



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Chief Financial Officer and**  
**Assistant Secretary for Administration**  
Washington, D.C. 20230

OCT 13 2017

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the FASAB Exposure Draft for Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*, dated September 12, 2017.

Please find enclosed answers to the questions that were asked of respondents, and please also find additional comments by the Department. If you have any questions, please contact me at (202) 482-1207 or [galston@doc.gov](mailto:galston@doc.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Gordon T. Alston".

Gordon T. Alston

Director of Financial Reporting and Internal Controls

Enclosure

cc: Julie Tao  
Bruce Henshel

FASAB Exposure Draft: Questions for Respondents due October 13, 2017

ASSIGNING ASSETS TO COMPONENT REPORTING ENTITIES

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 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.**

**Department of Commerce Response:**

**The Department agrees with the proposed approach or guidelines for a reporting or component reporting entity to assign assets to its component or sub-component reporting entities. The approach or guidelines appears reasonable to the Department.**

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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.

**Department of Commerce Response:**

The Department **strongly disagrees** with the ED requiring reporting entities to disclose the policies used to assign significant assets to component or sub-component reporting entities:

- The Department strongly believes, that the proposed required policies/procedures note disclosure is not a significant accounting policy *specific to the reporting entity's consolidated assets that are required to be reported in the reporting entity's required financial statements (i.e. Consolidated Balance Sheets)*, for the reasons set forth below:
  - o Importantly, assets of component or sub-component reporting entities are **not required** to be further broken down by component or sub-component in the reporting entity's required financial statements (i.e. Consolidated Balance Sheets) or required Notes to the Financial Statements.
  - o Adding the proposed required note disclosure, accordingly, in the Department's opinion, would **not** be adding a significant accounting policy *for the reporting entity's assets required to be reported in its financial statements (i.e. Consolidated Balance Sheets) or Notes to the Financial Statements*.
  - o If a reporting entity alternatively chose, for example, to report a further breakdown (e.g. by component and/or sub-component) of its consolidated assets in its notes to the financial statements, the Department believes that the reporting entity could consider adding the proposed note disclosure; however, the reporting entity should not be required to add the proposed note disclosure in the Department's opinion because the disclosure of component/sub-component is included in the notes to the financial statements as optional, additional support to the consolidated assets reported in its financial statements.

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- Rather, the proposed required note disclosure, in the Department's opinion, would not be significantly relevant to, and could actually be confusing or a distraction to the reader, with regard to the reporting entity's consolidated assets that are required to be reported in its financial statements (i.e. Consolidated Balance Sheets).
- Adding the proposed required note disclosure would be an additional, possibly significant burden or cost to the reporting entity without in the Department's opinion a significant benefit as explained above.

**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.**

**Department of Commerce Response:**

**The Department does not readily have an opinion on the scope of the liabilities planned by FASAB to be addressed in future FASAB guidance.**

**Additional Department of Commerce Comments to ED**

**Additional Comment No. 1**

- Paragraph 9 (Proposed Technical Guidance—Scope) includes the following excerpts:

**“A policy for assigning assets to component reporting entities should be established, documented and followed consistently.”**

**“There should be a process in place to ensure all assets within a reporting entity are assigned to a component reporting entity.”**

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- Paragraph A6 (Appendix A: Basis for Conclusions) similarly includes the following excerpts:

“Reporting entities should establish and document a policy for assigning assets to component reporting entities and follow it consistently.”

“There should be a process in place to ensure all assets within a reporting entity are assigned.”

- The What Guidance is Being Proposed? section similarly includes the following excerpt:

“There should be a process in place to ensure all assets within a reporting entity are assigned to a component reporting entity.”

- The Department very respectfully, strongly believes that FASAB should not, as indicated above, *prescribe* how reporting entities should implement and continue compliance with a FASAB issuance. That is, in the Department’s opinion, going beyond the scope of FASAB as a standard-setting body and rather going into the function of *prescribing* policies and procedures to reporting entities, which is a management function. FASAB, in the Department’s opinion, *could rather offer areas to consider or suggestions* to reporting entities on how to implement and maintain compliance with a FASAB issuance.
- The Department, accordingly, respectfully requests that the proposed standard be edited to remove the prescription of policies and procedures for a reporting entity.

Additional Comment No. 2

- The What Guidance is Being Proposed? section includes the following excerpt:

“For example, an asset **would** be assigned to the component reporting entity holding legal title, funding the asset, using the asset in its operations, or on another rational and consistent basis.”

- To be consistent with the usage of “**may**” throughout the remainder of the document, please revise the word “**would**” to “**may**.”

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**Additional Comment No. 3**

- Paragraph 12 (Proposed Technical Guidance—Scope) provides an example of a bureau as a sub-component reporting entity.
- The Department believes that a bureau of a reporting entity rather may best serve as an example of a component reporting entity of a reporting entity. An organization under the bureau (for example, an office, line office, regional office) may best serve as an example of a sub-component reporting entity under the bureau (component reporting entity).