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)	x		
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: Mary E. Peterman, Deputy Director

Please identify your organization, if applicable.

Organization: Department of Homeland Security – Office of the Chief Financial Officer

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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.

<u>**DHS Response**</u>**:** DHS agrees with the proposal to revise SFFAS 4 to provide for recognition of inter-entity costs by business-type activities and rescind SFFAS 30 and Interpretation 6. The proposed standard decreases the burden on those entities with immaterial imputed costs to report. Additionally, as the financial information is

consolidated, the intragovernmental costs, including the imputed cost are eliminated, reducing the effect of imputed cost on consolidated financial statements.

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.**

DHS Response: DHS agrees with the proposal above as a concise statement may improve clarity of financial information used to identify and classify significant inter-entity business activity. However, DHS recommends the Board to provide clear guidance and/or a methodology on determining what is considered as significant services.

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.**

DHS Response: DHS does not believe the proposed disclosure would impose a greater cost or burden when compared to existing requirements as the proposed changes simplify the overall reporting requirements. In addition, DHS recommends the Board to provide detailed guidance for the proposed disclosure to ensure consistency.