



July 31, 2013

Memorandum

To: Members of the Board

From: Melissa Loughan, Assistant Director
Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: **Reporting Entity Comment Letters Received through July 31¹ –Tab A**

MEETING OBJECTIVE

To review responses to the exposure draft **Reporting Entity** in preparation for the Public Hearing on August 28th, 2013.

BRIEFING MATERIAL

Staff Summary: This memorandum provides the staff summary. The staff’s summary is intended to support your consideration of the comments and not to substitute for reading the individual letters. The summary presents:

A. Tally of Responses By Question 5

B. Table of Responses By Question 14

C. Full Text of Answers and Comments by Question and by Respondent 27

D. Listing Of Additional Comments from Respondents 148

NOTE: As you recall, the comment letters were provided to the Board in advance of the board meeting in binder and posted to the web. This binder will be referenced as **Attachment 1**.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

BACKGROUND

SUMMARY OF OUTREACH EFFORTS

The exposure draft, *Reporting Entity*, was issued April 3, 2013 with comments requested by July 3, 2013. Upon release of the exposure draft, notices and press releases were provided to:

- a) The Federal Register;
- b) FASAB listserv and *FASAB News*;
- c) The *Journal of Accountancy*, *AGA Today*, the *CPA Journal*, *Government Executive*, and the *CPA Letter*;
- d) The CFO Council, and the Council of the Inspectors General on Integrity and Efficiency;
- e) Federal Reporting Entity Task Force, Financial Statement Audit Network, PPP Task Force and USGGL Work Group and
- f) Committees of professional associations generally commenting on exposure drafts in the past.

This broad announcement was followed by direct mailings of the exposure draft to the following relevant congressional committees:

- a) Committee on Homeland Security and Governmental Affairs
- b) Committee on Banking, Housing, and Urban Affairs
- c) Committee on Rules and Administration
- d) House Committee on Science, Space, and Technology
- e) House Committee on Oversight and Government Reform
- f) House Committee on Financial Services

To encourage responses and to ensure potential changes was communicated and input from organizations was obtained, staff “targeted” certain types of organizations (based on the questions to respondents) and sent emails to the Deputy CFOs for the following:

- a) Museums and performing arts organizations

Smithsonian Institution, U.S. Holocaust Memorial Museum, Wilson Center, and National Gallery of Art

- b) Organizations that apply FASB (listed in no particular order)

Smithsonian Institution, U.S. Holocaust Memorial Museum, Pension Benefit Guaranty Corporation, Tennessee Valley Authority, U.S. Postal Service, Department of Treasury-Federal Financing Bank, Corporation for National and

Community Service, Federal Prison Industries- UNICOR, Government Printing Office, Department of Energy, Bonneville Power Administration, HUD-Government National Mortgage Association (Ginnie Mae), Farm Credit System Insurance Corp. (FCSIC), Bureau of Engraving and Printing, Western Area Power Administration (WAPA), Federal Financing Bank, Federal Deposit Insurance Corporation, and National Credit Union Administration

- c) Federal Reserve
- d) Intelligence Agencies

Staff has also provided updates and outreach via briefings in the past months at the following:

- a) FASAB Annual Conference- April 16, *Overview Reporting Entity Questions and Answers*
- b) Financial Statement Audit Network Meeting -May 21, *Overview of Reporting Entity ED*
- c) Association of Government Accountants annual Professional Development Conference – July 15 (and several local chapter events)

Reminder notices were sent via the FASAB listserv on June 5 and 24, 2013. In addition, reminder emails were also sent to the above agencies on June 24, 2013.

RESULTS

As of July 31, we have received 37 responses from the following sources:

	Executive, Legislative & Judicial Branches	Other
Users, academics, others		6
Auditors	*9	
Preparers and financial managers	*23	

*1 Response from PBGC is included in both Auditor and Preparer because it was a joint response, therefore total is 38.

The *Reporting Entity* comment letters were provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received. The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff summary below. Further, the summary is organized by question. Several respondents provided substantive input not organized by question. So, it is

important to review the letters as well as the summary and to consider such input in addition to the tally of responses and the table of responses by question.

Staff also notes preparing the Tally of Responses and Table of Response by Question was not as straight forward or as the Board might be accustomed to seeing. Staff notes analyzing the response letters and preparing the Tally of Responses and Table of Responses was challenging for the following reasons:

- Some respondents chose to address only portions of the ED
- Some respondents provided a narrative response to the question, without actually indicating agreement or disagreement
- Some respondents indicated agreement with the proposal but provided additional information for consideration (that may have been indicated as a reason for disagreement by *another* respondent)
- Some respondents sent in letters to support other respondents
- Some of the questions did not necessarily require a response, so often the respondents did not respond if they could not provide additional examples of organizations, did not feel the question was applicable (for example in the case of the central bank question) or they simply provided “no comment”

In preparing the table of responses by question, staff highlighted areas by color-coding what the board should focus on. For example, answers opposite of what would show support for the proposed ED obviously will require the Board’s attention, these responses have been highlighted as follows 

Responses that were in general agreement with the proposed ED but provided comment that may require additional follow-up because the respondents provided some suggestions or other areas for improvement were color-coded on the schedule with the following: 

Other shading was indicated for responses where the respondent made blanket statements regarding their response letters and staff provided footnotes to indicate the meaning.

Staff attempted to footnote most things but realizes that the schedule’s purpose is to be a “snapshot for Board’s consideration and for analysis purposes.” Staff attempted to include most things deemed pertinent or that should be considered when looking at the “yes” or “no” or narrative answer.

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

A. Tally of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>Q1. The Board is proposing three inclusion principles for an organization to be included in the government-wide GPFRR:</p> <ul style="list-style-type: none"> • An organization with an account or accounts listed in the <i>Budget of the United States Government: Analytical Perspectives—Supplemental Materials</i> schedule entitled “<i>Federal Programs by Agency and Account</i>” 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 <p>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.</p> <p>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.</p> <p>Q1 a. Do you agree or disagree with each of the inclusion principles? Please provide the rationale for your answer.</p>	20	2	15
<p>Q1b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear? Please provide the rationale for your answer.</p>	19	3	15
<p>Q1c. 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.</p>	16	3	18
<p>Q1d. 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</p>	18	3	16

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
government-wide GPFFR? Please provide the rationale for your answer.			
<p>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.</p> <p>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.</p> <p>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.</p> <p>Q2.a Do you agree or disagree with the concept of distinguishing between consolidation entities and disclosure organizations? Please provide the rationale for your answer.</p>	21	0	16
<p>Q2.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.</p>	18	2	17

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>Q2c. 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.</p>	15	3	19
<p>Q2d. Do you agree or disagree with:</p> <p>i. the factors to be considered in making judgments about the extent of appropriate disclosures (see par. 69),</p> <p>ii. the objectives for disclosures (see par. 72), and</p> <p>iii. the examples provided (see par. 73)?</p> <p>Please provide the rationale for your answers.</p>	20	0 This was a multi part question and 4 had mixed (Y/N) but staff notes that the “no” portions related to one aspect and often cited issue with <u>one</u> example out of the 10 provided in the ED. Therefore staff did not deem this as “not in agreement.”	17
<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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</p>			

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>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.</p> <p>Q3a. 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.</p>	20	1	16
<p>Q3b. Do you agree or disagree that administrative assignments can be identified as provided in paragraphs 54-63? Please provide the rationale for your answers.</p>	19	3	15
<p>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.</p> <p>Refer to paragraphs 54- of the proposed standards and paragraph A19 in Appendix A - Basis for Conclusions for a discussion and related explanation.</p> <p>Q4. 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.</p>	16	5	16

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>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.</p> <p>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.</p> <p>Q5. 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.</p>	13	11	13
<p>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.</p> <p>Refer to paragraph 77 of the proposed standards and paragraphs A30-A37 in Appendix</p>			

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>A - Basis for Conclusions for a discussion and related explanation.</p> <p>Q6a. 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.</p>	15	2	20
<p>Q6b. 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.</p>	5	2	30
<p>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.</p> <p>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.</p> <p>Q7a. Do you agree or disagree with the related parties definition and requirements? Please provide the rationale for your answer.</p> <p>Q7 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.</p>	18	3	16
	18	1	18
<p>Q7c. Are there additional organizations that generally should be considered related parties? Please provide the rationale for your answer.</p>	3	3	31
<p>Q7d. Do you agree or disagree with the list of exclusions? Please provide the rationale for your answer.</p>	17	3	17
<p>Q7e. Are there additional exclusions that should be considered? Please provide</p>	2	4	31

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
the rationale for your answer.			
<p>Q8. The Board proposes conforming changes to Statement of Federal Financial Accounting Concepts (SFFAC) 2, <i>Entity and Display</i>, 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.</p> <p>Q8. Do you agree or disagree with the conforming changes to SFFAC 2? Please provide the rationale for your answer.</p>	19	1	17
<p>Q9. The Board proposes the Statement and Amendments to SFFAC 2, <i>Entity and Display</i>, be effective for periods beginning after September 30, 2016. Refer to paragraph 102 of the proposed standards.</p> <p>Q9. Do you agree or disagree with this effective date? Please provide the rationale for your answer.</p>	18	3	16
<p>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.</p> <p>Refer to Appendix B-Flowchart and Appendix C-Illustration.</p> <p>Q10 a. Do you agree the appendices are helpful in the application of the proposed standards?</p>	22	0	15
<p>Q10b. Do you believe the appendices should remain after the Statement is issued?</p>	23	0	14

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>Q10c. 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.</p>	7	5	25
<p>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.</p> <p>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.</p> <p>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.</p> <p>Instead, the proposed standards establish principles for when relationships with organizations create a need for accountability, and how information should be included in GPFRRs. 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 GPFRRs are federal reporting entities or “part of the federal</p>	7	3	27

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	YES/ AGREE	NO/ DISAGREE	No Response, Unaware of add'l examples, or N/A
<p>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.</p> <p>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.</p> <p>Q12 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.</p>	3	13	21
<p>Q12b. 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.</p>	2	14	21

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

B. Table of Responses By Question (see full question on previous page)—“Respondent Agrees”

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignments	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#1 PBGC (Joint CFO & IG) ²										YES		NO ³
#2 Holocaust Museum-CFO											NO ⁴	
#3 OPM - CFO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
#4 Postal Service-OIG ⁵												YES but no note ⁶
#5 SIPC ⁷	NO ⁸	NO ⁹										

² PBGC joint response noted they had no comment for Q 1, 2, 4 and 6-12 but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

³ PBGC does not support intra-governmental provision, believes the continuation of the current practice through the closing practice should continue.

⁴ Holocaust Museum CFO states it would be misleading to include non-federal funding and those that are not owned or controlled (donations).

⁵ USPS OIG response noted they “do not disagree with remainder of the proposed Statement or have any suggestions for improving the text” but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

⁶ Although the respondent agrees with the proposal, staff notes that based on the response—the requirement for disclosure of intra-governmental amounts in conformity with FASAB standards they believe is an “unnecessary condition.” This is consistent with some other respondent’s views and these are noted as “Yes – but no note.”

⁷ The Securities Investor Protection Corporation (“SIPC”) noted they submitted comments to Questions 1a and 1b, but they join in support of the Securities and Exchange Commission’s comments on the Draft when received. SEC Response is #23.

⁸ SIPC stated inclusion in the budget should not be a factor. See attachment C for more detail.

⁹ SIPC notes consolidating a non-governmental private sector entity is difficult with different year-end and different GAAP.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignmen ts	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#6 DOC CFO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES ¹⁰	NO ¹¹
#7 SSA CFO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
#8 NSF CFO ¹²				¹³			¹⁴			¹⁵		
# 9 KPMG ¹⁶												
#10 Treasury OIG ¹⁷												NO ¹⁸
#11 HUD CFO	YES	YES	¹⁹	YES	YES	YES	YES	YES	YES	YES	YES	YES ²⁰

¹⁰ Although the respondent agrees with the proposal, staff notes they suggest material non-federal funding sources ought to be distinguishable in the reports and fully disclosed in the notes

¹¹ DOC CFO disagrees because comparison of prior years is difficult. They recommend addressing this issue separately since SFFAS 34 provides guidance.

¹² NSF CFO provided the answer of “NO NSF COMMENT” for all Questions except 1d, 2c, 3b, 7, 10b and 10 c but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

¹³ NSF requested additional clarification of FFRDCs

¹⁴ NSF suggested the definition of consolidation entities to include “financed through taxes, and other non-exchange revenues”, and the requirement that disclosure organizations “receive limited or no funding from general tax revenues” should be reconsidered.

¹⁵ NSF suggested FASAB adding a reference to the Master list of FFRDCs to aid in determining administrative assignments.

¹⁶ KPMG did not respond directly to the questions posed in the ED but comments and concerns raised in their letter are included in Attachment C in the related question or issue area.

¹⁷ Treasury OIG response noted they “have no comments on the proposed changes to the proposed standard content referred to in questions 1-4, 6-7, 9, 9, 11 and 12” but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

¹⁸ Treasury OIG stated consolidation of material FASB based financial information that has not been converted to the FASAB basis of accounting used for the consolidated entity reporting, could result in a material misstatement and a qualified audit opinion on the consolidated entity’s financial statements, and in the worst case, an adverse audit opinion, if the resulting misstatement is pervasive to the consolidated financial statements.

¹⁹ HUD CFO explained the ED did not provided enough information to agree or disagree

²⁰ HUD notes where confusion may occur and disclosure of the basis would provide clarity.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignmen ts	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#12 TVA CFO					YES	YES						Yes but no note ²¹
#13 NASA CFO	YES	YES	YES ²²	YES ²³	YES	²⁴	YES ²⁵	YES	YES	YES	NO ²⁶	YES ²⁷
#14 Homeland CFO	YES	YES	NO ²⁸	YES	YES	NO ²⁹	NO ³⁰	YES ³¹	YES	NO	YES	YES
#15 NRC OIG	YES	YES	YES ³²	YES	YES	YES	YES	YES	YES	YES	YES	NO
#16 FRS ³³												
#17 TVA OIG												Yes but no note ³⁴
#18 DOD CFO	YES	YES	YES	YES ³⁵	YES	YES	YES	YES	YES	YES	NO ³⁶	YES

²¹ TVA CFO noted they agreed partially with the proposal. See detailed explanation included in the text of question at Table C—partial agreement.

²² Although they agreed with the principle, NASA CFO did suggest enhancing with more guidance or criteria.

²³ NASA CFO agrees yet suggested proposal provide additional clarity for FFRDCs.

²⁴ NASA CFO did not state agreement or disagreement but requested clarity regarding the attributes individually and in the aggregate.

²⁵ Although they agreed with the principle, NASA CFO did suggest enhancing with more guidance or criteria.

²⁶ NASA CFO believes it must meet requirement to be a consolidation entity in par 38 to be consolidated.

²⁷ However they do not believe it should be required before guidance related to tie points between budgetary and proprietary accounts are provided.

²⁸ Homeland CFO states misleading principle is too subjective and should be quantified.

²⁹ Homeland CFO disagrees with more “flexible” attributes and believes some will be too subjective and result in different treatment.

³⁰ Homeland CFO believes there should be a hard line test for deciding between consolidation and disclosure.

³¹ However, Homeland CFO disagrees with the factors to be considered, especially the subjective judgments allowed.

³² NRC OIG agreed but stated guidance around Misleading to Exclude would provide clarity.

³³ FRS did not respond directly to the questions posed in the ED but their comments are included in Attachment C in the related question area or topic.

³⁴ TVA OIG agrees with consolidation without conversion but does not agree with disclosing the intragovernmental amounts—partial agreement.

³⁵ Suggest guidance for museums consolidated under this standard versus those disclosed under SFFAS 29.

³⁶ States it appears to contradict par. 43 of ED.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignmen ts	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#19 CCC CFO	YES	YES	NO³⁷	YES	YES	YES	YES	YES³⁸	YES	YES	YES	NO³⁹
#20 Joseph Marren ⁴⁰												
#21 HUD OIG	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO⁴¹
#22 HHS OIG	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
#23 SEC CFO	NO⁴²	NO⁴³	NO⁴⁴	NO	YES⁴⁵	NO⁴⁶	NO	YES⁴⁷	NO⁴⁸	NO⁴⁹	NO⁵⁰	NO⁵¹
#24 DOL OIG	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

³⁷ States lack of criteria makes open for audit disagreement but does note that par. 63 of ED provides some guidance.

³⁸ Agrees but notes par. 72 c can be open for interpretation within the audit community

³⁹ CCC believes mixing of standards could mislead a reader and provide confusion for users.

⁴⁰ Joseph Marren did not respond directly to the questions posed in the ED but where comments aligned with a specific question the text is included in the appropriate topic in Attachment C. The full text is included with the comment letters.

⁴¹ HUD OIG believes consolidating financial information using different basis can provide misleading financial information to users, even with disclosures.

⁴² SEC CFO believes the first principle in the budget has more of a rule than a principle and this principle is subject to change. They believe it should be an indicator of control.

⁴³ SEC CFO suggested the proposed standards include numerous “pro” and “con” indicators, but don’t provide a clear indication of which factors are or should be selected to be the deciding factor(s).

⁴⁴ SEC CFO suggested the ED appears to be somewhat biased towards inclusion.

⁴⁵ Agrees with the concept of distinguishing but believes the terms “consolidation entities” and “disclosure organizations” are somewhat confusing.

⁴⁶ SEC CFO suggested the principles, in particular for component reporting entities, are confusing and appear to be inconsistent.

⁴⁷ While the SEC noted agreement with the objectives, the SEC CFO however noted disagreement by noting exception with one of the 10 examples provided and one of the six factors listed and offered suggestions.

⁴⁸ SEC CFO suggested because there may be instances where an organization does meet one or more inclusion principles but would be misleading to include.

⁴⁹ SEC CFO disagreed because of the broad exception on “misleading to exclude/misleading to include” with no supporting principles or examples in paragraphs 62-63.

⁵⁰ SEC CFO disagreed because it presents a commingling of the federal government’s resources with inflows that do not belong to the federal government.

⁵¹ SEC CFO disagreed because the component entity’s required reconciliation of budgetary and proprietary data would likely be forced out of balance. They also believed it would cause other technical problems for component level reporting to Treasury.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignmen ts	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#25 Admin US Courts ⁵²												
#26 GSA CFO	YES ⁵³	NO ⁵⁴	⁵⁵	NO ⁵⁶	YES	YES		YES ⁵⁷	YES	YES	⁵⁸	NO ⁵⁹
#27 GWSCPA FISC	YES ⁶⁰	YES	YES	YES	YES	YES ⁶¹	YES ⁶²	YES	YES	YES	YES	YES ⁶³
#28 Joyce Dillard	YES ⁶⁴	YES	YES	YES							⁶⁵	
#29 DOL CFO ⁶⁶									YES	NO ⁶⁷		

⁵² Although the Administrative Office of the United States Courts did not answer the questions to the ED, the letter addressed concern with including the Judicial Branch based on the “in the budget” inclusion principle, therefore the comments are included in question 1 Attachment C.

