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COMPTROLLER

NOV 29 2017

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

Dear Ms. Payne:

The Department of Defense (DoD) is pleased to submit the attached comments to the Federal Accounting Standards Advisory Board on the proposed Exposure Draft (ED), *Amending Inter-Entity Cost Provisions*. The DoD understands the importance of providing useful, understandable information to users of the financial statements while considering the efficient use of resources within a reporting entity. The DoD partially agrees with the proposed ED and has provided detailed responses and input in our comments attached.

Thank you for considering the DoD's input.

Sincerely,

Alaleh A. Jenkins  
Assistant Deputy Chief Financial Officer

Enclosure:  
As stated



**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.**

DoD Response:

**The DoD agrees with the Board's proposal for revision of the standards to provide for recognition of inter-entity costs by business-type activities and the rescission of SFFAS 30 and Interpretation 6.**

As the Board explicitly recognized in Paragraph A2 of the Basis of Conclusion in this ED, the DoD is a highly complex organization with specialized components that regularly provide services to other DoD components. Due to the organizational structure of the DoD and the manner in which missions are carried out with cooperation amongst several components, the cost to identify, quantify, and record all inter-entity and related imputed costs would be cost prohibitive and would not provide a commensurate benefit to the users of the DoD's financial statements.

The DoD does recognize the benefit of recognizing inter-entity costs for business type activities, especially those that have to calculate and charge a rate for goods or services provided and agrees that it is beneficial to all stakeholders to include management and outside users of the financial statements to capture and recognize these costs.

**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 a 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 a rationale for your answer.**

DoD Response:

***The DoD disagrees with the Board's proposal that reporting entities provide a concise statement to acknowledge significant services received for which no cost is recognized.***

The DoD believes that the proposed disclosure requirement contradicts the overall purpose of the standard by imposing additional costs to disclose significant services for which no cost is recognized that does not provide a commensurate benefit to the users of the financial statements. Furthermore, the DoD is concerned about the sensitivity of information that could be included in the proposed disclosure.

**Additional DoD Comments**

- A. Recommend that, if the effective date is other than "effective upon issuance," including the provision that "earlier implementation of this standard is allowed" to the effective date.
- B. Recommend moving the following language from Paragraph A15 of the Basis for Conclusions to the body of the standard itself; " ... Personnel benefits and Treasury Judgment Fund settlements are required to be imputed by GAAP standards other than SFFAS 4, and those standards ensure they continue to be imputed ... "  
This is a piece of significant information and will be helpful to the reader of this standard.