



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

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

Dear Ms. Valentine:

The Department of Defense (DoD or Department) greatly appreciates the opportunity to offer feedback on the Federal Accounting Standards Advisory Board (FASAB) Annual Report for Fiscal Year Ended September 30, 2023 and Three-Year Plan for Fiscal Years 2024-2026. Enclosed are our comments.

We recognize the importance of FASAB's mission to issue new and update the existing standards, and updated guidance may assist the Department in resolving some of its complex challenges with financial reporting. We look forward to continuing our working relationship with FASAB through active participation on the various task forces and working groups.

Thank you for considering the DoD's input.

Sincerely,

Kim R. Laurance  
Assistant Deputy Chief Financial Officer

Enclosure:  
As stated

Department of Defense (DoD or "the Department")

#	Technical Projects	Comments
1	Implementation Guidance for DoD	<p>The Department suggests the following topics for the Implementation Guidance for DoD project:</p> <ol style="list-style-type: none"> <li>1. Provide an alternative approach to establish an auditable opening balance for Fund Balance with Treasury (FBwT) account. Due to unsupportable prior year beginning balances, several DoD components are struggling to support their current year FBwT accounts because prior year balances roll-over to current year. In the case of revolving funds, an unsupported balance from many years prior could still be impacting current year reporting and auditability. In some cases (e.g., DLA National Defense Stockpile Transaction Fund), an unsupportable FBwT beginning balance is one of the last remaining audit obstacles for the reporting entity. Due to the lack of options for this component to support their opening balance, Congress included language in the 2024 NDAA regarding this component's FBwT beginning balance which auditors can rely on in lieu of supporting documentation. As several other DoD components have a similar issue, DoD requests that FASAB provides alternative methods for establishing FBwT beginning balances, such as a "deemed cost" type standard similar to SFFAS 48 and SFFAS 50.</li> <li>2. Allow for the purchase method of accounting for OM&amp;S without the requirement for the cost-benefit analysis when it's implemented. Purchase method of accounting is allowed under SFFAS 3, but only if an analysis is prepared to prove that the consumption method is not cost-beneficial. Several DoD components and IPAs agree that the purchase method of accounting is a viable accounting practice and have questioned the usefulness of the required cost-benefit analysis when this method is used. DoD requests that FASAB considers removing the cost-benefit analysis requirement which will provide DoD components the flexibility to apply the OM&amp;S accounting method most appropriate for their type of operations and usage of OM&amp;S.</li> <li>3. Support on DoD's intended approach for Medicare-Eligible Retiree Health Care Fund (MERHCF) reporting of custodial activity. Department of Treasury USSGL Issue Resolution Committee (IRC) has engaged FASAB staff to opine on DoD's proposed approach for MERHCF expense recognition process for healthcare costs. DoD has provided a white paper to FASAB to explain our position and the proposed accounting. DoD has received concurrence on our proposed approach from OMB and IRC, and a favorable reaction from our auditor, and receiving FASAB support on our proposed approach is the last step in resolving a long-standing audit issue for one of DoD's largest components in terms of asset value.</li> <li>4. FASAB's continued support for DoD's application of deemed cost for construction in progress (CIP) assets, which was challenged by one</li> </ol>
2	Leases	We recommend clarifying the objective of the leases project and summarizing the final conclusion, recommendations, and summary of changes for both D1, Leases Omnibus Amendments, and D2, Intragovernmental Leasehold Reimbursable Work Agreement in the FY23 Actions section on page 16 of the report.
#	Annual Report	Comments
1	Ongoing Educational & Outreach Activities	<p>The FASAB trainings are not certified by the National Association of State Boards of Accountancy (NASBA). The Department recommends FASAB offer NASBA certified trainings.</p> <p>Additionally, the Department recommends that FASAB offers more frequent/on-demand trainings and records the training sessions held so users can access the recorded trainings online and earn CPEs.</p>