⁵³ GSA CFO stated “agrees” information should be included so not misled but believes the ED is expanding beyond financial reach and control.

⁵⁴ GSA CFO stated the principles, definitions are not completely clear and it should clarify how public private partnerships fit.

⁵⁵ GSA CFO did not say whether they agreed or disagreed, stated concept was too vague and needed examples.

⁵⁶ GSA CFO stated no and referred to comments to Q 1a-1c.

⁵⁷ GSA CFO agreed with objectives but did not state agreement or disagreement with (i) or (iii).

⁵⁸ GSA CFO did not say whether they agreed or disagreed, stated relationships should be reviewed.

⁵⁹ GSA CFO stated difficult to combing f/s unless reporting on same basis

⁶⁰ The GWSCPA FISC agrees with the inclusion principles but offered some suggestions (for example *other than temporary* should be added to the ownership and control principle); see Attachment C for complete detail.

⁶¹ The GWSCPA FISC agrees but suggested a 5th attribute be added to consolidation entities for “other than temporary in nature.”

⁶² The GWSCPA FISC agrees but suggested the Board consider allowing the preparer community additional time or an alternative forum to consider the effects on component agencies’ GPFFRs and the government-wide GPFFR.

⁶³ The GWSCPA FISC agrees but suggested guidance in certain instances such as consolidation of GASB-based information.

⁶⁴ Respondent suggested certain clarifications and types of organizations that may need addressing.

⁶⁵ Respondent did not specifically state agreement but stated “consolidation is preferable.”

⁶⁶ **DOL CFO response noted they “had no comments on questions 1,2, 4-8, 10 and 12”** but staff did not believe it was appropriate to put interpret this as a YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

⁶⁷ DOL CFO has concern with paragraph 62 and has offered suggestion for improvement.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignmen ts	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#30 Intelligence Community	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES ⁶⁸	YES	NO ⁶⁹
#31 AGA FMSB	YES	YES	YES ⁷⁰	YES	YES	YES	YES	YES	YES	YES	YES	YES
#32 NSB ⁷¹												
#33 Treasury FMS	YES	YES	YES ⁷²	YES	YES	YES		YES ⁷³	YES	YES	YES	NO ⁷⁴
#34 NRC CFO	YES	YES	YES ⁷⁵	NO ⁷⁶	YES	YES	NO ⁷⁷	YES	YES	YES	YES	NO ⁷⁸
#35 FAF ⁷⁹												

⁶⁸ Intelligence Community suggested it would be beneficial if there was a concise definition of administrative assignment.

⁶⁹ Intelligence Community suggested consolidating differing standards is inconsistent and standard should include guidance related to material differences between FASAB and FASB standards.

⁷⁰ AGA FMSB suggested additional guidance be included in the final document.

⁷¹ The NSB letter noted that it fully supports the comments made by the National Science Foundation on the subject of related parties and the NSB was submitting comments to highlight specific points.

⁷² Treasury Bureaus of Fiscal Service (FMS) suggested examples would be helpful.

⁷³ Treasury Bureaus of Fiscal Service (FMS) disagrees with ‘how the agency views its relationship with the government ‘ should have a bearing on what is disclosed as a factor but noted agreement with all other.

⁷⁴ Treasury Bureaus of Fiscal Service (FMS) disagrees because budgetary accounting principles do not apply to FASB and because USSGL proprietary / budgetary tie points won’t reconcile.

⁷⁵ NRC CFO agreed but only as a disclosure organization, not a consolidation entity.

⁷⁶ NRC CFO disagreed because believed it did not apply to Federal Reserve System.

⁷⁷ NRC CFO disagreed because it should include all branches of the federal government.

⁷⁸ NRC CFO stated there should be one consistent basis of accounting and for the Federal government it is FASAB.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	1a Inclusion Principles	1b Definitions & indicators	1c Misleading to exclude	1d Apply to all orgs	2a Consolidation entities & Disclosure Orgs	2b Attributes for each	2c Attributes adequate for all org types	2d (i) factors, (ii) objectives & (iii) examples	3a CRE should report org accountable	3b CRE admin assignmen ts	4 Consolidate orgs without regard to funding sources	5 Consolidate FASB without conversion
#36 Treasury CFO	YES ⁸⁰	YES	YES ⁸¹	YES	YES	YES ⁸²	YES	YES ⁸³	YES	YES	YES	YES ⁸⁴
#37 Smithsonian Institute CFO											NO ⁸⁵	
(See green boxes w/comments though respondent was in agreement or didn't respond.)												
YES	20	19	16	18	21	18	15	20	20	19	16	13
NO	2	3	3	3	0	2	3	0	1	3	5	11
Other	15	15	18	16	16	17	19	17	16	15	16	13
TOTAL	37	37	37	37	37	37	37	37	37	37	37	37

⁷⁹ FAF did not respond directly to the questions posed in the ED but comments and concerns raised in their letter are included in Attachment C in the related question or issue area.

⁸⁰ Treasury generally agrees though they offered suggestions for improvement such as adding “other than temporary” and other language.

⁸¹ Treasury agreed but suggested it would be a footnote disclosure and considered after RP.

⁸² Treasury agreed but suggested clarifications needed in certain areas.

⁸³ Treasury generally agrees but noted some exceptions or clarification.

⁸⁴ Treasury agreed but noted concern regarding new potential issues that may arise with regards to budgetary accounting.

⁸⁵ Smithsonian disagrees based on tenants of consolidation accounting and there should not be a commingling of outside funding with appropriated funds.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	6a Central Bank Min Disclosures	6b Any other org for min disclosure	7a RP def	7b types of RPs	7c Other RPs?	7d RP exclusions	7e Other RP exclusions	8 Conforming changes to SFFAC 2	9 Effective date	10a appendices are helpful	10b Apps should remain	10c Change App	11 Other unique situ?	12a Alt View	12 b Alt view guidanc
#1 PBGC (Joint CFO & IG) ⁸⁶															
#2 Holocaust Museum- CFO															
#3 OPM - CFO	YES		YES	YES		YES		YES	YES	YES	YES	NO		NO	NO
#4 Postal Service- OIG ⁸⁷															
#5 SIPC ⁸⁸															
#6 DOC CFO	YES		YES	YES		YES		YES	YES	YES	YES	NO		NO	NO
#7 SSA CFO	YES		YES	YES		YES		YES	YES	YES	YES	YES		NO	NO
#8 NSF CFO ⁸⁹			NO			NO	YES				YES	YES			

⁸⁶ **PBGC joint response noted they had no comment for Q 1, 2, 4 and 6-12** but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

⁸⁷ **USPS OIG response noted they “do not disagree with remainder of the proposed Statement or have any suggestions for improving the text”** but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

⁸⁸ The Securities Investor Protection Corporation (“SIPC”) noted they submitted comments to Questions 1a and 1b, but they join in support of the Securities and Exchange Commission’s comments on the Draft when received. SEC Response is #23.

⁸⁹ **NSF CFO provided the answer of “NO NSF COMMENT”** for all Questions except 1d, 2c, 3b, 7, 10b and 10 c but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	6a Central Bank Min Disclosures	6b Any other org for min disclosure	7a RP def	7b types of RPs	7c Other RPs?	7d RP exclusions	7e Other RP exclusions	8 Conforming changes to SFFAC 2	9 Effective date	10a appendices are helpful	10b Apps should remain	10c Change App	11 Other unique situ?	12a Alt View	12 b Alt view guidanc
# 9 KPMG ⁹⁰															
#10 Treasury OIG ⁹¹								92		YES	YES				
#11 HUD CFO	YES	YES ⁹³	YES	YES		YES		YES	YES	YES	YES	NO	NO	NO	NO
#12 TVA CFO															
#13 NASA CFO			YES	YES		YES		YES	YES ⁹⁴	YES	YES				
#14 Homeland CFO	YES	NO	NO ⁹⁵	NO ⁹⁶	NO		NO	YES	YES	YES	YES	YES	YES	NO	NO
#15 NRC OIG	YES		YES	YES	97	YES		YES	YES	YES	YES			NO	NO
#16 FRS ⁹⁸															
#17 TVA OIG															

⁹⁰ KPMG did not respond directly to the questions posed in the ED but comments and concerns raised in their letter are included in Attachment C in the related question or issue area.

⁹¹ Treasury OIG response noted they “have no comments on the proposed changes to the proposed standard content referred to in questions 1-4, 6-7, 9, 9, 11 and 12” but staff did not believe it was appropriate to put YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

⁹² Treasury OIG notes based on their response to Question 5, the rescission of par. 78 of SFFAC 2 proposed in par. 101 of the ED would need to be revisited but there were no other issues with the conforming changes.

⁹³ Although HUD CFO believes there may be other organizations, no specific examples were provided.

⁹⁴ Agrees as long as technical guidance related to tie points and specifying which reports are required when FASB entities are consolidated.

⁹⁵ Homeland CFO disagrees with definitions that require professional judgment in calculating significance and whether it would be misleading to exclude.

⁹⁶ Homeland CFO disagrees and suggested the inclusion principles would cover or capture RPs.

⁹⁷ Noted it would be dependent on degree of influence rather than on a type of entity.

⁹⁸ FRS did not respond directly to the questions posed in the ED but their comments are included in Attachment C in the related question area or topic.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	6a Central Bank Min Disclosures	6b Any other org for min disclosure	7a RP def	7b types of RPs	7c Other RPs?	7d RP exclusions	7e Other RP exclusions	8 Conforming changes to SFFAC 2	9 Effective date	10a appendices are helpful	10b Apps should remain	10c Change App	11 Other unique situ?	12a Alt View	12 b Alt view guidanc
#18 DOD CFO	YES	YES ⁹⁹	YES	YES		YES		YES	YES	YES	YES	NO		NO	NO
#19 CCC CFO	YES ¹⁰⁰		YES	¹⁰¹		YES		YES	NO	YES	YES	NO		NO	NO
#20 Joseph Marren ¹⁰²															
#21 HUD OIG	YES		YES	YES		YES		YES	YES	YES	YES				
#22 HHS OIG			YES	YES		YES		YES	YES	YES	YES			NO	NO
#23 SEC CFO			YES	YES	YES ¹⁰³	YES		NO	YES	YES ¹⁰⁴	YES ¹⁰⁵	YES	YES		
#24 DOL OIG	YES		YES	YES		YES		YES	YES	YES	YES			NO	NO
#25 Admin US Courts ¹⁰⁶															
#26 GSA CFO	YES		YES	YES		NO		YES	YES	YES	YES			NO	NO

⁹⁹ Stated consistent with GAAP but could not offer specific examples.

¹⁰⁰ Emphasis of disclosure should be from Reporting Entity perspective and interactions with the Central Bank.

¹⁰¹ Suggested use of the term “generally” is confusing in the list

¹⁰² Joseph Marren did not respond directly to the questions posed in the ED but where comments aligned with a specific question the text is included in the appropriate topic in Attachment C. The full text is included with the comment letters.

¹⁰³ Suggested non-federal organizations receiving federal financial assistance be addressed

¹⁰⁴ SEC CFO suggested the flowchart (with edits) is helpful, not the illustrations.

¹⁰⁵ Suggested the flowchart (with edits) be retained, not the illustrations.

¹⁰⁶ Although the Administrative Office of the United States Courts did not answer the questions to the ED, the letter addressed concern with including the Judicial Branch based on the “in the budget” inclusion principle, therefore the comments are included in question 1 Attachment C.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	6a Central Bank Min Disclosures	6b Any other org for min disclosure	7a RP def	7b types of RPs	7c Other RPs?	7d RP exclusions	7e Other RP exclusions	8 Conforming changes to SFFAC 2	9 Effective date	10a appendices are helpful	10b Apps should remain	10c Change App	11 Other unique situ?	12a Alt View	12 b Alt view guidance
#27 GWSCPA FISC	YES		YES	YES	¹⁰⁷	YES		YES	NO	YES	YES		YES	YES	YES
#28 Joyce Dillard	¹⁰⁸		¹⁰⁹						NO	YES	YES		YES ¹¹⁰		
#29 DOL CFO ¹¹¹									¹¹²				YES ¹¹³		
#30 Intelligence Community	NO ¹¹⁴	YES ¹¹⁵	YES	YES	YES ¹¹⁶	YES		YES	YES	YES	YES		YES ¹¹⁷	YES ¹¹⁸	YES
#31 AGA FMSB	YES	NO	¹¹⁹	YES				YES	YES	YES	YES			¹²⁰	

¹⁰⁷ Suggested additional guidance on entities named under the Accountability of Tax Dollars Act of 2002 that have members of its board of directors. See Attachment C for more detail.

¹⁰⁸ Respondent did not specifically state agreement or disagreement with the question but provided detail on their thoughts regarding the Federal Reserve System and that is should be consolidated, see Attachment C for full detail.

¹⁰⁹ Respondent did not specifically answer question but stated the public needs to understand the relationships.

¹¹⁰ Suggested that the Judicial Branch is hidden, MOUs, and Public-Private Partnerships be addressed.

¹¹¹ **DOL CFO response noted they “had no comments on questions 1,2, 4-8, 10 and 12”** but staff did not believe it was appropriate to put interpret this as a YES as in agreement to the questions since they did not respond directly to the questions posed in the ED.

¹¹² DOL CFO explained they had no comment on effective date but suggested that a date certain may be advisable since coordination is required.

¹¹³ DOL CFO suggested addressing issue of conversion of FASB to FASAB, and entities currently consolidated in the FR that the government is not responsible for obligations under current law. See Attachment C for full response.

¹¹⁴ Intelligence Community suggested the central bank should be required to report disclosures that provide for complete disclosure and additional guidance may be necessary. They explained the statement does not provide sufficient minimum disclosure requirements and the board should consider additional requirements.

¹¹⁵ Intelligence Community suggested minimum disclosures for FFRDCs, GSEs, and venture capital funds.

¹¹⁶ Intelligence Community suggested board consider free trade agreements, custom unions, common markets, United Nations, and Foreign financial institutions.

¹¹⁷ Intelligence Community suggested exception for application would be detrimental to national security and other comments in Attachment C.

¹¹⁸ Intelligence Community suggested the standards differentiate between organizations required to be disclosed and disclosure entity.

¹¹⁹ While the FMSB did not specifically answer the question, they noted FASAB’s approach is different than other standard-setters and urged FASAB to use a different term than related party.

¹²⁰ While the FMSB did not specifically answer the question, in the general comments on the ED they did note the views of the alternative view to be compelling.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	6a Central Bank Min Disclosures	6b Any other org for min disclosure	7a RP def	7b types of RPs	7c Other RPs?	7d RP exclusions	7e Other RP exclusions	8 Conforming changes to SFFAC 2	9 Effective date	10a appendices are helpful	10b Apps should remain	10c Change App	11 Other unique situ?	12a Alt View	12 b Alt view guidance
#32 NSB ¹²¹			NO ¹²²			NO	YES				YES	YES ¹²³			
#33 Treasury FMS	YES		YES	YES	NO	YES	NO	YES	YES	YES	YES	YES ¹²⁴	YES ¹²⁵	NO	NO
#34 NRC CFO	NO ¹²⁶	YES ¹²⁷	YES	YES	YES ¹²⁸	YES	NO	YES	YES	YES			NO	YES	NO
#35 FAF ¹²⁹															
#36 Treasury CFO	YES ¹³⁰	YES ¹³¹	YES ¹³²	YES ¹³³	NO	YES	NO	YES	YES	YES	YES	YES ¹³⁴	NO	NO	NO
#37 Smithsonian Institute CFO															

¹²¹ The NSB letter noted that it fully supports the comments made by the National Science Foundation on the subject of related parties and the NSB was submitting comments to highlight specific points.

¹²² NSB letter states it fully supports the comments made by the National Science Foundation on related parties and provides additional points on that topic.

¹²³ NSB suggested a related party illustration involving agency board members with an admin role at a collegial university or not-for-profit.

¹²⁴ Suggested that clear guidance was not provided regarding columnar presentation and whether required.

¹²⁵ Suggested addressing substantial control and other issues related to more than one entity reporting an organization.

¹²⁶ NRC CFO stated the Federal Reserve System is independent.

¹²⁷ NRC CFO believes if judicial and legislative are not considered consolidating entities then there should be minimum disclosures for them.

¹²⁸ NRC suggested business entities and key individuals residing outside the US for purposes of conducting international business.

¹²⁹ FAF did not respond directly to the questions posed in the ED but comments and concerns raised in their letter are included in Attachment C in the related question or issue area.

¹³⁰ Treasury agreed but suggested some edits. Further, they did not believe FRB would meet the criteria for being a consolidation entity or disclosure organization.

¹³¹ Treasury suggested Medicaid and state unemployment offices.

¹³² Treasury generally agrees but suggested some areas for clarification.

¹³³ Treasury generally agrees but suggested some areas for clarification.

¹³⁴ Treasury suggested application of administratively assigned as well as revising misleading to exclude so it is considered after related parties.

STAFF SUMMARY OF RESPONSES – Table B: Table Of Responses By Question

RESPONSE # Organization or Name	6a Central Bank Min Disclosures	6b Any other org for min disclosure	7a RP def	7b types of RPs	7c Other RPs?	7d RP exclusions	7e Other RP exclusions	8 Conforming changes to SFFAC 2	9 Effective date	10a appendices are helpful	10b Apps should remain	10c Change App	11 Other unique situ?	12a Alt View	12 b Alt view guidanc
YES	15	5	18	18	3	17	2	19	18	22	23	7	7	3	2
NO	2	2	3	1	3	3	4	1	3	0	0	5	3	13	14
Other	20	30	16	18	31	17	31	17	16	15	14	25	27	21	11
(See green boxes w/comments though respondent was in agreement or didn't respond.)															
Total	37	37	37	37	37	37	37	37	37	37	37	37	37	37	37

STAFF SUMMARY OF RESPONSES – Table C: Full Text of Answers and Comments by Question

C. Full Text of Answers and Comments by Question and by Respondent

QUESTION 1	
<p>The Board is proposing three inclusion principles for an organization to be included in the government-wide GPFRR:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>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.</p> <p>a. Do you agree or disagree with each of the inclusion principles? Please provide the rationale for your answer.</p> <p>b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear? Please provide the rationale for your answer.</p> <p>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.</p> <p>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 GPFRR? Please provide the rationale for your answer.</p>	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel	a. Agree. Each of the inclusion principles provides a basis for an organization to be included in the government-wide GPFRR.

