

FASAB Exposure Draft: Questions for Respondents due January 23, 2019

Materiality

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

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

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.

HHS agrees with the proposed materiality section since it assists the user, preparer, or auditor in effectively applying accounting and reporting requirements as it relates to the concept of "Materiality" when reviewing, preparing, or auditing financial statements. The proposed materiality guidance will improve the understanding and comprehension of federal financial reports by financial statement users.

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

HHS suggests the Materiality section include verbiage regarding Risk and it's relation to the subject matter. Risk (relating to audit, material misstatements, controls, etc.) and Materiality (qualitative and/or quantitative) among other matters, need to be considered together in designing the nature, timing, and extent of financial statement preparation, audit procedures and evaluation of the results of those procedures.

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- 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.**

HHS agrees that the materiality concepts should be placed in the SFFAC 1; however, HHS disagrees with the recommended location of the concepts due to the important nature of the topic. Therefore, HHS proposes two (2) placement options:

**Option 1**

“Materiality” should have its own chapter in the SFFAC 1. HHS suggests placing this chapter between the current Chapter 6: Qualitative Characteristics of Information in Financial Reports and Chapter 7: How Accounting Supports Federal Financial Reporting. Creating a stand-alone chapter for “Materiality” emphasizes the importance of the concept.

**Option 2**

Materiality could be a separate component of the Objectives of Federal Financial Reporting. The current objectives include: Budgetary Integrity, Operating Performance, Stewardship, and Systems and Controls. Materiality could be viewed as another important objective of federal financial reporting.