

**Reporting Entity**

Please submit to [fasab@fasab.gov](mailto:fasab@fasab.gov)

**Name of Respondent: Carla A. Krabbe, Deputy Chief Financial Officer**

**Organization: Social Security Administration (SSA)**

All responses are requested by July 3, 2013.

Q1. The Board is proposing three inclusion principles for an organization to be included in the government-wide GPFRR:

- An organization with an account or accounts listed in the *Budget of the United States Government: Analytical Perspectives—Supplemental Materials* schedule entitled “Federal Programs by Agency and Account” unless the organization is a non-federal organization receiving federal financial assistance
- An organization in which the federal government holds a majority ownership interest
- An organization that is controlled by the federal government with risk of loss or expectation of benefit

In addition, the Board is proposing that an organization be included in the government-wide GPFRR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.

Refer to paragraphs 20-36 of the proposed standards and paragraphs A12- A29 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- a. Do you agree or disagree with each of the inclusion principles? Please provide the rationale for your answer.**

**SSA’s response: We agree with the inclusion principles as these principles provide a basis to decide which organization to include in the government-wide General Purpose Federal Financial Report (GPFRR) for financial accountability purposes. The “Federal Programs by Agency and Account” is a starting point for agencies to determine if an organization should or should not be included in the government-wide GPFRR. For organizations not listed in the “Federal Programs by Agency and Account,” financial statement preparers can use the other inclusion principles (majority ownership interest, control with risk of loss or expectation of benefit, misleading to exclude, and related parties) as a test to determine inclusion in the GPFRR.**

- b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear? Please provide the rationale for your answer.**

**SSA’s response: We believe the inclusion principles, and the related definitions and indicators, are helpful and clear. The inclusion principles provide a framework for decision-making and the related definitions and indicators provide additional information to aid preparers in rendering a decision for**

**inclusion in the GPFFR. For instance, the “indicators of control” provides numerous indicators of whether or not the Federal Government controls an organization. The Appendix also provides helpful information that aids preparers in understanding the concepts of this Standard.**

- c. **Do you agree or disagree that an organization should be included in the GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles? Please provide the rationale for your answer.**

**SSA’s response: We agree that an organization should be included in the GPFFR if it would be misleading to exclude it, even though it does not meet the inclusion principles. The inclusion principles are the framework to begin the process to decide if we should or should not include an entity in the GPFFR. We cannot expect these principles to cover every situation that could conceivably occur, especially given the complexities of our Federal Government. Adding the extra requirement to include an organization if it would be misleading to exclude, even if not meeting the inclusion principles, provides an extra dimension for consideration to ensure the GPFFR will include all pertinent and applicable entities.**

- d. **Do you agree the inclusion principles can be applied to all organizations, such as the Federal Reserve System, Federally Funded Research and Development Centers, Government Sponsored Enterprises, museums, and others, to determine whether such organizations should be included in the government-wide GPFFR? Please provide the rationale for your answer.**

**SSA’s response: We agree that the inclusion principles can be applied to all organizations to determine whether the organization should be included in the government-wide GPFFR. The added information of related definitions and indicators helps further clarify if the entity belongs in the government-wide GPFFR. Financial statement preparers can apply the inclusion principles test to previously excluded organizations, such as the central banking system and Government Sponsored Enterprises. According to Statement of Federal Financial Accounting Concepts (SFFAC) 2, the central banking system was kept separate and independent of the other government functions and therefore was never included in the government-wide GPFFR. However, this Standard requires the comprehensive disclosure of financial information. If an organization is budgeted, owned, or controlled by the Federal Government, it should be included in the government-wide GPFFR.**

Q2. The Board proposes distinguishing between two types of organizations in GPFFRs and this distinction will ultimately determine how they are reported: consolidation entities and disclosure organizations. Consolidation entities generally are (1) financed by taxes or other non-exchange revenue as evidenced by their inclusion in the budget, (2) governed by the Congress and/or the President, (3) imposing or may impose risks and rewards on the federal government, and/or (4) providing goods and services on a non-market basis. In contrast, disclosure organizations are those that (1) receive limited or no funding from general tax revenues, (2) have less direct involvement, and influence, by the Congress and/or the President, (3) impose limited risks and rewards on the federal government, and/or (4) are more likely to provide goods and services on a market basis.

The Board proposes consolidation entities be consolidated in the government-wide financial statements and the information about disclosure organizations be disclosed in notes. The Board also proposes that certain factors and objectives be considered in determining the information about disclosure organizations to be disclosed in notes. The Statement allows flexibility in the information presented as long as the disclosure objectives are met. The Statement also provides examples of information that may meet objectives.

