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OFFICE OF THE UNDER SECRETARY OF DEFENSE**1 1 00 DEFENSE PENTAGON
WASHINGTON, DC 20301-1 1 00**

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) appreciates the opportunity to offer feedback on the Federal Accounting Standards Advisory Board (FASAB) Reexamination of Existing Standards project. Enclosed is our response to your Invitation to Comment.

We look forward to continuing our working relationship with FASAB. Thank you for considering DoD's input.

Sincerely,

Kim R. Laurance
Assistant Deputy Chief Financial Officer

Enclosure:
As stated

Questions for Respondents**Responses Due: September 15, 2023**

Invitation to Comment
Reexamination of Existing Standards

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:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

FASAB GAAP HIERARCHY QUESTIONS

QUESTION 1.1: The federal GAAP hierarchy in SFFAS 34 provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal entities that conform with GAAP. **Do you agree that SFFAS 34 clearly and sufficiently explains the federal GAAP hierarchy and its application to federal accounting and reporting?**

Agree

Please explain your response. [Click here to enter text.](#)

DoD has experienced challenges in cases where SFFAS 34 does not provide guidance on the hierarchy of administrative directives such as OMB circulars and the US Treasury Financial Manual (TFM). If FASAB is unable to issue guidance on the hierarchy of administrative directives in general, covering at least OMB circulars and TFM specifically would help remove many opportunities for interpretation and disagreements between entities and their auditors.

Invitation to Comment
Reexamination of Existing Standards

When FASAB guidance is absent on a topic, it would be helpful to identify the expected order of precedence of other available guidance in an accountant's assessment. Additionally, there is a lack of clarity created by inclusion of Interpretations in Category (a) alongside SFFAS. This inclusion seemingly elevates Interpretations to the same level as the SFFAS themselves, which many in practice would argue are not as authoritative. For example, in the absence of FASAB guidance, is one expected to look for guidance from OMB, then Treasury, then FASB/AICPA GAAP? If OMB and Treasury are silent, is FASB/AICPA GAAP the default expectation? In addition, if an OMB directive is listed as authoritative, does it take precedence over non-authoritative FASAB guidance?

QUESTION 1.2: Have you experienced challenges in applying and using the federal GAAP hierarchy in SFFAS 34 to resolve accounting or reporting issues?

Agree

Please explain your response, including any perceived challenges with applying SFFAS 34 (for example, utility in applying SFFAS 34 to resolving accounting and reporting issues, need to clarify authoritative vs non-authoritative guidance, relationship to other standard setters when FASAB guidance is silent, inconsistencies with different levels of GAAP, or questions regarding the application of "practices that are widely recognized and prevalent in the federal government.") **Click here to enter text.**

Clarifying authoritative vs. non-authoritative guidance is vital to ensure preparers and auditors are clear on what is mandatory vs. what is a preference when evaluating transactions and financial statement compliance with GAAP.

Given the breadth of activities and historical practices in the federal government, there could be several different methods that are "widely recognized and prevalent" which could lead to a lack of standardization and clarity.

DoD has encountered inconsistent interpretations of the relevance or weight of the TFM and OMB circulars across the audit community and other stakeholders. For example, in one instance, DoD auditors stated it is more appropriate to follow recognition principles in SFFAS 1, rather than follow OMB circular guidance which states that the published AFR (Agency Financial Report) must be based on the trial balance submitted to OMB through GTAS (Governmentwide Treasury Account Symbol Adjusted Trial Balance System). This ambiguity led to the interpretation that adjustments to AFR that occur too late to be submitted to OMB, but prior to November 15, are acceptable under the GAAP hierarchy.

Other DoD components experienced situations where management has utilized SFFAS to evaluate and report financial transactions, while the auditors insisted on utilizing the TFM, leading to disagreement and impacting the audit opinion.

Invitation to Comment
Reexamination of Existing Standards

DoD strongly suggests that FASAB develop guidance on the hierarchy of administrative directives such as OMB circulars and TFM.

