



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1 100

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 the Fiscal Year Ended September 30, 2024, and the Three-Year Plan for Fiscal Years 2025-2027. Enclosed are our comments.

We recognize the importance of the FASAB mission to issue new and update 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 in the various task forces and working groups. Thank you for considering the DoD input.

Sincerely,

Kim R. Laurance
Assistant Deputy Chief Financial Officer

Enclosure:
As stated

Department of Defense Comments on the Federal Accounting Standards Advisory Board
Annual Report Fiscal Year Ended September 30, 2024 and Three-Year Plan Fiscal Years 2025-2027
Attachment

Department of Defense (DoD or "the Department")

#	Technical Projects	Comments
1	Public-Private Partnership (P3s)	<p>The Department suggests the following for the P3s project:</p> <p>The Board should consider the Financial Accounting Standards Board (FASB) standards regarding the recording of assets, liabilities, gains, and losses associated with joint ventures. While it is appropriate to disclose relationships and discuss risks in MD&A or other descriptive disclosures, the financial recognition of P3s in the basic financial statements should be based strictly on current legal agreements and commitments, avoiding any speculation about the intentions of Congress or potential future government actions that are not mandated. Investment balances should be recognized based on existing legal requirements, with considerations for impairment where applicable. The recognition of assets, where the return to the Government is highly unlikely due to the structural design of the legal venture and historical operational experience, is not appropriate. Similarly, recognizing liabilities or obligations based on anticipated future bailouts, which are not required by the venture agreements, is also unsupportable. FASB principles take these factors into account, and FASAB should consider aligning with these standards.</p> <p>We recognize that these requests deviate from the standard fundamental accounting practices for supply and assets. However, the cost and time required to fully account for these moderate to short-lived assets are undermining the credibility of the Government's financial functions. The benefit of achieving greater precision in the timing of cost recognition for assets that are consumed over a short to moderate period, particularly on the battlefield or in other operations, does not justify the associated costs.</p>
2	Intangible Assets	<p>1. The suggested definition for an intangible asset incorporates the condition that it must "have a useful life exceeding two years." It's important to highlight that the current guidelines classify similar Property, Plant, and Equipment (PP&E) assets as those with a useful life of two years or more. Adopting this proposed definition on page 19 would exclude assets that are currently categorized as analogous with a useful life of exactly two years. The potential consequences of this alteration should be carefully evaluated. If this is merely a wording mistake, the working definition should be corrected to prevent any misunderstanding.</p> <p>2. The Department recommends that the Board continue to work diligently on developing updates for software technology guidance. The DoD faces software reporting challenges that likely exist across other Federal agencies as well. The DoD remains committed to supporting and collaborating on this project.</p>
3	Technical Clarifications and Omnibus Amendments	<p>DoD has been diligently working towards achieving auditability. The Board has provided valuable guidance, especially in easing the research required to establish historical asset values when detailed records are unavailable. However, constructing values to meet cost-based standards moving forward continues to be highly challenging, particularly for assets such as supply, ordnance, and smaller equipment. To expedite the achievement of auditability without significantly diminishing the value of DoD operations reporting, it would be beneficial if the Board could further liberalize the definitions of 'assets in the hands of the end-users' and permit additional estimation processes beyond strict cost tracking.</p>

4	Liaison with DoD	The Department suggests the following topics for the Liaison with DoD project:
		1. Consider including guidance on how to establish a beginning balance for no-year funds when detailed supporting transactions do not exist (as only summary totals are available), and financial data in legacy systems that are not United States Standard General Ledger compliant should be considered. We continue to encounter these issues year after year and want to ensure that our approach consistently meets the established standards.
		2. Allow for the purchase method of accounting for OM&S without the requirement for the cost-benefit analysis when it is implemented. The 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 Independent Public Accountants 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 consider removing the cost-benefit analysis requirement which will provide DoD components the flexibility to apply the OM&S accounting method most appropriate for their type of operations and usage of OM&S.
		3. Consider including Revenue Forgone and the SF-133 to Statement of Budgetary Resources reconciliation process as a focus area under SFFAS 7 or other relevant standard(s). Revenue Forgone should be incorporated as it is one of the reporting requirements in the Agency Financial Report (AFR). Incorporating Revenue Forgone would provide a comprehensive view of the government's financial situation, aiding stakeholders in better understanding the impact of policy decisions and the actual cost of programs. As more agencies are now required to analyze their Revenue Forgone and report it in the AFRs, including guidance in the standards would enhance consistency and transparency.
		4. Consider adding cryptocurrencies as a research topic. Research efforts could focus on evaluating the need for new guidelines, appropriate valuation methods for cryptocurrencies, reporting standards, risk management, and potential use cases.

#	Annual Report	Comments
1	Outreach Activities	The DoD recommends removing collaboration with the Defense Audit Remediation Working Group (DARWG) as we are in the process of disbanding it. Additionally, the DARWG has not been active for several years.
2	Ongoing Educational & Outreach Activities	The FASAB training programs are currently not certified by the National Association of State Boards of Accountancy (NASBA). The Department recommends that FASAB begin offering NASBA-certified training sessions to allow participants to earn recognized Continuing Professional Education (CPE) credits. Additionally, the Department recommends that FASAB provide more frequent or on-demand training sessions and record the sessions held so participants can access them online and earn CPE credits.