STAFF SUMMARY OF RESPONSES – Table C

<p>Management - CFO</p>	<p>b. Yes, we believe the inclusion principles, and the related definitions and indicators, are helpful and clear. They cover the key scenarios.</p> <p>c. Agree, in that the GPFFR would not be reliable if excluded. Completeness is important.</p> <p>d. Agree. Each of the inclusion principles provides guidance for determining whether an organization should be included in the government-wide GPFFR. The inclusion principles are comprehensive.</p>
<p>#4 Postal Service-OIG</p>	<p>No response</p>
<p>#5 Securities Investor Protection Corporation (“SIPC”)</p>	<p>a. Disagree. SIPC believes that its inclusion in the Budget should not be used as a factor to determine whether SIPC should be included in the government-wide general purpose federal financial report (“GPFFR”).</p> <p>Congress enacted the Securities Investor Protection Act, 15 U.S.C. § 78aaa et seq. (“SIPA”), in 1970 in reaction to a crisis of confidence in the securities industry. SIPA established SIPC as a non-governmental and non-profit corporation whose membership would consist of registered securities broker-dealers. See SIPA § 78ccc(a)(2)(A). SIPC’s main function is the protection of customers of failed securities broker-dealers that are members of SIPC and that are in liquidation under SIPA. Among other things, SIPC oversees the administration of the liquidation proceeding and provides funding, as needed, for the administrative expenses of the proceedings and, within limits, for the satisfaction of customer claims. SIPC’s funding derives from a Fund that SIPC administers and that is comprised of assessments paid to it by its members and amounts generated from investment of the Fund. SIPA § 78ddd(c). The amount of the assessments that broker-dealers pay is based on rates that are set under SIPC bylaw and that have varied over time as a result of the amount of the Fund and the applicable target limit of the Fund, also set by SIPC bylaw. SIPA § 78ddd(c)(2).</p> <p>At present, the SIPC Fund stands at approximately \$1.85 billion. The SIPC Fund is not held at the Department of the Treasury (“Treasury”), and the Treasury has no control over or access to the SIPC Fund. The Fund is used solely for SIPA liquidation proceedings and to support SIPC’s operational costs. See SIPA § 78ddd(a)(1). Should the Fund become insufficient to carry out the purposes of SIPA, the SEC may make a loan to SIPC through notes issued to the Treasury of up to \$2.5 billion. See SIPA § 78ddd(g), (h). In SIPC’s 43 year history, the Fund level has never dropped so low as to require a borrowing from the Treasury. As stated in the Budget, “the Budget does not project that SIPC will require use of these loans over the next ten years.” See Office of Mgmt. & Budget, Exec. Office of the President, Budget of the United States Government, Fiscal Year 2013 (2012) (“Budget”) at 1407.</p> <p>Throughout SIPC’s history, SIPC has been both excluded and included in the Appendix of the Budget. For example, in FY 2007, SIPC’s line of credit with Treasury had an account in the Budget. In FY 2008, the line of</p>

STAFF SUMMARY OF RESPONSES – Table C

	<p>credit was removed from the Budget and replaced with a paragraph explaining the role of SIPC. In FY 2011, the SIPC Fund was included as an account in the Budget, with adjustments going back to FY 2009. As far as SIPC is aware, no legislative changes in those years led to these changes of treatment.</p> <p>b. Disagree. Consolidation of a non-governmental private sector entity’s financial statements into an agency’s financial statements would be difficult when (1) the non-governmental entity’s financial statements are issued on a calendar year basis and not on the government’s fiscal year; and (2) the non-governmental entity’s financial statements are subject to an independent audit in accordance with private sector GAAP. For example, Congress expressly granted to SIPC the power to establish its fiscal year, which, by SIPC bylaw, is the calendar year in accordance with private-sector GAAP. SIPA § 78ccc(b)(9). SIPC’s standalone financial statements are audited in accordance with private sector GAAP by an independent auditor. The SEC is not involved in the day-to-day operation of SIPC. Thus, it would create a high burden on the SEC and its auditor to include SIPC’s financial statements within its own. Among other things, the SEC would have to reconcile any issues arising from the SIPC fiscal year difference. As the SEC points out in its comments, it is unlikely that the Commission’s auditor (the General Accountability Office) would be willing to rely on the work of SIPC’s independent auditor, adding work for its auditor and subjecting SIPC to another layer of audit.</p>
#6 DOC CFO	<p>a. The Department of Commerce agrees with the inclusion principles. We believe they enhance transparency because they are inclusive, logical, and cover the entire population of entities that should be included for federal reporting. However, for the third inclusion principle, we would like clarification on the definition of “control” as to whether it includes organizations under temporary control or only those that are permanently controlled.</p> <p>b. The Department of Commerce believes the inclusion principles and related content are helpful and clear. These principles alleviate ambiguity in existing principles, including SFFAC 2.</p> <p>c. The Department of Commerce agrees that an organization should be included in the GPFFR, if it would be misleading to exclude it, despite it not meeting any of the three inclusion principles.</p> <p>d. The Department of Commerce agrees that the inclusion principles can be applied to all organizations to determine if they should be included in the government-wide GPFFR. Since the inclusion principles are based on indicators of control, they should be applicable to all organizations.</p>
#7 SSA CFO	<p>a. 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 (GPFFR) 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 GPFFR. For organizations not listed in</p>

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	<p>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 GPFFR.</p> <p>b. 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.</p> <p>c. 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.</p> <p>d. 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.</p>
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<p>#8 NSF CFO</p>	<p>a.-c. NO NSF COMMENT</p> <p>d. NSF requests that FASAB further clarify the inclusion of Federally Funded Research and Development Centers (FFRDCs). In the case of the National Science Foundation, pursuant to the NSF Act (Public Law 81-507, amended by 42 USC (1861 – 1887)), provision 42 USC 1873, “The Foundation shall not, itself, operate any laboratories or pilot plants.” Although NSF legally considers and is noted as the sponsoring agency for four FFRDCs, as it relates to the intent of this ED, the Foundation’s inability to manage or operate the facilities makes them more equitable to contract or grant organizations. NSF requests that FASAB add language to this point in paragraphs 32 – 34.</p>
<p># 9 KPMG</p>	<p><u>General Structure Comments</u></p> <p>The three principles in paragraph 21 should be reduced to two principles: (1) In the Budget and (2) Control with risk of loss or expectation of benefit. Based on the definition in paragraph 24 and footnote 12, the majority ownership interest should be considered a presumptive indicator of control instead of a stand-alone principle.</p> <p><i>In the Budget</i></p> <p>i. The statement should indicate that this is a presumptive principle for consolidation. If an organization is included in the budget, it should be consolidated at the government-wide or component reporting entity level.</p> <p>ii. The exception related to federal financial assistance should be if the organization is included in the budget ONLY as a recipient of federal financial assistance. The standards should clarify whether these organizations require further evaluation against the second principle (Control) if the exception is met.</p> <p>iii. This section should include relevant information for the component reporting entities as well as the government-wide entity. Information from paragraphs 57 and 57 (a) should be included.</p> <p><i>Control with risk of loss or expectation of benefit (Control)</i></p> <p>i. The statement should indicate that this is a presumptive principle for an organization to be either consolidated or disclosed.</p> <p>ii. This section should include relevant information for the component reporting entities as well as the government-wide entity. Information from paragraph 58 would be included related to the component reporting</p>

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	<p>entities.</p> <p>iii. This section should include the concept of exclusivity of control. We believe that control involves decision-making ability that is not shared with others. Therefore, we believe that consolidated and disclosure organizations would only be controlled by one entity. The ED currently indicates that disclosure organizations could be reported by multiple component reporting entities.</p> <p>iv. The indicators of control should be reordered for ease of application:</p> <ol style="list-style-type: none">1. Paragraph 29;2. Paragraphs 32-34 (situations where control does not exist);3. Paragraphs 30-31 (persuasive indicators and other indicators), which would also include adding “Majority Ownership,” paragraphs 23 and 24, as a persuasive indicator of control. <p>v. For those organizations that meet the definition of control, this section should reference to the paragraphs that provide the characteristics of a consolidated and disclosure organization.</p> <p>vi. For those organizations that do not meet the definition of control, this section should reference to the paragraphs that provide the characteristics of a misleading to exclude organization. We believe that an organization that meets these characteristics would be subject to related party disclosures.</p> <p><u>Detailed Comments</u></p> <p>We suggest the following revision to paragraph 20:</p> <p>“This Statement provides two principles for determining which organizations should be consolidated or disclosed in the government-wide and/or component reporting entity GPFRR. The statement also provides characteristics of a consolidated and disclosure organization, which should be applied in conjunction with the principles to distinguish between consolidated and disclosure organizations.”</p> <p><i>In the Budget</i></p> <p>i. We believe that for consolidation to be required control should exist. In keeping with the Board’s approach, we have maintained in the budget as a separate principle from control, on the basis that if an organization is in the budget (at the component reporting level or government-wide level) it is considered to be</p>
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	<p>controlled by that reporting entity.</p> <ul style="list-style-type: none">ii. The statement should state which year’s budget document to consider when applying the principle.iii. Information from paragraph 57a related to the component reporting entity should be moved to this section.iv. Paragraph 57b provides another definition of in the budget by its reference to a congressional budget justification document. We believe references to this document should be removed for simplicity and consistency in the application of this statement. <p><i>Control with risk of loss or expectation of benefit</i></p> <ul style="list-style-type: none">i. We believe that the principles should include the concept of exclusivity for purposes of identifying and reporting on consolidated and disclosure organizations. We recommend the following sentence be added to the end of paragraph 25 to incorporate the exclusivity concept: Control involves decision-making ability that should not be shared with others and, therefore, an organization can only be identified and reported as a consolidated or disclosure organization by one reporting entity.ii. Footnote 14 would not be needed based on the changes in our suggested structure.iii. Footnote 16 appears to contradict paragraph 30a. Please clarify.iv. Footnote 27 should be deleted because it is confusing. The Bureau of Census is included in the budget of the Department of Commerce; therefore, it would not be subject to the evaluation of control. <p><i>Misleading to exclude</i></p> <ul style="list-style-type: none">i. Based on our belief that an organization that is misleading to exclude should only result in a related party disclosure, we suggest combining paragraphs 35-36 as follows: There may be instances when an organization does not meet the principles in paragraphs ____ yet the government-wide or component reporting entity GPFFR would be incomplete if information about the organization were excluded. Organizations should be subject to the disclosure requirements for related parties in the government-wide or component reporting entity GPFFR if the omission would be considered material to
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	<p>the reporting entity’s financial statements.</p> <p>ii. We believe that the concept of misleading to include should be deleted from the statement because it undermines the overall principles stated.</p>
#10 Treasury OIG	No Response
#11 HUD CFO	<p>a. HUD agrees with the first inclusion for an organization to be included in the government-wide GPFFR 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. Identification of an organization in the President’s Budget is the clearest evidence that an organization should be included in the government-wide report.</p> <p>HUD agrees with the concept that an organization in which the federal government holds a majority ownership interest typically provides owners access to resources and exposure to risks while supporting their desired goals. Federal financial reporting objectives require that information about service efforts, costs, and accomplishments be made available. To ensure such information is included, when the federal government holds a majority ownership in an organization, it should be included in the GPFFR.</p> <p>HUD agrees with the concept that an organization that is controlled by the federal government with risk of loss or expectation should be included in the government-wide GPFFR to provide accountability. As detailed in the Statement, control involves the power to impose will on and/or govern the financial and/or operating policies of another organization with the potential to obtain financial resources or non-financial benefits or be obligated to provide financial support or assume financial obligations as a result of those actions. Both the power and the risk of loss or expectation of benefit aspects of the control definition should be present to justify inclusion of the organization in the GPFFR.</p> <p>b. HUD agrees that the inclusion principles, and the related definitions and indicators, are helpful and clear. Determining control requires judgment, and the Statement provides indicators to assist in making determinations. The first set of indicators is “persuasive” as the federal government has the authority to control and any one of the listed items would generally mean control is present. The second set of indicators requires more judgment because the set of indicators is considered in the aggregate to assess whether the federal government has the ability to control the organization. Because the government does not usually seek only financial benefits, the expected benefit associated with control does not have to be a financial benefit. Instead, it may be non-financial. For example, it may be in the form of a service provided on the federal government’s</p>

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	<p>behalf or the ability to direct the work of the other organization to deliver goods and services.</p> <p>c. HUD believes that the exposure draft does not provide enough information in paragraphs 35 – 36 and 61 – 62 to be able to 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. It would be helpful to provide examples of unique situations to enhance the preparers’ judgment so that the preparer and auditor can mutually agree that an organization should be included that was not otherwise incorporated as a result of the three principles.</p> <p>d. HUD agrees that the inclusion principles can be applied to all organizations, to determine whether such organizations should be included in the government-wide GPFFR. Differences in purposes and governance structures by organizations may require different presentation of related financial information. This Statement provides that the reporting entity should first determine which organizations are to be included in the reports. Next the reporting entity should classify each included organization as a consolidation entity or a disclosure organization.</p>
#12 TVA CFO	No response
#13 NASA CFO	<p>a. NASA agrees with the understanding that meeting any one of the 3 principles require that an organization is included in an agency’s financial statements and inclusion allows for disclosure or consolidation. The inclusion principles are reasonable criteria to determine the significance of the federal government’s relationship and involvement with an organization. The inclusion principles are consistent with the concepts of conclusive criterion and indicative criteria in SFFAC 2, paragraphs 41-46 that should be considered in the aggregate for defining a financial reporting entity in the Federal Government.</p> <p>b. Overall, NASA agrees that the inclusion principles and related definitions and indicators are helpful and provide guidelines by which to evaluate which organizations should be included in the GPFFR. The section titled, In The Budget, should include acknowledgement of the difference between an organization listed in an agency’s budget and one that is included in the budget but not specifically listed. Consideration may also be given to including a reference to the sections titled, Reporting On Organization – Consolidation Entities Or Disclosure Organizations and/or Principles for Inclusion in the Government-wide GPFFR, to point to more detailed discussion.</p> <p>c. NASA agrees with the concept that an organization should be included in the GPFFR if excluding it would be misleading. The concept of providing information that is not misleading is also applicable to the method used to present the organization’s financial information, disclosure or consolidation. Our rationale is based on SFFAC 2,</p>

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	<p>Entity and Display, as provided in paragraph 38.</p> <p>Paragraphs 35-36 of the Statement discuss the concept of “Misleading to Exclude” for organizations that do not meet the inclusion principles. We recommend enhancing the Statement to provide more guidance that may include the criteria to determine “misleading to exclude” and the rationale for this consideration as it pertains to different types of organization and specifically Federally Funded Research and Development Centers. (Organization types may include FFRDCs, museums, performing arts organizations, universities, or venture capital funds and/or include distinction by method of financing, management agreement, level of autonomy, or applicable regulations.)</p> <p>d. NASA agrees given that flexibility is allowed for different and distinct types of organizations and more guidance is provided related to the inclusion principles and how they relate to different types of organization.</p> <p>NASA requests that FASAB provide clarity regarding the inclusion principles specifically in relation to Federally Funded Research and Development Centers given the special circumstances that FFRDCs are mandated to operate independently.</p>
<p>#14 Department of Homeland Security CFO</p>	<p>a. Agree these principles are objective and could be consistently applied across government agencies.</p> <p>b. Agree, however some real life examples would be helpful and would deter subjectivity.</p> <p>c. Disagree, this catch all could be too subjective. We believe that the term “misleading” would need to be quantified.</p> <p>d. Agree, as long as the “misleading to exclude” is either removed or better defined with some objective measures.</p>
<p>#15 Nuclear Regulatory Commission OIG</p>	<p>a. I agree with each of the inclusion principles. I believe that comprehensive accountability should be assessed through inclusion in the GPFFR in all cases where a federal entity exercises both financial and/or management control of another entity.</p> <p>b. I think the definitions and indicators are mostly helpful. However, the guidance around the “Misleading to Exclude” standard is missing clarity. I think more discussion with some examples around what it would mean to be misleading would, at a minimum, provide the practitioner with the intent of the standard.</p> <p>c. I agree with the standard in that the GPFFR should not be misleading. However, without more clarification, I</p>

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	<p>am not sure how I would apply the standard. Maybe some examples or more discussion would be helpful.</p> <p>d. I agree that all organizations should be subject to the inclusion principles. Allow the inclusion tests to determine if the entity should be excluded, not just categorically exclude them. I think to do otherwise would increase the risk that the GPFFR could be misleading and not reflect comprehensive accountability.</p>
#16 Federal Reserve System	No Response
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Agree. The inclusion principles conform to the conclusive and indicative criteria for including components in a reporting entity described in Statement of Federal Financial Concepts 2, Entity and Display. Control also discussed as a primary criteria within the Financial Accounting Standards Board Proposed Statement of Financing Accounting Concepts, The Reporting Entity.</p> <p>b. Agree. The inclusion principles, along with the illustrations in Appendix C, are understandable. Appendix C is especially helpful in demonstrating the nuances of the criteria.</p> <p>c. Agree. It would be misleading to exclude the organization if it does not meet the inclusion principles, as the consolidated financial statements would not be complete, accurate, or presented fairly.</p> <p>d. Agree. The inclusion principles are comprehensive and include all potential organizations that the government may be responsible for consolidating whether by budget authority, ownership, or control. It is suggested, however, that some additional guidance be added to distinguish museums consolidated under this proposed standard and museums disclosed under Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards (SSFAS) 29, Heritage Assets and Stewardship Land. There may appear to be some conflicting guidance in reading both standards.</p>
#19 Commodity Credit Corporation CFO	<p>a. Agree with the inclusion principles outlined in the exposure draft. All of the principles follow GAAP.</p> <p>b. The inclusion principles are stated in a clear manner which allows the determining official to make determination and document the reasoning.</p> <p>c. Yes the definition provided in the misleading to exclude does not provide enough determining factors to allow decision makers to clearly make the decision to include or exclude. The lack of criteria would leave this open for audit disagreements. Paragraph 63 provides further criteria of the misleading to exclude—this would appear to</p>

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	<p>be similar to the Parent/Child reporting outlined in the OMB Circular A-136.</p> <p>d. Yes the inclusion principles should be applied across the Government. Exclusions for the “other” Federal entities could lead to misstatements. It is possible that some Government entities may qualify for the disclosure reporting rather than full inclusion for consolidated statements.</p>
#20 Joseph H. Marren	The proposed rules will largely continue current unconstitutional reporting practices with respect to the Federal Reserve System and Government Sponsored Enterprises such as Fannie Mae and Freddie Mac. They will not be consolidated in the Financial Report and hence, the government’s consolidated financial statements will remain substantially misleading.
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	<p>a. The inclusion principles as presented provide a good basis for an organization to be included in the government-wide General Purpose Federal Financial Report (GPFFR). While the Budget of the United States is a good starting point, financial statement preparers and auditors can use the other inclusion principles to determine if an organization controlled or managed by the Federal government, but not necessarily noted in the budget, should be included in GPFFR.</p> <p>b. The definitions and indicators for the inclusion principles seem to be very clear and helpful. They provide very good explanations and give the appropriate guidance for preparers and the auditors to determine if organizations should be included in government-wide GPFFR.</p> <p>c. All organizations should be included in the government-wide GPFFR if it would be misleading not to include them even though they do not meet one of the three inclusion principles. Some organizations that do not necessarily fall under the inclusion principles could put the overall Federal government at risk. The decision to include or not include an organization should be decided in consultation between the preparer of the government-wide GPFFR (Treasury’s Fiscal Service) and the auditor (Government Accountability Office (GAO)).</p> <p>d. The inclusion principles should be applied to all organizations to determine if they should be included in GPFFR. As indicated in the response to number Q1.c, organizations that can put the Federal government at risk should be disclosed and included in the GPFFR.</p>
#23 SEC CFO	a. Disagree. The SEC believes that the first proposed inclusion principle, “included in the Budget ... schedule entitled “Federal Programs by Agency and Account” (“in the Budget”), appears to have more characteristics of a rule than a principle.