REEXAMINATION OF FASAB STANDARDS QUESTION

QUESTION 2: Below are the 23 reexamination topic areas for which the Board is requesting your response. Respondents may review [Appendix A: Reexamination Table of Pronouncements](#)¹ in its entirety for a full understanding. **For each reexamination topic (column 1), please indicate the priority level for reexamination from the following options:**

(1) High priority: topic and related SFFASs are of significant concern and should be included in the reexamination with priority. Please provide ***no more than five*** high priority topics.

(2) Medium priority: topic and related SFFASs are of concern and should be included in the reexamination, but after high priority topics are addressed.

(3) Low priority: topic and related SFFASs are not of concern and do not need to be reexamined at this time.²

Please explain your response, including specific details³ and examples to support your rationale, especially those ranked high priority and medium priority. Provide information (including specific SFFAS references where appropriate) that would help the Board understand why the reexamination of a particular SFFAS might take precedence or be considered more important than other SFFASs. To accomplish this, the Board is seeking feedback from respondents on where they believe there are opportunities for the Board to improve guidance within the 23 reexamination topics. This includes the following potential improvements:

- Streamlining authoritative guidance
- Eliminating or revising unclear requirements
- Eliminating disclosures and other required information that may no longer benefit users
- Filling gaps in the standards where the guidance either does not address or does not adequately address areas where federal financial reporting objectives are not being met
- Resolving inconsistencies in current practice
- Clarifying the standards (including addressing areas where the standards are difficult to apply)

¹ [Appendix A: Reexamination Table of Pronouncements](#) provides more details regarding how the 61 SFFASs result in 23 reexamination topics for consideration.

² The Board anticipates that the topics for reexamination will need to be reassessed in the future.

³ For example, respondents may offer detail in terms of materiality, audit findings, cost-benefit, or other significant information to explain the need for reexamination of the SFFAS.

Invitation to Comment *Reexamination of Existing Standards*

- Reconsidering areas where there is significant preparer or audit burden versus perceived value of the information or other cost/benefit concerns
- Considering overlaps or redundancy in requirements

Please be explicit regarding opportunities to eliminate or revise requirements, whether those are in the standards or elsewhere. Stakeholder feedback will give the Board insight on respondent's views on these matters.

Topic #1	SFFAS 1, Accounting for Selected Assets and Liabilities Interpretation 10, Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31 TB 2020-1, Loss Allowance for Intragovernmental Receivables
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Medium Priority

DoD components indicated that accounting for contingent assets and associated gains is not covered in SFFAS 1. Components also indicated they would benefit from increased clarity on guidance for loss allowance for intragovernmental receivables as these accounts are material to their financial statements.

Topic #2	SFFAS 2, Accounting for Direct Loans and Loan Guarantees AS AMENDED BY: SFFAS 18, SFFAS 19
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Low Priority

No concerns at this time.

Topic #3	SFFAS 3, Accounting for Inventory and Related Property AS AMENDED BY: SFFAS 48 Interpretation 7, Items Held for Manufacture
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High Priority

DoD components identified multiple areas for improvement of the standard:

- Across DoD there are multiple weapon systems that have high dollar, complex operating materials and supplies that undergo repair/remanufacture on a regular and recurring basis. For example, aircraft engines, rocket engines, sub-launched ballistic missile, and ground-based interceptors. These assets frequently mimic general equipment in every basis except for being expended upon issuance or use. Missiles that are shot cannot be recovered and rebuilt but in many cases these assets are held long-term and essentially never used outside of test events. Currently, SFFAS 3 and Interpretation 7 do not specifically address if entities should account for these costs as either period costs or capital costs. These repair events perform and 'look' most like capital improvements to general equipment since they increase the useful life and often add additional capability. These assets also carry material balances to the entities. For example, the Navy reports \$10.2 billion in sub-launched ballistic missiles and the MDA reports \$3.9 billion in ground-based interceptors. This is an area that could be reviewed for better clarification.

