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)	x		
Federal Entity (preparer)			
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: Alexandria Kindle

Please identify your organization, if applicable.

Organization: Department of Agriculture

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.

We disagree because recognition of inter-entity costs that are not fully reimbursed should not be limited to business-type activities. For example, the Commodity Credit Corporation (CCC) has no employees or facilities. Thus, CCC executes its various programs using the manpower and facilities of other agencies, primarily the Farm Service Agency (FSA). The imputed financing consists of the costs of hired labor, opportunity costs of unpaid labor, capital recovery of machinery and equipment, opportunity costs of land, general overhead, payroll taxes, and insurance expended by FSA for work on CCC programs. For FY 17, CCC's imputed cost represented 10.05% of the total gross costs. An exception should be made for material items that are significant to the receiving entity and form an integral or necessary part of the receiving entity's output.

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.

We agree that component reporting entities should provide a concise statement to acknowledge significant services received for which no cost is recognized.

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.

No, we do not believe the proposed disclosure would impose a greater cost or burden when compared to existing requirements.