

FW: #9 FW: US DOL/OCFO/DFR Comments on FASAB Exposure Draft, Proposed Technical Bulletin 19-1, "Loss Allowance for Intragovernmental Receivables"

From: Simpson, Cynthia - OCFO [mailto:Simpson.Cynthia@dol.gov]

Sent: Tuesday, October 01, 2019 1:57 PM

To: FASAB

Cc: Batchelor, Melissa L; DiGiantommaso, Jennifer M. - OCFO; Wyes, Tesfaye T - OCFO; Maurer, Jennifer - OCFO; Sacchetti, Dylan M - OCFO; Polen, Chris P - OCFO; Simpson, Cynthia - OCFO

Subject: US DOL/OCFO/DFR Comments on FASAB Exposure Draft, Proposed Technical Bulletin 19-1, "Loss Allowance for Intragovernmental Receivables"

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), Division of Financial Reporting (DFR), on the exposure draft (ED) of Proposed Technical Bulletin 19-1, "Loss Allowance for Intragovernmental Receivables." Comments were requested by October 1, 2019. DOL/OCFO/DFR is a Federal entity preparer.

We appreciate the opportunity to provide comments. If there are any questions, please contact:

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Jennifer DiGiantommaso, DiGiantommaso.Jen@dol.gov

Regards,

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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.

DOL/OCFO/DFR Response to Q1: Disagree. Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 (I TFM 2-4700, July 2019 version) has specific guidance that designates the U.S. Department of Labor (DOL) as the authoritative source for the intragovernmental fiduciary transactions in these programs:

- Federal Employees' Compensation Act (FECA) workers' compensation program and
- Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-service members (UCX).

DOL/OCFO/DFR publishes on its website on a quarterly basis, the billing, collections, receivables, and revenues (among other things) for the Agencies' fiduciary transactions. The DOL/OCFO website is:

<https://www.dol.gov/agencies/ocfo/publications>

As the fiduciary Agency, the DOL's FECA program is separately audited for, among other things, its systems compliance as a service provider and schedules of receivables and benefits expenses. DOL should not record an allowance for doubtful accounts for these programs' intragovernmental receivables because Agencies are required to reconcile to and report in accordance with DOL's balances per I TFM 2-4700; the TFM has detailed guidance for eliminating the intragovernmental balances for these fiduciary transactions.

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.

DOL/OCFO/DFR Response to Q2: Disagree. Recognition of losses should not apply to intragovernmental receivables that result from fiduciary transactions.

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.

DOL/OCFO/DFR Response to Q3: Disagree. Refer to the responses for Q1 and Q2. No allowance should apply to DOL's fiduciary transactions.

Other Aspects of the Proposal

DOL/OCFO/DFR Response:

Your memorandum requesting comments stated, "... you are welcome to comment on any aspect of this proposal."

This comment is with regard to the proposed TB 2019-1 paragraph 19 effective date. We disagree with "effective upon issuance." This is unclear as to which reporting period the TB should be applied and how it should be applied. Because the Treasury has a policy memorandum currently in effect for FY 2019 reporting the effective date must be specific or this may cause confusion.

For example, FASAB issued two TBs where the timing of the issuance date and lack of specific effective date may have caused confusion:

- TB 2017-1: Intragovernmental Exchange Transactions dated November 1, 2017 and effective upon issuance and
- TB 2017-2: Technical Bulletin 2017-2: Assigning Assets to Component Reporting Entities dated November 1, 2017 and effective upon issuance.

Per TB 2000-1, paragraph 10

Page 5 - Technical Bulletin 2000-1; FASAB Handbook, Version 17 (06/18)

10. Each Technical Bulletin will specify an effective date and transition provisions for initial application. While the FASAB expects that most Technical Bulletins will be applied prospectively, Technical Bulletins may require retroactive application if appropriate in the circumstances.

The **default** effective dates for TBs 2017-1 and 2017-2 were prospective and no transition provisions were made for initial application. The effective date paragraphs for the 2017 TBs:

- did not prohibit retroactive application, so an Agency may choose to implement for FY 2017 reporting;
- did not require retroactive application, so an Agency may choose to implement for FY 2018 reporting based on the November 1, 2017 issuance dates; and
- were silent as to transition provisions for initial application.

If the proposed TB 2019-1 is issued during

- a component reporting entity's subsequent events reporting period, e.g., October 1 through November 19 (for the FY 2019 reporting period) or
 - the governmentwide reporting entity's subsequent events reporting period, e.g., November 16 through March 18 (for the FY 2018 reporting period due to partial lapse in appropriations)
- this may cause confusion and the reporting entity and their auditor may disagree about the reporting period(s) in which to apply the TB and how to apply it (e.g., retroactive, change in accounting principle, restatement of prior years' financial statements) because the proposed TB 2019-1's policy is the opposite of the Treasury policy described in their memorandum, I TFM 2-4700 Appendix 6 (July 2019 version), and OMB Circular A-136 page 27 (June 28, 2019 version). Furthermore, the Treasury will need time to
- adjust its systems for governmentwide reporting and
 - provide guidance to the component reporting entities.

Component reporting entities will need time to implement the TB in their financial systems and financial reporting.

We realize that the proposed TB 2019-1:

- does not intend to change GAAP, instead the clarifications are intended to make GAAP clearer and
- as Level B in the GAAP hierarchy would have precedence over Circular A-136 as level D in the GAAP hierarchy but the nature of the change (as the opposite of Treasury's policy) requires more specific guidance.

Therefore, paragraph 19 should be specific as to effective date and transition provisions. Paragraph 19 should state that

- the effective date is for reporting periods after September 30, 2020 (or later),
- there is no retroactive application, and
- earlier implementation is not permitted.