy and system changes that led to concerns raised by auditors.

Therefore, once guidance was developed, it seemed important to make the change effective immediately (or upon issuance) because it was resolving a perceived ambiguity and technically not changing anything in SFFAS 1.

Staff also notes the topic of the effective date was discussed at the June 2019 meeting. At least one member suggested delaying the effective date, but other members suggested the TB was providing clarification of SFFAS 1, and not establishing new requirements. Therefore, it was suggested that it be effective when issued. Most members agreed. Members also recognized that with the timeline, the proposed TB wouldn't be issued until November 2019, so by default it wouldn't affect agencies this (FY 19) audit cycle.

Staff notes that Treasury and OMB have indicated they would prefer a delay in the effective date (or clarifying that it is for FY20) based on changes to their guidance that may have to occur. (Staff notes that these changes are needed to ensure that they are consistent with GAAP.)

With the timing of the issuance of the proposed TB, staff does not believe the proposed TB will have an impact on component audits. Once staff knows that no member objects, there is still work (cold read by Communication Specialist) that must be done before the final TB will be issued in November. However, staff notes that most respondents were in agreement with the guidance and the expectation is for Treasury guidance to be consistent with GAAP. Staff does not want any delay in implementation to be perceived as or the intent that other issued guidance that is conflict with GAAP takes precedence or is supported by FASAB.

Therefore, staff believes maintaining the current language of “effective upon issuance” is most appropriate.

However, if Board members disagree and believe it may cause confusion in implementation, staff will revise the language to read “The guidance in this

STAFF SUMMARY OF RESPONSES

technical bulletin is effective for periods beginning after September 30, 2019” to be more specific if the Board believes there may be an issue. Staff will defer any change, unless directed by the Board on this issue.

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FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

GSA Response: We agree. While GSA has historically interpreted the paragraphs 40-51 regarding accounts receivables in SFFAS 1 to be generally encompassing of both Federal and non-Federal receivables, the proposed language in the ED does provide clarity to prevent a misinterpretation of SFFAS 1.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

GSA Response: We agree. We concur that the concept of adjusting balances of accounts receivable to their net realizable value through the use of allowance accounts is as applicable to intragovernmental receivables as non-Federal receivables, to prevent overstatement of such assets. Where there are identified risks and uncertainty regarding the collection of accounts receivable, amounts that can be estimated as likely

FASAB Exposure Draft: Questions for Respondents due October 1, 2019***Loss Allowance for Intragovernmental Receivables***

uncollectable should be recorded. We know of no reason an intragov account receivable would warrant being valued for more than the expected realizable value, and see no reason for delaying related recognition of reasonably estimable losses.

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

GSA Response: We agree. We believe accounting recognition and recording of estimates of allowances for amounts of intragovernmental accounts receivable likely to be uncollectable should have no bearing on the legal rights, authorities, or obligations governing the final settlement of the accounts. Accordingly, the proposed language in this ED provides such clarity to prevent misinterpretation.

SEP 27 2019



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

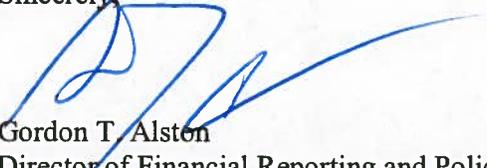
Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Valentine:

The Department of Commerce has reviewed the Exposure Draft of Technical Bulletin – *Loss Allowance for Intragovernmental Receivables*, dated August 30, 2019.

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

Sincerely,



Gordon T. Alston
Director of Financial Reporting and Policy,
Internal Controls, and Travel

Enclosure

FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

The Department agrees. This will allow for consistent reporting of both federal and non-federal accounts receivable.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

The Department agrees. The clarification will allow for consistent reporting of both federal and non-federal accounts receivable.

Q3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

The Department agrees. Recording an allowance does not write off a receivable or negate the collection process.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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

Please provide your name.

Name: Joanne Gasparini, Acting Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration (SSA)

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

SSA Response: Overall, we agree that the Exposure Draft (ED) TB provides additional clarifying information regarding intragovernmental and non-Federal (public) receivables as it applies to SFFAS 1, *Accounting for Selected Assets and Liabilities*.

However, we believe that additional research and guidance may be required on intragovernmental receivables, as detailed below (and applicable to this and the following two questions).

As discussed at the April 2019 FASAB meeting, Treasury’s slide deck included a slide that stated per the fiscal year (FY) 2018 Government Accountability Office (GAO) independent auditor’s report, “If two Federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not be in agreement, resulting in errors in the consolidated financial statements.” As also stated in Treasury’s slide deck, “As it has for each of the past 22 fiscal years, the U.S. Government Accountability Office (GAO) issued a disclaimer of opinion on the FY 2017 Financial Report of the U.S. Government. In its report, GAO cited the government’s

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

difficultly to ‘adequately account for and reconcile intragovernmental activity and balances between Federal entities’ as a material weakness and a major impediment to expressing an opinion.”

The Treasury Financial Manual and Office of Management and Budget (OMB) Circular A-136 took steps to alleviate this government-wide problem by disallowing an allowance for doubtful/uncollectible accounts on intragovernmental receivables. The action taken by Treasury and OMB appears to be generally accepted accounting principle compliant, prior to the issuance of this ED TB, as current FASAB Standards did not appear to separately address intragovernmental receivables that roll-up to a consolidated entity other than to state in SFFAS 7 (paragraph 131), “For intragovernmental transactions, allowances for bad debts may not always be needed, because full payment can often be assumed.” The Financial Accounting Standards Board in Accounting Research Bulletin 51, *Consolidated Financial Statements*, as amended, does state, “Consolidated statements assume that they represent the financial position and operating results of a single business enterprise.”

There also appears to be a disconnect between GAO’s findings and the FASAB desired reporting of intragovernmental receivables. How can this problem be resolved, as some believe an allowance for doubtful/uncollectible accounts should not be utilized as the intragovernmental receivables and intragovernmental payables should be eliminated as rolled-up to a consolidated single entity and because the intragovernmental receivables are considered fully collectible? Perhaps a conversation with GAO, other auditors, and preparers could result in alternatives to recording an allowance for doubtful/uncollectible accounts, such as a note disclosure on any “potential” differences or reason for recording an allowance for doubtful/uncollectible accounts, so that the intragovernmental receivable/payable problem noted on the consolidated financial statements in the Financial Report of the U.S. Government would be resolved (similar to the discussions held for removing Land off the Balance Sheet).

Given the guidance of other standard setting bodies, and normal consolidated entity practices, it could easily be assumed that the standard should be that consolidated statements represent the financial position and operating results of a single business enterprise and are deemed fully collectible (no allowance for intragovernmental receivables utilized). We believe further research on this matter would be optimal with a hopeful result of solving the consolidated entry unbalanced intragovernmental receivables/payables issue while also abiding by the full disclosure principle.

- Q2.** The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

SSA Response: See response to Q1 above. The guidance in the ED TB would clarify that recognition of losses provided in paragraphs 41-51 apply to both intragovernmental receivables and receivables from non-Federal entities. As indicated in our Q1 response, we believe further research may be warranted, especially on allowance for

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

doubtful/uncollectible accounts on intragovernmental receivables reporting up to a consolidated entity where collectability can be assumed.

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

SSA Response: If the receivables are legally required to be collected, and they are historically collected in full, then an agency is not precluded from setting the allowance for loss at zero. However, we understand for the consolidated statements if an allowance is booked, the intragovernmental receivables/payables would not net to zero (as it should), so additional analysis may be required to solve the problem at a consolidated entity basis.



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

COMPTROLLER

Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

SEP 30 2019

Dear Ms. Valentine:

The Department of Defense (DoD) is pleased to submit the attached comments on the Federal Accounting Standards Advisory Board Technical Bulletin (TB) 2019-1 of the proposed Exposure Draft "Loss Allowance for Intragovernmental Receivables." The DoD agrees with the proposed TB but we offer a few suggestions. Detailed responses to FASAB's questions and additional comments are provided in the enclosure.

