

**From:** Karczewski, Stanley - OCFO  
**Sent:** Thursday, July 04, 2013 9:34 AM  
**To:** FASAB  
**Cc:** Simpson, Cynthia - OCFO  
**Subject:** Comments on Exposure Draft, Statement of Federal Financial Accounting Standards, "Reporting Entity"

Attached please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the exposure draft of proposed Statement of Federal Financial Accounting Standards, "Reporting Entity." DOL/OCFO has no comments on questions 1, 2, 4—8, 10, and 12; however, we have comments on questions 3, 9, and 11.

Thank you for the opportunity to provide comments. If there are any questions, please contact Cynthia Simpson at [simpson.cynthia@dol.gov](mailto:simpson.cynthia@dol.gov) or 202-693-6807.

Regards,

Stan Karczewski  
Office of the Chief Financial Officer  
U.S. Department of Labor

**U.S. Department of Labor  
Office of the Chief Financial Officer  
Comments on Exposure Draft,  
Statement of Federal Financial Accounting Standards,  
“Reporting Entity”**

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the exposure draft of proposed Statement of Federal Financial Accounting Standards, “Reporting Entity.” DOL/OCFO had no comments on questions 1, 2, 4—8, 10, and 12; however, we had comments on questions 3, 9, and 11.

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.**

**DOL/OCFO comments on question 3:** With regard to paragraph 62, we disagree that an organization may be excluded from the component entity’s consolidation as long as it is consolidated in another component entity or directly in the government-wide reporting entity. We believe that the decision on whether or not to consolidate an organization in the component entity should depend on the interpretation of the accounting standard and should not depend on the financial reporting of another component entity or on the financial reporting of the government-wide reporting entity. Therefore, we believe that the following phrase in the last sentence of paragraph 62 should be deleted: “. . . so long as it is consolidated in another component reporting entity or directly in the government-wide reporting entity.”

In the exposure draft, we are not aware of any disclosure requirements for “misleading to include” in the consolidation; we believe that a brief disclosure may improve the reader’s understanding of the financial statements.

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.**

**DOL/OCFO comments on question 9:** With regard to paragraph 102, we have no comments on the effective date. However, because coordination may be required between component entities and between the government-wide entity and component entities to implement this accounting standard, we believe that encouraging earlier implementation may make coordination more difficult and that reporting entities may be better served by a date certain for implementation.

**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.**

**DOL/OCFO comments on question 11:** We believe that if FASAB proposes no conversion from FASB to FASAB information for those amounts to be consolidated, then there should also be no conversion from FASB to FASAB information for those amounts to be disclosed.

DOL/OCFO believes that there are entities currently consolidated in the Financial Report of the U.S. Government for which the U.S. Government is not responsible for obligations of this entity under current law. For example, the FY 2012 Financial Report of the U.S. Government states, “PBGC insures pension benefits for participants in covered defined benefit pension plans. As a wholly-owned corporation of the U.S. Government, PBGC’s financial activity and balances are included in the consolidated financial statements of the U.S. Government. However, under current law, PBGC’s liabilities may be paid only from PBGC’s assets and not from the General Fund of the Treasury or assets of the Government in general.” (FY 2012 Financial Report of the U.S. Government, Note 18, page 105) We do not believe that the exposure draft addresses this unique situation with regard to consolidation entities. In paragraph A71, the second sentence states, “. . . liabilities not fully guaranteed by the federal government might be added to federal liabilities. Instead, financial balances and amounts for organizations having the characteristics of disclosure organizations should be kept separate from balances and amounts for those organizations having the characteristics of consolidation entities to prevent distortions to the consolidated financial statements.” The wording in paragraph A71 for disclosure organizations may imply that consolidation entities would have liabilities that would be fully guaranteed by the Federal government.

DOL/OCFO believes that the relationship between this exposure draft and SFFAS 31, “Accounting for Fiduciary Activities,” is unclear. Please describe the relationships between the fiduciary activities and the reporting entity from the government-wide entity and component entity perspective.