

**Office of the Inspector General**

Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

Richard W. Moore  
Inspector General

July 2, 2013

VIA: Electronic Mail

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

My office recognizes and very much appreciates the work of the Federal Accounting Standards Advisory Board's (FASAB) and its staff to address the issues created by entities such as the Tennessee Valley Authority using Financial Accounting Standards Board (FASB) based information in their federal financial reporting. Thank you for this opportunity to comment on the proposed Statement of Federal Financial Accounting Standards, *Reporting Entity*, dated April 3, 2013, which offers a reasonable solution to this and other federal accounting and reporting issues. In particular, I would like to respond to question 5 and comment on paragraph 66 of the proposed Statement, as follows.

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 A66-70 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.**

66. SFFAS 34 recognizes that a limited number of federal reporting entities prepare and publish financial reports pursuant to the accounting and reporting standards issued by the Financial Accounting Standards Board (FASB). SFFAS 34 provides that GPFFRs prepared in conformity with accounting standards issued by the FASB also may be regarded as

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in conformity with GAAP. Consolidation entities (i.e. the consolidated government-wide reporting entity or a consolidated component reporting entity) should consolidate component reporting entity or sub-component financial statements for consolidation entities prepared in accordance with SFFAS 34 without conversion for any differences in accounting policies among the organizations. Nonetheless, any component reporting entity that publishes financial reports pursuant to the accounting and reporting standards issued by the FASB should disclose intragovernmental amounts measured in accordance with federal financial accounting standards to facilitate elimination entries in preparation of the government-wide financial statements.

After consultation with my staff, I would like to offer our considered opinion on the issue posed in question 5. While we agree with the first part of paragraph 66, consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate, we do not agree that any component entity that publishes financial reports pursuant to the accounting and reporting standards issued by the FASB should disclose intragovernmental amounts measured in accordance with federal financial accounting standards to facilitate elimination entries in preparation of the government-wide financial statements.

The restatement of intragovernmental amounts from FASB to FASAB based amounts would not benefit users of the TVA general purpose (standalone) financial statements and would most likely confuse its users, including those in the financial and investor community who need TVA financial information presented consistently with that of other comparable public companies who also file FASB based reports with the Security and Exchange Commission. Since it is necessary for the intragovernmental amounts to be stated consistent with the FASAB standards solely for the purpose of eliminating these amounts during consolidation in preparing the government-wide financial statements, any differences in account balances caused by the use of different accounting standards could be better identified and resolved during the reconciliation process that occurs quarterly between federal trading partners using guidance provided accordingly in the *Treasury Financial Manual*. The reconciled amounts could then be used to eliminate the intragovernmental balances and compile the government-wide statements without reducing the understandability and usefulness of the components' general purpose (standalone) financial statements.

Accordingly, we recommend the following statement in paragraph 66 in the proposed Statement be removed: "Nonetheless, any component reporting entity that publishes financial reports pursuant to the accounting and reporting standards issued by the FASB should disclose intragovernmental amounts measured in accordance with federal financial accounting standards to facilitate elimination entries in preparation of the government-wide financial statements."

Again, thank you for the opportunity to comment on the proposed Statement. I appreciate your commitment and service to our federal accounting and financial reporting community.

Very truly yours,



Richard W. Moore