Thank you for considering the DoD's input.

Sincerely,

A handwritten signature in black ink, appearing to read "D. A. Glenn".

Douglas A. Glenn
Assistant Deputy Chief Financial Officer

Enclosure:
As stated



Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
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Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Douglas A. Glenn, Assistant Deputy Chief Financial Officer,
Office of the Under Secretary of Defense (Comptroller)

Please identify your organization, if applicable.

Organization: Department of Defense

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

DoD's Response:

Agree. This TB will clarify the Board's intent that paragraph 42 of SFFAS 1: *Accounting for Selected Assets and Liabilities*, which requires entities to report receivables from federal entities (intragovernmental), separately from receivables for nonfederal entities, does not mean that the other paragraphs in SFFAS 1 only apply to receivables from nonfederal entities.

- Q2.** The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

DoD's Response: Agree. The language in paragraphs 10, 11, and 12 of the proposed TB clearly state that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Note that although we agree that the proposed TB clarifies that paragraphs 41 -51 applies to both intragovernmental receivables and receivables from nonfederal entities, in light of paragraph 15 of the proposed TB and the language in paragraph 131 of SFFAS 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, we believe it would be helpful for this TB to include an example of a situation when a loss for an intragovernmental receivable should be recognized, as well as some additional guidance providing some indicators to be aware of that would provide evidence that a loss allowance for an intragovernmental receivable should be considered.

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

DoD's Response:

Agree. The language in paragraph 16 of the proposed TB clearly states that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Comments on Other Aspects of the Proposed Technical Bulletin

Paragraph 2 of the proposed TB states:

"This guidance applies to all reporting entities that present general purpose federal financial reports (GPFGRs), including the consolidated financial report of the U.S. Government (CFR)"

The focus of this proposed TB is to clarify and emphasize that an aspect of SFFAS 1 is applicable to intragovernmental receivables. Specifically, whether an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of intragovernmental receivables to its net realizable value. Since intragovernmental receivables and intragovernmental payables, and related allowances for estimated uncollectible amounts, should be eliminated in the consolidated financial report of the U.S. Government, it seems that the proposed TB is not applicable to the consolidated financial report of the U.S. Government.



September 30, 2019

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW – Suite 1155
Washington, DC 20548

Dear Ms. Valentine:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Technical Bulletin, *Loss Allowance for Intragovernmental Receivables*.

The GWSCPA consists of approximately 3,200 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views.

Our responses to the ED questions are included below.

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

A1. The FISC agrees with this clarification for the reasons stated in the ED.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

A2. The FISC agrees with this clarification for the reasons stated in the ED.

Ms. Valentine, Federal Accounting Standards Advisory Board
September 30, 2019

Q3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

A3. The FISC agrees with this clarification for the reasons stated in the ED.

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

Very truly yours,



Sherif R. Ettfa
FISC Chair

October 1, 2019

Ms. Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Valentine:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its Exposure Draft of Loss Allowance for Intragovernmental Receivables, Technical Bulletin 2019-1 and is respectfully providing feedback on the FASAB's views.

The FMSB is comprised of 20 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA. The local AGA chapters and individual members are also encouraged to comment separately. For full disclosure and transparency, current members of the FMSB do not work with or provide consulting services with classified organizations within the Federal Government.

We appreciate the FASAB's continued effort in setting and providing clarification of the standards relating to the Federal Government. We have reviewed the Exposure Draft and have provided our responses below based on the questions in the Exposure Draft. Following the questions, we have also summarized concerns identified by members of our group that we believe the FASAB should consider.

Q1

Do you agree or disagree with the guidance? Please provide the rationale for your answer.

We agree with the FASAB's conclusion that the standards do not apply only to receivables from nonfederal entities.

Q2

Do you agree or disagree with the guidance? Please provide the rationale for your answer.

We agree that, for consistency purposes the recognition of losses should apply to both intragovernmental receivables and receivables from nonfederal entities. We would recommend the technical bulletin refer to the receivable section, since the section covers paragraph 40-52.

Q3

Do you agree or disagree with the guidance? Please provide the rationale for your answer.

We agree that an allowance should not release an entity from trying to collect the receivable, nor release the other government entity from its obligation.

As noted above we agreed with the FASAB's position in the exposure draft but do not believe the guidance offers any new insights regarding receivables. This is especially true since SSFAS 1 is very clear and does not create room for misinterpretations regarding the recording of allowances on receivables. We understand the complexity and significance regarding intragovernmental receivables and payables between federal entities and the issues the Federal government faces when there are differences, which prevent proper elimination during the preparation of the consolidated financial statements of the U.S. Government. The differences between the Federal agencies, arises from either improper or inconsistent application of accounting standards, as well as lack of communication between agencies. We believe that guidance should come from U.S. Treasury regarding who has priority in setting the receivable/payable, we would recommend the seller unless the buyer has a stronger case. U.S. Treasury could also specify mechanisms for collection of receivables that are required by statute or law, for example the Intra-governmental Payment and Collection (IPAC) system. U.S. Treasury should also include guidance on communication between Federal agencies, budgeting of payments, etc. Further, we believe the US Treasury and other federal agencies should be cautious about issuing guidance that appears to directly conflict with FASAB standards.

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

Sincerely,

A handwritten signature in cursive script that reads "Lealan Miller".

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

cc: Ernest A. Almonte, CGFM, CPA, AGA National President

Lealan Miller, Chair
David A. Arvin
Jo Bachman
Orinda Basha
Eric S. Berman
Gerry Boaz
Jean F. Dalton
James Davis
Scott DeViney
Richard Fontenrose
Simcha Kuritzky
Mickey Moreno
Brian Mosier
Craig M. Murray, Vice Chair
Roger Von Elm
Sharron Walker
Kawoanna Wiggins
Brittney Williams
Ann M. Ebberts, Chief Executive Officer, (Ex-Officio Member) AGA
Mark Reger, (Staff Liaison) AGA

FASAB Exposure Draft: *Loss Allowance for Intragovernmental Receivables*

Questions for Respondents due September 19, 2019

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input checked="" type="checkbox"/>	If other, please specify: <input type="text" value="Department of Housing and Urban Development"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to 202-512-7366.

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

HUD generally agrees with the proposal to provide the absence of explicit guidance in SFFAS 1 does not mean the standard only apply to receivables from nonfederal entities. HUD’s OCFO believes that the distinction in SFFAS 1 does not imply that the accounts receivable standards in other areas should be applied differently to intragovernmental receivables and receivables from nonfederal entities. In the absence of such clarification, it is improper to infer the standard only applies to non-federal receivables.

FASAB Exposure Draft: *Loss Allowance for Intragovernmental Receivables***Questions for Respondents due September 19, 2019**

Differing is HUD OCFO's Funds Control expressed some disagreement believing it is necessary to keep both separate in order to properly see how the government dollars are received and reported on the financial statement.

- Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

HUD generally agrees that proposal to provide clarification that recognition of losses provided in paragraphs 4-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. Even if intragovernmental receivables represent payments that are required by statute, we believe that this statutory requirement does not, eliminate the need to report an allowance for financial statement presentation. In the absence of such clarification, it is improper to infer the standard only applies to non-federal allowances for accounts receivable.

HUD OCFO's Funds Control expressed a difference in opinion stating that allowance for loss can be recorded monthly or quarterly and should be handled based on the terms of the receivable and stating non-intergovernmental may be unsuspected and suspected and may or may not accrue or defer; hence, stating why should it be treated separately from obligated funds.

- Q3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

HUD agrees with the Board's proposal to clarify that an allowance recognized in an entity's financial statement does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. Simply recognizing an allowance, whether for Intragovernmental or non-federal accounts receivable, does not equate to absolving the debtor from payment.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Agree – The accounting framework requires that receivable balances are recognized at net realizable value when it is more likely than not that the balance will not be totally collected. The framework then describes the process in which losses are estimated and the frequency of the evaluation. The process provides flexibility and is appropriate for Federal and non-Federal receivables.