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	<p>The proposed standard would rescind paragraph 42 of SFFAC 2 and replace it with what the SEC believes to be a narrower definition of a non-federal entity, with the result that it would appear to become a rule rather than a factor to consider.</p> <p>Inclusion or exclusion from the Budget is subject to change and based upon decisions over which FASAB has little or no control and which may be unrelated to the principles upon which FASAB's reporting requirements are based.</p> <p>In previous issuances the Board has explicitly not permitted the applicability of reporting requirements to be based upon classifications that are solely under the jurisdiction of other organizations, such as the Treasury Department and/or the Office of Management and Budget (OMB), without regard to FASAB's intent for principle-based reporting requirements.</p> <p>For example, the provisions of SFFAS 27 Identifying and Reporting Funds from Dedicated Collections, and SFFAS 31, Reporting on Fiduciary Activities, support the Board's principle-based requirements by explaining that federal reporting entities should not base their classification and reporting for either (a) funds from dedicated collections or (b) fiduciary activities, respectively, based upon the fund type that is assigned and used for reporting funds to Treasury and/or OMB.</p> <p>Paragraph 7 of SFFAS 27, (bold added) states that:</p> <p>The following chart shows fund types used in reporting to the Treasury Financial Management Service (FMS) and the Office of Management and Budget (OMB). It is intended only to show the general relationship between fund groups and [funds from dedicated collections] as classified in this statement. Regardless of classification for reporting to the Treasury FMS or the OMB, funds meeting the definition of [funds from dedicated collections] promulgated in this standard should be so classified and funds not meeting the definition should not be so classified.</p> <p>Similarly, paragraph 7 of SFFAS 31 (bold added) states that:</p> <p>Numerous "fund groups" are used in reporting to the Treasury FMS and the OMB. For example, "deposit funds" may be used for monies that do not belong to the Federal Government. Regardless of how a fund group may be classified in reporting to the Treasury FMS or to the OMB, only those activities that meet the definition of fiduciary activity promulgated in this standard are subject to the reporting requirements of this standard. Activities that do not meet the definition of fiduciary activities promulgated in this standard are not subject to the reporting requirements of this standard. Deposit funds that do not meet the definition of fiduciary activities, and therefore are not disclosed in the fiduciary note disclosure, should be recognized in the principal financial statements.</p> <p>An example of how the classification of "in the Budget" is subject to change is the status of the Tribal Trust Funds. The Tribal Trust Funds were included in the Budget of the U.S. Government and the Department of the</p>
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	<p>Interior from fiscal year (FY) 1969 through FY 1999, but excluded in fiscal years subsequent to FY 1999. Although the Tribal Trust Funds consist of assets that are owned by private individuals and not by the federal government, the Tribal Trust Funds were nevertheless included in the Budget for a period of 30 years. As noted in the FY 2000 Budget, approximately \$2.1 billion in trust funds assets were reclassified in FY 2000 from “on-budget” to “non-budgetary.” This change illustrates the risk of using “in the Budget” as a primary principle/rule for FASAB reporting requirements that are intended to be principle-based.</p> <p>Another example is the Securities Investor Protection Corporation (SIPC), which is currently listed in the SEC’s section of the Budget. Throughout SIPC’s history, SIPC has been both included and excluded from the Budget. For example, in FY 2007, SIPC’s line of credit with Treasury had an account in the Budget. In FY 2008, the line of credit was removed from the Budget and replaced with a paragraph explaining the role of SIPC. In FY 2011, SIPC was included in the Budget, with adjustments going back to FY 2009. We are aware of no substantive legislative changes that might explain these changes.</p> <p>Accordingly, the SEC believes that “in the Budget” is insufficiently aligned with the other two inclusion principles to be put forth as a primary “principle” but rather should be considered as an indicator of control, and taken into consideration together with other factors.</p> <p>SEC Recommendation 1(a): In order to provide for a principle-based standard by which the intent of the Board would be consistently applied in the future, regardless of future classification decisions by organizations other than FASAB, the SEC recommends that:</p> <ul style="list-style-type: none">• paragraph 39 should be deleted• being “in the Budget” should be included as an “indicator of control” rather than a primary principle. This would be similar to the way SFFASs 27 and 31 provide that federal reporting entities may consider the “fund type” (such as special fund, trust fund, or deposit fund) when evaluating funds, but the decisive factor for classification should be the application of the principles established by SFFAS 27 and 31. In addition, the SEC believes that this change would be more consistent with existing guidance in SFFAC 2.• Paragraph 22 should be amended as follows: <p>An organization with an account or accounts listed in the <i>Budget of the United States Government: Analytical Perspectives—Supplemental Materials</i> schedule entitled “Federal Programs by Agency and Account” should be included in the government-wide GPFRR unless it is a non-federal organization receiving federal financial assistance.¹¹ Any listed non-federal organizations receiving federal financial assistance should be assessed against the next <u>following</u> two principles (Majority Ownership Interest and Control with Risk of Loss or Expectation of Benefit) to determine whether they should be included in the government-wide GPFRR.</p> <p>b. No. The proposed standards include numerous “pro” and “con” indicators, but neither the proposed</p>
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	<p>standards nor the illustrations in the Appendix provide a clear indication of which factors are or should be selected to be the deciding factor(s) or how to go about making this selection. The only factor given priority (“in the Budget”) is a factor that, as mentioned in the response to Q1a, has characteristics of a rule rather than a principle.</p> <p>The SEC is concerned about being required to include in its financial statements, as basic information subject to audit, financial data for organizations that do not report to the Treasury Department, and which the SEC’s auditor (the Government Accountability Office (GAO)) does not currently audit. For example, in the SEC’s section of the Budget, there are three organizations, the Public Company Accounting Oversight Board (PCAOB), the “Payment to Standard Setting Body” (currently the Financial Accounting Standards Board (FASB)) and the Securities Investor Protection Corporation (SIPC). Each of these organizations is incorporated as a non-profit organization and issues calendar-year financial statements in accordance with private-sector GAAP.</p> <p>Because none of these three organizations currently report budgetary data to the Treasury Department or to the Office of Management and Budget (OMB), the Budget includes the following footnote for each of these three organizations: “Because [this organization] does not report budgetary data to the Treasury, budget estimates were derived from [this organization’s] financial data.”</p> <p>Using “in the budget” as a primary indicator/rule for inclusion would likely create the presumption that all three organizations should be included, even though other factors would indicate against inclusion, such as the fact that these organizations:</p> <ul style="list-style-type: none">• have assets that do not appear to meet the definition of “assets” in FASAB Statement of Federal Financial Accounting Concepts (SFFAC) 5 because they are not available for use or sale by the federal government (except for the quasi-federal organization that is holding the assets);• (if consolidated by a federal component reporting entity), have assets that would not appear to meet the definition of either “entity assets” or “non-entity assets” in Statement of Federal Financial Accounting Standards (SFFAS) 1, relative to the federal component entity, because the assets are neither “available for use” by nor “held by” the federal component entity that would be required to consolidate the quasi-federal entity;• have liabilities that do not appear to meet the definition of “liabilities” in SFFAC 2 because the liabilities are not guaranteed by the full faith and credit of the federal government and must be liquidated by external revenue sources that are separate and distinct from the federal government’s general tax revenues;• are funded by exchange revenues that in some cases may be augmented at the discretion of the organization without any Congressional action or approval needed;• issue audited financial statements prepared in accordance with private-sector generally accepted accounting principles (GAAP) that are publicly available;
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	<ul style="list-style-type: none"> • have a fiscal year that is different from the federal government’s fiscal year and are not required to report either September 30 information or transactions that would be considered “intragovernmental” if these organizations were to be considered part of the federal government; and • have employees that are private-sector employees, not subject to civil service rules or eligible for federal employee retirement programs such as CSRS or FERS. <p>The proposed standard also does not clearly define “disclosure organization” and “consolidation entity” – in particular, the distinction between the terms “entity” and “organization” (within these phrases, as well as throughout the document). The distinction between the two terms is not explained, and there is no explanation as to why a different term is used for the two types of organizations. Throughout the document, the term “organization” is used most often, but paragraph 38 indicates that some organizations are referred to as “[consolidation] entities,” but paragraphs 38-39 still use the word “organization” but clearly are referring to “consolidation entities.” There is no explanation of why some “organizations” are also “entities,” but others (“disclosure organizations”) apparently are not. The term “organization” should be used consistently throughout the document for everything except for references to a primary federal reporting entity (government-wide or component level).</p> <p>Finally, a definition of “non-federal organization” is necessary for evaluating an organization regarding the “in the Budget” provision, which provides that an organization that is in the Budget should be included, “unless the organization is a non-federal organization receiving federal financial assistance.” However, the proposed definitions do not include a definition of the term “non-federal organization.”</p> <p>SEC Recommendation 1(b):</p> <p>As noted in SEC Recommendation 1(a), the SEC believes that “in the budget” should be an indicator of control rather than a rule. The SEC also believes the following indicators should be added after paragraph 32 in the section “Situations Where Control Does Not Exist.:</p> <p>Examples of characteristics that may indicate a lack of control include but are not limited to:</p> <ul style="list-style-type: none"> • The organization’s assets do not meet the definition of federal “assets” in FASAB Statement of Federal Financial Accounting Concepts (SFFAC) 5 because they are not available for use or sale by any components of the federal government. • The organizations assets, if consolidated or combined with the assets of a federal component entity, could not be classified as either “entity assets” or “non-entity assets” as defined in Statement of Federal Financial Accounting Standards (SFFAS) 1, because the organization’s assets are neither “available for use” by nor “held by” the federal entity that would be required to consolidate the other organization’s assets. • The organization’s liabilities do not meet the definition of “liabilities” in SFFAC 2 because the
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	<p>organization’s liabilities are not guaranteed by the full faith and credit of the federal government and must be liquidated by external revenue sources that are separate and distinct from the federal government’s general tax revenues.</p> <ul style="list-style-type: none">• The organization is funded by exchange revenues that may be augmented at the discretion of the organization without any Congressional action or approval needed.• The organization is not required to follow the hierarchy of federal GAAP in paragraphs 5-7 of SFFAS 34 and is not currently audited by the Inspector General of any federal entity.• The organization’s employees are private-sector employees who are not subject to civil service rules or eligible for federal employee retirement programs such as CSRS or FERS. The organization’s employees cannot incur liabilities on behalf of the federal government because legislation provides that they are not authorized to act as employees or agents of the federal government.• The organization issues audited financial statements prepared in accordance with private-sector generally accepted accounting principles (GAAP) that are publicly available.• The organization has a fiscal year that is different from the federal government’s fiscal year and does not report either September 30 information or transactions that would be considered “intragovernmental” if the organization was to be considered part of the federal government. <p>In addition, to address inconsistent use of the terms “entity” and “organization,” that the term “organization” should be used consistently throughout the document for everything except for references to a primary federal reporting entity (government-wide or component level) that would be considering whether to include an “organization” in its financial statements. This would include changing “consolidation entity” to “consolidation organization.”</p> <p>Finally, in situations where the other organization issues stand-alone audited financial statements in accordance with private-sector GAAP, and may also have a different fiscal year, the federal component entity’s auditor may not be willing to rely on the work of the other organization’s auditor. In such cases, it would not be cost-beneficial for the component federal entity to engage its auditor to audit or review the other organization’s financial records in order to include the required information in its audit opinion. In addition, in situations where the federal reporting entity is not involved in the other organization’s day-to-day operations, the federal reporting entity often has no way of knowing whether there may be significant changes in information in the intervening period between the issuance date of the other organization’s financial statements and the issuance date of the federal component entity’s financial statements. For this reason, the federal component entity’s management should only be required to report significant changes that it is aware of. The SEC recommends the following:</p> <ul style="list-style-type: none">• Add the following additional language to Paragraph 73e, (list of required disclosures):
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	<p>(e) a discussion of the disclosure organization’s key financial indicators and changes in key financial indicators <u>or information, such as a website link, to the disclosure organization’s most recent audited financial statements.</u></p> <ul style="list-style-type: none"> • Add the following additional language to paragraph 76: <ul style="list-style-type: none"> <u>If the component entity is aware of</u> significant changes in information occurring from the end of the disclosure organization’s reporting period, <u>such changes</u> should be reported consistent with the requirements of SFFAS 39, <i>Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards.</i> <p>c. Disagree. The ED appears to be somewhat biased towards inclusion. Paragraphs 35-36 of the ED and the decision tree in Appendix B provide for “misleading to exclude” but do not provide for “misleading to include.” A bias toward inclusion may result in the inclusion (by either consolidation or disclosure) of revenues and assets that are not revenues or assets of the federal government.</p> <p>SEC Recommendations 1(c): Add paragraphs on “misleading to include” that are parallel to paragraphs 35-36 on “misleading to exclude.” If the decision tree in Appendix B is retained in the final SFFAS, it should be edited to reflect this recommendation.</p> <p>d. Disagree. See SEC comments and recommendations in response to Q1a, b, and c.</p>
#24 DOL OIG	<p>a. We agree with each of the inclusion principles.</p> <p>b. We agree that the inclusion principles and related definitions and indicators are helpful and clear.</p> <p>c. We agree that an organization not meeting one of the inclusion indicators should none the less be included if it would be misleading to exclude it. This is necessary to ensure the full viability of this standard, as every situation cannot be anticipated.</p> <p>d. We agree that the inclusion principles can be applied to all organizations.</p>
#25 Administrative Office of the US Courts	<p>In several places the Federal Accounting Standards Advisory Board (FASAB) exposure draft proposes that the Judicial Branch should be included in the government-wide General Purpose Federal Financial Report (GPFFR) and required to submit financial statements prepared using FASAB standards. We strongly disagree.</p> <p>The exposure draft represents a laudatory effort by the FASAB to further full reporting on the federal government’s budget. However, there are valid, substantial, and vitally important reasons why the Judiciary has not been included in the GPFFR. Like the Legislative Branch, the Judiciary’s financial operations and structure are based on different statutory authorities than the Executive Branch, and consistent with these authorities, the Judiciary has developed its own policies and processes for financial management and accountability. The</p>

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	<p>Judiciary has established accounting and financial reporting systems based on these policies and processes, and the Judiciary prepares financial reports in accordance with an Other Comprehensive Basis of Accounting.</p> <p>Furthermore, the GPFFR was created specifically for the particular business operations of the Executive Branch. Attempting to apply the GPFFR to the Judiciary would be a nearly impossible undertaking due to the significant differences between the branches. The proposed standard identifies the Judiciary for inclusion in the government-wide GPFFR under the (in the Budget) inclusion principle. When considering the concept of "misleading to exclude," the Judiciary continues to represent an immaterial line in the Budget. Therefore, excluding the Judiciary from the GPFFR would not result in a material misstatement of the GPFFR.</p> <p>In conclusion, the required additional budgetary resources needed to convert the Judiciary's existing accounting and financial reporting structure to comply with FASAB standards would result in substantial costs with no material benefit to the primary intended users of the GPFFR. We therefore ask that the Judiciary be excluded from the proposal.</p>
#26 GSA CFO	<p>a. GSA agrees that Federal agencies should include information in their financial statements so that readers of the financial statements are not misled. However, it seems this ED is addressing symptoms of much larger government wide epidemic. The government continues to expand its financial reach and control outside of federal entities. We need to focus on a cure for the "disease" instead of adding band aids to the symptoms.</p> <p>b. GSA does not think the inclusion principles, definitions and indicators are completely clear. Please clarify how Public Private Partnerships fit.</p> <p>c. This concept is too vague. Please provide examples of something that might be misleading to exclude even though it does not meet one of the three inclusion principles.</p> <p>d. No, see comments above.</p>
#27 GWSCPA FISC	<p>The FISC agrees with the three inclusion principles listed in the ED, but suggests that the second and third inclusion principles be expanded to indicate that relationship must be other than temporary in nature between the federal government and the organization when the ownership interest or risk of loss or expectation of benefit principles are met. Therefore, we suggest that the second and third inclusion principles be modified to state:</p> <ul style="list-style-type: none"> • An organization in which the federal government holds a majority ownership interest, and the federal government's majority ownership interest is other than temporary in nature. • An organization that is controlled by the federal government with risk of loss or expectation of benefit, and the federal government's control of the organization is other than temporary in nature. <p>In instances in which the relationship is temporary in nature, we suggest that the federal government's relationship with the federal government's ownership interest and/or estimated risk of loss or expectation of</p>

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	<p>benefit as of the balance sheet date be disclosed in the notes to the financial statements in the GPFFR.</p> <p>The FISC agrees that the inclusion principles should be applied to the entities identified in the Board’s question for comment.</p>
#28 Joyce Dillard	<p>We agree with each of the inclusion principles.</p> <p>The principle:</p> <ul style="list-style-type: none"> • An organization in which the federal government holds a majority ownership interest <p>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.</p> <p>The principle:</p> <ul style="list-style-type: none"> • An organization that is controlled by the federal government with risk of loss or expectation of benefit <p>Are Memorandums of Understanding MOUs included in this category?</p> <p>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?</p> <p>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?</p> <p>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.</p> <p>The People must be able to petition their government, and these financial mazes make it extremely difficult.</p>
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>a. We agree the inclusion principles adequately encompass the characteristics of most organizations that should be included in the government-wide GPFFR based upon their financial, organizational, and operational impact on the federal government. We agree with each of the inclusion principles. Two of the three principles relate to majority ownership and control, which are concepts commonly applied in the public sector to define the reporting entity. The third concept, budget inclusion, is a reasonable test since the US Budget approval passes through Congress and the President, which implies some level of government involvement with the entity and should be considered.</p> <p>b. We believe the inclusion principles, and the related definitions and indicators, are helpful and clear. The</p>