Invitation to Comment
Reexamination of Existing Standards

- Department of Defense assets include the construction in progress (CIP) and operating materials and supplies (OM&S) in development (OID). SFFAS 50 does not specifically address the transition from (1) the use of deemed cost as the opening balance for CIP to (2) the subsequent capitalization of CIP acquisition costs consistent with SFFAS 6, par. 26, after an unreserved assertion is made. Similarly, SFFAS 48 does not specifically address the transition from (1) the use of deemed cost as the opening balance for OID to (2) the capitalization of acquisition costs consistent with SFFAS 3, par. 43. DoD believes that once opening balances are established using deemed cost, we should begin using acquisition cost consistent with SFFAS 6, par. 26, and SFFAS 3, par. 43. We have proposed a method we consider consistent with the guidance in SFFAS 50 and 48 to assign a value to such assets, however, we are unable to satisfy our IPA as to a specific reference within the existing standards to support our proposed accounting treatment because the relevant standards are silent regarding CIP and OID. We have referred to SFFAS 6, par. 40.g. and h.i and SFFAS 3, par. 26.a.v. to demonstrate that the standards do not require a distinction between deemed cost and acquisition cost once opening balances have been established. However, we have not located explicit guidance on the transition from a deemed cost opening balance for CIP and OID and to the post-opening balance recording of acquisition cost for CIP and OID and the subsequent transfer of completed CIP and OID to another general PP&E or OM&S line item. Our IPA is concerned that there is no specific FASAB standard that allows for the acquisition value of a long-lead time asset (e.g., vessel) to be made up of methods that are in compliance with two different standards. (i.e., partially through an alternative method and partially through historical cost). Please note this issue has also been submitted to FASAB via a Technical Inquiry by the Department of the Navy.

- SFFAS 3 defines as follows: "‘Stockpile materials’ are strategic and critical materials held due to statutory requirements for use in national defense, conservation, or national emergencies. They are not held with the intent of selling in the ordinary course of business."

It is unclear if the first sentence is saying "held for use in national defense" or "held for use in national defense emergencies." If it's "held for use in national defense," then one could argue that the entire Department of Defense is a stockpile. If it's "held for use in national defense emergencies," then does it mean that the "users" of the materials are the country/general public or the users are the agency holding the materials?

SFFAS 3 further describes the specific exclusions to what classifies as a stockpile: "The following items are specifically excluded from stockpile materials: (1) items that are held by an agency for sale or use in normal operations (see proposed standards for inventory and operating materials and supplies), (2) items that are held for use in the event of an agency's operating emergency or contingency (see proposed standard for operating materials and supplies), and (3) materials acquired to support market prices (see proposed standard for goods held under price support and stabilization programs)."

It is unclear if exclusion #2 is specific to what triggers the event (agency vs. national emergency) rather than the population that would use the stockpile? For e.g., one of the DoD components maintains items that would be used specifically by the communities that is their mission to serve (military service members and their families) in times of national emergencies such as a pandemic, but the items would not be used to respond to the national crisis in order to help the general public, as that is CDC, HHS, ASPR etc. responsibility. Therefore, would these items be excluded from stockpile reporting based on exclusion #2? It would be helpful to clarify

Invitation to Comment *Reexamination of Existing Standards*

if stockpile materials are held by the agency in order to be used by the public or they are held by the agency to be used by the agency itself in cases that are outside of the ordinary course of business such as a national health emergency.

Other areas that Components identified for clarification or where the standard is difficult to apply are:

- Clarify definition of "Held in Reserve for Future Use." Clarify the concept of "may be" or "should be" maintained because items are not readily available in the market. In the case of "may be", clarify what other situations may constitute a "Held in Reserve for Future Use" status.
- Clarify how "Interpretation 7" affects SFFAS 3 similar to how other "Affected by" items are described in other standards.
- Add a definition of cost flow assumption either as a footnote or in the glossary

One DoD Component indicated a need for the standard to account for extraordinary items such as the supply chain issues post-COVID. Specifically, guidance on partial delivery on manufactured goods, when to account for them, and what is considered a reasonable delay time for recording items impacted by the supply chain.

Topic #4	SFFAS 4, Managerial Cost Accounting Standards and Concepts AS AMENDED BY: SFFAS 55
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Low Priority

One DoD Component noted that this area impacts their financial statement audit and said they would benefit if the standard could further clarify the relationship between cost accounting and financial/budgetary accounting.

