

Comments to FASAB Reporting Entity due 7.3.2013

According to the *Financial Audit: U.S. Government's Fiscal Years 2012 and 2011 Consolidated Financial Statements*:

The Government's fundamental mission is derived from the Constitution: "...to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity." The Congress authorizes and agencies implement programs as missions and initiatives evolve over time in pursuit of key public services and objectives, such as providing for national defense, promoting affordable health care, fostering income security, boosting agricultural productivity, providing veteran benefits and services, facilitating commerce, supporting housing and the transportation systems, protecting the environment, contributing to the security of energy resources, and helping States provide education.

There are 24 Chief Financial Officer Act agencies:

1. *Department of Agriculture*
2. *Department of Commerce*
3. *Department of Defense*
4. *Department of Education*
5. *Department of Energy*
6. *Department of Health and Human Services*
7. *Department of Homeland Security*
8. *Department of Housing and Urban Development*
9. *Department of the Interior*
10. *Department of Justice*
11. *Department of Labor*
12. *Department of State*
13. *Department of Transportation*
14. *Department of the Treasury*
15. *Department of Veterans Affairs*
16. *Environmental Protection Agency*
17. *General Services Administration*
18. *National Aeronautics and Space Administration*
19. *National Science Foundation*
20. *Office of Personnel Management*
21. *Small Business Administration*
22. *Social Security Administration*
23. *U.S. Agency for International Development*
24. *U.S. Nuclear Regulatory Commission*

There are 11 *Additional Significant Entities*:

1. *Export-Import Bank of the United States*
2. *Farm Credit System Insurance Corporation*
3. *Federal Communications Commission*
4. *Federal Deposit Insurance Corporation*
5. *National Credit Union Administration*
6. *Pension Benefit Guaranty Corporation*
7. *Railroad Retirement Board*
8. *Securities and Exchange Commission*
9. *Smithsonian Institution*
10. *Tennessee Valley Authority*
11. *U.S. Postal Service*

There are 115 Additional Entities/Funds:

1. *Abraham Lincoln Bicentennial Commission (no longer active)*
2. *Administrative Conference of the United States*
3. *Advisory Council on Historic Preservation*
4. *African Development Foundation*
5. *American Battle Monuments Commission*
6. *Antitrust Modernization Commission (no longer active)*
7. *Appalachian Regional Commission*
8. *Architect of the Capitol*
9. *Architectural and Transportation Barriers Compliance Board*
10. *Armed Forces Retirement Home*
11. *Barry Goldwater Scholarship and Excellence in Education Foundation*
12. *Broadcasting Board of Governors*
13. *Bureau of Consumer Financial Protection*
14. *Central Intelligence Agency*
15. *Chemical Safety Hazard Investigation Board*
16. *Christopher Columbus Fellowship Foundation*
17. *Commission for the Preservation of America's Heritage Abroad*
18. *Commission of Fine Arts*
19. *Commission on Civil Rights*
20. *Commission on International Religious Freedom*
21. *Commission on Security and Cooperation in Europe*
22. *Commission on Weapons of Mass Destruction (no longer active)*
23. *Committee for Purchase from People Who Are Blind or Severely Disabled*
24. *Commodity Futures Trading Commission*
25. *Congressional Budget Office*
26. *Congressional-Executive Commission on the People's Republic of China*
27. *Consumer Product Safety Commission*
28. *Corporation for National and Community Service*
29. *Council of the Inspectors General on Integrity and Efficiency*
30. *Court of Appeals for Veterans Claims*
31. *Court Services and Offender Supervision Agency for DC*