Refer to paragraphs 37- 53 and 64-77 of the proposed standards and paragraphs A30-A54, A62-A63 and A71-A81 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- a. **Do you agree or disagree with the concept of distinguishing between consolidation entities and disclosure organizations? Please provide the rationale for your answer.**

**SSA's response: We agree with the concept of distinguishing between consolidation entities and disclosure organizations. The distinction will help in meeting Federal financial reporting objectives, as well as provide users with comprehensive disclosure about Federal reporting entities. This distinction will also allow for separate presentation of financial information for organizations with differences in purpose, governance structure, and financial relationships.**

- b. **Do you agree or disagree with the attributes used to make the distinction between consolidation entities and disclosure organizations? Please provide the rationale for your answer and identify additional attributes, if any, that you believe should be considered.**

**SSA's response: We agree the attributes provide clarity towards making the distinction between consolidation entities and disclosure organizations. As discussed in this Standard, it is important to make a distinction between consolidation entities and disclosure organizations to prevent distortions to the consolidated financial statements and to meet reporting objectives.**

- c. **Do you agree or disagree that, assuming the organizations are determined to be organizations included in the GPFRRs, the attributes are adequate to make a determination of whether organizations such as the Federal Reserve System, Federally Funded Research and Development Centers, museums, and others are consolidation entities or disclosure organizations? Please provide the rationale for your answer and identify any organizations you believe the attributes could not be adequately applied to, and additional attributes, if any, you believe are needed to address these organizations.**

**SSA's response: We believe providing the attributes aids in making a more informed decision in correctly categorizing the organization as a consolidation entity or disclosure organization. The attributes discussed in paragraphs 37-53 and 64-77 illustrate how an organization can be classified as either a consolidation entity or a disclosure organization.**

**d. Do you agree or disagree with:**

- i. the factors to be considered in making judgments about the extent of appropriate disclosures (see par. 69),

**SSA's response: We agree with the factors to be considered in making judgments about the extent of appropriate disclosures. The factors appear suitable and reflect the key aspects needed for appropriate disclosures. Beyond materiality, it is important to consider the guidelines set forth in SFFAC 1 regarding relevance to reporting objectives; potential exposure to risks and benefits associated with the relationship; and understanding the organization's relationships to the Federal Government and others.**

- ii. the objectives for disclosures (see par. 72), and

**SSA's response: We agree with the objectives for disclosures. The objectives appear in-line with the desired goals and results of full disclosure as the objectives emphasize relationship and organization, relevant activity, and future risks and exposures.**

- iii. the examples provided (see par. 73)?

**SSA's response: We agree with the examples provided. They are representative of the disclosures needed for full transparency and accountability and are helpful in understanding the reporting required of disclosure organizations.**

**Please provide the rationale for your answers.**

Q3. The Board proposes each component reporting entity report in its GPFFR organizations for which it is accountable; that includes consolidation entities and disclosure organizations administratively assigned to it. Administrative assignments can be identified by evaluating:

- the scope of the budget process,
- whether accountability is established within a component reporting entity, or
- rare instances of other significant relationships such that it may be misleading to exclude an organization not administratively assigned based on the previous two principles.

The Board recognizes that in rare instances it also may be misleading to include an organization that is administratively assigned to a reporting entity based on the above principles. In such cases, the organization may be excluded.

Refer to paragraphs 54-63 of the proposed standards and paragraphs A55-A61 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- a. **Do you agree or disagree that each component reporting entity should report in its GPFFR organizations for which it is accountable, which includes consolidation**

**entities and disclosure organizations administratively assigned to it? Please provide the rationale for your answers.**

**SSA's response: We agree that each component reporting entity should report in its GPFFR organizations for which it is accountable, which includes consolidation entities and disclosure organizations administratively assigned to it, so that both the component reporting entity GPFFR and government-wide GPFFR are complete.**

- b. Do you agree or disagree that administrative assignments can be identified as provided in paragraphs 54-63? Please provide the rationale for your answers.**

**SSA's response: We agree that administrative assignments typically can be identified in laws and policy documents as noted in paragraphs 54-63 (i.e. statutes, budget documents, regulations, or strategic plans). Furthermore, evaluation of these documents by the component entity will provide insight if reporting of an organization is required.**

Q4. The Statement provides for each reporting entity (the government-wide and component reporting entities) to consolidate financial information for all consolidation entities for which it is accountable without regard to funding source (for example, appropriations or donations). For certain organizations, such as museums and performing arts organizations, this may lead to consolidating funds from sources such as donations that are presently not consolidated in the government-wide GPFFR.