While several factors exist that make uncollectible losses less likely on Federal receivables, situations may arise in which it is necessary and appropriate to recognize uncollectible losses on Federal receivables. The current framework provides the flexibility to address unusual and unforeseen events without requiring the need to define those events in advance. If the accounting framework were to specifically exclude Federal receivables from collectability analysis, it would create a gap in the framework, meaning that no guidance would exist to address Federal collectability issues if the need arose. Excluding Federal receivables from collectability losses is based on an unproven assumption, and the current standard is comprehensive with the appropriate amount of flexibility.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

- Q2.** The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Agree – See rationale in answer to Q1 above.

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Agree – The allowance is a financial reporting concept to recognize estimated net realizable value at a point in time. It is subject to prospective upwards or downwards revision. Actual amounts collected may differ from the estimated amount. The allowance is a mechanism for management to acknowledge that facts exist which indicate the entire balance may not be collected.

Recognition of an allowance does not alter or weaken an entity's legal claim for the entire balance. The legal claim can only be relieved through legal or regulatory action. As required by statutes, the creditor agency should pursue all means available to collect outstanding funds. These collection actions are independent of allowance recognition, and the statutes provide a clear roadmap of collection options. A similar statutory requirement exists for the debtor agency once any underlying issues are resolved.

FW: #9 FW: US DOL/OCFO/DFR Comments on FASAB Exposure Draft, Proposed Technical Bulletin 19-1, "Loss Allowance for Intragovernmental Receivables"

From: Simpson, Cynthia - OCFO [mailto:Simpson.Cynthia@dol.gov]

Sent: Tuesday, October 01, 2019 1:57 PM

To: FASAB

Cc: Batchelor, Melissa L; DiGiantommaso, Jennifer M. - OCFO; Wyes, Tesfaye T - OCFO; Maurer, Jennifer - OCFO; Sacchetti, Dylan M - OCFO; Polen, Chris P - OCFO; Simpson, Cynthia - OCFO

Subject: US DOL/OCFO/DFR Comments on FASAB Exposure Draft, Proposed Technical Bulletin 19-1, "Loss Allowance for Intragovernmental Receivables"

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), Division of Financial Reporting (DFR), on the exposure draft (ED) of Proposed Technical Bulletin 19-1, "Loss Allowance for Intragovernmental Receivables." Comments were requested by October 1, 2019. DOL/OCFO/DFR is a Federal entity preparer.

We appreciate the opportunity to provide comments. If there are any questions, please contact:

Cynthia Simpson, simpson.cynthia@dol.gov or
Jennifer DiGiantommaso, DiGiantommaso.Jen@dol.gov

Regards,

Cynthia D. Simpson
Accountant
U.S. Department of Labor
Office of the Chief Financial Officer
Division of Financial Reporting
(202) 794-0587 telework
simpson.cynthia@dol.gov

=====

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

DOL/OCFO/DFR Response to Q1: Disagree. Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 (I TFM 2-4700, July 2019 version) has specific guidance that designates the U.S. Department of Labor (DOL) as the authoritative source for the intragovernmental fiduciary transactions in these programs:

- Federal Employees' Compensation Act (FECA) workers' compensation program and
- Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-service members (UCX).

DOL/OCFO/DFR publishes on its website on a quarterly basis, the billing, collections, receivables, and revenues (among other things) for the Agencies' fiduciary transactions. The DOL/OCFO website is:

<https://www.dol.gov/agencies/ocfo/publications>

As the fiduciary Agency, the DOL's FECA program is separately audited for, among other things, its systems compliance as a service provider and schedules of receivables and benefits expenses. DOL should not record an allowance for doubtful accounts for these programs' intragovernmental receivables because Agencies are required to reconcile to and report in accordance with DOL's balances per I TFM 2-4700; the TFM has detailed guidance for eliminating the intragovernmental balances for these fiduciary transactions.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

DOL/OCFO/DFR Response to Q2: Disagree. Recognition of losses should not apply to intragovernmental receivables that result from fiduciary transactions.

Q3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

DOL/OCFO/DFR Response to Q3: Disagree. Refer to the responses for Q1 and Q2. No allowance should apply to DOL's fiduciary transactions.

Other Aspects of the Proposal

DOL/OCFO/DFR Response:

Your memorandum requesting comments stated, "... you are welcome to comment on any aspect of this proposal."

This comment is with regard to the proposed TB 2019-1 paragraph 19 effective date. We disagree with "effective upon issuance." This is unclear as to which reporting period the TB should be applied and how it should be applied. Because the Treasury has a policy memorandum currently in effect for FY 2019 reporting the effective date must be specific or this may cause confusion.

For example, FASAB issued two TBs where the timing of the issuance date and lack of specific effective date may have caused confusion:

- TB 2017-1: Intragovernmental Exchange Transactions dated November 1, 2017 and effective upon issuance and
- TB 2017-2: Technical Bulletin 2017-2: Assigning Assets to Component Reporting Entities dated November 1, 2017 and effective upon issuance.

Per TB 2000-1, paragraph 10

Page 5 - Technical Bulletin 2000-1; FASAB Handbook, Version 17 (06/18)

10. Each Technical Bulletin will specify an effective date and transition provisions for initial application. While the FASAB expects that most Technical Bulletins will be applied prospectively, Technical Bulletins may require retroactive application if appropriate in the circumstances.

The **default** effective dates for TBs 2017-1 and 2017-2 were prospective and no transition provisions were made for initial application. The effective date paragraphs for the 2017 TBs:

- did not prohibit retroactive application, so an Agency may choose to implement for FY 2017 reporting;
- did not require retroactive application, so an Agency may choose to implement for FY 2018 reporting based on the November 1, 2017 issuance dates; and
- were silent as to transition provisions for initial application.

If the proposed TB 2019-1 is issued during

- a component reporting entity's subsequent events reporting period, e.g., October 1 through November 19 (for the FY 2019 reporting period) or
 - the governmentwide reporting entity's subsequent events reporting period, e.g., November 16 through March 18 (for the FY 2018 reporting period due to partial lapse in appropriations)
- this may cause confusion and the reporting entity and their auditor may disagree about the reporting period(s) in which to apply the TB and how to apply it (e.g., retroactive, change in accounting principle, restatement of prior years' financial statements) because the proposed TB 2019-1's policy is the opposite of the Treasury policy described in their memorandum, I TFM 2-4700 Appendix 6 (July 2019 version), and OMB Circular A-136 page 27 (June 28, 2019 version). Furthermore, the Treasury will need time to
- adjust its systems for governmentwide reporting and
 - provide guidance to the component reporting entities.

Component reporting entities will need time to implement the TB in their financial systems and financial reporting.

We realize that the proposed TB 2019-1:

- does not intend to change GAAP, instead the clarifications are intended to make GAAP clearer and
- as Level B in the GAAP hierarchy would have precedence over Circular A-136 as level D in the GAAP hierarchy but the nature of the change (as the opposite of Treasury's policy) requires more specific guidance.

Therefore, paragraph 19 should be specific as to effective date and transition provisions. Paragraph 19 should state that

- the effective date is for reporting periods after September 30, 2020 (or later),
- there is no retroactive application, and
- earlier implementation is not permitted.



KPMG LLP
345 Park Avenue
New York, NY 10154

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Fax +1 212 758 9819
Internet www.us.kpmg.com

October 1, 2019

Ms. Monica Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

RE: Proposed Technical Bulletin 2019-1, *Loss Allowance for Intragovernmental Receivables*

Dear Ms. Valentine:

We appreciate the opportunity to respond to the proposed Technical Bulletin 2019-1, *Loss Allowance for Intragovernmental Receivables* (the exposure draft or ED). We support the efforts to clarify the existing standards regarding recognition of a loss allowance on intragovernmental receivables, and we agree with the conclusions as stated in paragraphs 1 through 14. However, we believe certain aspects of paragraphs 15 through 17 may undermine those conclusions. Therefore, we provide the following comments for consideration.