32. *DC Courts*
33. *DC Courts–Defender Services*
34. *Defense Nuclear Facilities Safety Board*
35. *Delta Regional Authority*
36. *Denali Commission*
37. *Dwight D. Eisenhower Memorial Commission*
38. *Eisenhower Exchange Fellowship Program*
39. *Election Assistance Commission*
40. *Environmental Dispute Resolution Fund*
41. *Equal Employment Opportunity Commission*
42. *Executive Office of the President*
43. *Farm Credit Administration*
44. *Federal Election Commission*
45. *Federal Financial Institutions Examination Council Appraisal Subcommittee*
46. *Federal Housing Finance Agency*
47. *Federal Labor Relations Authority*
48. *Federal Maritime Commission*
49. *Federal Mediation and Conciliation Service*
50. *Federal Mine Safety and Health Review Commission*
51. *Federal Trade Commission*
52. *Financial Crisis Inquiry Commission (no longer active)*
53. *Foreign Military Sales Program*
54. *Government Accountability Office*
55. *Government Printing Office*
56. *Harry S. Truman Scholarship Trust Fund*
57. *Indian Law and Order Commission*
58. *Institute of American Indian and Alaska Native Culture and Arts Development*
59. *Institute of Museum and Library Services*
60. *Interagency Council on the Homeless*
61. *Inter-American Foundation*
62. *International Trade Commission*
63. *James Madison Memorial Fellowship Foundation*
64. *Japan-United States Friendship Commission*
65. *John C. Stennis Center*
66. *John F. Kennedy Center for the Performing Arts*
67. *Library of Congress*
68. *Marine Mammal Commission*
69. *Medicaid and Children’s Health Insurance Program Payment and Access Commission*
70. *Medicare Payment Advisory Commission*
71. *Merit Systems Protection Board*
72. *Millennium Challenge Corporation*
73. *Morris K. Udall Scholarship Foundation*
74. *National Archives and Records Administration*

75. *National Capital Planning Commission*
76. *National Commission on Libraries and Information Science (no longer active)*
77. *National Council on Disability*
78. *National Endowment for the Arts*
79. *National Endowment for the Humanities*
80. *National Gallery of Art*
81. *National Labor Relations Board*
82. *National Mediation Board*
83. *National Railroad Retirement Investment Trust*
84. *National Transportation Safety Board*
85. *Neighborhood Reinvestment Corporation*
86. *Northern Border Regional Commission*
87. *Nuclear Waste Technical Review Board*
88. *Occupational Safety and Health Review Commission*
89. *Office of Compliance*
90. *Office of Government Ethics*
91. *Office of Navajo and Hopi Indian Relocation*
92. *Office of Special Counsel*
93. *Office of the Director of National Intelligence*
94. *Office of the Federal Coordination for Alaska Natural Gas Transportation Projects*
95. *Office of the Nuclear Waste Negotiator (no longer active)*
96. *Open World Leadership Center*
97. *Overseas Private Investment Corporation*
98. *Patient Centered Outcomes Research Trust Fund*
99. *Peace Corps*
100. *Presidio Trust*
101. *Public Defender Service*
102. *Ronald Reagan Centennial Commission*
103. *Recovery Act Accountability and Transparency Board*
104. *Selective Service System*
105. *Senate Preservation Fund*
106. *St. Lawrence Seaway Development Corporation*
107. *State Justice Institute*
108. *U.S. Capital Preservation Commission*
109. *U.S. China Security Review Commission*
110. *U.S. Holocaust Memorial Museum*
111. *U.S. Institute of Peace*
112. *U.S. Trade and Development Agency*
113. *Vietnam Education Foundation*
114. *White House Commission on the National Moment of Remembrance (no longer active)*
115. *Woodrow Wilson International Center for Scholars*

The report states:

Legislative and Judicial Branches

There are no legal or other requirements for the legislative or judicial branches to prepare consolidated audited financial statements or to provide accrual-based accounting data for inclusion in the Government-wide financial statements. Therefore, these consolidated statements do not include accrual-based accounting data for such entities as the U.S. Courts or the Congress. Some legislative branch entities voluntarily prepare and submit such information (e.g., Government Accountability Office, Government Printing Office, and Library of Congress). The President's Budget includes cash-based outlay data for the legislative and judicial branches and, to a limited extent, this outlay data is also a part of the information contained in this report.

The report states:

Entities Excluded from These Statements

The following entities are not part of the Government-wide reporting entity based on an assessment of these entities in accordance with the indicative criteria stated in SFFAC No. 2, Entity and Display. However, this list is not all inclusive of all entities excluded from these statements.

