

From: Simpson, Cynthia - OCFO [mailto:Simpson.Cynthia@dol.gov]
Sent: Monday, March 11, 2019 1:19 PM
To: FASAB
Cc: Wu, Grace Q; DiGiantommaso, Jennifer M. - OCFO; Wyes, Tesfaye T - OCFO; Maurer, Jennifer - OCFO; Simpson, Cynthia - OCFO; Sacchetti, Dylan M - OCFO
Subject: US DOL/OCFO/DFR Comments on FASAB Exposure Draft, "Materiality--Amending SFFAC 1 . . . and SFFAC 3 . . ."

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 Statement of Federal Financial Accounting Concepts (SFFAC), "Materiality: Amending SFFAC 1, Objectives of Federal Financial Reporting, and SFFAC 3, Management's Discussion and Analysis (October 15, 2018)," Comments were requested by March 11, 2019. DOL/OCFO/DFR is a Federal entity preparer.

We appreciate the opportunity to provide comments. If there are any questions, please contact:
 Cynthia Simpson, simpson.cynthia@dol.gov or
 Jennifer DiGiantommaso, DiGiantommaso.Jen@dol.gov

Regards,

Cynthia D. Simpson
 U.S. Department of Labor
 Office of the Chief Financial Officer
 Division of Financial Reporting

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Q1. The Board proposes materiality concepts providing a discussion of users, scope, and factors to consider in the federal government environment. Refer to paragraph 1.

a. Do you agree or disagree with the proposed materiality section? Please provide the rationale for your answer.

DOL/OCFO/DFR Response: Please refer to our responses to question 1.b below.

b. Do you have any suggestions that would enhance the section?

DOL/OCFO/DFR Response:

[1] Page 4, paragraph 191b. The word used is "can" in:

" . . . it can be reasonably expected . . . "

Page 4, paragraph 191d. The word used is "can" in:

" . . . if it can be reasonably expected . . . "

whereas in the same paragraphs, the word "may" is used. We suggest that "could" or "would" be used instead of "can."

Also, we suggest that "reasonably" be moved so that the sentences read "reasonably be expected."

[2] Page 4, paragraph 191b. We suggest that the "due" in "due diligence" be removed because of the legal/contractual connotations associated with the term "due diligence" versus "diligence," which does not have that connotation.

[3] Pages 4 and 5, paragraphs 191b, 191c, 191d, and 191e. Paragraphs 191b and 191d use "judgment" to refer to the judgment of the user, whereas in paragraphs 191c and paragraph 191e, "judgment" seems to refer to the judgment of the preparer. Please be specific as to whether paragraphs 191c and 191e are referring to the user's judgment or the preparer's judgment.

Q2. The Board proposes placing the materiality concepts in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*. Refer to paragraph A14.

Do you agree or disagree with the placement within concepts and specifically in SFFAC 1? Please provide the rationale for your answer.

DOL/OCFO/DFR Response: Agree with the placement.

[1] However, placement of information is not covered in the SFFAC. The SFFAC does not mention whether the placement of the information could be a misstatement, especially for qualitative information or information in narrative form (e.g., in one note disclosure instead of another note disclosure; in RSI/RSSI instead of basic information; in MD&A/front matter instead of RSI/back matter). Assuming that GAAP does not otherwise specify the placement of the information, does misstatement include where the information (the placement) is reported in GPFFR?

Comments on Other Aspects of this Proposal

Your memorandum mentioned that we were welcome to comment on any aspect of this proposal. Below please find comments on other aspects of this proposal.

[i] Page 1, Response to the question, "How would this proposal improve Federal Financial Reporting and contribute to meeting the Federal Financial Reporting objectives?"

In consideration of the question's response:

"A reporting entity considers materiality in the application of specific requirements to information contained in its general purpose federal financial reports."

please make it clear that this SFFAC applies to General Purpose Federal Financial Reports. "Financial statements" may be prepared for internal management purposes and for interim periods; they may exclude certain required annual accruals and adjustments; and they may exclude certain financial statements and disclosures which would otherwise be required under GAAP (e.g., exclusions could be: note disclosures that are an integral part of the financial statements; certain statements, such as the Statement of Budgetary Resources which are not required to be submitted as part of third quarter interim statements per OMB Circular A-136; and RSI/RSSI). However, GPFFR would include the financial statements and disclosures required by GAAP. Therefore, if the SFFAC refers to "financial statements," it should be clear that these are GPFFR.

[ii] Page 7, paragraph A7. The excerpt for paragraph 6.03 from the GAO Yellow Book is missing the footnote 41 for AU-C section 320, Materiality in Planning and Performing an Audit (AICPA, Professional Standards). Please include footnote 41 because AU-C section 320 provides for concepts about materiality and the excerpt of paragraph 6.03 would be incomplete without footnote 41. The footnote 41 provides a reference that the reader may use for additional information on the topic of materiality.

[iii] Page 7, footnote 1. The correct page numbers as printed in the GAO Yellow Book are pages 109—110 at:

<https://www.gao.gov/assets/700/693136.pdf>

[iv] Pages 7--8, paragraph A12. For the sentence, "Existing literature already provides detailed guidance on materiality considerations."

Please provide a list of examples of the existing literature that already provides the detailed guidance on materiality considerations. The guidance should be "detailed" and not of a general nature, such as the guidance that is found in OMB Circular A-136. A list with examples would provide references that the reader may use for additional information on the topic of materiality. If there is no list of examples, then omit the sentence.