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: Carla Krabbe, Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration

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.

SSA Response: We agree with the Board's proposal to rescind SFFAS 30 and Interpretation 6. In light of the general immateriality of non-business-type imputed costs, as well as the difficulties facing some agencies in the implementation of SFFAS 30, it seems reasonable to remove the burden of attempting to recognize all imputed costs.

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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.**

SSA Response: We agree with the proposal for entities to provide an acknowledgement of significant services received when no costs are recognized. Acknowledging such activities supports transparency and provides a better understanding of an entity's financial environment. However, we suggest that it might be beneficial to provide more information besides just a statement of acknowledgement. For example, in the disclosure, include the specific services received for which no cost is recognized, as that provides the reader more meaningful information.

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.

SSA Response: While we concur that a statement is good for transparency purposes, we are concerned that the proposed additional disclosure could lead to increased costs or burdens on preparers and auditors. The preparation of the note will cause agencies to incur costs for that preparation and for performing any research and documentation.

In addition, while the proposed disclosure may appear simpler and less burdensome than existing requirements, if preparers and auditors disagree about what constitutes "significant" services, then they will have to devote time and resources to finding common ground, which also comes at a cost. This issue could potentially arise every time the entity changes auditors.