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	<p>definitions promote a thorough understanding of each concept, while the indicators serve as examples to further assist the practitioner in the determination process.</p> <p>c. We agree 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. Generically speaking, the objective of financial reporting is to provide stakeholders with information that is useful in the decision-making process. Therefore, it is reasonable to conclude that misleading financial reports would hamper that objective.</p> <p>d. We agree the inclusion principles can be applied to all entities and should be.</p>
#31 AGA FMSB	<p>a. The FMSB agrees with the inclusion principles proposed by the FASAB. We agree that a principles based approach is superior to a rules based approach. This provides a longer lasting solution to the issues under consideration and aligns with the use of professional judgment. Regarding the three inclusion principles, we find that the three principles align well with the GASB principles.</p> <p>b. We believe that the inclusion principles and the related definitions are helpful and clear. In our response we have offered some areas where we believe improvements can be made, however the definitions and indicators are clear and understandable.</p> <p>c. Yes, we agree that an organization should be included in the GPFFR if it would be misleading to exclude it. This provides a safe haven for significant exceptions to the principles should they arise. However, as stated in our comments, we believe that additional guidance should be included in the final document.</p> <p>d. The FMSB agrees that the inclusion principles can be applied for such determinations.</p>
#32 NSB	No Response
#33 Treasury Bureau of Fiscal Service (FMS)	<p>a. Agree – with each of the 3 inclusion principles</p> <p>b. Yes – definitions/indicators are helpful and clear</p> <p>c. Agree – include if it would be misleading to exclude, even if qualifying criteria to include are not met (providing examples of instances where it would be “misleading to exclude” would be helpful in guiding applicable primary reporting entities)</p> <p>d. Agree – apply on the basis of the 3 inclusion criteria and misleading to exclude principle</p>
#34 NRC CFO	<p>a. Agree with reporting/consolidation entities and ownership interest or control should be disclosure only.</p> <p>b. Yes</p> <p>c. Yes, but only as a disclosure and not as a consolidation entity.</p>

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	d. Disagree, as the Federal Reserve System is independent from control by the President and Congress.
#35 FAF	<p>The Exposure Draft sets forth three basic inclusion principles for determining whether an organization should be included in the government-wide GPFFR.¹³⁵ As described in greater detail below, we recommend that the inclusion principles be revised to either eliminate or modify the scope of the inclusion principle relating to an organization that is “in the Budget” – that is, an organization with an account or accounts listed in the <i>Budget of the United States Government: Analytical Perspectives – Supplemental Materials</i> schedule entitled “<i>Federal Programs by Agency and Account</i>.” Our view with respect to this matter is based on the particular circumstances of the Financial Accounting Standards Board (the “FASB”), one of the standard-setting bodies within the Financial Accounting Foundation (the “FAF”), and similarly situated organizations. Although the FASB has an account listed in the Budget, we believe that the inclusion principle requiring the FASB to be included in the government-wide GPFFR solely because it is in the Budget would be inconsistent with the general concepts relating to inclusion set forth in the Exposure Draft, and would potentially undermine the integrity and utility of the GPFFRs. We do not believe that the objectives of the Exposure Draft would be met if organizations that do not receive taxpayer funds, and are not owned or operationally controlled by the federal government, are included in the GPFFR.</p> <p><u>Background</u></p> <p>The FAF is a Delaware nonprofit non-stock corporation, incorporated in 1972, which was created for the purpose of providing a corporate structure for the FASB, the body whose financial accounting and reporting standards for nongovernmental entities have been recognized as authoritative by the American Institute of CPAs (“AICPA”) and the U.S. Securities and Exchange Commission (“SEC”). The structure of the FAF and the FASB reflects the view that a standard-setter should be independent from preparers of financial statements, from accounting and auditing firms, and from political or governmental influence. This independence is necessary to assure that the interests of the users of financial statements remain paramount, and has been critical to the integrity of our financial and capital markets.</p> <p>Prior to the passage of the Sarbanes-Oxley Act of 2002 (“SOX”), concern was expressed that the objectivity and independence of the FAF and the FASB could be affected if their funding was dependent upon groups having interests in the standard-setting process. Although the FAF derived some revenues from sales and licensing of its publication, the FAF’s principal revenues resulted from voluntary contributions. This concern was addressed</p>

¹³⁵ The Exposure Draft would also require certain other organizations to be included in the government-wide GPFFR if excluding them would be misleading.

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	<p>in Section 109 of SOX, which provided that, going forward, the FASB would receive its funding from mandatory accounting support fees assessed on public companies.¹³⁶ Section 109 of SOX states that “[a]ccounting support fees and other receipts of ... such standard-setting body shall not be considered public monies of the United States.” Moreover, the Rules of Construction set forth in Section 109 provide that “[n]othing in this section shall be construed to render [the FASB] subject to procedures in Congress to authorize or appropriate public funds....”¹³⁷</p> <p>In addition to not being dependent upon governmental appropriations, neither the FAF nor the FASB is subject to the operational control of the federal government. The FAF is governed by a Board of Trustees consisting of from 14 to 18 members, none of whom is a federal government employee. A Trustee’s term is generally five years, and new FAF Trustees are appointed by the FAF’s Board of Trustees. The Board of Trustees, in turn, appoints the members of the FASB. Although the FASB has a cooperative working relationship with the SEC and with other federal governmental organizations, and governmental representatives regularly attend meetings of the FASB’s advisory committees and consult with the FASB with respect to standards and initiatives, the SEC does not operationally control the FAF or the FASB.¹³⁸</p> <p>For reasons the FAF does not fully understand, the Office of Management and Budget (the “OMB”) has included the FASB in the Budget.¹³⁹ The line item in the Budget with respect to the FASB refers to mandatory appropriations and mandatory outlays; as we believe is clear from the language in Section 109 of SOX, however, the FASB does not receive any appropriations or any outlays from the federal budget.¹⁴⁰</p> <p><u>The Exposure Draft</u></p>
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¹³⁶ These fees are not assessed and collected by the federal government, but are assessed and collected by the Public Company Accounting Oversight Board (“PCAOB”) pursuant to a contractual arrangement between the FAF and the PCAOB.

¹³⁷ The independence of the FASB budget was critical to Congress. See 148 CONG. REC. S7355 (Jul. 25, 2002) (statement of Sen. Enzi): “We did something marvelous for the FASB. We made sure of its independence. One way we made sure of its independence, besides citing in the law, was to make sure FASB has independent funding. They will not have to come to Congress with a budget. And they will not have to go to corporate America for funding. They will get independent funding to be able to do the job they need to do. That will inhibit us from trying to change what they are doing in setting accounting standards.”

¹³⁸ Although pursuant to Section 109 of SOX, the SEC is required to determine annually that the FASB accounting support fee is within the parameters prescribed by Congress, the SEC does not have authority, and is not required, to approve the FASB budget.

¹³⁹ The *Budget of the U.S. Government: Analytical Perspectives-Supplemental Materials* schedule entitled “Federal Programs by Agency and Account” (Schedule 32-1); referring to the FASB as the “Standard Setting Body” (Account 527-00-5377)).

¹⁴⁰ It should be noted that notwithstanding the explicit statutory language providing that the accounting support fees do not constitute public monies or public funds, the OMB has determined that the FASB is subject to sequestration.

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	<p>As noted above, the FASAB issued the Exposure Draft to provide principles to guide preparers of financial statements at the government-wide and component reporting entity levels in determining what organizations should be included in the reporting entity's GPFFR for financial accountability purposes. The Executive Summary of the Exposure Draft sets forth the principal conceptual underpinning of the Exposure Draft, stating that the government-wide GPFFR should include all organizations:</p> <ol style="list-style-type: none"> 1. budgeted for by elected officials of the federal government, 2. owned by the federal government, or 3. controlled by the federal government with risk of loss or expectation of benefits.¹⁴¹ <p>When any of these conditions exists, the FASAB believes that information regarding the organization is necessary to provide accountability.</p> <p>Having stated the above three conditions, the Exposure Draft goes on to set forth (in paragraph 21) three principles for inclusion in the government-wide GPFFR. The first inclusion principle refers to an organization that is "in the Budget," which is defined in paragraph 22 as an organization with an account or accounts listed in the Budget.¹⁴² The Exposure Draft creates an exception with respect to a non-federal organization receiving federal financial assistance. Any non-federal organization receiving federal financial assistance is to be evaluated on the basis of the two additional inclusion principles (the "majority ownership interest" principle and the "control with risk of loss or expectation of benefit" principle). However, the Exposure Draft does not define the term "non-federal organization," and the term "federal financial assistance" is tied to the definition of the term in the Single Audit Act Amendments of 1996, such as grants, loans, etc., which the FASB does not receive.¹⁴³</p> <p>In discussing the basis for its conclusion that an organization with an account included in the Budget should be included in the government-wide GPFFR, the Exposure Draft states (in paragraph A12) that the:</p> <p style="padding-left: 40px;">"Identification of an organization in the President's Budget is the clearest evidence that an organization should be included in the government-wide report. Absent budgetary actions – originating with the President's Budget and leading to appropriations – federal organizations would be unable to conduct</p>
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¹⁴¹ The Exposure Draft also provides guidance regarding the circumstances when consolidated financial statements would be appropriate for an organization in the GPFFRs ("consolidation entities"), or when disclosure would be appropriate ("disclosure organizations").

¹⁴² Although the Exposure Draft refers to inclusion in the Budget as a "principle," it appears to us to be more in the nature of a rule, requiring an entity to be included in the GPFFR if it is in the Budget.

¹⁴³ It seems anomalous to us that the FASB may not be entitled to rely on this exception (and therefore may be required to be included in the GPFFRs) precisely because it does not receive any form of federal financial assistance.

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	<p>operations. Financial reporting objectives – budgetary integrity, operating performance, stewardship, and systems and controls – could not be met if organizations identified in the budget were not included in the financial reports. Therefore, the most efficient means to identify organizations for inclusion in the GPFFR is by their participation in the budget process as evidenced by being listed in the [Budget].”</p> <p>The Exposure Draft appears to take the view that inclusion in the Budget is equivalent to the first condition referred to above, that an organization is “budgeted for by elected officials of the federal government.” However, as the circumstances of the FASB indicate, there may be accounts included in the Budget which do not receive federal appropriations, for which elected officials are not accountable, and in which the federal government has no ownership interest and little or no operational control. Accordingly, a rule that inclusion in the Budget requires an organization’s financial information to be included in the GPFFRs may not reflect an appropriate consideration of the nature of organizations included in the Budget.¹⁴⁴ An inclusion principle that would require an entity in the Budget to be included in the GPFFRs therefore appears to be at odds with the concepts underlying the Exposure Draft, including the acknowledgement that an absence of federal funding, operational control or supervision should not result in an entity being within the scope of the GPFFRs.</p> <p>We therefore recommend that the FASAB revise the proposed statement to eliminate the principle that inclusion of an organization in the Budget results in the organization being included in the GPFFRs.¹⁴⁵ As an alternative, the FASAB could expand the proposed exception to the Budget criterion beyond the scope of entities that receive federal financial assistance under the Single Audit Act Amendments of 1996 to refer as well to organizations that are not under federal governmental operational control or supervision, and which do not receive federal funds. Either such revision would avoid an anomalous result of including wholly independent entities within the GPFFRs, undermining their integrity and utility.</p>
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¹⁴⁴ We assume that, even were the FASB to be included in the GPFFRs, it would not be deemed to be a consolidation entity. As the Exposure Draft states, “Consolidation is not appropriate for organizations operating with a high degree of autonomy. Some organizations that meet the principles for inclusion are insulated from political influence and intended to be non-taxpayer funded. Presenting information about these discrete organizations in consolidated financial statements would obscure the operating results and financial position of the reporting entity.” We also believe, though, that the FASB should not be considered to be a “disclosure organization,” on the basis that the absence of any governmental ownership, or any operational governmental control, should not result in the FASB being within the scope of the GPFFRs in any manner. As the Exposure Draft states, “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 [inclusion] principles. In such cases, the organization may be excluded.” If there is no federal governmental ownership or operational control of an entity, and the entity does not receive federal funds, there would be no justification for including the entity within the scope of the GPFFRs; indeed, to do so would be misleading. The proposed “misleading to include” criteria do not clearly reflect this consideration, and the Exposure Draft states without support that instances when organizations can be excluded are “rare.”

¹⁴⁵ We defer to the FASAB as to how an elimination of the “in the Budget” principle should be reflected. For example, the FASAB may determine that inclusion in the Budget is merely one of several factors to be considered in evaluating whether an organization should be included in the GPFFRs.

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<p>#36 Treasury CFO</p>	<p>a. Agree. While we generally agree with the concept of these inclusion principles, we believe the ownership and control principles described in paragraphs 23-28 should be expanded to indicate that the relationship must be other than temporary in nature between the federal government and the organization in order for an organization to be included in the GPFFR. Therefore, we suggest that the second and third inclusion principles be modified to state:</p> <ul style="list-style-type: none"> • An organization in which the federal government holds a majority ownership interest and the federal government’s majority ownership interest is other than temporary in nature. • An organization that is controlled by the federal government with risk of loss or expectation of benefit, and the federal government’s control of the organization is other than temporary in nature. <p>Additionally, we do not believe that the “majority ownership interest” should be a separate principle, given that federal government entities generally do not hold majority ownership interests in other organizations. Though Treasury currently possesses a majority ownership interest with certain organizations as a result of federal interventions, such relationships are considered temporary in nature and therefore are not consolidated in Treasury’s consolidated financial statements. Accordingly, we believe consideration should be given to deleting “majority ownership interest” as a separate principle and, instead, incorporating it as part of the “control with risk of loss or expectation of benefit” principle.</p> <p>b. Yes. We believe the inclusion principles, and related definitions and indicators, are helpful and clear.</p> <p>c. Agree. We believe that an organization not meeting the criteria for inclusion based upon the three inclusion principles specified in paragraph 21 should still be considered for inclusion in the GPFFR if it would be misleading to exclude. Such inclusion, however, should be based on the premise that the organization is a related party (rather than a consolidation or disclosure entity) and therefore should be included as a footnote disclosure based on the disclosure requirements of a related party as discussed in paragraphs 78-87. As such, we recommend that paragraphs 35 and 36 be deleted. In the Appendix B: Flowchart, we further recommend deleting the “Misleading to Exclude” decision box located after the “Control” decision box and prior to the “Related Parties” decision box. (See Addendum A at the end of this document).</p> <p>d. Agree. The examples in Appendix C demonstrate how the principles can be theoretically applied to various types of organizations such as the Federally Funded Research and Development Centers, Government Sponsored Enterprises, museums, and others.</p>
<p>#37 Smithsonian Institute CFO</p>	<p>No response</p>

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QUESTION 2

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.

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#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	<p>a. Agree with the concept of distinguishing between consolidation entities and disclosure organizations. Disclosure organizations enable complete or full disclosure of information to be provided in federal financial reports.</p> <p>b. Agree with the attributes used to make the distinction between consolidation entities and disclosure organizations.</p> <p>c. Agree that, assuming the organizations are determined to be organizations included in the GPFFRs, the attributes are adequate to make a determination of whether organizations are consolidation entities or disclosure organizations. The attributes for consolidation entities: (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 are all keys for federal government entities.</p> <p>d. i. Agree ii. Agree iii. Agree</p> <p>The factors in determining disclosures are comprehensive and appear to support SFFAC 1.</p>
#4 Postal Service-OIG	No response
#5 SIPC	No response
#6 DOC CFO	<p>a. The Department of Commerce agrees with the concept of distinguishing between consolidation entities and disclosure organizations because they are two separate groups and should have different accounting treatment. The consolidation entities behave more like government entities and should be included in the financial statements, while the disclosure organizations are mostly quasi-government entities that are financially independent and better detailed in the note disclosures.</p> <p>b. The Department of Commerce agrees with the attributes for distinguishing between consolidation entities and</p>

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	<p>disclosure organizations. The attributes are practical, logical, and can be linked back to whether the organization needs taxpayer funds. A higher level of funding and influence on an organization demand a higher level of reporting in the statements, and lower levels of funding and influence demand a lower degree of reporting (e.g. disclosure, omission).</p> <p>c. The Department of Commerce agrees that the attributes are adequate to make a sound determination of whether an organization should be included in the GPFFR, because they are logical, practical, and clearly defined.</p> <p>d. The Department of Commerce agrees with the factors, objectives, and examples of disclosure provided to discern between consolidation entities and disclosure organizations. We believe all three should be considered to maintain objectivity.</p>
<p>#7 SSA CFO</p>	<p>a. 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.</p> <p>b. 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.</p> <p>c. 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.</p> <p>d. i. 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.</p> <p>ii. 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.</p> <p>iii. 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</p>

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	organizations.
#8 NSF CFO	<p>a. NO NSF COMMENT</p> <p>b. NO NSF COMMENT</p> <p>c. The definition of consolidation entities to include “financed through taxes, and other non-exchange revenues”, and the requirement that disclosure organizations “receive limited or no funding from general tax revenues” should be reconsidered. In several illustrative scenarios, and in practice, the fact that federal funds may be the primary source of funding for an organization does not determine whether it is part of the GPFFR or its status as a disclosure entity or consolidation entities. Furthermore, paragraphs 32 – 34 of the ED indicate that economic dependency does not equate to control. Since economic dependency can be a characteristic of entities that are excluded from the GPFFR, and both consolidation entities and disclosure organizations, removing it from the definition of both should be considered.</p> <p>d. NO NSF COMMENT</p>
# 9 KPMG	<p><u>General Structure Comments</u></p> <p>Characteristics of a consolidated organization</p> <p>i. This section should state that the characteristics should be applied to those organizations having met the definition of control in the 2nd principle outlined above. These characteristics would not be evaluated for organizations having met the 1st principle as it is considered a presumptive principle for consolidation.</p> <p>ii. These characteristics would come from paragraph 38. The standard should be clear about whether all characteristics must be met to trigger the consolidation requirement. We do not understand the characteristic in item 38d; therefore, we suggest deleting it. Further, consistent with the approach related to receiverships/conservatorships in paragraph 49 and interventions in paragraph 50 whereby the concept of temporary control is introduced, we believe that the characteristic, other than temporary control, should be added to this section.</p> <p>Remove paragraphs 39-40 from the statement. Consider including this information within the Basis for Conclusion.</p> <p>Characteristics of a disclosure organization</p> <p>i. This section should state that the characteristics should be applied to those organizations having met the definition of control in the 2nd principle.</p> <p>ii. This section should clearly contrast with the characteristics of a consolidated organization. While judgment will be needed to distinguish between consolidation and disclosure, having the basic characteristics</p>

