

# FASAB Exposure Draft: Questions for Respondents due March 14, 2017

## Budget and Accrual Reconciliation

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"/>	
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Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
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Please provide your name.

Name: Carla A. Krabbe, Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration

**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.**

SSA Response: We agree with the proposal to replace the SOF with the NBAR. The title change more accurately reflects the purpose of the Statement, and the new format appears to be more reader-friendly. Also, if the new NBAR has a comprehensive crosswalk, the new format will allow for consistency across agencies, which is not currently the case.

We believe that the NBAR should be presented as a footnote similar to the current Reconciliation of Net Cost of Operations to Budget. The activity presented is a reconciliation of other statements' information; therefore, we believe it would be more appropriate as a note than a basic financial statement.

**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.

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

SSA Response: We agree that a succinct and concise narrative disclosure should accompany the NBAR for material or significant line items. The additional language would help the reader understand what the activity on the significant line items represents and how the activity is related to the Net Costs or Net Outlays, but not both.

- 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.**

SSA Response: Without a valid crosswalk to review and analyze, the early adoption period does not seem feasible. While we agree in theory with the NBAR, until we can test the layout and see the crosswalk of SGL accounts, we cannot say that we would be ready to implement this activity this year. In addition, depending on the timing and completeness of the crosswalk, including time to validate them, first quarter of FY 2018 may not be a reasonable implementation date either.

The original Statement of Financing was removed from the crosswalk because it was too complex based on the various agencies' specific reconciling items. While we believe the new items presented should allow for more consistency, we cannot agree with the current target effective dates until we are able to test the new format.

In addition, with our preference for the NBAR being a note as opposed to a basic financial statement, we do not believe the benefits of providing comparative prior period information in the first year of the NBAR being issued outweigh the costs. We would have to go back and recreate the comparative statement with historical data, which would result in additional administrative burden and resources across all agencies.

**FASAB Exposure Draft: Questions for Respondents due March 14, 2017*****Budget and Accrual Reconciliation*****ADDITIONAL COMMENTS****Comment 1:**

Paragraph A9 in the Basis for Conclusions states, "To provide detailed support to the GWA reconciliation, the intra-governmental reconciliation items will be presented separately." Since we are reconciling to the Statement of Net Costs and Statement of Budgetary Resources line items in the NBAR, and these statements do not breakout Federal and non-Federal activity, is the breakout on the NBAR needed? If the breakout is necessary, could the Board provide additional information in the final version of the guidance?

**Comment 2:**

Based on our initial review of the format, we have a few proposed changes:

- 1) The "Transfers out (in) without reimbursement" should be moved to the "Components of Net Outlays that are not part of Net Cost." Transfers are not on the Statement of Net Costs and should not be categorized as being part of Net Cost (as currently shown on the proposed reconciliation).
- 2) While most Accounts Receivable (AR) items will affect the Net Costs, AR for Trust Fund activity will offset non-outlay Transfers, and are associated with Actual Offsetting Receipts (part of Net Outlays). Therefore, AR activity should be in both sections of the reconciliation.
- 3) Similar to item 2, while most Accounts Payable (AP) items will impact the Net Costs, AP for Trust Funds will offset non-outlay Transfers, and are associated with outlays for those transfers. Therefore, AP activity should be in both sections of the reconciliation.
- 4) Other Assets can include advances, which do not affect Net Cost, but instead, Net Outlays. This activity should be in both sections of the reconciliation.
- 5) Lastly, we may have overlooked this, but since the first part of the reconciliation is trying to compare Net Costs to Net Outlays, and Distributed Offsetting Receipts are part of Net Outlays but not Net Costs, there should be a reconciling line for this activity in the first part of the NBAR.

We came up with these proposed changes after thinking about what type of narratives we would need to provide and how our narratives do not line up with the current report layout for some line items. We believe that other agencies may have similar comments and that a view of the crosswalk or input into the crosswalk is needed to ensure that all reconciling activity will be presented properly.

We believe that a review of crosswalks and validation of the crosswalks is a critical step that must be achieved before effective dates can be finalized due to the different reconciling items that each agency may have.