

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."

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|-----------------------------------|-------------------------------------|--|
| Accounting Firm | <input type="checkbox"/> | |
| Federal Entity (user) | <input type="checkbox"/> | |
| Federal Entity (preparer) | <input checked="" type="checkbox"/> | |
| Federal Entity (auditor) | <input type="checkbox"/> | |
| Federal Entity (other) | <input type="checkbox"/> | If other, please specify: <input type="text"/> |
| Association/Industry Organization | <input type="checkbox"/> | |
| Nonprofit organization/Foundation | <input type="checkbox"/> | |
| Other | <input type="checkbox"/> | If other, please specify: <input type="text"/> |
| Individual | <input type="checkbox"/> | |

Please provide your name.

Name: Thomas W, Harker, Acting Deputy CFO

Please identify your organization, if applicable.

Organization: Department of Housing and Urban Development

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.

HUD agrees with FASAB’s decision to rescind SFFAS 30 and Interpretation 6 of SFFAS 4. As stated in the exposure draft, there are certain reporting entities where the operating environment does not lend itself to full costing methodology as it relates to imputed inter-departmental and intra-departmental costs. Costs should instead be based on the realities of that particular reporting entity: its funding flows, specialized function, and management responsibilities.

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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.

HUD agrees with this proposal. If component reporting entities are not recognizing the full cost of services received from other reporting entities, they should disclose this in their notes to the financial statements. Users of the statements should be aware that not all costs are recognized by the reporting entity.

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.

HUD believes this disclosure would not impose a greater cost when compared to the existing requirement. A note disclosure stating that certain intra-entity and inter-entity costs are not recognized in the statements will not require as much recordkeeping as the previous requirements in SFFAS 30 and Interpretation 6 of SFFAS 4.