Refer to paragraphs 54-64 of the proposed standards and paragraph A19 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree that each component reporting entity (for example, museums) and the government-wide reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source, including those receiving appropriations and donations? Please provide the rationale for your answers.**

**SSA's response: We agree that the component and government-wide reporting entity should consolidate in their entirety organizations for which they are accountable without regard to funding source. This methodology will ensure that both the component reporting entity and the government-wide reporting entity are not misleading if excluded, and are complete when assessing the financial position of the Federal Government and evaluating the cost of operations financed through taxes and other non-exchange revenues.**

Q5. For consolidation entities, the Statement proposes that FASAB and Financial Accounting Standards Board (FASB) based information should be consolidated without conversion of FASB-based information to a FASAB basis.

Refer to paragraphs 65- 66 of the proposed standards and paragraphs A66-A70 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate? Please provide the rationale for your answers.**

**SSA's response: We agree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate because Statement of Federal Financial Accounting Standards 34 defines FASAB as the preferred method of reporting for Federal entities. FASAB also is responsible for identifying the GAAP hierarchy for Federal reporting entities. Additionally, converting FASB-based information to a FASAB basis may not be cost-effective, and FASAB and FASB both use accrual-based information.**

Q6. Central banking (through the Federal Reserve System) is a unique federal responsibility with distinctive characteristics. The proposed standards do not specify that the central banking system be included in GPFFRs or whether, if included, it would be classified as a consolidation entity or a disclosure organization. Because of the unique nature and magnitude of central banking transactions, and the fact there is only one organization of this type, the Board proposes certain minimum disclosures regarding the central banking system. These disclosures would be required in addition to any other reporting requirements regarding the central banking system. The information should be disclosed in the government-wide GPFFR and the GPFFR of any reporting entity to which it may be primarily associated with or administratively assigned. Depending on the circumstances, some of the minimum disclosures may have been addressed in other requirements. The resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive.

Refer to paragraph 77 of the proposed standards and paragraphs A30-A37 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- a. Do you agree or disagree with the minimum disclosures for the central banking system or believe there are additional disclosures that should be considered? Please provide the rationale for your answer.**

**SSA's response: We agree with the minimum disclosures for the central banking system because reporting it as a consolidation entity would considerably alter the Federal financial reporting of the Government as it pertains to securities, deposits, expenses, and revenues. The Federal Reserve System (FRS) performs a unique function in the Federal Government as it relates to governance, structure, and activities. Classifying FRS as a disclosure organization will help users in understanding an organization of this type.**

- b. Do you believe there are other significant organizations for which minimum disclosures should be made? Please specify which entities, if any, and the nature of disclosures and provide the rationale for your answer.**

**SSA's response: We are not aware of any other significant organizations that FASAB should consider for minimum disclosure.**

Q7. The Board proposes a definition of related parties and disclosures for related parties where the relationship is of such significance that it would be misleading to exclude disclosures about the relationship. The proposal also provides a list of the types of organizations that generally would or would not be considered related parties.

Refer to paragraphs 78 -87 of the proposed standards and paragraphs A82-A84 in Appendix A – Basis for Conclusions for a discussion and related explanation.

- a. **Do you agree or disagree with the related parties definition and requirements? Please provide the rationale for your answer.**

**SSA's response: We agree with the definition and requirements regarding the disclosure of significant related party relationships. We agree that related party concepts applicable to the Federal domain are necessary.**

- b. **Do you agree or disagree with the list of the types of organizations that generally would be considered related parties? Please provide the rationale for your answer.**

**SSA's response: We agree with the list of the types of organizations that FASAB generally considers related parties. If the organization does not meet the inclusion principles, then the related parties "significant influence" test may apply.**

- c. **Are there additional organizations that generally should be considered related parties? Please provide the rationale for your answer.**

**SSA's response: We are not aware of additional organizations that FASAB should consider as related parties with regards to this draft Standard.**

- d. **Do you agree or disagree with the list of exclusions? Please provide the rationale for your answer.**

**SSA's response: We agree with the list of exclusions.**

- e. **Are there additional exclusions that should be considered? Please provide the rationale for your answer.**

**SSA's response: We are not aware of additional exclusions FASAB should consider.**

Q8. The Board proposes conforming changes to Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, to rescind or amend language to remove criteria for determining what organizations are required to be included in a federal reporting entity's GPFFR from the concepts statement because criteria will be in a statement of federal financial accounting standards. Refer to paragraphs 88-101 of the proposed standards and paragraphs A85-A88 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree with the conforming changes to SFFAC 2? Please provide the rationale for your answer.**

**SSA's response: We agree with the conforming changes to SFFAC 2 as the language concerning the criteria for determining what organizations are required to be included in a Federal reporting entity's GPFFR will now be included in this Standard.**

Q9. The Board proposes the Statement and Amendments to SFFAC 2, *Entity and Display*, be effective for periods beginning after September 30, 2016. Refer to paragraph 102 of the proposed standards.

