



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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COMPTROLLER

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

SEP 30 2019

Dear Ms. Valentine:

The Department of Defense (DoD) is pleased to submit the attached comments on the Federal Accounting Standards Advisory Board Technical Bulletin (TB) 2019-1 of the proposed Exposure Draft "Loss Allowance for Intragovernmental Receivables." The DoD agrees with the proposed TB but we offer a few suggestions. Detailed responses to FASAB's questions and additional comments are provided in the enclosure.

Thank you for considering the DoD's input.

Sincerely,

A handwritten signature in black ink, appearing to read "D. A. Glenn".

Douglas A. Glenn
Assistant Deputy Chief Financial Officer

Enclosure:
As stated



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: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Douglas A. Glenn, Assistant Deputy Chief Financial Officer,
Office of the Under Secretary of Defense (Comptroller)

Please identify your organization, if applicable.

Organization: Department of Defense

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.

DoD's Response:

Agree. This TB will clarify the Board's intent that paragraph 42 of SFFAS 1: *Accounting for Selected Assets and Liabilities*, which requires entities to report receivables from federal entities (intragovernmental), separately from receivables for nonfederal entities, does not mean that the other paragraphs in SFFAS 1 only apply to receivables from nonfederal entities.

- 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.

DoD's Response: Agree. The language in paragraphs 10, 11, and 12 of the proposed TB clearly state that recognition of losses provided in paragraphs 41-51 of SFFAS 1 apply to both intragovernmental receivables and receivables from nonfederal entities.

Note that although we agree that the proposed TB clarifies that paragraphs 41 -51 applies to both intragovernmental receivables and receivables from nonfederal entities, in light of paragraph 15 of the proposed TB and the language in paragraph 131 of SFFAS 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, we believe it would be helpful for this TB to include an example of a situation when a loss for an intragovernmental receivable should be recognized, as well as some additional guidance providing some indicators to be aware of that would provide evidence that a loss allowance for an intragovernmental receivable should be considered.

- 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.

DoD's Response:

Agree. The language in paragraph 16 of the proposed TB clearly states 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.

Comments on Other Aspects of the Proposed Technical Bulletin

Paragraph 2 of the proposed TB states:

"This guidance applies to all reporting entities that present general purpose federal financial reports (GPFRRs), including the consolidated financial report of the U.S. Government (CFR)"

The focus of this proposed TB is to clarify and emphasize that an aspect of SFFAS 1 is applicable to intragovernmental receivables. Specifically, whether an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of intragovernmental receivables to its net realizable value. Since intragovernmental receivables and intragovernmental payables, and related allowances for estimated uncollectible amounts, should be eliminated in the consolidated financial report of the U.S. Government, it seems that the proposed TB is not applicable to the consolidated financial report of the U.S. Government.