GWSCPA
GREATER WASHINGTON SOCIETY OF CPAs

March 14, 2017

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Budget and Accrual Reconciliation: Amending SFFAS 7, SFFAS 22, and SFFAS 24*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our responses to the ED questions are included below.

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.

A1. The FISC generally agrees with the proposal to replace the SOF with the NBAR. The FISC suggests that the NBAR be reported as a note to the basic financial statement, but understand the Board's perspective should it include the NBAR as a basic financial statement. Some FISC members acknowledged that reporting as a principal statement is not necessary since the existing basic financial statements fulfill the objectives of financial reporting, as noted in the Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, *Objectives of Federal Financial Reporting*, and reporting as a note to the financial statements is permitted by SFFAC No. 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, paragraph 12.

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Some members of the FISC questioned the utility of providing a detailed reconciliation in the audited financial statements, and did not feel that providing such a detailed reconciliation was meeting the needs of a broad number of users. These members suggested that the differences between the outlays and net cost could be described to a reader through a general discussion of the differences between budget and accounting concepts, and an identification of the most significant factors that give rise to a difference between net cost and outlays, in lieu of a detailed reconciliation.

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.

A2. The FISC agrees that a narrative disclosure should accompany the NBAR as this would assist in making the disclosure useful to users of the financial statements, and could clarify the purpose and relevance of the NBAR to the basic financial statements. The narrative disclosure would provide the flexibility necessary, as the FISC contemplates that, in the future, there will be a number of non-outlay transactions that are equivalent to outlays, such as tax expenditures.

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.

A3. The FISC agrees that the effective date is reasonable, as long as other parties, such as the Office of Management and Budget and the U.S. Department of the Treasury, would have sufficient time to provide implementation guidance to assist the Federal agencies in reporting the NBAR in accordance with the ED. If additional time is needed to provide such implementation guidance, then the FISC suggests that the effective date be deferred by one year in order to avoid the necessary due process of extending the effective date after issuance of the ED as a Standard.

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This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

Andrew C. Lewis
FISC Chair