Those 13 entities are:

1. *American International Group (AIG)*
2. *Board of Governors of the Federal Reserve System (Including the Federal Reserve Banks)*
3. *Citigroup*
4. *Federal Home Loan Banks*
5. *Federal Home Loan Mortgage Corporation (Freddie Mac)*
6. *Federal National Mortgage Association (Fannie Mae)*
7. *Thrift Savings Fund*
8. *The Financing Corporation*
9. *GMAC Financial (Ally Financial)*
10. *National Railroad Passenger Corporation (does business as Amtrak)*
11. *Public-Private Investment Funds*
12. *Resolution Funding Corporation*
13. *Student Loan Marketing Association*

We believe the Citizens have the Constitutional right for full disclosure, even incorporated companies and non-profit corporations and other consultants who act as government agencies with oaths required. They are de-facto agencies.

The National Security Agency has blossomed into a worldwide contracting agency, yet the Public did not have a clue as to their use of funding on behalf of the Federal Government.

We now have privatized space exploration in a similar path.

The Executive Branch operates without consent, and those entities who execute those orders, also need to be disclosed.

Without full financial disclosure, we cannot achieve our general welfare, blessings of liberty now and for future generations and are overall freedom.

QUESTION 1

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

- *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

a. Do you agree or disagree with each of the inclusion principles?

Please provide the rationale for your answer.

b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear?

Please provide the rationale for your answer.

c. Do you agree or disagree that an organization should be included in the GPFRR 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.

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.

Comment:

We agree with each of the inclusion principles.

The principle:

- *An organization in which the federal government holds a majority ownership interest*

may need further explanation. Public Private Partnerships may be formed. How is that defined under this principle? Are Memorandums of Understanding MOUs included as ownership interest as participation is a controlling interest factor.

The principle:

- *An organization that is controlled by the federal government with risk of loss or expectation of benefit*

Are Memorandums of Understanding MOUs included in this category?

Do you consider non-profit organizations requiring Federal approval for that tax-exempt status as being controlled by the federal government and approve the Mission Statement?

We are trying to ascertain the use of the non-profit corporation as a substitute for a government agency. Would the non-profit substitute be misleading because of the dependence of tax funding to operate that government-substituted function?

We believe the Inclusion Principles should apply all organizations. The People deserve to know who their representatives are, and through these organizations, that representation is masked.

The People must be able to petition their government, and these financial mazes make it extremely difficult.

QUESTION 2

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.

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.

c. Do you agree or disagree that, assuming the organizations are determined to be organizations included in the GPFFRs, 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.

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),
ii. the objectives for disclosures (see par. 72), and
iii. the examples provided (see par. 73)?

Please provide the rationale for your answers.

Comment:

As you have stated:

Materiality is an overarching consideration in financial reporting

How are you approaching a Non-Profit Corporation acting as a Program Manager on a project partially funded by Federal funds?

Who determines the definition *limited funding from general tax revenues*?

If Disclosure Entities are privately owned, what are the liability tests?

QUESTION 3

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.

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.

[Comment:](#)

Under

56. Administrative assignments to component reporting entities are typically made in laws and policy documents such as statutes, budget documents, regulations, or strategic plans. Administrative assignments can be identified by evaluating:24

24 Component reporting entities should develop processes to ensure they identify and assess any organizations
(1) within the scope of their budget process,
(2) for which accountability is established within their component reporting entity,
or
(3) which are misleading to exclude. It is anticipated that central agencies will determine if there is a need for coordinated guidance to ensure government-wide consistency.

a. Scope of the Budget Process

b. Accountability Established Within a Component Reporting Entity

c. Misleading to Exclude and/or Misleading to Include.

Regulations are a major part of the Government as our Strategic Plans. The entities governed by regulations are controlled by Federal government agencies. Under what category do you distinguish this relationship?

QUESTION 4

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.

Comment:

Consolidation is preferable. From a Public perspective, private fundraising on a government entity, whether component or disclosed.

