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Sent: Tuesday, March 14, 2017 10:50 AM
To: FASAB
Cc: Payne, Wendolyn M; Wyes, Tesfaye T - OCFO; Maurer, Jennifer - OCFO; Sacchetti, Dylan M - OCFO; DiGiantomaso, Jennifer M. - OCFO
Subject: US DOL/OCFO/DFR Comments on FASAB ED, "Budget and Accrual Reconciliation"

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 of proposed Statement of Federal Financial Accounting Standards, "Budget and Accrual Reconciliation (December 21, 2016)." Comments were requested by March 14, 2017. 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 Maurer, Maurer.Jennifer@dol.gov
 Both may be reached at 202-693-6800.

Regards,

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

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 Office of the Chief Financial Officer
 Division of Financial Reporting
 Comments on FASAB Exposure Draft, "Budget and Accrual Reporting (December 21, 2016)"

Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

DOL/OCFO/DFR Response:

(1) We disagree with the proposal to replace the SOF with the NBAR. We believe that the current form and presentation of the SOF provides users with the information needed to distinguish differences between budgetary concepts and the proprietary accounting on the Statement of Net Costs.

Please do not interpret our responses (2) and (3) as an agreement with the proposal to replace the SOF with the NBAR.

(2) The NBAR should be presented as a footnote because that is the current presentation for the SOF and this method of reporting would require the least disruption and costs to the preparer, auditor, and user.

(3) The form and presentation of the NBAR (on pages 13—14) should not distinguish between intragovernmental costs and with the public costs. Although the Statement of Net Costs distinguishes between intragovernmental costs and with the public costs, the Statement of Budgetary Resources does not; therefore, the NBAR should present only one column for the total costs. The schedule of spending already provides information about the types of payees.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

DOL/OCFO/DFR Response: Please do not interpret our response as an agreement with the proposal to replace the SOF with the NBAR. The NBAR should not require a disclosure; currently, the SOF does not require a disclosure. However, guidance should allow optional disclosures so that agencies may provide explanations for agency unique activity, e.g., intragovernmental borrowing.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

DOL/OCFO/DFR Response: Please do not interpret our responses as an agreement with the proposal to replace the SOF with the NBAR.

(1) We disagree with the effective date because there is not enough time to implement the standard for interim financial reporting in FY 2018. Implementation should be effective for FY 2019. Also, an implementation date of FY 2019 would allow additional time for Treasury to prepare guidance (e.g., USSGL cross-walks and I

TFM 2-4700) and modify financial systems (e.g., Governmentwide Financial Report System).

(2) We disagree with early adoption because all component reporting entities should provide the same type of information to be used in compiling the Financial Report of the U.S. Government (FRUSG). Otherwise, early implementation will increase Treasury's workload in compiling the FRUSG because two different accounting standards would apply in the same accounting period.

(3) We disagree with the restatement of comparative prior period information because this will increase the cost and complexity of the financial statement compilation and audit for both the component reporting entities and the governmentwide reporting entity. Only one year should be presented in the first year of implementation, with a 2-year comparative presentation in the second year of implementation. Precedents for this type of implementation include:

- SFFAS 37 for the Statement of Changes in Social Insurance Amounts for FY 2011 implementation and
- SFFAS 31 for the note on fiduciary activity for FY 2009 implementation.

Comments on Other Aspects of the Proposal

Please do not interpret our comments as an agreement with the proposal to replace the SOF with the NBAR.

1. Because the standard applies only to component reporting entities, "Component Reporting Entities" should appear in the title of the standard.
2. The illustrative NBAR on pages 13—14 should have line items from the latest version of the Treasury cross-walk for amounts that may be material, e.g., principal and interest paid on intragovernmental debt, other actuarial liabilities. Also, the NBAR should be labeled as an example and should not be labeled as a financial statement.