Paragraph 15

Paragraph 15 of the ED cites paragraph 131 from the Basis for Conclusions of SFFAS 7. We are concerned that the inclusion of that paragraph 131 elevates it beyond its intended purpose. Also, we note that the use of “therefore” in paragraph 16 indicates that it flows logically from paragraph 15; however, we do not see the connection between the two paragraphs.

We recommend striking paragraph 15 in its entirety.

Paragraph 16

Paragraph 16 of the ED states that “any guarantee or statutory obligation of payment should be considered”. We recommend FASAB clarify what is intended by the phrase “should be considered” or revise paragraph 16 as follows: (deleted text struck-through; added text underlined):

16. ~~Therefore, in arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. In determining the loss allowance, the reporting entity should apply the considerations in paragraphs 44 and 46 of SFFAS 1 notwithstanding any guarantee or statutory obligation of payment.~~ As explained, SFFAS 1 requires only accounts receivable, net of an allowance, to be reported on the financial statements. It does not require the write-off of a receivable. Further, recognizing an allowance on a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. For example, intragovernmental receivables may represent payments that are required by statute, but this statutory requirement does not, in itself, eliminate the need of reporting an allowance for financial statement presentation.



Paragraph 17

Paragraph 17 of the ED states:

“The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in departmental policy and *be consistent with government-wide policies* [emphasis added].”

We believe paragraph 17 introduces considerations that were not in SFFAS 1 and poses the risk of contradicting paragraphs 10 and 11 of the ED. As described in paragraph A4, the ED was requested by Treasury because of the concerns raised after its issuance of a government-wide policy memo that precluded agencies from reporting an allowance for losses of intergovernmental receivables. Paragraph 17 could be read by agencies that policies issued at the government-wide level are now incorporated as Level B GAAP.

We also believe there are instances when the factors considered by a department preparing stand-alone financial statements would not be consistent with the factors considered when preparing the government-wide financial statements. For example, a department may be concerned about whether the accounts receivable balance from another agency is collectible and, if so, an allowance may be appropriate in those circumstances. However, the concern in preparing the government-wide financial statements is whether the balances between departments eliminate in consolidation.

We recommend striking paragraph 17 and the related paragraph A12 in *Appendix A: Basis for Conclusions* in their entirety.

If you have questions about our response, please contact Ms. Amanda Nelson at 202-533-5560 or aenelson@kpmg.com.

Sincerely,

KPMG LLP

FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

HHS's Response:

HHS agrees that there is a need for explicit guidance for distinguishing between the accounting for intragovernmental receivables and receivables from nonfederal entities. As expressed in other federal guidance, such as the Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget* (Circular A-11), intragovernmental receivables and receivables from nonfederal entities should be explained based on their different characteristics. Circular A-11 Section 86, *Special Schedules*, defines Federal Assets, Receivables, Net as "Accounts receivable and interest receivable, net of uncollectible amounts. Report receivables from Federal agencies separately from receivables from non-Federal entities."

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

- Q2.** The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

HHS's Response:

HHS agrees that these paragraphs should apply for both intragovernmental receivables and receivables from nonfederal entities. However, we are aware of instances where intragovernmental receivables should be accounted for differently. HHS recommends clarification be added for these instances to help agencies with proper accounting.

In September 2017, the Department of Treasury (Treasury) issued policy memorandum, *Intragovernmental Receivables - No Allowance for Losses*, to resolve inconsistent application of SFFAS 1 in relation to accounting for losses on intragovernmental receivables between federal agencies. The memorandum provides examples associated with the Judgment Fund and the Contract Disputes Act payments which represented the largest number of intragovernmental differences in dispute. This memo states "In absence of an explicit FASAB standard for accounting treatment of intragovernmental receivables, the legal requirement for agencies to repay amounts that prohibit write-offs, and the fact that intragovernmental receivables exist within the same legal entity, the policy in the federal government is that no allowance for loss will be recognized in federal agencies' accounting records or financial statements for intragovernmental receivables."

HHS recommends that the language in paragraphs 41- 51 of SFFAS 1 should be updated to provide examples of when recognition of allowance for losses with the public and with the government can take place. In addition, HHS recommends the Board to consider the budgetary impact. For example, agency records anticipated collections from federal sources when a receivable is from another federal entity. The U.S. Standard General Ledger (USSGL) would need to include scenario for when the receiving entity records the allowance, how that would impact the payable agencies budgetary accounts.

The USSGL allowance accounts currently only have a nonfederal attribute. Therefore, an allowance for doubtful accounts cannot be recorded by federal entities when customers are federal entities. Treasury will need to change these USSGLs to accommodate an allowance for federal entities.

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019
Loss Allowance for Intragovernmental Receivables

HHS's Response:

HHS agrees that the proposed TB should clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

In April 2019 presentation, the Bureau of Fiscal Service referenced this issue for as an intragovernmental material weakness for the federal government for the past 22 fiscal years. This presentation referenced a Fiscal Year 2018 U.S. Government Accountability Office Independent Auditor's Report that states "if two federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not in agreement, resulting in errors in the consolidated financial statements."

The proposed TB should suggest that the Congress would have to legally appropriate money to cover the liability. HHS has judgment fund payments that have not been paid because it is unfunded.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

Neither Agree nor Disagree. We believe this question is less relevant than the practical question of whether there should be allowance recorded against intragovernmental receivables or not. And for this question, we believe the answer should be no, for the reasons provided in our response to Question No. 2 below.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

Agree that the proposed TB as written does clearly state that paragraphs 41-51 of SFFAS 1 are applicable to both intragovernmental receivables and receivables from nonfederal entities. However, that could be problematic from a practical standpoint. We are concerned that this TB will have an adverse impact on both the agency financial statements preparation and audit, as well as on FR of the US Government. For agencies, the combined effect of this TB would run contrary to OMB's overall reporting burden reduction initiative, and it would also introduce potential audit issues due to the

FASAB Exposure Draft: Questions for Respondents due October 1, 2019***Loss Allowance for Intragovernmental Receivables***

ambiguity as to when it would be appropriate for agencies to recognize allowance against intragovernmental receivables. For governmentwide FR (i.e., Fiscal Service perspective), by allowing recognition of bad debt expense for one trading partner without providing specific guidelines on recognition of the reciprocating revenue/gain by the other trading partner, this TB could further complicate the unresolved intragovernmental eliminations issue. In other words, this could be another example of a typical gap between an academic/theoretic FASAB standards vs. the Fiscal Service's and agencies' need to apply practical and specific accounting guidelines, in order to resolve the governmentwide elimination issue in preparing FR. Such situation would potentially create costly audit issues at multiple levels...

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

Disagree. DHS doesn't believe such clarification is necessary as we don't believe any agency would be confused about their statutory authority to collect, regardless of their recognition of allowance even against non-federal entities. Therefore, this TB may not be necessary either.

FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
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Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
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Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

Neither Agree nor Disagree. We believe this question is less relevant than the practical question of whether there should be allowance recorded against intragovernmental receivables or not. And for this question, we believe the answer should be no, for the reasons provided in our response to Question No. 2 below.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

Agree that the proposed TB as written does clearly state that paragraphs 41-51 of SFFAS 1 are applicable to both intragovernmental receivables and receivables from nonfederal entities. However, that could be problematic from a practical standpoint. We are concerned that this TB will have an adverse impact on both the agency financial statements preparation and audit, as well as on FR of the US Government. For agencies, the combined effect of this TB would run contrary to OMB's overall reporting burden reduction initiative, and it would also introduce potential audit issues due to the

FASAB Exposure Draft: Questions for Respondents due October 1, 2019***Loss Allowance for Intragovernmental Receivables***

ambiguity as to when it would be appropriate for agencies to recognize allowance against intragovernmental receivables. For governmentwide FR (i.e., Fiscal Service perspective), by allowing recognition of bad debt expense for one trading partner without providing specific guidelines on recognition of the reciprocating revenue/gain by the other trading partner, this TB could further complicate the unresolved intragovernmental eliminations issue. In other words, this could be another example of a typical gap between an academic/theoretic FASAB standards vs. the Fiscal Service's and agencies' need to apply practical and specific accounting guidelines, in order to resolve the governmentwide elimination issue in preparing FR. Such situation would potentially create costly audit issues at multiple levels...

