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October 1, 2019

Ms. Monica Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

**RE: Proposed Technical Bulletin 2019-1, *Loss Allowance for Intragovernmental Receivables***

Dear Ms. Valentine:

We appreciate the opportunity to respond to the proposed Technical Bulletin 2019-1, *Loss Allowance for Intragovernmental Receivables* (the exposure draft or ED). We support the efforts to clarify the existing standards regarding recognition of a loss allowance on intragovernmental receivables, and we agree with the conclusions as stated in paragraphs 1 through 14. However, we believe certain aspects of paragraphs 15 through 17 may undermine those conclusions. Therefore, we provide the following comments for consideration.

**Paragraph 15**

Paragraph 15 of the ED cites paragraph 131 from the Basis for Conclusions of SFFAS 7. We are concerned that the inclusion of that paragraph 131 elevates it beyond its intended purpose. Also, we note that the use of "therefore" in paragraph 16 indicates that it flows logically from paragraph 15; however, we do not see the connection between the two paragraphs.

We recommend striking paragraph 15 in its entirety.

**Paragraph 16**

Paragraph 16 of the ED states that "any guarantee or statutory obligation of payment should be considered". We recommend FASAB clarify what is intended by the phrase "should be considered" or revise paragraph 16 as follows: (deleted text struck-through; added text underlined):

> 16. ~~Therefore, in arriving at the need to report an allowance for intragovernmental receivables, any guarantee or statutory obligation of payment should be considered.~~ <u>In determining the loss allowance, the reporting entity should apply the considerations in paragraphs 44 and 46 of SFFAS 1 notwithstanding any guarantee or statutory obligation of payment.</u> As explained, SFFAS 1 requires only accounts receivable, net of an allowance, to be reported on the financial statements. It does not require the write-off of a receivable. Further, recognizing an allowance on a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay. For example, intragovernmental receivables may represent payments that are required by statute, but this statutory requirement does not, in itself, eliminate the need of reporting an allowance for financial statement presentation.

**Paragraph 17**

Paragraph 17 of the ED states:

> "The factors and criteria that are considered regarding intragovernmental receivables and recognition of losses should be documented in departmental policy and *be consistent with government-wide policies* [emphasis added]."

We believe paragraph 17 introduces considerations that were not in SFFAS 1 and poses the risk of contradicting paragraphs 10 and 11 of the ED. As described in paragraph A4, the ED was requested by Treasury because of the concerns raised after its issuance of a government-wide policy memo that precluded agencies from reporting an allowance for losses of intergovernmental receivables. Paragraph 17 could be read by agencies that policies issued at the government-wide level are now incorporated as Level B GAAP.

We also believe there are instances when the factors considered by a department preparing stand-alone financial statements would not be consistent with the factors considered when preparing the government-wide financial statements. For example, a department may be concerned about whether the accounts receivable balance from another agency is collectible and, if so, an allowance may be appropriate in those circumstances. However, the concern in preparing the government-wide financial statements is whether the balances between departments eliminate in consolidation.

We recommend striking paragraph 17 and the related paragraph A12 in *Appendix A: Basis for Conclusions* in their entirety.

If you have questions about our response, please contact Ms. Amanda Nelson at 202-533-5560 or aenelson@kpmg.com.

Sincerely,

KPMG LLP