We are seeing a trend to produce non-tax-exempt income on entities where decision making is controlled by the government.

Protection of assets is an issue not addressed. Collections and other valuable assets need to be disclosed to the Public.

QUESTION 5

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

[Comment:](#)

It should be noted that no conversion took place. At a point in time, you may wish to analyze if this decision is the proper one.

QUESTION 6

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.

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.

Comment:

Central Banking system aka Federal Reserve System FRS is too critical a factor in government, not to include it in consolidation.

Since the system is regional, all regions of the FRS should be disclosed. The aspect of Cash holdings need to be addressed, as this entity prints its own money. Uncirculated cash needs to be included as should any physical assets such as gold.

The offsetting entity needs full disclosure under Comments or Footnotes.

The Public needs to grasp the liability aspect of the Federal Reserve System and its investments in foreign and/or offshore banking and the terms of any relationship.

All risk should be disclosed.

Accountability has been lacking and that aspect of Representation needs to be addressed.

Space is being privatized. With that, the industry should be analyzed for inclusion. Future assets in the area of mining inventories need inclusion in this process as well as the risks and liabilities.

The Judicial Branch should never be excluded, yet it does not operate in disclosure.

QUESTION 7

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.

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.

c. Are there additional organizations that generally should be considered related parties?

Please provide the rationale for your answer.

d. Do you agree or disagree with the list of exclusions?

Please provide the rationale for your answer.

e. Are there additional exclusions that should be considered?

Please provide the rationale for your answer.

[Comment:](#)

[You state:](#)

A83. Because of the extent of the federal government's relationships – whether already established or implied – “related parties” concepts may result in numerous relationships requiring disclosure.

Therefore, the Board proposes disclosure of related party relationships of such significance to the reporting entity that it would be misleading to exclude information about them.

For clarity of intent, the standards rely heavily on listing parties to be included and excluded. In addition, the proposal provides room for judgment because one cannot anticipate all types of relationships the federal government may have or might have in the future that should be reported.

The related parties category is needed to provide for disclosure of those organizations that are not included under the inclusion principles but where there is an existing relationship of such significance that it would be misleading to exclude.

As related parties become complex, so does disclosure. We, the public, need to understand these relationships, financially and operatively.

QUESTION 8

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.

[Comment:](#)

You state:

89. Paragraph 2 is replaced with the following paragraph which describes the amended purpose and contents of the Statement.

The purpose of this statement is to establish concepts regarding what would be encompassed by a Federal Government entity's financial report. The statement specifies the types of entities for which there should be financial reports (hereinafter called "reporting entities"), establishes an organizational perspective for considering the makeup of each type of reporting entity, identifies types of financial reports for communicating the information for each type of reporting entity, suggests the types of information each type of report would convey, and identifies the process and factors the Board may consider in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI).

We are not clear if all entities involved would be Reporting Entities. They should be. The Federal Register is a notification to the public on Notices, Proposed Rules and Final Rules. One assumes that this is notification of how the government works with an opportunity for the public to comment. Without the full encompassing of the process, government becomes hidden or a "Black Government." "Black Government" definitely fits into the misleading category.

QUESTION 9

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.

[Comment:](#)

No, it should be sooner. Political campaigns years should not be influential in these decisions. The year 2016 is a Presidential Election Year.

QUESTION 10

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?

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

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.

[Comment:](#)

Yes, keep them in. The Board members are industry related, but the accountability is to the Public.

Visual tools help as does color.

QUESTION 10

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.

Comment:

The Judicial Branch is to hidden from the Public and it is part of the three-armed governance. They must be included.

Memorandums of Understanding should be addressed. It becomes a form of government outside representation and that signature may only need the approval of an agency head, not a legislative approval.

Yes, they may involve Local and State Government Agencies and Non-Profit Corporation hybrids.

Public-Private Partnerships are formed to avoid public disclosure and oversight when it is time to rein the secrecy.

Joyce Dillard
P.O. Box 31377
Los Angeles, CA 90031