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			
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Individual			

Please provide your name.

Name: Joanne Gasparini, Acting Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration (SSA)

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.

SSA Response: Overall, we agree that the Exposure Draft (ED) TB provides additional clarifying information regarding intragovernmental and non-Federal (public) receivables as it applies to SFFAS 1, *Accounting for Selected Assets and Liabilities*.

However, we believe that additional research and guidance may be required on intragovernmental receivables, as detailed below (and applicable to this and the following two questions).

As discussed at the April 2019 FASAB meeting, Treasury's slide deck included a slide that stated per the fiscal year (FY) 2018 Government Accountability Office (GAO) independent auditor's report, "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 be in agreement, resulting in errors in the consolidated financial statements." As also stated in Treasury's slide deck, "As it has for each of the past 22 fiscal years, the U.S. Government Accountability Office (GAO) issued a disclaimer of opinion on the FY 2017 Financial Report of the U.S. Government. In its report, GAO cited the government's difficultly to 'adequately account for and reconcile intragovernmental activity and balances between Federal entities' as a material weakness and a major impediment to expressing an opinion."

The Treasury Financial Manual and Office of Management and Budget (OMB) Circular A-136 took steps to alleviate this government-wide problem by disallowing an allowance for doubtful/uncollectible accounts on intragovernmental receivables. The action taken by Treasury and OMB appears to be generally accepted accounting principle compliant, prior to the issuance of this ED TB, as current FASAB Standards did not appear to separately address intragovernmental receivables that roll-up to a consolidated entity other than to state in SFFAS 7 (paragraph 131), "For intragovernmental transactions, allowances for bad debts may not always be needed, because full payment can often be assumed." The Financial Accounting Standards Board in Accounting Research Bulletin 51, *Consolidated Financial Statements*, as amended, does state, "Consolidated statements assume that they represent the financial position and operating results of a single business enterprise."

There also appears to be a disconnect between GAO's findings and the FASAB desired reporting of intragovernmental receivables. How can this problem be resolved, as some believe an allowance for doubtful/uncollectible accounts should not be utilized as the intragovernmental receivables and intragovernmental payables should be eliminated as rolled-up to a consolidated single entity and because the intragovernmental receivables are considered fully collectible? Perhaps a conversation with GAO, other auditors, and preparers could result in alternatives to recording an allowance for doubtful/uncollectible accounts, such as a note disclosure on any "potential" differences or reason for recording an allowance for doubtful/uncollectible accounts, so that the intragovernmental receivable/payable problem noted on the consolidated financial statements in the Financial Report of the U.S. Government would be resolved (similar to the discussions held for removing Land off the Balance Sheet).

Given the guidance of other standard setting bodies, and normal consolidated entity practices, it could easily be assumed that the standard should be that consolidated statements represent the financial position and operating results of a single business enterprise and are deemed fully collectible (no allowance for intragovernmental receivables utilized). We believe further research on this matter would be optimal with a hopeful result of solving the consolidated entry unbalanced intragovernmental receivables/payables issue while also abiding by the full disclosure principle.

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.

SSA Response: See response to Q1 above. The guidance in the ED TB would clarify that recognition of losses provided in paragraphs 41-51 apply to both intragovernmental receivables and receivables from non-Federal entities. As indicated in our Q1 response, we believe further research may be warranted, especially on allowance for doubtful/uncollectible accounts on intragovernmental receivables reporting up to a consolidated entity where collectability can be assumed.

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.

SSA Response: If the receivables are legally required to be collected, and they are historically collected in full, then an agency is not precluded from setting the allowance for loss at zero. However, we understand for the consolidated statements if an allowance is booked, the intragovernmental receivables/payables would not net to zero (as it should), so additional analysis may be required to solve the problem at a consolidated entity basis.