- Q3.** The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

Do you agree or disagree? Please provide the rationale for your answer.

Disagree. DHS doesn't believe such clarification is necessary as we don't believe any agency would be confused about their statutory authority to collect, regardless of their recognition of allowance even against non-federal entities. Therefore, this TB may not be necessary either.



Department of Energy

Washington, DC 20585

October 7, 2019

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FROM Karin Dasuki
 Director, Office of Finance and Accounting
 Department of Energy, Office of the Chief Financial Officer

[Handwritten Signature]
 Thomas Griffin
 Director, Office of Financial Policy and Audit Resolution
 Department of Energy, Office of the Chief Financial Officer

SUBJECT Federal Accounting Standards Advisory Board Exposure Draft:
Technical Release 2019-1, Loss Allowance for Intragovernmental Receivables.

Digitally signed by Karin Dasuki
 Date: 2019.10.08 16:21:01
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The Department of Energy (DOE) appreciates the opportunity to respond to questions in the Federal Accounting Standards Advisory Board's Exposure Draft: *Technical Release 2019-1, Loss Allowance for Intragovernmental Receivables*. The Department agrees the Board should further explain and emphasize that non-Federal and intragovernmental receivables should follow SFFAS 1. Additionally, the Department agrees with the emphasis given to explaining that an allowance account is not a "write-off" of a receivable.

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, does not mean the standards only apply to receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.

Agree. SFFAS 1 should govern both intragovernmental receivables and receivables from nonfederal entities. The reemphasizing of this point is important because agencies may interpret the standard differently.

Q2. The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. Do you agree or disagree? Please provide the rationale for your answer.

Agree. The Department agrees with this clarification

Q3. The proposed TB would clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable

or legal obligation of the other intragovernmental entity to pay. Do you agree or disagree? Please provide the rationale for your answer.

Agree. The Department agrees that the establishment of an allowance does not alter the underlying rules governing interagency payments and collections. The bulletin should acknowledge, however, that an uncollectable debt should be cancelled, and agencies have appropriate discretion for determining when a debt is not collectable.

Questions concerning this response may be referred to John Wall, Financial Policy Division, at John.Wall@hq.doe.gov or (202) 586-5728.



Federal Accounting Standards Advisory Board

LOSS ALLOWANCE FOR INTRAGOVERNMENTAL RECEIVABLES

Technical Bulletin 2019-1



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November XX, 2019

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THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

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SUMMARY

This Technical Bulletin (TB) clarifies existing standards regarding accounts receivable and related recognition standards and reporting. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, establishes the definition, recognition, measurement, and disclosure requirements for accounts receivable. SFFAS 1 provides for two types of receivables: receivables from federal entities, or intragovernmental receivables, and receivables from nonfederal entities. It requires separate reporting of the two types of receivables.

This TB clarifies SFFAS 1 by establishing that even though SFFAS identifies the two types of receivables, the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities does not mean the standards only apply to receivables from nonfederal entities. This TB also clarifies that recognition of losses, provided in paragraphs 41-51 of SFFAS 1; apply to both intragovernmental receivables and receivables from nonfederal entities.

The TB also clarifies SFFAS 1 by explaining the allowance approach is not a “write-off” of a receivable. Rather, it is a method for reporting an amount that the entity believes is realizable by requiring only accounts receivable, net of an allowance, to be reported on the financial statements. An allowance recognized in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or the legal obligation of the other intragovernmental entity to pay.

This TB facilitates consistent reporting of accounts receivable in accordance with generally accepted accounting principles.

Materiality

The provisions of this TB need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

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TECHNICAL GUIDANCE

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SCOPE

1. **What reporting entities are affected by this Technical Bulletin (TB)?**
2. This guidance applies to all reporting entities that present general purpose federal financial reports (GPFRRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP) as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
3. **What accounting practices are addressed in this TB?**
4. This TB clarifies standards regarding accounts receivable and related recognition standards and reporting.
5. **Does the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in the accounts receivable standards in SFFAS 1, *Accounting for Selected Assets and Liabilities*, mean the standards only apply to receivables from nonfederal entities?**
6. No, the absence of explicit guidance distinguishing between (or not specifically referring to both) the accounting for intragovernmental receivables and receivables from nonfederal entities in the accounts receivable standards does not mean that the standards only apply to receivables from nonfederal entities.
7. Paragraph 40 of SFFAS 1 states, “The accounting standard for accounts receivable is set forth below.” The standards provided in SFFAS 1 continue to refer to “accounts receivable” as such.
8. SFFAS 1 acknowledges that there are two types of receivables and provides for separate reporting in paragraph 42 as follows: “**Separate reporting**. Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities.” Similarly, SFFAS 1 distinguishes between entity and non-entity receivables.
9. However, in making this distinction in paragraph 42, SFFAS 1 does not imply that the accounts receivable standards will distinguish between intragovernmental receivables and receivables from nonfederal entities for other areas, such as recognition of loss allowances or disclosures. Instead, SFFAS 1 consistently refers to “receivables” or “accounts receivable” when discussing both types of receivable, just as it addresses recognition of receivables prior to identifying the two types of receivables for separate reporting in paragraph 42. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) made the distinction only when discussing the separate reporting. Therefore, other than

where indicated, references to “receivables” and “accounts receivable” incorporates both intragovernmental receivables and receivables from nonfederal entities.

10. Does the guidance regarding recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities?

11. Yes, guidance regarding recognition of losses provided in paragraphs 41-51 of SFFAS 1 applies to both intragovernmental receivables and receivables from nonfederal entities. As discussed in the previous question, the absence of explicit guidance distinguishing between the accounting for intragovernmental receivables and receivables from nonfederal entities in the accounts receivable standards of SFFAS 1 does not mean the standards only apply to receivables from nonfederal entities.

12. The accounts receivable standards in SFFAS 1 primarily refer to “receivables” and do not distinguish between specific types, with the exception of paragraph 42, which provides for separate reporting. SFFAS 1 details the recognition of receivables, the recognition of loss allowances, and disclosure by referring to “receivables” and not distinguishing between intragovernmental receivables and receivables from nonfederal entities. Paragraph 42 is the only paragraph that distinguishes between intragovernmental receivables and receivables from nonfederal entities by providing for the separate reporting of them.

13. Is there additional guidance regarding recognition of losses for intragovernmental receivables that should be considered, especially when a statute or law requires that the receivable be reimbursed?

14. Where appropriate, the allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value (i.e., allowance approach). It is important to consider that the standard is to assess whether amounts recognized are realizable and that the allowance approach does not necessarily result in a “write-off” of a receivable. Instead, it is an adjustment needed to estimate the receivable to its net realizable value for reporting purposes.

15. Paragraph 131 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, [the Board](#) acknowledges [in the Basis for Conclusions](#) that an allowance for intragovernmental receivables may be appropriate, but may not always be needed:

The allowance for bad debts should be based on an analysis of both individual accounts and groups of accounts, as appropriate under the circumstances. This principle is explained in the standard for accounts receivable. For intragovernmental transactions, allowances for bad debts may not always be needed, because full payment can often be assumed.

16. In arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. [The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in the reporting entity’s departmental policy.](#)

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17. As explained, SFFAS 1 requires only accounts receivable, net of an allowance, to be reported on the financial statements. It does not require the write-off of a receivable. Further, recognizing an allowance on a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. For example, intragovernmental receivables may represent payments that are required by statute, but this statutory requirement does not, in itself, eliminate the need of reporting an allowance for financial statement presentation.

18. In addition, reporting entities are encouraged to include additional disclosures that would provide transparency about intragovernmental receivables.