**Do you agree or disagree with this effective date? Please provide the rationale for your answer.**

**SSA's response: We agree with the implementation date as it appears to provide preparers and users adequate time to review and implement applicable changes. However, organizations significantly affected by this Standard would be better equipped to respond to this question.**

Q10. The Statement provides two non-authoritative appendices to assist users in the application of the proposed standards. The Flowchart at Appendix B is a tool that can be used in applying the principles established. The Illustrations at Appendix C offer hypothetical examples that may be useful in understanding the application of the standards.

Refer to Appendix B-Flowchart and Appendix C-Illustration.

**a. Do you agree the appendices are helpful in the application of the proposed standards?**

**SSA's response: We believe the appendices are helpful. The flowchart in Appendix B helps visually display the sequence of decisions involved in determining whether the entity is a consolidation entity or a disclosure organization. In addition, the flowchart is easy to follow and the page number references are useful to the reader. The illustrations provided in Appendix C help users apply the Standard by providing relevant examples.**

**b. Do you believe the appendices should remain after the Statement is issued?**

**SSA's response: We believe the appendices should remain after FASAB issues the Standard because the information the appendices provide is helpful in understanding the application of the Standard.**

**c. Do you believe there should be any changes or additional examples regarding the illustrations that would be useful in understanding the application of the standards? Please provide rationale to support your answer.**

**SSA's response: We believe that if the Board retains receivership, conservatorship, and intervention as part of this Standard as disclosure organizations, the Board should include examples of each in the Standard. In addition, it would be beneficial if FASAB relayed to users how they differentiate among these three categories.**

**Q11. Are there other unique situations that should be addressed within this Statement? Please explain fully and also how the situation is not addressed by this Statement when considered in its entirety.**

**SSA's response: We are not aware of any other unique situations that this Standard should address.**

Q12. One member has an alternative view regarding receiverships, conservatorships, and interventions. The Board member does not believe receiverships, conservatorships, and intervention organizations should be equated with other disclosure organizations. He believes guidance in the proposed standards gives the impression that these organizations are part of the federal government. Further, he believes all types of interventions should be addressed in the Board's project on risk assumed.

The other members believe the proposed standards appropriately distinguish between consolidation entities and disclosure organizations including receiverships, conservatorships, and interventions resulting in ownership or control. The Board deliberated alternatives regarding such organizations, including creating an "exception" similar to the approach taken in SFFAC 2, but determined an exception would be rules-based rather than principles-based. Such an exception would require more detailed guidance, or "rules," to aid in determining whether ownership or control of such organizations is expected or intended to be permanent.

Instead, the proposed standards establish principles for when relationships with organizations create a need for accountability, and how information should be included in GPFFRs. The Board believes it is important to address these relationship matters in a single Statement of Federal Financial Accounting Standards and has not proposed exceptions. The Board also addresses in this proposed Statement whether organizations are required to apply the GAAP hierarchy for federal reporting entities. Disclosure organizations are not required to apply the GAAP hierarchy for federal reporting entities and this should avoid giving the impression that all disclosure organizations included in GPFFRs are federal reporting entities or "part of the federal government." To further avoid giving this impression, the Board clarified that it is not the purpose of this Statement of Federal Financial Accounting Standards to assist in determining what entities are "part of the federal government" for legal or political purposes.

Refer to paragraphs 7, 13-14, 41, 49-53, and 65 of the proposed standards and paragraphs A1-A2, A9-A11, A20-A23, A30-A31, A44-A54, and A89-A93 in Appendix A – Basis for Conclusions for a discussion and related explanation.

- a. **Do you agree or disagree with the alternative view that the proposed standards should not equate receiverships, conservatorships, and interventions with other disclosure organizations to avoid an inference that they are part of the Federal government? Please provide the rationale for your answer.**

**SSA's response: We believe receiverships, conservatorships, and interventions are examples of types of disclosure organizations. In order for the Federal Government to provide a comprehensive and complete GPFFR, inclusion of these three types of organizations is necessary to provide a meaningful representation of operations and financial condition of the Federal Government.**

- b. Do you agree or disagree with the alternative view that the guidance for all interventions, regardless of type, should be presented in a single Statement of Federal Financial Accounting Standard? Please provide the rationale for your answer.

**SSA's response: We believe FASAB can address the guidance for interventions in the Reporting Entity Standard rather than in a single Statement of Federal Financial Accounting Standard.**

**Additional item - clerical note: We believe the last sentence of Footnote 3, page 10, of the Standard should reference paragraphs 37 to 53 and not paragraphs 36 to 52.**