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:	
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Other		If other, please specify:	
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Name:

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Organization: OGA

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.

OGA generally agrees that proposed rescissions would provide relief to those struggling to meet the requirements and make compliance easier. Resources freed could be refocused towards other FASAB / OMB / GAO / Treasury requirements and financial management improvements. Additionally, OMB guidance and designation of which material, identifiable costs to report will assist in providing uniformity and comparability across federal agencies, lending overall consistency to financial reporting.

The areas in which OGA takes exception are noted below**:**

1. Suggest eliminating reference to "significant inter-entity costs" to prevent confusion about whether and when such costs should be recorded. By using "significant" without defining the term or further elaborating, the proposed guidance leaves much open to interpretation and could result in the same inconsistent reporting and disclosures that plagued previous releases on imputed costs. Accordingly, we suggest the Board either:
2.
    - remove the sentence in par. 111 cited above and leave the guidance at the business-type activities level, or
    - expand the language to assist non-business-type entities in determining when and how to recognize and / or disclose inter-entity imputed costs.

3. The Board should provide illustrative language and specify where unrecognized inter-entity costs should be disclosed. Presumably this statement would be part of Note 1, Significant Accounting Policies.

4. The cost of assessing materiality and potentially recognizing imputed costs at the individual agency-level provides little value to the decision-makers who established such operational and funding arrangements. Generally, the impact of such arrangements is assessed at the Department and / or community level.

5. OGA takes exception to the required recognition of inter-entity costs by business-type activities based on the following scenario. Conditions that caused the Board to reconsider SFFAS 30 exist whether a cost relates to a good / service provided to a federal or nonfederal entity. For example, in paragraph A14, the Board recognized it may not be cost-effective to impute costs for the military services due to the complex and inter-related operations of DoD components. This would be true whether the customer was a federal entity or not. The cost of selling a DoD component to determine an amount that includes imputed costs from a variety of other DOD components that contributed to an end-product could exceed any fee ultimately charged to the nonfederal entity.

    Paragraph 3 of the Exposure Draft has a footnote reference to OMB Circular A-25. However, it does not address the exceptions listed to full-cost pricing in the OMB Circular. For example, when:

    - the cost of collecting fees represents a large portion of the fee;
    - the sale is provided as a courtesy to a foreign government or international organization or a price is set at a reciprocal fee with such an organization;
    - the market price should be charged versus full-cost;
    - full cost would not be charged due to a legal requirement; or

- charges are determined at the discretion of an agency head.

How should reporting entities reconcile these situations with the accounting and reporting requirements in this Exposure draft for business-type sales to nonfederal entities?

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.**

Acknowledgment of significant services received but not paid by the entity is an important disclosure for the financial statement reader's understanding of an entity's comprehensive financial position and all resources channeled toward the entity's mission. The proposed disclosure is a reasonable requirement. The disclosure is dependent on the materiality / significance of the resources involved. We believe disclosure would assist agencies and users / readers of the statements understand whether there are costs that were not and / or could not be included in the statements - and their materiality or significance.

OGA generally agrees, with the exceptions noted below:

1. Recommend the Board provide more focused guidance for the disclosure statement. An example of the Board's vision would be valuable.

2. To provide a disclosure acknowledging significant services were received for which no cost is recognized, reporting entities would still be required to perform formal assessments to identify and quantify such services to determine if they are "significant." An annual assessment would likely continue to be a standard deliverable to auditors to support the disclosure. In addition, disclosing significant services were received at no cost, when there is no detail explaining such significant services provides no additional value to financial statement users. Accordingly, the cost of an annual assessment would likely exceed the limited additional information provided. However, we have no objection if the Board authorizes a concise disclosure statement acknowledging the receipt of significant services. For example, if 100 persons supported the agency's mission in Year One of implementation, then a statement acknowledging that fact might be disclosed without the burden of the present language. In Year Two, if there was a 10% increase, then the 10% increase might be reported also.

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.**

OGA generally agrees, with the exceptions noted below:

1. While we do not envision this will result in increased cost, more prescriptive guidance should lead to faster and more consistent adoption, with less confusion from the auditors in determining if / how the entity has complied with FASAB and GAAP requirements. Other considerations to assist in minimizing cost impact are:

   - the requirements do not include materiality as a requirement to record a cost vs make a disclosure statement;
   - the disclosure does not contain a dollar value; and
   - FASB and/or OMB providing guidance for the disclosure should make implementation uniform among Federal Agencies and add clarity to the reporting requirement. However, illustrative examples of acceptable disclosures from FASAB and OMB would be valuable. Such examples should include (a) when specific services are and / or should be disclosed; and (b) when specific services are not disclosed.

2. Absent direction from FASAB and/or OMB described above, agencies expend a great deal of time and manpower to comply. In that case, the additional cost burden could be the same as if existing provisions were unchanged. From the auditors' perspective, some additional costs would be incurred to substantiate the disclosure. Such costs - depending on the documentation required - would then be passed onto the agency.