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EFFECTIVE DATE

19. The requirements of this TB are effective upon issuance.

The provisions of this Technical Bulletin need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) has authorized its staff to prepare Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board’s rules of procedure, as amended and restated through October 2010, and the procedures described in FASAB Technical Bulletin 2000-1, “Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.” The provisions of Technical Bulletins need not be applied to immaterial items.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this Technical Bulletin. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the technical guidance section—not the material in this appendix—should govern the accounting for specific transactions, events or conditions.

This guidance may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this guidance. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

Department of the Treasury Request

- A1. The Department of the Treasury (Treasury) raised a concern regarding the recognition of losses against intragovernmental receivables (for example, receivables stemming from transactions among federal entities). Treasury does not believe it is appropriate for a reporting entity to recognize a loss allowance for intragovernmental receivables, particularly in cases where the balances are required by statute to be repaid.
- A2. Treasury provided the example that it makes judgment claim payments on behalf of many federal reporting entities. Although reporting entities are required, in many cases by statute, to reimburse Treasury for some payments, many of these reimbursements are not made in a timely manner—raising questions about collectability.
- A3. SFFAS 1 indicates that losses should be recognized when it is more likely than not that some or all of the balance will not be collected. Treasury requested FASAB to review SFFAS 1 and provide clarifying guidance, noting the language in SFFAS 1 is vague. Specifically, Treasury believes SFFAS 1, paragraph 44 is not clear as to its application to intragovernmental receivables, implying that there could be a delineation in the application of allowance for doubtful accounts intragovernmental receivables from nonfederal entities.
- A4. Specifically, Treasury interpreted the absence of explicit guidance to mean FASAB has no specific view on intragovernmental receivables, or did not intend to include it in the guidance for recognition of losses. Treasury further interpreted the absence of explicit guidance to mean that the accounting for and reporting of losses on intragovernmental

receivables should be predicated on the inherent nature of those receivables—occurring between and among components of a single, legal entity and, in some cases, subject to statutory requirements. Consequently, Treasury issued a policy memo and the Bureau of the Fiscal Service made system changes to preclude agencies from reporting an allowance for losses of intragovernmental receivables. The policy memo and the system changes would ensure consistent treatment government-wide.

- A5. However, concerns were raised by some auditors that the Treasury proposed policy (and system change) was inconsistent with GAAP. Therefore, certain agencies, based on concerns raised by auditors, could not conclude that there was adequate justification to change the accounting policy as suggested by Treasury.
- A6. As a result, Treasury requested FASAB to review this issue. At a minimum, Treasury believes that the intent of SFFAS 1 with respect to the accounting for and reporting of losses on intragovernmental receivables is unclear and seeks clarification. The Board agrees that guidance will resolve any uncertainty regarding SFFAS 1.

CURRENT STANDARDS

- A7. SFFAS 1 provides the accounting standards for accounts receivable and related recognition and reporting standards in paragraphs 40-52 as follows:

Accounts Receivable

40. Accounts receivable arise from claims to cash or other assets. The accounting standard for accounts receivable is set forth below.

41. **Recognition of receivables.** A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, (e.g., taxes not received by the date they are due), or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made. [See SFFAS 7, paragraph 53 for more.]

42. **Separate reporting.** Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities.

43. **Entity vs. Non-entity receivables.** Receivables should be distinguished between entity receivables and non-entity receivables. **Entity receivables** are amounts that a federal entity claims for payment from other federal or nonfederal entities and that the federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection. **Non-entity receivables** are amounts that the entity collects on behalf of the U.S. government or other entities, and the entity is not authorized to spend. Receivables not available to an entity are non-entity assets and should be reported separately from receivables available to the entity.

44. **Recognition of losses due to uncollectible amounts.** Losses on receivables should be recognized when it is more likely than not that the

receivables will not be totally collected. The phrase *more likely than not* means more than a 50 percent chance of loss occurrence.

45. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct.

46. **Measurement of losses.** Losses due to uncollectible amounts should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

47. **Individual account analysis.** Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools.

48. The allowance for losses generally cannot be based solely on the results of individual account analysis. In many cases, information may not be available to make a reliable assessment of losses on an individual account basis or the nature of the receivables may not lend itself to individual account analysis. In these cases, potential losses should be assessed on a group basis.

49. **Group analysis.** To determine the loss allowance on a group basis, receivables should be separated into groups of homogeneous accounts with similar risk characteristics.

50. The groups should reflect the operating environment. For example, accounts receivable can be grouped by: (a) debtor category (business firms, state and local governments, and individuals), (b) reasons that gave rise to the receivables (tax delinquencies, erroneous benefit payments, trade accounts based on goods and services sold, and transfers of defaulted loans to accounts receivable), or (c) geographic regions (foreign countries, and domestic regions). Within a group, receivables are further stratified by risk characteristics. Examples of risk factors are economic stability, payment history, alternative repayment sources, and aging of the receivables.

51. Statistical estimation by modeling or sampling is one appropriate method for estimating losses on groups of receivables. Statistical estimation should take into consideration factors that are essential for estimating the level of losses, including historical loss experience, recent economic events, current and forecast economic conditions, and inherent risks.

52. **Disclosure.** Agencies should disclose the major categories of receivables by amount and type, the methodology used to estimate the allowance for uncollectible amounts, and the total allowance.

- A8. The previous Board was consistent in the accounts receivable standards language in SFFAS 1. SFFAS 1 consistently refers to “receivables” or “accounts receivable” because the asset standard being discussed is Accounts Receivable. Therefore, these terms are used when discussing recognition of receivables, recognition of loss allowances, and disclosures.
- A9. The only time the distinction is made between intragovernmental receivables and receivables from nonfederal entities is in paragraph 42 of SFFAS 1, which is specific to the separate reporting of receivables. Therefore, there is no indication that a distinction would be made in other circumstances.

OTHER FACTORS CONSIDERED

- A10. While FASAB staff understand Treasury’s position, staff does not believe this position justifies recommending that the Board revise current standards. Current standards require the allowance approach and that is not a “write-off” of a receivable. Instead, it is an adjustment needed to estimate the amount that is realizable. The factors and criteria that are considered regarding intragovernmental receivables and recognition of loss allowances may be complex.
- A11. An allowance in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. For example, intragovernmental receivables may represent payments that are required by statute. However, the statutory requirement for payment of intragovernmental receivables does not, in itself, eliminate the need for an accounts receivable allowance for financial statement presentation.
- A12. Therefore, it is important that a reporting entity policy regarding allowances and criteria for assessing collectability be documented. Reporting entities should consult with appropriate government-wide offices to ensure proper monitoring, follow-up and other practices are followed to the fullest extent practicable and comply with government-wide efforts to ensure timely payment of intragovernmental receivables.
- A13. Staff also notes that reporting entities are encouraged to include additional disclosures that would provide transparency about intragovernmental receivables, as appropriate. For example, in an effort to demonstrate accountability, reporting entities may choose to disclose information about their efforts to collect, secure funding to settle legally enforceable claims, and resolve disputes, if applicable. Reporting entities may also disclose material receivable amounts by reporting entity, an aging of receivables, and a narrative explanation regarding the allowances, if appropriate, including the reason for the allowances (for example disputed amounts or stated intent to not pay).

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SUMMARY OF OUTREACH EFFORTS AND RESPONSES

- A14. The exposure draft (ED), *Loss Allowance for Intragovernmental Receivables* was issued August 30, 2019 with comments requested by October 1, 2019.

