

FASAB Exposure Draft: Questions for Respondents due October 1, 2019

Loss Allowance for Intragovernmental Receivables

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	<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"/>
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Organization:

Q1. The proposed Technical Bulletin (TB) would provide that the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities in Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, does not mean the standards only apply to receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

HHS's Response:

HHS agrees that there is a need for explicit guidance for distinguishing between the accounting for intragovernmental receivables and receivables from nonfederal entities. As expressed in other federal guidance, such as the Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget* (Circular A-11), intragovernmental receivables and receivables from nonfederal entities should be explained based on their different characteristics. Circular A-11 Section 86, *Special Schedules*, defines Federal Assets, Receivables, Net as "Accounts receivable and interest receivable, net of uncollectible amounts. Report receivables from Federal agencies separately from receivables from non-Federal entities."

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- Q2.** The proposed TB would clarify that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Do you agree or disagree? Please provide the rationale for your answer.

HHS's Response:

HHS agrees that these paragraphs should apply for both intragovernmental receivables and receivables from nonfederal entities. However, we are aware of instances where intragovernmental receivables should be accounted for differently. HHS recommends clarification be added for these instances to help agencies with proper accounting.

In September 2017, the Department of Treasury (Treasury) issued policy memorandum, *Intragovernmental Receivables - No Allowance for Losses*, to resolve inconsistent application of SFFAS 1 in relation to accounting for losses on intragovernmental receivables between federal agencies. The memorandum provides examples associated with the Judgment Fund and the Contract Disputes Act payments which represented the largest number of intragovernmental differences in dispute. This memo states "In absence of an explicit FASAB standard for accounting treatment of intragovernmental receivables, the legal requirement for agencies to repay amounts that prohibit write-offs, and the fact that intragovernmental receivables exist within the same legal entity, the policy in the federal government is that no allowance for loss will be recognized in federal agencies' accounting records or financial statements for intragovernmental receivables."

HHS recommends that the language in paragraphs 41- 51 of SFFAS 1 should be updated to provide examples of when recognition of allowance for losses with the public and with the government can take place. In addition, HHS recommends the Board to consider the budgetary impact. For example, agency records anticipated collections from federal sources when a receivable is from another federal entity. The U.S. Standard General Ledger (USSGL) would need to include scenario for when the receiving entity records the allowance, how that would impact the payable agencies budgetary accounts.

The USSGL allowance accounts currently only have a nonfederal attribute. Therefore, an allowance for doubtful accounts cannot be recorded by federal entities when customers are federal entities. Treasury will need to change these USSGLs to accommodate an allowance for federal entities.

- Q3.** The proposed TB would clarify that an allowance recognized in 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.

Do you agree or disagree? Please provide the rationale for your answer.

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HHS's Response:

HHS agrees that the proposed TB should clarify that an allowance recognized in 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.

In April 2019 presentation, the Bureau of Fiscal Service referenced this issue for as an intragovernmental material weakness for the federal government for the past 22 fiscal years. This presentation referenced a Fiscal Year 2018 U.S. Government Accountability Office Independent Auditor's Report that states "if two federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not in agreement, resulting in errors in the consolidated financial statements."

The proposed TB should suggest that the Congress would have to legally appropriate money to cover the liability. HHS has judgment fund payments that have not been paid because it is unfunded.