Topic #5	SFFAS 5, Accounting for Liabilities of The Federal Government AS AMENDED BY: SFFAS 12, SFFAS 25 Interpretation 2, Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5 Interpretation 4, Accounting for Pension Payments in Excess of Pension Expense TB 2002-1, Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government TB 2017-1, Intragovernmental Exchange Transactions
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Medium Priority

DoD components submitted the following areas for improvement of this standard:

- The definition of "client" is important to lawyers in responding to audit legal request letters. Some attorneys have a difficult time delineating who their client is in situations where the entity that may be considered the liability source differs from the entity assigned to provide legal counsel (and the cost thereof) and/or ultimate funding of any loss from adjudication. For example, the spills at Red Hill and Camp Lejeune where the cause of the spills may be one entity but the responsibility for cleanup and damages to the community have been assigned to

Invitation to Comment *Reexamination of Existing Standards*

other entities. It may be helpful to expand guidance beyond the Judgement Fund to address any other funding source so that one doesn't have to site a parallel example in the standards vs. a more direct accounting assignment related to liability source regardless of funding source.

- The AICPA clarified exchange vs non-exchange transactions for non-profit accounting. Consider adding language similar to ASU-2018-08 clarifying that if the benefit is received by the general public and not the government entity itself, it is a non-exchange transaction.

- Many federal agencies are moving to electronic financial interface systems which may warrant a revision of the standard to address the responsibilities and accountability of those Transactions by Others (TBO) and Transaction for Others (TFO).

Topic #6	<p>SFFAS 6, <i>Accounting for Property, Plant, and Equipment</i> AS AMENDED BY: SFFAS 23, SFFAS 40, SFFAS 50 Interpretation 9, <i>Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6</i> TB 2006-1, <i>Recognition and Measurement of Asbestos-Related Cleanup Costs</i> (as amended by TB 2009-1 and TB 2011-2) TB 2017-2, <i>Assigning Assets to Component Reporting Entities</i></p>
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High Priority

Property, Plant, and Equipment (PP&E) is a material line item for many DoD components' financial statements as well as the overall DoD financial statements. The components have identified several areas of the standard for revision and/or clarification:

- Department of Defense assets include the construction in progress (CIP) and operating materials and supplies (OM&S) in development (OID). SFFAS 50 does not specifically address the transition from (1) the use of deemed cost as the opening balance for CIP to (2) the subsequent capitalization of CIP acquisition costs consistent with SFFAS 6, par. 26, after an unreserved assertion is made. Similarly, SFFAS 48 does not specifically address the transition from (1) the use of deemed cost as the opening balance for OID to (2) the capitalization of acquisition costs consistent with SFFAS 3, par. 43. DoD believes that once opening balances are established using deemed cost, we should begin using acquisition cost consistent with SFFAS 6, par. 26, and SFFAS 3, par. 43. We have proposed a method we consider consistent with the guidance in SFFAS 50 and 48 to assign a value to such assets, however, we are unable to satisfy our IPA as to a specific reference within the existing standards to support our proposed accounting treatment because the relevant standards are silent regarding CIP and OID. We have referred to SFFAS 6, par. 40.g. and h.i and SFFAS 3, par. 26.a.v. to demonstrate that the standards do not require a distinction between deemed cost and acquisition cost once opening balances have been established. However, we have not located explicit guidance on the transition from a deemed cost opening balance for CIP and OID and to the post-opening balance recording of acquisition cost for CIP and OID and the subsequent transfer of completed CIP and OID to another general PP&E or OM&S line item. Our IPA is concerned that there is no specific FASAB standard that allows for the acquisition value of a long-lead time asset (e.g., vessel) to be made up of methods that are in compliance with two different standards. (i.e.,

Invitation to Comment
Reexamination of Existing Standards

partially through an alternative method and partially through historical cost). Please note this issue has also been submitted to FASAB via a Technical Inquiry by the Department of the Navy.

- Paragraph 13.d.ii (p-8) does not establish guidance to define "reasonable" with enough clarity to appropriately value the estimated historical cost of an asset. In particular, paragraphs 13.d.ii.b and c do not provide sufficient level of detail to determine the value of an initial cost when considering assets that were produced and purchased from overseas/foreign companies. SFFAS 50 does not mention which foreign conversion rate should be used if the Key Supporting Documents (e.g., the purchase invoice) is in foreign currency (i.e., if purchase invoice is in foreign currency, should currency conversion rate be used as of the date the asset was purchased or placed-in service).