- A15. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, FASAB News, the Journal of Accountancy, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).
- A16. 14 comment letters were received from preparers, auditors, professional associations, and users of federal financial information. The Board considered responses to the exposure draft at its October 2019 meeting. Staff did not rely on the number in favor of or opposed to a given position. Staff considered each response and weighed the merits of the points raised. The respondents' comments are summarized below.
- A17. The majority of respondents generally agreed with the proposed guidance. Specifically, the majority of respondents believed the TB clarified guidance covered in existing Statements. The majority of respondents generally agreed that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, does not mean the standards only apply to receivables from nonfederal entities.
- A18. The majority of respondents also generally agreed that the TB clarifies that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. In addition, it clarifies that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.
- A19. Certain respondents, though some noting agreement with the guidance, expressed concern for the unresolved intragovernmental eliminations issue. There is much complexity regarding intragovernmental receivables and payables between federal entities. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. Specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. The TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.
- A20. Two respondents that noted agreement with the proposals suggested the guidance should provide examples of when a loss for an intragovernmental receivable should be recognized. Similarly, one respondent that disagreed stated that they did not believe a loss allowance should apply to a particular type of transaction. Developing and documenting criteria for evaluating collectability of intragovernmental receivables is more appropriate by management in departmental policy or guidance. In addition, there is an element of judgment regarding collectability of receivables and this cannot be prescribed or included in specific examples. The guidance in the TB does not mandate an

allowance for doubtful accounts for any particular account be recorded; it requires that an assessment be made.

BOARD REVIEW

A21. The Board has reviewed this Technical Bulletin, and a [TBD] majority of members do not object to its issuance.

APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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Federal Accounting Standards Advisory Board

LOSS ALLOWANCE FOR
INTRAGOVERNMENTAL
RECEIVABLES

Technical Bulletin 2019-1

November XX, 2019

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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SUMMARY

This Technical Bulletin (TB) clarifies existing standards regarding accounts receivable and related recognition standards and reporting. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, establishes the definition, recognition, measurement, and disclosure requirements for accounts receivable. SFFAS 1 provides for two types of receivables: receivables from federal entities, or intragovernmental receivables, and receivables from nonfederal entities. It requires separate reporting of the two types of receivables.

This TB clarifies SFFAS 1 by establishing that even though SFFAS identifies the two types of receivables, the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities does not mean the standards only apply to receivables from nonfederal entities. This TB also clarifies that recognition of losses, provided in paragraphs 41-51 of SFFAS 1; apply to both intragovernmental receivables and receivables from nonfederal entities.

The TB also clarifies SFFAS 1 by explaining the allowance approach is not a “write-off” of a receivable. Rather, it is a method for reporting an amount that the entity believes is realizable by requiring only accounts receivable, net of an allowance, to be reported on the financial statements. An allowance recognized in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or the legal obligation of the other intragovernmental entity to pay.

This TB facilitates consistent reporting of accounts receivable in accordance with generally accepted accounting principles.

Materiality

The provisions of this TB need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

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TECHNICAL GUIDANCE

SCOPE

- 1. What reporting entities are affected by this Technical Bulletin (TB)?**
2. This guidance applies to all reporting entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP) as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
- 3. What accounting practices are addressed in this TB?**
4. This TB clarifies standards regarding accounts receivable and related recognition standards and reporting.
- 5. Does the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in the accounts receivable standards in SFFAS 1, *Accounting for Selected Assets and Liabilities*, mean the standards only apply to receivables from nonfederal entities?**
6. No, the absence of explicit guidance distinguishing between (or not specifically referring to both) the accounting for intragovernmental receivables and receivables from nonfederal entities in the accounts receivable standards does not mean that the standards only apply to receivables from nonfederal entities.
7. Paragraph 40 of SFFAS 1 states, “The accounting standard for accounts receivable is set forth below.” The standards provided in SFFAS 1 continue to refer to “accounts receivable” as such.
8. SFFAS 1 acknowledges that there are two types of receivables and provides for separate reporting in paragraph 42 as follows: “**Separate reporting**. Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities.” Similarly, SFFAS 1 distinguishes between entity and non-entity receivables.
9. However, in making this distinction in paragraph 42, SFFAS 1 does not imply that the accounts receivable standards will distinguish between intragovernmental receivables and receivables from nonfederal entities for other areas, such as recognition of loss allowances or disclosures. Instead, SFFAS 1 consistently refers to “receivables” or “accounts receivable” when discussing both types of receivable, just as it addresses recognition of receivables prior to identifying the two types of receivables for separate reporting in paragraph 42. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) made the distinction only when discussing the separate reporting. Therefore, other than

where indicated, references to “receivables” and “accounts receivable” incorporates both intragovernmental receivables and receivables from nonfederal entities.

10. Does the guidance regarding recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities?

11. Yes, guidance regarding recognition of losses provided in paragraphs 41-51 of SFFAS 1 applies to both intragovernmental receivables and receivables from nonfederal entities. As discussed in the previous question, the absence of explicit guidance distinguishing between the accounting for intragovernmental receivables and receivables from nonfederal entities in the accounts receivable standards of SFFAS 1 does not mean the standards only apply to receivables from nonfederal entities.

12. The accounts receivable standards in SFFAS 1 primarily refer to “receivables” and do not distinguish between specific types, with the exception of paragraph 42, which provides for separate reporting. SFFAS 1 details the recognition of receivables, the recognition of loss allowances, and disclosure by referring to “receivables” and not distinguishing between intragovernmental receivables and receivables from nonfederal entities. Paragraph 42 is the only paragraph that distinguishes between intragovernmental receivables and receivables from nonfederal entities by providing for the separate reporting of them.

13. Is there additional guidance regarding recognition of losses for intragovernmental receivables that should be considered, especially when a statute or law requires that the receivable be reimbursed?

14. Where appropriate, the allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value (i.e., allowance approach). It is important to consider that the standard is to assess whether amounts recognized are realizable and that the allowance approach does not necessarily result in a “write-off” of a receivable. Instead, it is an adjustment needed to estimate the receivable to its net realizable value for reporting purposes.

15. Paragraph 131 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the Board acknowledges in the Basis for Conclusions that an allowance for intragovernmental receivables may be appropriate, but may not always be needed:

The allowance for bad debts should be based on an analysis of both individual accounts and groups of accounts, as appropriate under the circumstances. This principle is explained in the standard for accounts receivable. For intragovernmental transactions, allowances for bad debts may not always be needed, because full payment can often be assumed.

16. In arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered. The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in the reporting entity’s departmental policy.

17. As explained, SFFAS 1 requires only accounts receivable, net of an allowance, to be reported on the financial statements. It does not require the write-off of a receivable. Further, recognizing an allowance on a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. For example, intragovernmental receivables may represent payments that are required by statute, but this statutory requirement does not, in itself, eliminate the need of reporting an allowance for financial statement presentation.
18. In addition, reporting entities are encouraged to include additional disclosures that would provide transparency about intragovernmental receivables.

EFFECTIVE DATE

19. The requirements of this TB are effective upon issuance.

The provisions of this Technical Bulletin need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) has authorized its staff to prepare Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board’s rules of procedure, as amended and restated through October 2010, and the procedures described in FASAB Technical Bulletin 2000-1, “Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.” The provisions of Technical Bulletins need not be applied to immaterial items.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this Technical Bulletin. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the technical guidance section—not the material in this appendix—should govern the accounting for specific transactions, events or conditions.

This guidance may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this guidance. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

Department of the Treasury Request

- A1. The Department of the Treasury (Treasury) raised a concern regarding the recognition of losses against intragovernmental receivables (for example, receivables stemming from transactions among federal entities). Treasury does not believe it is appropriate for a reporting entity to recognize a loss allowance for intragovernmental receivables, particularly in cases where the balances are required by statute to be repaid.
- A2. Treasury provided the example that it makes judgment claim payments on behalf of many federal reporting entities. Although reporting entities are required, in many cases by statute, to reimburse Treasury for some payments, many of these reimbursements are not made in a timely manner—raising questions about collectability.
- A3. SFFAS 1 indicates that losses should be recognized when it is more likely than not that some or all of the balance will not be collected. Treasury requested FASAB to review SFFAS 1 and provide clarifying guidance, noting the language in SFFAS 1 is vague. Specifically, Treasury believes SFFAS 1, paragraph 44 is not clear as to its application to intragovernmental receivables, implying that there could be a delineation in the application of allowance for doubtful accounts intragovernmental receivables from nonfederal entities.
- A4. Specifically, Treasury interpreted the absence of explicit guidance to mean FASAB has no specific view on intragovernmental receivables, or did not intend to include it in the guidance for recognition of losses. Treasury further interpreted the absence of explicit guidance to mean that the accounting for and reporting of losses on intragovernmental

receivables should be predicated on the inherent nature of those receivables—occurring between and among components of a single, legal entity and, in some cases, subject to statutory requirements. Consequently, Treasury issued a policy memo and the Bureau of the Fiscal Service made system changes to preclude agencies from reporting an allowance for losses of intragovernmental receivables. The policy memo and the system changes would ensure consistent treatment government-wide.