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<p>parallel will facilitate the evaluation. These characteristics would come from paragraphs 41-44 presented in the following order – 41, 43, 42, and 44.</p> <p><u>Detailed Comments</u></p> <p>Characteristics of a consolidated organization</p> <p>i. Remove paragraphs 39-40 from the statement. Consider including this information within the Basis for Conclusion.</p> <p>Characteristics of a disclosure organization</p> <p>i. The information presented in paragraph 44 should clarify that the types of disclosure organizations presented in paragraphs 45-53 (quasi-governmental and/or financially independent organizations, organizations in receiverships and conservatorships, and organizations owned or controlled through federal government intervention actions) are examples of types of organizations that meet the characteristics of a disclosure organization, but do not include all types of disclosure organizations. To clarify this, we suggest the following revision to paragraph 44.</p> <p>Disclosure organizations may include but are not limited to: quasi-governmental and/or financially independent organizations, organizations in receiverships and conservatorships, and organizations owned or controlled through federal government intervention actions. In some cases, the relationship with the federal government is not expected to be permanent. The following disclosure organization types, while not inclusive of all of the types of disclosure organizations, are presented to assist in identifying organizations that are disclosure organizations.</p> <p>ii. Paragraph A45 of the Basis for Conclusion implies that the examples of disclosure organizations are inclusive of all the types of disclosure organizations and as a result conflicts with paragraph 44. This should be clarified.</p> <p>iii. The examples provided in paragraphs 45-53 could be moved to an appendix for readability.</p> <p>Presentation-Disclosure Organizations</p> <p>i. We believe that paragraph 67 serves as a good introduction to the disclosure requirements and can remain as the introduction to this section.</p> <p>ii. We suggest the following revision to paragraph 68:</p> <p>For those organizations classified as disclosure organizations, the reporting entity should exercise judgment in determining the appropriate disclosures based on the guidance provided in paragraphs 70-73.</p> <p>iii. We believe the information provided in paragraph 69 can be removed based on the following:</p> <p>a. 69a (Relevance to reporting objectives) – The concepts presented within paragraph 69a are included</p>
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	<p>within paragraph 72a and the related examples included within paragraph 73 (specifically 73a-c).</p> <p>b. 69b (Nature and magnitude of the potential risks/exposures or benefits associated with the relationship) – The concepts presented within paragraph 69b are included within paragraph 72b and the related examples included within paragraph 73 (specifically 73d).</p> <p>c. 69c (Disclosure organization views/perspectives) – We do not believe that the federal reporting entity would know the disclosure organizations’ views/perspectives of its relationship with the federal reporting entity, nor should this influence the level of disclosures included within the reporting entity’s financial statements.</p> <p>d. 69d (Complexity of relationship) – This paragraph implies that a more complex relationship would require additional disclosures. If this is true, we believe the additional required disclosures for a complex relationship should be included within the requirements of paragraph 72.</p> <p>e. 69e and 69f – We believe the concepts presented in paragraphs 69e and 69f are too subjective and should not be considered to influence the level of disclosures included in the reporting entity’s financial statements.</p> <p>iv. We suggest the following revision to paragraph 70:</p> <p style="padding-left: 40px;">Both qualitative and quantitative factors should be considered in determining whether information about a disclosure organization should be presented separately due to its significance or aggregated with the information for other disclosure organizations. If information is aggregated, aggregation may be based on disclosure organization type, class, investment type, or a particular event deemed significant to the reporting entity.</p> <p>v. As noted in our suggested general outline, we believe that paragraphs 72 and 73 should be combined and paragraphs 74-76 should be moved to consolidated organizations as they do not apply to a disclosure organization.</p>
#10 Treasury OIG	No Response
#11 HUD CFO	<p>a. HUD agrees with the concept of distinguishing between consolidation entities and disclosure organizations. In some cases, disclosure of information regarding an individual organization is more appropriate than consolidation of the individual organization’s financial statements in the government-wide financial statements. In other instances, consolidation of individual organizations’ financial statements is needed to provide fair presentation of activities financed by the taxpayers, and/or relying on the taxpayers to settle liabilities.</p> <p>b. HUD agrees with the attributes used to make the distinction between consolidation entities and disclosure organizations. The distinction between consolidation entities and disclosure organizations is based on the degree to which the following characteristics are met: the organization is financed by taxes and other non-exchange revenue, is governed by the Congress and/or the President, imposes or may impose risks and rewards to the federal government, and/or provides goods and services on a non-market basis. The examples in</p>

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	<p>Appendix C are helpful to explain these distinctions.</p> <p>c-d. HUD agrees with the factors to be considered in making judgments about the extent of appropriate disclosures, the objectives for disclosures, and the examples provided, except in the case where an organization is excluded as a result of the three principles, in which exclusion would be misleading. We believe that examples are needed to enhance the judgment of the preparer and the auditor. In addition, HUD believes that the factors are not sufficient to determine whether the Federal Reserve System should be a consolidation entity or a disclosure organization, even with the discussions of the Board in paragraphs A32 – A37 in Appendix A.</p>
#12 TVA CFO	<p>a. TVA agrees with the concept of distinguishing between consolidation entities and disclosure organizations to ensure that general purpose financial reports issued by federal entities are meeting the needs of its primary users. As described in paragraph 67, there is a difference in purpose, governance structure, and financial relationships within organizations of the federal government. These differences are based in part on differing business models arising from purpose, governance structure, and financial relationships.</p> <p>b. TVA agrees with the attributes to distinguish between consolidation entities and disclosure organizations as described in paragraph 37, whereby a distinction is made based on an assessment of the degree to which certain characteristics such as financing source, risks and rewards to the federal government, and non-market goods and services are provided.</p> <p>Governmental activities are different from business-type activities which more nearly parallel private-sector counterparts. Accountability of consolidation entities (utilizing a non-market model) is primarily to (a) citizens, (b) Congress, (c) federal executives, and (d) federal program managers. Disclosure organizations are often identified with for-profit business models which report to financial institutions, bondholders, investors, banking trade groups, and customers.</p>
#13 NASA CFO	<p>a. NASA agrees with the concept of distinguishing between consolidation entities and disclosure organizations. In order to improve upon the information reported on activities financed by taxpayers, it is important to indicate circumstances where financial statement disclosure is more appropriate than consolidation of the results of each organization’s financial activities.</p> <p>Our rationale is based on the reality that there are varying degrees of the federal government’s relationship with organizations – i.e. government ownership, control, or significant influence. The related degree of financial reporting and disclosure should mirror the relationship between the federal entity and an organization.</p> <p>b. NASA requests that FASAB provide clarity regarding the disposition of the attributes individually and in the aggregate in order to distinguish between consolidation entities versus disclosure organizations. Clarity may be promoted by providing more detail. An example may be:</p>

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	<p>“Financed through taxes, and other non-exchange revenues”, means the entity receiving funds is specified in an appropriation or that are not a result of goods or services provided to the federal agency/government.</p> <p>An entity is considered to be “governed by the Congress and/or the President” when its direction is specified in appropriation language.</p> <p>c. NASA requests that FASAB provide additional clarity and guidance regarding the reporting attributes as they relate to each type of organization and specifically to Federally Funded Research and Development Centers.</p> <p>d. i. Overall, NASA agrees with the factors in determining disclosures and the objectives for disclosure however, this is another area where consideration should be given to the specific types of organization. As an example, information required in item C – Disclosure organization views/perspective, may be provided by a reporting entity as documented in the current FFRDC sponsoring agreement.</p> <p>ii. NASA agrees with the objectives for disclosures in paragraph 72 to provide relevant information to financial report users regarding the impact of the activity with the disclosure organization on the government’s financial condition.</p> <p>iii. Overall, NASA agrees with the examples of information that would be disclosed, as long as the degree of financial reporting and disclosure takes into consideration the relationship between the federal entity and an organization. In other words, information in response to Item #D could include a summary describing the portion of the reporting entity’s assets, liabilities, revenues, expenses, gains, and loses that are applicable to the disclosure organization identifying the types of assets/transactions that make up the majority of the balances. To provide further detail would be more consistent with consolidation versus disclosure. Item #E should provide clarity on the objective of this disclosure and how it relates to the reporting entity’s financial reports. In addition, for clarity, we recommend the Statement identify each example to the relevant disclosure objective in paragraph 72.</p>
<p>#14 Department of Homeland Security CFO</p>	<p>a. Agree, we also believe that an agency should be required to consistently report either consolidation or disclosure.</p> <p>b. Disagree, with the more “flexible” attributes. For example the phrase: “imposing or may impose risks and rewards on the federal government,” will mean different things to different reasonable people, and therefore will result in different agencies consolidating and/or disclosing some entities while sister agencies under similar circumstances decide to do the exact opposite. Similarly the phrase, “less direct involvement and influence,” is again too subjective and will garner different treatment for similar situations. Also in this complex financial world several entities could provide a mix of goods and services both on a market basis and a non-market basis. So using this attribute and scenario alone an agency could argue for either consolidation or disclosure. This raises the question; Are these attributes equally weighted? Paragraph #37 states that “not all characteristics are required to be met to the same degree.” This is not helpful direction if the goal is to have comparable and</p>

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	<p>consistent GPFFRs.</p> <p>c. Disagree, we believe a hard line test should be developed when choosing between consolidation and disclosure.</p> <p>d. i. Disagree with subjective judgments about disclosures involving things like the “nature and magnitude of potential risks/exposures and benefits” or “complexity of relationships” etc. Instead we strongly agree that after an objective measure—such as materiality (x% of appropriated dollars for example)—determines that we should disclose, then all entities disclosed in the GPFFRs should disclose comparable data and those disclosure requirements should be developed here as shown in paragraph 72-73.</p> <p>ii. Agree.</p> <p>iii. Agree</p>
<p>#15 Nuclear Regulatory Commission OIG</p>	<p>a. I agree with the concept. I think disclosure organizations would provide the GPFFR users with necessary information to fully understand the operations of the reporting entity. Without the disclosure organization’s business relationship with the reporting entity, the GPFFR users would not be able to assess the financial risks and would not be able to make informed decisions concerning the reporting entity.</p> <p>b. I agree with the attributes used to make the distinction between consolidation entities and disclosure organizations. I think the attributes capture the intent of consolidations. It provides the proper combination of assets, liabilities, and operations to allow the GPFFR users to trace the financial accountability to the controlling decision makers.</p> <p>c. I agree. The attributes are well defined and specific enough to provide for the proper determination of the named organizations as consolidation entities or disclosure organizations,</p> <p>d. i I agree with the factors because they provide specific guidance for preparers to follow, and the factors are relevant to the information that GPFFR users would need.</p> <p>ii I agree with the objectives because they are concise and clear and easy to follow.</p> <p>iii I agree with the examples because they provide a lot of guidance to preparers to help them understand the nature and intent of what should be included in order to satisfy the objectives identified in par. 69.</p>
<p># 16 Federal Reserve System</p>	<p>II. Classifying the Reserve Banks and the Board as disclosure organizations provides the most transparent information to the public.</p> <p>Disclosure of financial information in the GPFFR footnotes, as opposed to consolidation in the federal government’s financials, will provide relevant financial information while avoiding misleading perceptions about the relationship between the federal government and the Federal Reserve System. In particular, classifying the Board and the Reserve Banks as disclosure organizations recognizes the Federal Reserve System’s</p>

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	<p>independence as a central bank under the Federal Reserve Act, while including focused and relevant financial information in the GPFFR.</p> <p>Although we understand that the proposed standard intends to provide a broader definition of the federal reporting entity, we believe that the evaluation of each entity should give appropriate weight to those functions and activities that most significantly affect the financial operations of the entity.</p> <p>The Reporting Entity exposure draft recognizes that the federal government achieves its objectives through a wide range of organizations, which fall at different points on the control continuum. The Federal Reserve System performs many functions that fall at different points on the continuum described in the exposure draft. For example, the Reserve Banks interact closely with the federal government in their role as fiscal agents and depositories for the federal government. In that role, the Reserve Banks auction Treasury securities; process electronic and check payments for the Treasury; collect funds owed to the federal government; maintain the Treasury’s bank account; and develop, operate, and maintain a number of automated systems to support the Treasury’s mission. The Treasury Department pays the Reserve Banks for these services from appropriated funds that are reflected in Treasury’s financial statements. That role, however, accounts for a relatively small portion of the financial operations of the Reserve Banks.</p> <p>At the other end of the continuum, by statute, the Federal Reserve operates independently with respect to determining and implementing monetary policy, and that function has a much more significant effect on its financial condition and operating results. The Federal Reserve Act provides the Board, the Reserve Banks, and the Federal Open Market Committee with specific separate authorities and responsibilities and is designed to preserve the independence of the Federal Reserve System entities from other government departments and agencies, including the U.S Treasury. The current FASAB Statement of Federal Financial Accounting Concepts 2: Entity and Display recognizes the independence of the monetary policy authority, stating that the Federal Reserve System’s “organization and functions pertaining to monetary policy are traditionally separated from and independent of the other central government organizations and functions in order to achieve more effective monetary and fiscal policies and economic results. Therefore, the Federal Reserve System would not be considered part of the government-wide reporting entity.” Further, Reserve Banks are not government agencies, and the treatment in the GPFFR should be consistent with their character.</p> <p>III. Consolidation of the Federal Reserve System would reduce transparency in the GPFFR.</p> <p>Consolidation of the Federal Reserve System’s financial information in the GPFFR would partially eliminate assets and liabilities stemming from both fiscal and monetary policy in a way that would reduce the transparency of the government’s fiscal operations. For example, the Reserve Bank’s holdings of Treasury securities acquired in the conduct of monetary policy would be eliminated along with the U.S. Treasury’s debt liabilities after consolidation, obscuring the federal debt resulting from the federal government’s fiscal operations. The</p>
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	<p>portion of interest expense paid on the Reserve Bank’s holdings of U.S. Treasury securities would also be eliminated. Consolidation would also result in presenting deposits of private financial institutions held at the Reserve Banks as obligations of the federal government, which they are not.</p> <p>IV. Consolidation of the Federal Reserve System would increase the cost and administrative effort associated with producing the GPFFR.</p> <p>Because the Federal Reserve System reports financial information on a calendar-year basis, its audited financial information would be stale by the time it was included in the fiscal year based GPFFR dated as of September 30. Although the information could be updated by performing a nine-month “walk-forward” of Federal Reserve System financial information, the cost to the federal government of auditing this information would be significant.</p> <p>In addition, the U.S. government, the Board, and the Reserve Banks apply different sets of accounting principles (FASAB, U.S GAAP for public companies, and Board of Governors established principles, respectively). Reconciling these principles for reporting purposes would involve additional cost to both the federal government and the Federal Reserve System and could potentially increase financial reporting risk without any material benefit. These costs and efforts may also exist to a lesser extent if the Board and the Reserve Banks were to be classified as disclosure organizations under the standard.</p>
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Agree. The federal government has relationships with organizations which have a greater degree of autonomy than those considered consolidation entities. Entities receiving limited or no funding from tax revenues and providing only rewards or risks to the federal government should not be reported the same as consolidated entities. In order for the GPFFR to be complete, disclosure entities must be included.</p> <p>b. Agree. Attributes used to make the distinction between consolidation and disclosure organization entities fall in line with the inclusion principles. No additional attributes are noted, at this time.</p> <p>c. Agree. Assuming that an organization is to be included in the GPFFR, the attributes are adequate to make the distinction between consolidation and disclosure organization. The attributes provide a principle based exercise to determine whether an entity should or should not be included in the GPFFR and how they should be reported, as consolidated entities or disclosure entities. No additional attributes are noted, at this time.</p> <p>d. i. Agree. The factors seem to assure that disclosures made to the financial statements are presented fairly and without any material misstatements.</p> <p>ii. Agree. The objectives seem adequate to assure that disclosures made to the financial statements are</p>

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	<p>objective and present any potential risks.</p> <p>iii. Agree. The examples provided should provide complete and accurate disclosures to the financial statements.</p>
#19 Commodity Credit Corporation CFO	<p>a. Yes agree with the concept of reporting some entities as disclosure organizations rather than as consolidating entities. The types of organizations which should be disclosed rather than consolidated might skew the reporting of a consolidated entity.</p> <p>b. Agree. The Document provides clear decision making criteria.</p> <p>c. Agree. The attributes are clear and provide adequate criteria to allow for determination of consolidation vs. disclosure.</p> <p>d. i. Agree.</p> <p>ii. Agree, however 72(c) can be open for interpretation within the audit community and reporting projected future exposure financially may be difficult.</p> <p>iii. Agree. Examples help provide clarity to the disclosure objectives.</p>
#20 Joseph H. Marren	<p>The concept of “consolidation entities” and “disclosure entities” is directly at odds with the Statement and Account Clause’s “all public Money” requirement.</p> <p>The proposed rules will largely continue current unconstitutional reporting practices with respect to the Federal Reserve System and Government Sponsored Enterprises such as Fannie Mae and Freddie Mac. They will not be consolidated in the Financial Report and hence, the government’s consolidated financial statements will remain substantially misleading.</p>
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	<p>a. There should be some differentiation between consolidation entities and disclosure organizations. For the most part, HHS is a consolidation entity and this portion would not affect its financial reporting. HHS really does not have any disclosure organizations. The determination between consolidation entities and disclosure organizations should made in consultation between the preparers for agency GPFFR and their auditors.</p> <p>b. The attributes properly distinguish between consolidation and disclosure organizations. They are logical and appear to follow what one would expect to find in proper Federal financial reporting. No additional attributes appear to be needed in the proposed standard.</p> <p>c. As indicated above, the attributes are adequate to make a determination whether the organizations included in number Q2 c. are consolidation entities or disclosure entities. These attributes, if properly applied by</p>

