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

NOV 30 2017

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the Exposure Draft — *Amending Inter-Entity Cost Provisions,* dated September 1, 2017.

Please find enclosed answers to the questions that were asked of respondents and two additional comments. 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 Internal Controls

Enclosure

cc: Kristin Salzer
Bruce Henshel
Eric Carter

FASAB Exposure Draft: Questions for Respondents due November 30, 2017
Amending Inter-Entity Cost Provisions

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			
Federal Entity (user)			
Federal Entity (preparer)	X		
Federal Entity (auditor)			
Federal Entity (other)		If other, please specify:	
Association/Industry Organization			
Nonprofit organization/Foundation			
Other		If other, please specify:	
Individual			

Please provide your name.

Name: Gordon T. Alston

Please identify your organization, if applicable.

Organization: Department of Commerce

Q1. The provisions of Statement of Federal Financial Accounting Standards (SFFAS) 4, *Managerial Cost Accounting Standard and Concepts*, as amended, require all reporting entities to recognize the full costs of services received from other federal reporting entities even if there is no requirement to reimburse the providing entity for the full cost.

Component reporting entities that have implemented the inter-entity cost provisions of SFFAS 4 typically show less than one percent increase in gross costs attributable to imputed costs other than those associated with personnel benefits and the Treasury Judgment Fund. The proposal would revise SFFAS 4 to provide for recognition of inter-entity costs by business-type activities and rescind the following:

a. SFFAS 30, *Inter-entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*

b. Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*

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

Department of Commerce Response:

The Department agrees with the proposed changes in a) revising SFFAS 4; and b) the rescinding of SFFAS 30 and Interpretation 6. The Department believes that the proposed changes will maintain appropriate financial reporting of costs, are appropriate from a cost versus benefits standpoint, and should not significantly increase the burden or costs of financial reporting requirements but may rather reduce this burden.

Q2. The Board is proposing that component reporting entities provide a concise statement to acknowledge significant services received for which no cost is recognized.

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

Department of Commerce Response:

The Department agrees with the proposal to have component reporting entities acknowledge, via a concise statement, significant services received for which no cost is recognized (in the financial statements). The Department believes that this proposal will provide additional information to users of the financial statements about significant cost contributions from other federal entities towards an agency's mission that are not recognized in the agency's financial statements.

b) Do you believe the proposed disclosure would impose a greater cost or burden when compared to existing requirements? Please consider implementation challenges for both the preparer and auditor in formulating your opinion. Please provide the rationale for your answer.

Department of Commerce Response:

There would be a data collection process that would need to be implemented across the Department for the added footnote disclosure; however, the Department believes that this process should not be a significant additional burden for preparers, and that the overall proposed standard should be beneficial to agency preparers from a cost versus benefits standpoint.

Additional Department of Commerce Comments:

1. In the proposed standard (page 12), paragraph A15 does not provide specific references stating where the GAAP requirements reside for imputing costs for a) personnel benefits; and b) Treasury Judgment Fund settlements. The Department reached out to FASAB staff to obtain this information so that we could better evaluate the proposed standard. FASAB staff provided us with references to paragraphs 93-95 of SFFAS 4 for personnel benefits, SFFAS 5 (e.g. paragraphs 74-76 for the pensions costs subset of personnel benefits) for personnel benefits, and Interpretation 2 for Treasury Judgment Fund settlements.

   The Department respectfully recommends that FASAB include specific references to the relevant FASAB guidance for imputing costs for personnel benefits and Treasury Judgment Fund settlements in paragraph A15 of the proposed standard.

2. The Department respectfully recommends that the first sentence of paragraph 5 (page 7) of the proposed standard be revised as follows:

   > 5. If applicable, component reporting entities should provide a concise statement acknowledging that significant services were received for which cost is not recognized **in the component reporting entity's financial statements**.