- A5. However, concerns were raised by some auditors that the Treasury proposed policy (and system change) was inconsistent with GAAP. Therefore, certain agencies, based on concerns raised by auditors, could not conclude that there was adequate justification to change the accounting policy as suggested by Treasury.
- A6. As a result, Treasury requested FASAB to review this issue. At a minimum, Treasury believes that the intent of SFFAS 1 with respect to the accounting for and reporting of losses on intragovernmental receivables is unclear and seeks clarification. The Board agrees that guidance will resolve any uncertainty regarding SFFAS 1.

CURRENT STANDARDS

- A7. SFFAS 1 provides the accounting standards for accounts receivable and related recognition and reporting standards in paragraphs 40-52 as follows:

Accounts Receivable

40. Accounts receivable arise from claims to cash or other assets. The accounting standard for accounts receivable is set forth below.

41. **Recognition of receivables.** A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, (e.g., taxes not received by the date they are due), or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made. [See SFFAS 7, paragraph 53 for more.]

42. **Separate reporting.** Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities.

43. **Entity vs. Non-entity receivables.** Receivables should be distinguished between entity receivables and non-entity receivables. **Entity receivables** are amounts that a federal entity claims for payment from other federal or nonfederal entities and that the federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection. **Non-entity receivables** are amounts that the entity collects on behalf of the U.S. government or other entities, and the entity is not authorized to spend. Receivables not available to an entity are non-entity assets and should be reported separately from receivables available to the entity.

44. **Recognition of losses due to uncollectible amounts.** Losses on receivables should be recognized when it is more likely than not that the

receivables will not be totally collected. The phrase *more likely than not* means more than a 50 percent chance of loss occurrence.

45. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct.

46. **Measurement of losses.** Losses due to uncollectible amounts should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

47. **Individual account analysis.** Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools.

48. The allowance for losses generally cannot be based solely on the results of individual account analysis. In many cases, information may not be available to make a reliable assessment of losses on an individual account basis or the nature of the receivables may not lend itself to individual account analysis. In these cases, potential losses should be assessed on a group basis.

49. **Group analysis.** To determine the loss allowance on a group basis, receivables should be separated into groups of homogeneous accounts with similar risk characteristics.

50. The groups should reflect the operating environment. For example, accounts receivable can be grouped by: (a) debtor category (business firms, state and local governments, and individuals), (b) reasons that gave rise to the receivables (tax delinquencies, erroneous benefit payments, trade accounts based on goods and services sold, and transfers of defaulted loans to accounts receivable), or (c) geographic regions (foreign countries, and domestic regions). Within a group, receivables are further stratified by risk characteristics. Examples of risk factors are economic stability, payment history, alternative repayment sources, and aging of the receivables.

51. Statistical estimation by modeling or sampling is one appropriate method for estimating losses on groups of receivables. Statistical estimation should take into consideration factors that are essential for estimating the level of losses, including historical loss experience, recent economic events, current and forecast economic conditions, and inherent risks.

52. **Disclosure.** Agencies should disclose the major categories of receivables by amount and type, the methodology used to estimate the allowance for uncollectible amounts, and the total allowance.

- A8. The previous Board was consistent in the accounts receivable standards language in SFFAS 1. SFFAS 1 consistently refers to “receivables” or “accounts receivable” because the asset standard being discussed is Accounts Receivable. Therefore, these terms are used when discussing recognition of receivables, recognition of loss allowances, and disclosures.
- A9. The only time the distinction is made between intragovernmental receivables and receivables from nonfederal entities is in paragraph 42 of SFFAS 1, which is specific to the separate reporting of receivables. Therefore, there is no indication that a distinction would be made in other circumstances.

OTHER FACTORS CONSIDERED

- A10. While FASAB staff understand Treasury’s position, staff does not believe this position justifies recommending that the Board revise current standards. Current standards require the allowance approach and that is not a “write-off” of a receivable. Instead, it is an adjustment needed to estimate the amount that is realizable. The factors and criteria that are considered regarding intragovernmental receivables and recognition of loss allowances may be complex.
- A11. An allowance in a reporting entity’s financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. For example, intragovernmental receivables may represent payments that are required by statute. However, the statutory requirement for payment of intragovernmental receivables does not, in itself, eliminate the need for an accounts receivable allowance for financial statement presentation.
- A12. Therefore, it is important that a reporting entity policy regarding allowances and criteria for assessing collectability be documented. Reporting entities should consult with appropriate government-wide offices to ensure proper monitoring, follow-up and other practices are followed to the fullest extent practicable and comply with government-wide efforts to ensure timely payment of intragovernmental receivables.
- A13. Staff also notes that reporting entities are encouraged to include additional disclosures that would provide transparency about intragovernmental receivables, as appropriate. For example, in an effort to demonstrate accountability, reporting entities may choose to disclose information about their efforts to collect, secure funding to settle legally enforceable claims, and resolve disputes, if applicable. Reporting entities may also disclose material receivable amounts by reporting entity, an aging of receivables, and a narrative explanation regarding the allowances, if appropriate, including the reason for the allowances (for example disputed amounts or stated intent to not pay).

SUMMARY OF OUTREACH EFFORTS AND RESPONSES

- A14. The exposure draft (ED), *Loss Allowance for Intragovernmental Receivables* was issued August 30, 2019 with comments requested by October 1, 2019.

- A15. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, *FASAB News*, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).
- A16. 14 comment letters were received from preparers, auditors, professional associations, and users of federal financial information. The Board considered responses to the exposure draft at its October 2019 meeting. Staff did not rely on the number in favor of or opposed to a given position. Staff considered each response and weighed the merits of the points raised. The respondents' comments are summarized below.
- A17. The majority of respondents generally agreed with the proposed guidance. Specifically, the majority of respondents believed the TB clarified guidance covered in existing Statements. The majority of respondents generally agreed that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.
- A18. The majority of respondents also generally agreed that the TB clarifies that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities. In addition, it clarifies that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.
- A19. Certain respondents, though some noting agreement with the guidance, expressed concern for the unresolved intragovernmental eliminations issue. There is much complexity regarding intragovernmental receivables and payables between federal entities. Further, the issues the Federal government faces when there are differences, leads to issues that prevent proper elimination during the preparation of the consolidated financial statements. Specific guidance regarding the elimination process and the related communications between Federal agencies regarding the receivable/payable process should come from other Federal agencies (Treasury and OMB) but not directly conflict FASAB standards. Treasury and OMB should ensure policy memorandums are consistent with all FASAB guidance. The TB encourages reporting entities to include additional disclosures that would provide transparency about intragovernmental receivables.
- A20. Two respondents that noted agreement with the proposals suggested the guidance should provide examples of when a loss for an intragovernmental receivable should be recognized. Similarly, one respondent that disagreed stated that they did not believe a loss allowance should apply to a particular type of transaction. Developing and documenting criteria for evaluating collectability of intragovernmental receivables is more appropriate by management in departmental policy or guidance. In addition, there is an element of judgment regarding collectability of receivables and this cannot be prescribed or included in specific examples. The guidance in the TB does not mandate an

allowance for doubtful accounts for any particular account be recorded; it requires that an assessment be made.

BOARD REVIEW

A21. The Board has reviewed this Technical Bulletin, and a [TBD] majority of members do not object to its issuance.

APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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