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	<p>preparers and auditors of GPFFRs, define both consolidation entities and disclosure organizations.</p> <p>d. The factors to be considered, the objectives and the examples provided show very clear concepts on how disclosure organizations should be reported in the GPFFRs. These items follow what one would expect to see in normal Federal financial reporting. Again, if applied properly, the use of the areas described in paragraphs 69, 72 and 73 will help preparers and auditors of GPFFRS provide adequate disclosures for organizations where the Federal government has a financial, material and/or managerial interest.</p>
#23 SEC CFO	<p>a. Agree with the concept of distinguishing consolidation versus disclosure organizations. However, as noted in the response to Q1 (b), the terms “consolidation <u>entities</u>” and “disclosure <u>organizations</u>” are somewhat confusing. The terms “entity” and “organization” appear to be used inconsistently throughout the ED. The term “organization” is used most often, but paragraph 38 indicates that some organizations are referred to as “[consolidation] entities,” but paragraphs 38-39 still use the word “organization” but clearly are referring to “consolidation entities.” There is no explanation of why some “organizations” are also “entities,” but others (“disclosure organizations”) apparently are not.</p> <p><u>SEC Recommendation:</u> that the term “organization” be used consistently throughout the document for everything except for references to a <i>primary federal reporting entity</i> (government-wide or component level). This would include changing the term “consolidation entity” to “consolidation organization.”</p> <p>b. Disagree. The inclusion principles, in particular for component reporting entities, are confusing and appear to be inconsistent. For example, it is unclear what the standard means by a component entity being “assigned accountability” for another organization. The requirements appear to allow for a category of “disclosure organizations” that are included in a component entity’s section of the Budget, and even included within the component entity’s congressional budget justification (paragraph 57b). However, paragraph 39 and the decision tree in Appendix B appear to indicate that all organizations in the budget must be consolidated, either by a component entity or in the government-wide financial statements. This would create implementation problems if component entities were required to consolidate organizations that do not report in accordance with FASAB requirements, and do not produce a Statement of Budgetary Resources or data in accordance with the United States Standard General Ledger. FASAB requirements for component entities include a reconciliation between budgetary and proprietary account balances; those would be forced out of balance if a federal component entity were to be consolidated with a FASB-GAAP organization. Examples of such FASB-GAAP organizations are the PCAOB and the SIPC, neither of which is included in the SEC’s congressional budget justification but both of which are included in the SEC’s section of the Budget. It does not appear to be the Board’s intent to require the consolidation of such entities. For example, the PCAOB and SIPC receive no funding from general tax revenues, and they impose limited (or no) risks on the federal government because their liabilities are not backed by the full faith and credit of the federal government and must be liquidated by external revenue sources that are separate and distinct from the federal government’s general tax revenues. In addition, the reconciliation of budgetary and proprietary balances (originally titled the “Statement of Financing”) required by SFFAS 7 would</p>

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	<p>not be possible if a FASB-GAAP organization were to be fully consolidated into a FASAB-GAAP reporting entity.</p> <p>In addition, the proposed standard would be less cumbersome without the overarching concept of “inclusion” that combines consolidation with disclosure entities. “Consolidation” and “disclosure” are such different reporting treatments that it is hard to see what is gained by combining them into a single category (“apples-oranges”) and then separating them out.</p> <p><u>SEC Recommendation:</u> The requirements in the Standards section should be clarified to distinguish between consolidation and disclosure organizations. A clear summary of this distinction is provided in Q2 of the ED, but not in the Proposed Standards section of the ED. The following recommended additional language is adapted from Q2:</p> <p style="padding-left: 40px;"><u>There are</u> two types of organizations in GPFFRs and this distinction will ultimately <u>should</u> 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, <u>including a component entity’s congressional budget justification</u>, (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.</p> <p>Paragraph 39 should be deleted, for reasons explained in the response to Q1a.</p> <p>In addition, if the decision tree in Appendix B is retained, it should be edited to show that organizations in a component entity’s budget may be a disclosure organization (and not automatically a consolidation entity, with no exceptions).</p> <p>Also, the SEC recommends that the Board should consider simplifying the requirements by addressing consolidation versus disclosure separately from the outset, rather than using the overarching “inclusion” concept which combines two quite dissimilar categories.</p> <p>Also, two important attributes should be added as indicators that an organization should be disclosed rather than consolidated when the organization’s assets and liabilities are not assets or liabilities of the federal government. The SEC recommends that the following two attributes should be added to paragraph 46:</p> <ul style="list-style-type: none">• The organization’s assets do not meet the definition of federal “assets” in Statement of Federal Financial
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	<p>Accounting Concepts (SFFAC) 5¹⁴⁶ because they are not available for use or sale by any components of the federal government.</p> <ul style="list-style-type: none"> The organization’s liabilities do not meet the definition of “liabilities” in SFFAC 5¹⁴⁷ because the organization’s liabilities are not guaranteed by the full faith and credit of the federal government and must be liquidated by the quasi-federal organization’s own assets, which are derived from external revenue sources that are separate and distinct from the federal government’s general tax revenues. The organization’s employees cannot incur liabilities on behalf of the federal government because legislation provides that they are not authorized to act as employees or agents of the federal government. <p>c. Disagree. See recommended additional attributes in response to Q2b above.</p> <p>d. i. Disagree. Factor 69(c) states that:</p> <p>Disclosure organization views/perspective – Information about how the disclosure organization views its relationship with the federal government. For example, whether the disclosure organization views itself as an extension of the federal government or operationally independent of the Congress and/or the President may influence the type and extent of information that is disclosed.</p> <p>However, the nature of this “influence” upon the type and extent of information disclosed is not specified. An example would greatly assist federal preparers to determine appropriate reporting for such situations. Recommend that this be clarified by adding additional language to provide an example; see SEC recommendation below.</p> <p>SEC Recommendation: Consider adding the following additional language to paragraph 69c:</p> <p style="text-align: center;"><u>For example, in situations where the organization views itself as operationally independent of Congress and/or the President, and issues stand-alone audited financial statements available to the public, information on how to obtain the organization’s audited financial statements may be provided in lieu of</u></p>
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¹⁴⁶ SFFAC 5, paragraph 18 states that: “An asset is a resource that embodies economic benefits or services that the federal government controls.”

¹⁴⁷ SFFAC 5, paragraph 39 states that: “A liability is a present obligation of the federal government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.”

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	<p style="text-align: center;"><u>disclosures of quantitative financial data relating to the organization.</u></p> <p>ii. Agree. The objectives would provide information useful to financial statement readers.</p> <p>iii. Disagree with one of the examples. Example 73e provides this example:</p> <p style="padding-left: 40px;">e. A discussion of the disclosure organization’s key financial indicators and changes in key financial indicators</p> <p>Example 73d clarifies that the disclosure should focus on the impact of transactions with the disclosure organization and how those transactions impacted the assets, liabilities, expenses, gains and losses of the federal reporting entity.</p> <p>In contrast, example 73e appears to focus on the assets, liabilities, expenses, gains and losses of the disclosure organization, and does not appear to support any of the three objectives listed in paragraph 72. This problem also applies to paragraphs 74, 75, and 76, which discuss the presentation of financial information for the disclosure entity.</p> <p>Also, in situations where the federal reporting entity is not involved in the other organization’s day-to-day operations, the federal reporting entity’s management may not have direct knowledge of whether there may be significant changes in information in the intervening period between the issuance date of the other organization’s financial statements and the issuance date of the federal component entity’s financial statements. For this reason, the federal component entity’s management should only be required to report significant changes that it is aware of.</p> <p>SEC Recommendation:</p> <p>a. delete the requirement to report financial data for disclosure organizations, by deleting example 73e as well as paragraphs 74-76 (recommended).</p> <p>b. Add the following additional language to paragraph 76: <u>If the component entity is aware of</u> significant changes in information occurring from the end of the disclosure organization’s reporting period, <u>such changes</u> should be reported consistent with the requirements of SFFAS 39, <i>Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards</i>.</p>
#24 DOL OIG	<p>a. We agree with the concept of distinguishing between consolidation entities and disclosure organizations. Not all entities should be considered part of the federal government entity itself, but there is a significant enough</p>

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	<p>relationship to the federal government that at least there should be disclosure of information of such entity.</p> <p>b. We generally agree with the attributes in determining the difference between consolidating entities and disclosure organizations. However, we do not believe that whether or not an entity provides goods or services on a non-market basis should be a deciding factor—individually or aggregated with other factors.</p> <p>c. We do not have any additional attributes to add to those already enumerated in the draft standard.</p> <p>d. We agree with i. through iii., above.</p>
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	<p>a. GSA agrees with the concept of distinguishing between consolidation entities and disclosure organizations. However, in practice, GSA is not sure how well this will work.</p> <p>b. The attributes seem appropriate.</p> <p>c. No comments</p> <p>d. The guidelines regarding factors in determining disclosures seem rather subjective. GSA does agree with the objectives of disclosure and thinks the examples provided are useful in this instance. However, Part 73.b.i, the amount that best represents the federal government's maximum exposure to gain or loss with the disclosure organization remains a significant concern, in keeping with the other comments provided in response to Question 1 above. It is just unknown how maximum exposure could be quantified without some rules defining what the true limits to liability are.</p>
#27 GWSCPA FISC	<p>The FISC agrees with the concepts of consolidation and disclosure entities, and the attributes used to make the distinction between these types of entities. However, we suggest that the Board include a criterion in the determination of the consolidation entities that the organization's relationship with the federal government is other than temporary in nature. Therefore, we suggest that a 5th criterion be added for consolidation entities that states, "(5) connected to the federal government in an other than temporary nature."</p> <p>In addition, we suggest that the Board consider allowing the preparer community with additional time or an alternative forum to consider the effects on component agencies' GPFFRs and the government-wide GPFFR. The ED could be interpreted to require entities not currently envisioned within today's view of the Federal Government's reporting entity to be required as a consolidation or disclosure entity, such as the Government of the District of Columbia. (The Government of the District of Columbia is included in the Budget and receives funding through Congressional appropriations other than federal financial assistance (criterion 1), and the U.S. Congress exercises control through legislative review of key laws passed by the City Council (criterion 3)).</p>

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	<p>There are additional entities that are named in the U.S. Budget that we do not believe are currently considered part of the Federal reporting entity, such as the U.S. Virgin Islands, Puerto Rico, Guam, American Samoa, several major universities that hold Federal charters and are included in the U.S. Budget (such as Gallaudet University and Howard University), along with numerous “friends of” entities of U.S. National Service Parks and other units. In addition, would the scenario of a state bankruptcy – an unlikely event but not unheard of in discussions of the past five years – cause the entire state government to be included if the government-wide and/or a component agency GPFFR (e.g., the Department of Treasury’s GPFFR) since the Federal Government would potentially have administrative control with risk of loss (criterion 3)? The FISC suggests that additional time to consider the potential implications of this ED, in its final form, would be worthwhile to prevent unintended reporting impacts when implementation is required.</p> <p>Finally, we suggest that the Board remove the requirement in paragraph 66 that requires FASB-based organizations to disclose intragovernmental amounts measured in accordance with federal financial accounting standards. Such a requirement for disclosure in the FASB-based organization’s GPFFR does not appear to meet the requirement for general-purpose reporting since the disclosure is needed solely to facilitate elimination entries in the preparation of the government-wide financial statements. In addition, reporting in accordance with two bases of GAAP (i.e., FASB and FASAB) may lead to unnecessary confusion among the users of the FASB-based organization’s financial statements. Such intragovernmental information could continue to be reported to the U.S. Department of Treasury through the Closing Package process.</p>
#28 Joyce Dillard	<p>As you have stated:</p> <p style="padding-left: 40px;">Materiality is an overarching consideration in financial reporting</p> <p>How are you approaching a Non-Profit Corporation acting as a Program Manager on a project partially funded by Federal funds?</p> <p>Who determines the definition limited funding from general tax revenues?</p> <p>If Disclosure Entities are privately owned, what are the liability tests?</p>
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>a. We agree distinguishing between consolidation entities and disclosure organizations enhances the usefulness of the financial reports as stated in Paragraph 67, and enables the GPFFR of the reporting entity to more accurately reflect relevant information that faithfully represents the financial position and organizational structure of the entity. There should be a distinction between the reporting of consolidation entities and disclosure organizations. The underlying tests to define organizations in this manner are designed to assess the level of financial and operational autonomy an organization holds. The reporting entity is held to a higher standard of reporting on organizations with greater operational and financial dependency upon it (consolidation) than those</p>

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	<p>with less dependency (disclosure).</p> <p>b. We agree with the attributes used to make the distinction between consolidation entities and disclosure organizations because the principles applied are consistent with those used in the public sector for determining such treatment, and can, and should also, be applied to entities that have a relationship with the federal government.</p> <p>c. We agree there is adequate guidance in order to determine disclosure versus consolidation entities.</p> <p>d. i. We agree both qualitative and quantitative factors should be considered in determining whether information regarding a disclosure should be presented separately due to its significance, or aggregated with the information regarding other disclosure organizations. This concept is widely applied in the commercial sector and is a logical way to present information with varying levels of significance to the organization</p> <p>ii. We agree the disclosure objectives in paragraph 72 provide the reader the appropriate type of information to assess the potential current/future impact the disclosure organization has/could have on the reporting entity.</p> <p>iii. We agree the examples included in paragraph 73 adequately assist the reader in understanding the specific types of information necessary to meet the disclosure objectives in paragraph 72.</p>
#31 AGA FMSB	<p>a. The FMSB agrees with this approach. The FMSB agrees that beyond the factors of being in the budget and majority owned by the Federal government, control is the principle factor that must be considered in determining if an entity is classified as a consolidating entity or a disclosing organization. The principle behind the consolidated presentation is one of control.</p> <p>b. The FMSB agrees with the attributes used to make the distinction between consolidating entities and disclosing organizations. However we have concerns about some of the “Indicators” provided in the exposure draft that will be used for deciding if an organization is to be consolidated or disclosed. As stated in our comments above, we believe that some of the indicators in paragraph 31 are too wide ranging and can be applied to organizations not within the federal entity. We suggest that these be clearly labeled as some form of lesser indicator for the preparer and auditor to consider in reaching their conclusion.</p> <p>c. The FMSB agrees with the FASAB on this matter. The attributes are generally sound and can be applied to reach a reasonable conclusion.</p> <p>d. The FMSB agrees with the factors to be considered in making judgments about the extent of appropriate disclosures, the objectives for the disclosure and the examples provided. In particular we believe the issue of future loss exposures is especially significant and we applaud the FASAB for requiring this information in 73.i.</p>
#32 NSB	No Response

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<p>#33 Treasury Bureau of Fiscal Service (FMS)</p>	<p>a. Agree – different levels of Federal government responsibility/control should determine whether or not the entity would be consolidated with the primary agency or if a lesser role exists, it would be more appropriate to disclose the relationship and disclose the financial impact</p> <p>b. Agree – The Federal government’s responsibility to fund and ability to exercise control over an agency with a risk of loss/opportunity to benefit are substantive criteria for consolidating, while a reduced role in determining the overall health of an organization would substantiate a disclosure of the relationship and the resulting financial impact</p> <p>c. Paragraph 45-48 attempt to address the specific nuances that call out these organizations</p> <p>d. Reasonableness of disclosures</p> <p>i. Disagree – I don’t understand why ‘how the agency views its relationship with the government’ should have a bearing on what gets disclosed</p> <p>ii. Agree – includes the relevant factors that should be addressed for any related party disclosure</p> <p>iii. Agree – represents all the relevant disclosure characteristics</p>
<p>#34 NRC CFO</p>	<p>a. Agree</p> <p>b. Agree</p> <p>c. Disagree, also need to include all 3 branches of the Federal government. The Judicial and Legislative branches should be included in the consolidated report. It should be stated that this standards applies to all 3 branches of the Federal government.</p> <p>d. Agree</p>
<p>#35 FAF</p>	<p>No Response</p>
<p>#36 Treasury CFO</p>	<p>a. Agree. How an organization is included in an agency financial report (either as a "consolidation entity" or "disclosure entity") should be distinguished based upon the nature of the relationship and the characteristics as listed beginning with paragraph 37.</p> <p>b. Agree. We identified no additional attributes. However, we believe clarification is needed regarding paragraph 39 which states that “Organizations listed in the budget, except for non-federal organizations receiving federal assistance, are presumed to qualify as consolidation entities...” The phrase “presumed to qualify as consolidation entities” is very misleading, especially since there are a number of organizations, beyond those that are non-Federal entities receiving federal assistance, which are currently not consolidated within the government-wide financial report (FR). Specifically, organizations that are listed in the budget under the judicial or legislative branch are not consolidated nor are they required to be consolidated since they are not</p>

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	<p>subject to the periodic financial reporting requirements of Office of Management and Budget’s Circular No. A-136, Financial Reporting Requirements. Currently, cash-related activity and balances of legislative and judicial branch organizations that are not consolidated within the FR are nevertheless included in the FR using receipt and outlay data from the central accounting system. This is necessary to account for the changes in government-wide cash balances that result from their operating activities. This accounting policy is disclosed in Note 1A of the FR. However, this current accounting and reporting practice differs significantly from the concept of consolidation of accounts which is “presumed” for all entities included in the budget, as proposed by this ED. If the ED is finalized as written without modifying current financial accounting and reporting practices for legislative and judicial branch organizations, the FR could receive an audit finding for not complying with the finalized accounting standard. It would seem that the only possible means for the FR to overcome such an audit finding without undergoing significant modifications to its current financial account and reporting practices would be to provide evidence that all account balances and related activity other than cash, both by individual entity and collectively for all legislative and judicial branch organizations, would not be material to the FR’s consolidated financial statements. Such evidence may need to be provided on an annual basis. The Board should therefore consider whether the potentially significant burden of complying with this new requirement outweighs the intended benefits to be derived.</p> <p>c. Agree. The attributes seem adequate to make a determination regarding the listed organizations and others that are similarly situated.</p> <p>d. We generally agree with the following exceptions. With regards to factors for determining disclosures, how a disclosure organization views its relationship with the federal government should not have a significant bearing on a federal agency’s determination of what should be disclosed in its agency financial report regarding this disclosure organization. Accordingly, we recommend that paragraph 69(c) be removed.</p> <p>Disclosure of the amount of the federal government’s exposure to gains and losses from future operations of the disclosure organization appears to be “forward looking” and should be avoided in audited notes to the financial statements. We therefore recommend removing the phrase “or future operations” from paragraph 72(c).</p> <p>We do not believe disclosure should be made of a disclosure organization’s key financial indicators and changes in key financial indicators as proposed in paragraph 73(e). Audit assurance of key financial indicators of a disclosure organization, even if they could be readily identified, could be difficult and costly to obtain especially given its relative informational value. It would be better to point the reader to the disclosure organization’s annual financial report, as required by paragraph 73(f), rather than disclosing such information in the audited notes to the financial statements of a federal agency financial report. Accordingly, we suggest removing paragraph 73(e).</p>
#37 Smithsonian	No response

