



November 30, 2017

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its Exposure Draft of *Amending Inter-Entity Cost Provisions*. The FMSB is comprised of 23 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

We appreciate the FASAB's continued effort in setting and providing clarification of the standards relating to the Federal Government. We have reviewed the Exposure Draft and agree with the conclusion and FASAB's rationale as presented in the Basis for Conclusion. We have provided our responses below based on the questions in the Exposure Draft and have provided additional comments.

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 agree with the proposed changes as noted in the above question and agree that the cost of following the current standards regarding inter-entity costs outweighs the perceived and / or actual benefit from recognizing the inter-entity costs especially for non-business type activities. Members of our Board have noted that without the inter-entity costs they believe it would not create issues with incomplete or create gaps in reporting and that significant costs that were being recognized did not create a significant difference in reporting.

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.

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.

We welcome the additional alignment to other levels of government and the proposed disclosure provides relevant information for the readers of the financial statements. As we were unsure as to the FASAB's meaning of 'concise and significant services', we believe that FASAB should provide clarification as well as an example of a concise statement and a significant service. For example, does 'significant' mean large dollar amounts? Or is the FASAB referring to significant qualitative measures? This will allow the reader to gauge the impact of the phrases clearer. We also suggest allowing for professional judgment in making this determination. Providing clarity relating to significant will reduce audit time since the auditors and the agency will have the same understanding of the definition of 'significant.'

We also noted in paragraph A4 the "S" in COCOMS should be small and we also believe the paragraph can be simplified by removing the COCOMs background information. In paragraph A16 we noted a "coat" instead of a "costs".

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, Chair at lmiller@eidebailly.com or at 208-383-4756.

Sincerely,



Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

cc: James "Jim" R. Arnette, Jr. CGFM, CISA, AGA National President

Association of Government Accountants

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