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			
Federal Entity (user)			
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: Roberto Sepulveda

Please identify your organization, if applicable.

Organization: Department of Homeland Security

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.

Neither Agree nor Disagree. We believe this question is less relevant than the practical question of whether there should be allowance recorded against intragovernmental receivables or not. And for this question, we believe the answer should be no, for the reasons provided in our response to Question No. 2 below.

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.

Agree that the proposed TB as written does clearly state that paragraphs 41-51 of SFFAS 1 are applicable to both intragovernmental receivables and receivables from nonfederal entities. However, that could be problematic from a practical standpoint. We are concerned that this TB will have an adverse impact on both the agency financial statements preparation and audit, as well as on FR of the US Government. For agencies, the combined effect of this TB would run contrary to OMB's overall reporting burden reduction initiative, and it would also introduce potential audit issues due to the ambiguity as to when it would be appropriate for agencies to recognize allowance against intragovernmental receivables. For governmentwide FR (i.e., Fiscal Service perspective), by allowing recognition of bad debt expense for one trading partner without providing specific guidelines on recognition of the reciprocating revenue/gain by the other trading partner, this TB could further complicate the unresolved intragovernmental eliminations issue. In other words, this could be another example of a typical gap between an academic/theoretic FASAB standards vs. the Fiscal Service's and agencies' need to apply practical and specific accounting guidelines, in order to resolve the governmentwide elimination issue in preparing FR. Such situation would potentially create costly audit issues at multiple levels…

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.

Disagree. DHS doesn't believe such clarification is necessary as we don't believe any agency would be confused about their statutory authority to collect, regardless of their recognition of allowance even against non-federal entities. Therefore, this TB may not be necessary either.