- SFFAS 6 states, "Depreciation expense is calculated through the systematic and rational allocation of the cost of general PP&E, less its estimated salvage/residual value." It would be helpful if the standard provided further clarification on what should be included or excluded in an asset's salvage value considering that some DoD components do not realize sales proceeds from the transfer/sale of retired assets and only reclaim used parts from retired assets to be refurbished and utilized on other assets in operation.

- According to SFFAS 6, if an asset, prior to disposal, no longer provides service in the operations of the entity, it should be recorded at its expected net realizable value. Technical Release 14 further defines net realizable value as "the estimated amount that can be recovered from selling, or any other method of disposing of an item less estimated costs of completion, holding and disposal." Some DoD components reclaim parts of retired aircraft, place them back into inventory, refurbish them, and then use them on other assets. It would be helpful if the standard provided further clarification on what should be included in an asset's net realizable value and if these parts reclamations should be included.

- TB 2017-2 states, "Assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis." It would be beneficial to clarify if this applies to liabilities as well or only assets be assigned to a component reporting entity.

- Throughout SFFAS 6 and other standards, materiality and material changes are mentioned. Statement of Federal Financial Accounting Concepts (SFFAC) 1, as amended through SFFAC 9, provides qualitative considerations for the entity to consider, when determining if a transaction or omission is material to a reasonable user. It would be helpful if the board provided a quantitative calculation or considerations, to assist the reporting entity with determining material transactions or omissions.

- Technical Release 9 does not appear to address or take into account the issues of funding responsibility vs. liability recognition when considering Environmental Closure and Corrective Actions. Assets owned by one entity may be the responsibility of another entity for the future funding of the closure or future environmental remediation requirements (e.g. on a Navy installation, all capitalized fuel assets are the closure and environmental remediation responsibility of the Defense Logistics Agency (DLA)). If a partial closure or an environmental release occurs, it is the responsibility of DLA to fund this activity, however, due to current standards, the installation that the asset resides upon (i.e. Navy) must account for this property

Invitation to Comment *Reexamination of Existing Standards*

and as such, must also account for the closure liability, as no transfer of the asset occurs. This results in a disconnect associated with future funding requirements and liability recognition. There is no clear guidance associated with how corrective action liabilities should be reported and by whom, if one entity is responsible for the remediation, yet the remediation is occurring on another entity's installation. The guidance is not clear if the liability should follow the funding responsibility.

Topic #7	<p>SFFAS 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> AS AMENDED BY: SFFAS 20, SFFAS 21, SFFAS 53 Interpretation 5, <i>Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7</i> Interpretation 11, <i>Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313</i> TB 2002-2, <i>Disclosures Required by Paragraph 79(g) of SFFAS 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> TB 2017-1, <i>Intragovernmental Exchange Transactions</i></p>
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High Priority

DoD components identified the following areas of the standard for revision:

- Unclear requirements around reporting of revenue allowance. Paragraph 41 states that such an allowance should be reflected as a revenue adjustment and separately shown. Some DoD components believe this provision is met by a note disclosure, yet paragraphs 46 and 47 (disclosure requirements) do not indicate that the amounts should be included in a note disclosure. Current TFM mapping of the Statement of Net Cost (SNC) does not show GLAC 510900 as a separately shown item on the face of the SNC. DoD auditors have issued findings regarding this financial statement presentation. In addition to Treasury changing the mapping of the SNC, clearer guidance from FASAB would significantly assist in remediating the types of audit findings and preventing them in the future.

- Part II: Concepts for Reconciling Budgetary and Financial Accounting (and also SFFAS 53). DoD continues to struggle with the Budget and Accrual (BAR) reconciliation/footnote. According to OMB Circular A-136, Agencies are to use the TFM Crosswalk to reconcile their footnote. However, this crosswalk is not all-encompassing and has not been updated since 2021 causing disagreements upon the correct reconciliation methods, and ultimately causing off-line adjustments in order to reconcile the footnote in the audited/published statements. It would be beneficial to preparers if FASAB included more extensive information on each section of the BAR, what's expected to be under each section, etc.

