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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) is pleased to submit the enclosed comments on the Federal Accounting Standards Advisory Board (FASAB) Annual Report for Fiscal Year Ended September 30, 2021, and Three-Year Plan for Fiscal Years 2022-2024. DoD plans to continue its 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
Acting Deputy Chief Financial Officer

Enclosure:
As stated

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Department of Defense (DoD or "the Department")

#	FASAB Technical Projects	Comments
1	Land - Accounting and Reporting	The Department is pleased that the Board has issued Statement of Federal Financial Accounting Standards (SFFAS) 59, "Accounting and Reporting of Government Land," on July 30, 2021. This has been a great accomplishment after years of deliberations. Implementation guidance for the new land standard will be developed in Fiscal Year (FY) 2022 through FY 2024. Given the potential implementation challenges related to SFFAS 59, the Department agrees for the Board to continue to monitor implementation challenges and to assess the need, as appropriate, for actions to address those challenges prior to transition of the Required Supplementary Information requirements to the notes. Request the Board consider hosting working group sessions with federal agencies, auditors, and other stakeholders as it works through the assessment and research activities of potential implementation challenges.
2	Leases	The Department was actively involved in the formulation of FASAB's Implementation Guidance for Leases (Technical Release 20) and Leases Omnibus Amendments (SFFAS 60). The Department is satisfied that these were issued on November 4, 2021 as the guidance will facilitate implementation of SFFAS 54 requirements and the omnibus amendments will provide clarifications, technical corrections, and also facilitate implementation of SFFAS 54. The Department requests for the Board's continued involvement and monitoring of implementation progress in order to identify and address any potential challenges that the Federal entities may have in implementing SFFAS 54.
3	Public-Private Partnerships	The Department acknowledges the Public-Private Partnerships (P3s) project is in Phase 2, the research phase, to identify specific recognition and measurements issues; and recommends this subject as a key priority in the three-year plan. SFFAS 49 implementation will benefit from examples of common P3s across agencies and guidance on recognition and measurement. P3s reporting continues to be a challenge for the Department. Providing examples could help with the overall process of communicating qualifying factors and identifying agreements. Currently, SFFAS 49 addresses P3s note disclosure requirements. Guidance on recognition and measurement would improve completeness and accuracy of the disclosures.
4	Budgetary Information	The Department recognizes the importance of the budgetary information project as it will consider improvements to existing guidance related to the usefulness of the required U.S. budget surplus/deficit presentations and the understandability of the required presentation for component reporting entity budgetary resources. Although this project was put on hold as OMB and GAO are considering some other efforts on this topic, we request that FASAB continue to monitor the OMB and GAO's efforts to keep the Federal financial community informed of any new development or potential solutions to existing issues related to accounting and financial reporting of government-wide and component reporting entity budgetary information.
5	Concepts Omnibus	The Department agrees that note disclosures and management's discussion and analysis (MD&A) projects require updates to the concepts in Statement of Federal Financial Accounting Concepts (SFFAC) 2, "Entity and Display." An omnibus concepts amendments proposal will update these reporting model concepts more efficiently and effectively.
6	Management's Discussion and Analysis (MD&A)	The Department agrees the current MD&A and Other Information sections of the Agency Financial Report (AFR) contain duplicative content and incompatible reporting timelines with budget and performance reporting, which creates challenges for reporting. The Department was one of the agencies on which FASAB conducted a pilot and user reviews on sampled MD&As based on FASAB's completed 11 MD&A objectives and vision framework. The Board is developing MD&A standards to include in a draft exposure draft. The Department looks forward to updated and streamlined MD&A guidance that addresses existing issues.

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7	Technical Guidance Update	The Department recognizes the need for conforming amendments to Technical Releases that relate to environmental liabilities, cleanup costs, and the disposal of General Property, Plant and Equipment. Updated guidance may assist the Department in resolving some of its complex challenges with the financial reporting of environmental liabilities, cleanup, and disposal costs. We would like to recommend for the Board to get various Federal Subject Matter Expert representatives involved in drafting/writing technical updates or other interpretative documents that could facilitate better communication and clarity in SFFAS, concepts, bulletins, interpretations, and other pronouncements. It may also assist in expediting completion of actions before the proposed FY 2023 target date.
8	Debt Cancellation	The Department agreed with the proposed and issued Interpretation of Federal Financial Accounting Standards 11, "Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313." The Interpretation provides fundamental clarifications on debt cancellation, simplifies its presentation and thereby enhances the clarity of the financial statements and ensure consistency with Generally Accepted Accounting Principles.
9	Non-Federal, Non-Entity Fund Balance With Treasury	The Department previously agreed with the proposed and issued Interpretation of Federal Financial Accounting Standards 10, "Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31." We acknowledged that while clarification was provided, the term "non-federal non-entity" was not defined, and agree the development of additional implementation guidance is necessary.
10	Implementation Guidance for DoD	The Department acknowledges that FASAB provided useful clarifications or amendments in DoD efforts to implement standards. Although there is no longer an active project and FASAB continues to assess areas that may need implementation guidance, the Department suggests to provide a list of completed projects and areas that are being considered for future implementation guidance. This might be helpful to the reader to understand completed and potential projects to implement standards that have revealed areas in need of clarification or amendment.
11	Reexamination of Existing Standards (new)	The Department recognizes the importance to reexamine FASAB's existing standards and other pronouncements to assess their current relevance and to identify opportunities to streamline authoritative guidance. We also believe that the accounting standards should be periodically reexamined to assess their current applicability and to eliminate or revise unnecessary requirements. While the Board is aware that identifying an optimal approach is essential to the success of the project, we suggest for the Board to seek input from the public. Gaining widespread feedback on potential approaches and areas of concerns would be integral to the project's success. During this project, we would like to suggest for the Board to consider how enterprise risk management should influence governance and financial reporting. This could help the government to prioritize scarce resources of people, time and money. This may help determine if the costs of new reporting requirements outweigh the benefits. The Department also would recommend some consideration for an assessment of inconsistencies between the form and content guidance in the Office of Management and Budget Circulars and Treasury Financial Manual and references within the standards. There may also be an opportunity to address hierarchy when there are interim differences between these sources. Such an analysis will help to ensure standards are consistently applied across the reporting entities.
12	Intangible Assets (new)	The Department agrees that there is a need to develop updates for software reporting guidance, develop a working definition of intangible assets, and to further assess the costs versus benefits of developing reporting guidance for other intangible assets. The Department is actively engaged in the intangible assets task force and has provided essential information to establish a scope for future software guidance updates.
13	Climate-Related Financial Reporting (new)	The Department understands that there is a growing interest in guidance to account for and report on the financial impact of climate-related weather events and climate-related financial risk in Federal financial reports. Although we would benefit from a project that would provide guidance on accounting for and reporting of climate-related financial risk, it appears to be subjective as to what items to include in a financial report and how to place a value on climate. DoD is already challenged with the financial reporting of asbestos for similar reasons. Nonetheless, the Department looks forward to implementation guidance on existing standards for the accounting and reporting of climate-related financial risk.

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14 Ongoing Education & Outreach Activities

The Board reported it was unable to host its annual update meeting in FY 2021 due to COVID-19. For FY 2022, the Department recommends the Board host its annual update virtually. The annual updates provide important information on key accounting and financial reporting issues. Additionally, we recommend the Board continue to host other online training sessions to share their valuable expertise with the DoD community, as well as the opportunity for continuing professional education credits.