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OCT 13 2017

COMPTROLLER

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Department of Defense (DoD) is pleased to submit the attached comments to the Federal Accounting Standards Advisory Board on the proposed Technical Bulletin (TB) 2017-2, *Assigning Assets to Component Reporting Entities*. The DoD understands the importance of providing useful, understandable information to users of the financial statements while considering the efficient use of resources by a reporting entity. The DoD agrees with the proposed TB. However, the DoD believes the TB will benefit from further clarification of "Reporting Entity" in paragraph 12 and the illustration in Appendix B. This will ensure that the term applies to the DoD in its entirety, not just component reporting entities of the Department. DoD would like the flexibility to assign assets across all of the Military Departments and Defense Agencies. Detailed responses to each of the Board's questions are included in our attached comments.

Thank you for considering the DoD's input.

Sincerely,

A handwritten signature in black ink, appearing to read "Alaleh A. Jenkins".

Alaleh A. Jenkins
Assistant Deputy Chief Financial Officer

Enclosures:
As stated



Q1. The proposed Technical Bulletin (TB) provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis. For example, an asset may be assigned to a component reporting entity holding legal title, funding the asset, using the asset in its operations, or another rational and consistent basis. However, assets may only be assigned by a component reporting entity to its own sub-component reporting entities (such as bureaus, components, or responsibility segments within the same larger reporting entity or department).

Do you agree or disagree? Please provide the rationale for your answer.

DoD Response:

The DoD agrees with the Board's proposal for all assets to be assigned to component reporting entities on a rational and consistent basis.

The DoD is a large, decentralized, and complex organization comprised of multiple components and reporting entities (as defined by Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*) that support the DoD's overall mission. Assets within the DoD are, in many cases, funded by and used for the benefit of multiple components and reporting entities. This creates challenges to assigning ownership given traditional accounting requirements. Given the complexity of the DoD's organizational and reporting structure, as well as balancing the need to continue to execute the DoD's operational missions, the cost to attempt to apply traditional methods (both in terms of dollars spent and the input of manpower hours) outweighs any benefits that may be derived by the users of the DoD's financial statements of the information produced by applying traditional accounting principles. The goal is to be able to account for the DoD's assets as a consolidated reporting entity, and the adoption of this guidance would facilitate that goal in a way that balances the needs of the DoD and all stakeholders.

However, the DoD believes that the illustration in Appendix B on Page 9 of the TB may cause confusion for some users of this TB. The TB states, "Assets may only be assigned by a component reporting entity to its own sub-component reporting entities (such as bureaus, components, or responsibility segments within the same larger reporting entity or department). In the illustration, this would represent assignments connected with a solid line." Appendix A also states, "Assets may not be assigned to component (or sub-component) reporting entities that are not part of the same larger reporting entity. This would prohibit assigning assets across departments. These are depicted with a dashed line above".

The illustration in Appendix B and the guidance cited above could be interpreted in a way that contradicts the proposed technical guidance. Therefore, the DoD suggests that the FASAB Staff consider clarifying Appendix B to state that, for purposes of determining asset assignments, a reporting entity is the entirety of a Department (for example the DoD) with components of the larger Department classified as sub-components.

Q2. The proposed TB requires reporting entities to disclose the policies used to assign significant assets.

Do you agree or disagree? Please provide the rationale for your answer.

DoD Response:**The DoD agrees that reporting entities should disclose the policies used to assign assets.**

A rational and defined asset assignment policy is important in presenting information that is useful to users of the financial statements, and additionally, those users will benefit from knowing the basis for assigning the assets in order to fully understand the information presented in the financial statements and related footnotes.

Q3. Staff plans to develop guidance regarding assignment of liabilities to components within a larger reporting entity. Thus far, the specific types of liabilities identified where it may be helpful to provide additional guidance are liabilities related to assets such as clean-up costs and possibly all government related events.

Should such guidance be limited to liabilities related to assets such as clean-up costs or also address all government-related events? Are there other types of liabilities for which guidance would be helpful? Please provide the rationale for your answer.

DoD Response:

The DoD believes that any flexibility in the assignment and reporting of liabilities should be written in such a way that it could be applied to the full range of liabilities (e.g., environmental liabilities, contingent liabilities, and legal liabilities) of a reporting entity provided that the reporting entity is able to support any such assignments as rational, cost effective, and reasonable for the presentation of useful financial information to stakeholders that rely upon financial statements and the related notes. This will allow component entities to present information in a way that is efficient to the preparers and useful to users of the financial statements without unduly burdening scarce resources in both operational and financial reporting positions.