Overall, DoD components said that the standard can be confusing and difficult to follow because of the numerous amendments from subsequent SFFASs.

Topic #8	SFFAS 10 , <i>Accounting for Internal Use Software</i>
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Invitation to Comment *Reexamination of Existing Standards*

Medium Priority

DoD components identified the following areas of the standard for revision:

- Consider providing clarity on term licenses of capitalized IUS while in the interim reporting entities may continue to use SSFAS 5 - Leases or adopt Governmental Accounting Standards Board (GASB) Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs) guidance.
- Provide greater clarity for identification of IUS in a cloud-based arrangement which is an emerging trend. Also, include guidance for cloud-based items which are not considered IUS.
- SFFAS 10 does not provide sufficient guidance on "IUS In Development" cost allocation when software is developed by/for multiple entities.
- Clarify the accounting for tracking/usage and allocation of software licenses.
- SFFAS 10, Section 8 defines IUS, and Section 22 defines integrated software and requires integrated software to be capitalized as part of the PP&E it is integrated in. TR 16, section 10 further allows that computer software could be developed separately and installed on several general PP&E assets at different times can be treated as a separate IUS asset. Further clarification could be given as to whether that type of software could also be recorded as a standalone General Equipment asset.

Overall, DoD components said that SFFAS 10 warrants reexamination given that the standard was published in 1998, and it needs to be updated to consider the current reporting and technological environment.

	SFFAS 15, Management's Discussions and Analysis ⁴
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No concerns at this time.

Topic #9	SFFAS 17, Accounting for Social Insurance AS AMENDED BY: SFFAS 26 , SFFAS 37
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Low Priority

No concerns at this time.

Topic #10	SFFAS 24, Selected Standards for the Consolidated Financial Report of the United States Government SFFAS 32, Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4
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⁴ SFFAS 15, *Management's Discussions and Analysis*, is excluded from reexamination because the SFFAS is currently being reviewed under an active Board project. Respondents may provide general comments and feedback for the Board's consideration.

Questions for Respondents**Responses Due: September 15, 2023**

Invitation to Comment
Reexamination of Existing Standards

	<i>"Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"</i>
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Low Priority

No concerns at this time.

Topic #11	SFFAS 27 , <i>Identifying and Reporting Funds from Dedicated Collections</i> AS AMENDED BY: SFFAS 43
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Medium Priority

One DoD component requested further review of the mixed or co-mingled funds to identify a mechanism to reflect this activity more clearly in the financial statements.

Consider the following scenario: US Army Corps of Engineers (USACE) has the authority to receive reimbursement from the Harbor Maintenance Trust Fund and Inland Waterways Trust Fund to cover the costs of approved projects that are initially expended from the General Fund appropriations (3112, 3122, and 3123). Essentially, projects are executed in the General Fund (operating accounts) and reimbursed via dis-investments and transfers from the Trust Funds. These funds are transferred from the Parent accounts (8863_X and 8861_X), to the child accounts (8863_XT and 8861_XT), and then ultimately transferred from the child accounts to the operating accounts. There is not a question that while in the trust fund, these are Funds from Dedicated Collections (FDC), as they represent excise tax collections and other tax collections. However, once transferred to the operating accounts, it is unclear whether these funds have met the definition of FDC while in the child account, and are no longer considered FDC once in the operating accounts (to reimburse the expenditures). SFFAS standards and OMB Circular A-136 address mixed or co-mingled funds, and express that the fund as a whole only meet the FDC definition if the fund is predominately sourced from the FDCs. USACE's general fund operating accounts are not predominately funded by the FDC totals, as they receive appropriated funds yearly that serve as the majority of the source of funds. However, we question if this results in correct and transparent reporting because the funds received are FDC by definition, as they came from the trust funds, even though they ended up in a predominantly operating account.

Topic #12	SFFAS 29 , <i>Heritage Assets and Stewardship Land</i>
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Low Priority

No concerns at this time.