FASAB EXPOSURE DRAFT
Amending Inter-Entity Cost Provisions
Due Date: 30 November 2017

Please update Header and Footer to Classify as Appropriate

Comment #	***Page #***	***Section #***	***Line #***	***Comment Type***	***Comments***	***Rationale***
				Indicate (S) for Substantive or (A) for Administrative		
1	6	Paragraph 3.110	1	S	By rescinding SFFAS 30, paragraphs 110 and 111 of SFFAS 4 will be restored to their original language. Paragraph 110 states, "OMB should identify the specific inter-entity costs for entities to recognize. OMB should issue guidance identifying these costs." OMB guidance should specify the costs that must be recognized, vs those that should. There is no mention of the impact on these changes on Technical Release 8 that was issued to clarify SFFAS 30.	For Clarification and Consistency. In its implementation guidance, OMB should: specify how it will identify inter-entity costs that must vs should be recognized; and provide the applicable time period (e.g. annually, etc.). Technical Release 8 was issued to clarify SFFAS 30 which is now rescinded.
2	6	Paragraph 3.111	1	S	The first two sentences leave room for interpretation on whether significant non-business type activities should be imputed. Deleting the term "ideally" would clarify and focus attention requirement.	For Clarification and Consistency. The statement "Ideally, all significant inter-entity costs should be recognized." contradicts paragraph 110. This requirement will increase the burden on each reporting agency by requiring agencies to analyze imputed cost estimates that are accurate, complete, supported by source documentation, and testable to determine if the cost is significant. If the cost is deemed significant, it will be reported in the entity's financial statements even when not specifically called out by OMB guidance (see Paragraph 110) The recommendation would narrow the specific types of imputed costs required , eliminating the need for extensive analysis for each type of existing imputed cost.
3	6	Paragraph 3.111	1	S	Include a statement that materiality should not be the only criteria for recognizing an inter- or intra-entity imputed cost	For Clarification. If the criteria for recognizing an imputed cost is only based on materiality or significance, and does not consider other factors, as stated in previous comment, agencies and external auditors will spend a disproportionate amount of time (and money) calculating and verifying the imputed cost estimate in order to determine significance. This will be no less burdensome than current practice.

4	6	Paragraph 3.111	1	S	Clarify meaning of "significant". This entire statement is vague and open to misinterpretation. Recommend providing specific disclosure requirements. Additionally, the portion of the paragraph stating "for which cost is not recognized" may cause confusion; recommend adding the word "imputed" to that portion of the sentence.	For Clarification and Consistency. On one hand, the ED proposes to eliminate imputed/inter-entity cost recognition requirements for all entities other than those engaged in a business-type activity. However, the ED also states that all components should recognize "significant" costs. Without a definition of "significant", an illustrative example, or Board guidance, the end-state vision is unclear. By rescinding SFFAS 30 and Interpretation 6, the proposed language does not define significance, and result in inconsistent applications across Federal agencies.
5	6	Paragraph 3.111	1	S	Recommend adding specific language excluding intra-entity non-business type activities. Recommend FASAB further clarify “business-type activities” and “significantly self-sustaining.”	For Clarification and Consistency. Without specific mention of the exclusion of "intra-entity" in the guidance, the term "Inter-entity" may be misinterpreted. Examples of relevant activities would be useful to reporting entities in implementing this standard. For example, should imputed costs be recognized by a reporting entity that has a function to sell goods and/or services to a nonfederal entity, such as a foreign government, where the intent of the sale includes a political or military benefit to the U.S. (e.g., not a traditional business-like activity such as providing electrical power to the public)?
6	6	Paragraph 3.111	5	S	Paragraph 111 states, “Therefore, recognition of inter-entity costs supporting business-type activities made in accordance with implementation guidance provided by FASAB through one or more technical releases.” Does FASAB plan to issue subsequent technical releases?	For Clarification and Consistency. FASAB should identify which releases identify the costs to be recognized. To ensure timely and consistent application, recommend reference to and inclusion of any additional guidance that supplements this standard.
8	7	Paragraph 5	1	S	Include illustrative examples of the disclosure statements and more definitive guidance on when this Statement applies/	For Clarification and Consistency. Such illustrative disclosure statements will enable consistency across Federal entities and facilitate compliance. In addition, greater clarity will increase the auditors' understanding of the criteria and determination of compliance.
7	7	Paragraph 6	1	S	Include language in the effective date section that specifies this change in accounting principle should be recorded prospectively and prior period adjustments are not required.	For Clarification and Consistency. Inclusion of such language will assist agencies in correctly applying the standard - especially as it pertains to prior period adjustments.

9	12	Paragraph A16	9	A	Document currently states "reporting of inter-entity **coats**" but should state reporting of inter-entity costs.	Typo - should be "costs", not "coats"