Topic #13	SFFAS 31 , <i>Accounting for Fiduciary Activities</i>
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Low Priority

No concerns at this time.

Invitation to Comment
Reexamination of Existing Standards

Topic #14	SFFAS 33 , <i>Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates</i>
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Low Priority

No concerns at this time.

Topic #15	SFFAS 34 , <i>The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board</i>
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Medium Priority

See responses above in Section I of the ITC.

Topic #16	SFFAS 36 , <i>Comprehensive Long-Term Projections for the U.S. Government</i>
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Low Priority

No concerns at this time.

Topic #17	SFFAS 38 , <i>Accounting for Federal Oil and Gas Resources</i> TB 2011-1 , <i>Accounting for Federal Natural Resources Other Than Oil and Gas</i>
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Low Priority

No concerns at this time.

Topic #18	SFFAS 39 , <i>Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards</i>
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Low Priority

One DoD component indicated that the standard could benefit from revising what constitutes a subsequent event and the associated timelines for events that need to be reported.

Topic #19	SFFAS 44 , <i>Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use</i>
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Low Priority

Consider providing clarity on evaluation when the cash-generating and non-cash generating asset are potentially impaired with undetermined salvage value and impact on depreciation.

Topic #20	SFFAS 47 , <i>Reporting Entity</i>
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Medium Priority

Invitation to Comment

Reexamination of Existing Standards

SFFAS 47 does not address the intended accounting, if any, to be applied to disclosure entities where the Government holds some (but not controlling) interest in an independent entity. FASB guidance regarding recognition of assets and operating results of such arrangements is very complex and it is frequently not based on a straightforward percentage of ownership equity method. Some hold the belief that equity method is not required for a federal entity, and others hold that equity method should always be applied in its simplest form without regard to the complexities incorporated in FASB standards. Clarification on when and how to recognize minority interests would be helpful.

Some DoD components said that it would be helpful to clarify where should situations such as Security Assistance Accounts and Foreign Military Sales be reported (i.e. within DoD, Department of State, or Government-wide financial statements) and based on which criteria.

Topic #21	SFFAS 49, <i>Public-Private Partnerships: Disclosure Requirements</i>
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Medium Priority

DoD components identified the following areas of the standard for improvement/revision:

- Entities and auditors are sometimes reaching conclusions different than the FASAB staff in regard to this standard. The primary difference seems to relate to the potential that Government may take action in the future vs. the legal requirement that the Government take action in the future. The entities and auditors seem to take the legal requirement route. Expansion of that brings danger of having accountants guess at future Government actions. Perhaps clarification in the standard as to the Board's interpretation would be helpful.
- Similar to the illustrations in appendix C of SFFAS 47, it would be beneficial if this standard included illustrations to demonstrate how the provisions of this Statement could be applied to relationships/arrangements and the application of the P3 definition, conclusive risk characteristics, and suggestive risk characteristics.
- Clarify the relationship between SFFAS 49 and SFFAS 47, Reporting Entity, and SFFAS 54, Leases. Provide examples, if possible.

Topic #22	SFFAS 51, <i>Insurance Programs</i>
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Low Priority

No concerns at this time.

Topic #23	SFFAS 52, <i>Tax Expenditures</i>
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Low Priority

No concerns at this time.

Invitation to Comment
Reexamination of Existing Standards

	SFFAS 54, Leases⁵ AS AMENDED BY: SFFAS 57 , SFFAS 60 , SFFAS 61 TB 2023-1, Intragovernmental Leasehold Reimbursable Work Agreements
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Some DoD components continued to recommend that FASAB further defers the implementation of SFFAS 54 due to significant implementation challenges DoD faces with completing the foundational work necessary to meet the standard.

	SFFAS 56, Classified Activities⁶ Interpretation 8, An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities
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No concerns at this time.

	SFFAS 59, Accounting and Reporting of Government Land⁷
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No concerns at this time.

⁵ SFFAS 54, *Leases*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.

⁶ SFFAS 56, *Classified Activities*, is excluded from the reexamination project due to the topic. Respondents may provide general comments and feedback for the Board's consideration.

⁷ SFFAS 59, *Accounting and Reporting of Government Land*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.