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Institute CFO	
<p style="text-align: center;">QUESTION 3</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
#1 PBGC -Joint Response CFO & OIG	<p>Since PBGC is not a component reporting entity, we have no comment for the first question included in Q3. For the second question in Q3, we agree with the proposed standards' provision to exclude consolidation entities from component reporting entity reports when inclusion would be misleading, as discussed in Paragraphs 62 - 63. PBGC is an example for this exclusion provision. PBGC was legally established as a United States Government owned and self-financed Corporation, and administratively assigned to the Department of Labor (DOL). PBGC was authorized to operate independently, i.e., administered by a Director appointed by the President and confirmed by the Senate. In addition, PBGC has a Board of Directors consisting of the Secretary of Labor, the Secretary of the Treasury, and the Secretary of Commerce. PBGC prepares its own audited financial statements under the Government Corporation Control Act (59 Stat. 597, codified at 31 U.S.C. § 9101 et. seq.), and also submits financial data directly to the Department of the Treasury for the Financial Report of the United States Government. Accordingly, the consolidation of PBGC's financial results and operations with the DOL's General Purpose Federal Financial Reports would not be useful and would only mislead users of the DOL and</p>

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	PBGC financial statements.
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	a. Agree, as each GPFFR will be reliable. b. Agree, administrative assignments can be identified per the guidance provided in paragraphs 54-63. The criteria appear to be appropriate and comprehensive.
#4 Postal Service- OIG	No response
#5 SIPC	No response
#6 DOC CFO	a. The Department of Commerce agrees that each component reporting entity should report in its GPFFR the organizations for which it is accountable, including consolidation entities and disclosure organizations administratively assigned to it. Not including these entities may be materially misleading, since the federal government has substantial control over these entities. b. The Department of Commerce agrees that administrative assignments can be identified as provided in paragraphs 54-63.
#7 SSA CFO	a. 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. 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.
#8 NSF CFO	a. NO NSF COMMENT b. In the case of FFRDC's, FASAB should consider adding reference to the "Master Government List of Federally Funded Research and Development Centers (FFRDCs)", published annually by NSF. This list could aid in determining FFRDC administrative assignment. The 2013 list can be found at http://www.nsf.gov/statistics/ffrdclist/ .
# 9 KPMG	<i>(from their cover letter)</i> In addition, we found the use of the term "inclusion entity" unnecessary and confusing as it is used to refer to organizations whose financial statements were consolidated in those of the reporting entity as

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	<p>well as to describe those organizations for which the reporting entity provides only certain disclosures. We also found it confusing to present guidance related to component reporting entities apart from the guidance related to the government-wide entity. Therefore, we suggest simplifying the statement by providing the principles for identifying consolidated or disclosure organizations based on the characteristics of such organizations at the government-wide and component reporting entity level concurrently within the statement. In doing so, the statement will provide a clear distinction between consolidated and disclosure organizations that will enable consistent implementation and ongoing application of the principles both at the government-wide and component reporting entity level. To illustrate this approach, we provide a suggested general structure for the statement with broad comments in Appendix 1.</p> <p>Detailed comments:</p> <p>Identifying organizations component reporting entities are accountable for</p> <p>i. As a result of the comments above, this information is no longer necessary as its own section. Paragraphs 54-56 and 59-63 should be deleted. The concepts included within paragraph 57 (except for item 57b, which we suggest deleting) should be incorporated into the “In the Budget” principle and the concepts included in paragraph 58 should be incorporated into the “control” principle.</p> <p>Other- The ED addresses the central banking system because of its uniqueness. We also believe that the Treasury General Fund should be addressed within the statement for the same reason. The consolidation of the Treasury General Fund would appear to be required based upon the application of the “control” principle, but the entity to which it should be consolidated should be specified within the statement. (Appendix 4 V1)</p>
#10 Treasury OIG	No Response
#11 HUD CFO	<p>a. HUD agrees 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. The reasons for including organizations at the component reporting entity level should be consistent with the reasons in the government-wide entity GPFFR. Further, classification as consolidation entities or disclosure organizations would be consistent in government-wide and component reporting entity GPFFRs. FHA agrees that component reporting entities must identify and include in their GPFFR all consolidation entities and disclosure organizations for which they are accountable so that both the component reporting entity GPFFR and government-wide GPFFR are complete.</p> <p>b. HUD agrees that administrative assignments can be identified as provided in paragraphs 54-63, except in the case where an organization is excluded as a result of the three principles, in which exclusion would be</p>

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	<p>misleading. We believe that examples are needed to enhance the judgment of the preparer and the auditor. Administrative assignments to component entities are typically made in policy documents such as laws, budget documents, regulations, or strategic plans.</p>
#12 TVA CFO	No response
#13 NASA CFO	<p>a. NASA agrees that the component reporting entity financial reports should be consistent with data reporting in the GPFFR. It is reasonable to expect the inclusion principles and reporting attributes to be applicable at the component reporting entity level.</p> <p>b. NASA agrees that administrative assignments can be identified using the criteria in paragraphs 54-63. In particular our interpretation of paragraph 58 a., Statutes or regulations establishing an organization states that it is assigned to or part of a larger federal organization would include the FAR 35.017 that establishes Federally Funded Research and Development Centers (FFRDC) and references the Master List of FFRDCs maintained by the National Science Foundation (NSF).</p>
#14 Department of Homeland Security CFO	<p>a. Agree, this will be beneficial to stakeholders.</p> <p>b. Disagree, assignments should be codified in statutes or regulations and supported by budgetary appropriations. Professional judgment should play a role not a “pivotal” role. The fact that a federal agency administers federal grants or contracts awarded to an organization should not be a heavily weighted factor in determining consolidation or exclusion.</p>
#15 Nuclear Regulatory Commission OIG	<p>a. I agree that each component reporting entity should report organizations for which it is accountable. This is the same principle that’s applied in rolling up and consolidating GAAP financial statements. Without a full consolidation of the component reporting entity including disclosure organizations, it’s GPFFR would not be complete making the government wide reporting entity’s GPFFR also incomplete. In order to get the full financial picture of the government wide reporting entity, all entities that make up that picture must be complete.</p> <p>b. I agree that administrative assignments can be identified as explained in paragraphs 54-63. The factors provided mostly in par. 58 and 59 provide specific indicators to consider to identify accountability assignments within component reporting entities. Preparers are identified with detailed guidance to follow.</p>
# 16 Federal Reserve System	No Response
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Agree. In order to fulfill the completeness assertion, component entities need to report all organizations for which they are accountable, including consolidation and disclosure organizations.</p>

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	<p>This is likely the most challenging aspect for DoD. Each DoD reporting entity would need to determine who is receiving the funds and how DoD influences the organization, including any reporting requirements that DoD has implemented. Once the entities are identified, they would need to implement a process and/or policy to modify their financial reporting requirements to include the "consolidated" and/or "disclosure" entities. Due to the nature of the relationships (e.g., entities may be funded by more than one DoD reporting entity) they may need to determine who will consolidate and/or disclose the information within the DoD. The newly identified entities would likely need to be audit ready -- although, they may already have a clean opinion as they may be commercial entities and may have covenants / requirements for clean opinions. The DoD would need to determine some modified Financial Improvement and Audit Readiness requirements specific to these entities.</p> <p>Additionally, auditors would have to expand their procedures to address these requirements. Office of Management and Budget Bulletin 07-04, Audit Requirements for Federal Financial Statements, would be revised. There will likely be new financial reporting requirements as well.</p> <p>b. Agree. The administrative assignments can be identified and are consistent with the three inclusion principles. The criteria appear to be appropriate and comprehensive, especially with the inclusion of the "Misleading to Exclude/or Misleading to Include" paragraphs. Certain entities, although administratively assigned to another entity should be reported separately. Financial information for certain entities needs to be masked within a consolidated entity.</p>
#19 Commodity Credit Corporation CFO	<p>a. Agree. The reporting of all organizations which a reporting entity is responsible for fully discloses the breadth and scope of a Federal reporting entity. All organizations within the control should be reported.</p> <p>b. Agree. The evaluation items listed in Para 56 provide very clear criteria, especially items a) and b).</p>
#20 Joseph H. Marren	No response
#21 HUD OIG	We support the Board's position on questions 1 – 4 and 6-11
#22 HHS OIG	<p>a. The component entity should report in its GPFFR all organizations for which it is accountable. This would include consolidation entities and disclosure organizations for which it has administrative responsibilities. Including all consolidation entities and disclosure organizations ensures completeness of the entity's GPFFR.</p> <p>b. Paragraphs 54-63 adequately identify administrative assignments. No additional administrative assignments need to be identified in the proposed standard at this time.</p>
#23 SEC CFO	a. Disagree, because there may be instances where an organization does meet one or more inclusion principles but would be misleading to include.

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	<p>Paragraphs 61 and 62 state that there may be instances where the component entity’s financial statements would be “misleading” if the principles in this proposed standard were followed. Although the desire to cover unanticipated future situations is understandable, the purpose of a principle-based standard is to provide principles that should be followed in all known instances. Providing an exception for a broad and undefined reason (“misleading”) with no supporting principles or examples would primarily have the effect of creating long-term controversy between preparers and auditors about whether or not the principles in the proposed standard should actually be followed. If there are future unanticipated situations, they should be addressed as such situations have been in the past - by implementation guidance and/or amending the standards.</p> <p>SEC Recommendation: Recommend that paragraph 56 be edited to delete 56c (“misleading to exclude and/or misleading to exclude”), and that paragraphs 61 and 62 be deleted.</p> <p>b. Disagree, because of the broad exception on “misleading to exclude/misleading to include” with no supporting principles or examples in paragraphs 62-63. See response to Q3a above for rationale.</p> <p>SEC Recommendation: Recommend that paragraph 56 be edited to delete 56c (“misleading to exclude and/or misleading to exclude”), and that paragraphs 61 and 62 be deleted.</p>
#24 DOL OIG	<p>a. We agree that each component reporting entity should report on all organizations for which it is responsible in order for the component reporting entity’s financial reporting to be complete.</p> <p>In reference to paragraph 59, if an entity is disclosed in more than one component entity’s GPFFR or a consolidation entity has a relationship with other reporting entities, such other entities and their relationship should be disclosed in each applicable component entity’s GPFFR.</p> <p>b. We agree that administrative assignments can be identified as proposed in the exposure draft detail.</p>
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	<p>a. GSA agree that each component reporting entity should report in its GPFFR organizations for which it is accountable, so as to not mislead readers of financial statements.</p> <p>b. GSA agrees. The guidelines seem appropriate.</p>
#27 GWSCPA FISC	<p>The FISC generally agrees with the proposed standards and paragraphs related to the identification and inclusion of administrative entities in the GPFFR. However, we suggest that:</p> <ol style="list-style-type: none"> 1. The evaluation of administrative assignments include a criterion that the administrative assignment has

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	<p>been made on an other than temporary basis.</p> <p>2. The ED further defines the circumstances or framework in which the “misleading to include” or “misleading to exclude” situations would occur, as has been suggested by certain Board members in paragraph A28. More information from the Board would be important to allow preparers to form an objective basis of opinion to support the position that an entity would be “misleading to include” or “misleading to exclude.”</p>
#28 Joyce Dillard	<p>Under</p> <p>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</p> <p>24 Component reporting entities should develop processes to ensure they identify and assess any organizations</p> <p>(1) within the scope of their budget process,</p> <p>(2) for which accountability is established within their component reporting entity, or</p> <p>(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.</p> <p>a. Scope of the Budget Process</p> <p>b. Accountability Established Within a Component Reporting Entity</p> <p>c. Misleading to Exclude and/or Misleading to Include.</p> <p>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?</p>
#29 DOL CFO	<p>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.”</p> <p>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.</p>

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<p>#30 Intelligence Community</p>	<p>a. We agree 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. The underlying principles provided for this are consistent with those outlined for the principles for inclusion in the government-wide GPFFR (e.g., budget inclusion, majority ownership, control, and misleading to exclude). This will ensure the financial statements present a complete picture of the entity.</p> <p>b. We agree administrative assignments can be adequately determined by evaluating (1) the scope of the budget process, (2) accountability established within a component reporting entity, and (3) whether it is misleading to exclude/ include in the GPFFR. Paragraphs 54-63 define these in detail and, as noted in the previous response, the concepts are consistent with the principles of inclusion. However, it will be beneficial if FASAB considers providing a concise definition of an administrative assignment.</p>
<p>#31 AGA FMSB</p>	<p>The FMSB agrees that administrative assignments can be identified as provided for in paragraphs 54 – 63. The important factor in this process is the decision to consolidate or disclose. The rationale provided in paragraph 59 a. and 59.b. provide a sound basis for making a decision.</p>
<p>#32 NSB</p>	<p>No Response</p>
<p>#33 Treasury Bureau of Fiscal Service (FMS)</p>	<p>a. Agree – if the criteria exists establishing a consolidation entity or disclosure organization, it should be included in the component reporting entity’s financial statements</p> <p>b. Agree – The referenced paragraphs focus heavily on what constitutes a consolidation entity and a disclosure organization</p>
<p>#34 NRC CFO</p>	<p>a. Agree, but also need to include the Judicial and Legislative branches of government in paragraph 57.</p> <p>b. Agree</p>
<p>#35 FAF</p>	<p>No Response</p>
<p>#36 Treasury CFO</p>	<p>a. Agree. As noted in footnote 24 to paragraph 56, coordinated guidance between central agencies may be required to ensure government-wide consistency on processes for identifying and assessing organizations for which federal agencies are accountable.</p> <p>b. Agree. We agree that administrative assignments can be identified in accordance with the provisions of paragraphs 54-63.</p>
<p>#37 Smithsonian Institute CFO</p>	<p>No response</p>

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QUESTION 4	
<p>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.</p> <p>Refer to paragraphs 54-64 of the proposed standards and paragraph A19 in Appendix A - Basis for Conclusions for a discussion and related explanation.</p> <p>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.</p>	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	I disagree that each component reporting entity and the government-wide reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source. It would be misleading to the readers of the report to include non-federal funding to a government-wide report. These funds are not budgeted, owned or controlled by the federal government. Donations are not appropriated funds and are governed by the donor and not the federal government. The activities that they fund may not be tax payer supported. In addition, there are other laws that govern tax exempt, non-profit organizations. It would be more appropriate to footnote information about the non-federal funds in the government-wide general purpose federal financial report.
#3 Office of Personnel Management - CFO	Agree that each component reporting entity and the government-wide reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source. The funding enables entities to carry out their mission and provide services.
#4 Postal Service- OIG	No response
#5 SIPC	No response

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#6 DOC CFO	The Department of Commerce agrees that each component reporting entity 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. However, material non-federal funding sources ought to be distinguishable in the reports and fully disclosed in the notes.
#7 SSA CFO	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.
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	The information presented in paragraphs A14 and A19 should be included in the statement as the paragraphs instead of the Basis for Conclusion. (Staff included this comment here as staff believes A19 applies.)
#10 Treasury OIG	No Response
#11 HUD CFO	HUD agrees that each component reporting entity 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. The reasons for including organizations at the component reporting entity level should be consistent with the reasons in the government-wide entity GPFFR. Further, classification as consolidation entities or disclosure organizations would be consistent in government-wide and component reporting entity GPFFRs. A single set of principles for inclusion and classification presented from the government-wide perspective provides for the desired consistency. As stated previously, component reporting entities must identify and include in their GPFFR all consolidation entities and disclosure organizations for which they are accountable so that both the component reporting entity GPFFR and government-wide GPFFR are complete.
#12 TVA CFO	No response
#13 NASA CFO	<p>NASA disagrees that a component reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source, including those receiving appropriations and donations. Our rationale is that an organization for which a component reporting entity is accountable may not meet the criteria in paragraph 38 to be a consolidation entity. Given that, the component reporting entity would not consolidate the organization in the financial statements. The sections cited address disclosure also and the question does not.</p> <p>NASA also disagrees with disclosing any information not directly related to the use of funds provided by the reporting entity and/or activity not directly controlled by the reporting entity.</p>

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#14 Department of Homeland Security CFO	Agree, reporting on results, relationships, and risks should apply regardless of funding source.
#15 Nuclear Regulatory Commission OIG	I agree that funding source should not be considered. The purpose of the GPFRR is to assess accountability for managing operations. Government-wide reporting entities can have multiple funding sources that they are accountable for. If funding source was taken into consideration, it would not provide the larger accountability financial picture.
# 16 Federal Reserve System	No Response
#17 TVA OIG	No Response
#18 DOD CFO	Disagree. This proposal seems to be contradictory to what is described in paragraph 43 of the Exposure Draft. An entity receiving donations, as opposed to appropriations, should be considered a disclosure entity, and not consolidated.
#19 Commodity Credit Corporation CFO	Agree with the inclusion of the entire organization for which a Government reporting entity is responsible. The reporting of only sub-components could lead to misinterpretations of financial data. Sources of funding should be part of the disclosure to allow a reader of the report to more fully understand relationship and sources of funds allowing for operations.
#20 Joseph H. Marren	No response
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	The component and government-wide reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source. This should be for organizations that receive appropriations, donations and/or funding from non-Federal sources. Both component and the government-wide reporting entities need to take into account any funding sources from which there is increased risk to the component entity or to the Federal government, taken as a whole.
#23 SEC CFO	Disagree. This would result in reporting that presents a commingling of the federal government’s resources with inflows that do not belong to the federal government. For example, donations to non-profit organizations such as museums generally cannot be used for purposes other than the purposes indicated by the donor; if the donated funds cannot be used for the specified purpose, the donated funds must be returned to the donor. Donations to non-profit organizations such as museums generally would not meet the definition of “revenues” in SFFAS 5

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	<p>because such donated funds cannot by law increase the net position of the federal government. Because of this, it would be misleading to commingle or combine donations to non-profit organizations with tax and other revenues of the federal government.</p> <p>SEC recommendation: Revenues such as donations to non-profit organizations such as museums currently should not be consolidated in the federal government’s financial statements because they do not meet the definition of “revenues” in SFFAS 5. The proposed new requirements should not include any provisions that would be inconsistent with SFFAS 5. This could be explicitly stated in a new footnote, perhaps to paragraph 54 of the ED:</p> <p><u>“Assets, liabilities and revenues that do not meet the definition of assets, liabilities and revenues in SFFAS 5 should not be consolidated in the financial statements of the federal government-wide reporting entity or any federal component entity.”</u></p>
#24 DOL OIG	We agree that each entity determined to be a component entity should be included in its entirety. An entity should not be split in terms of reporting, it is either a component entity or it is not.
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	<p>GSA understands the rationale for consolidating financial information for all entities/organizations, even when sources such as donations are involved. However, this will probably be very burdensome because:</p> <ol style="list-style-type: none"> 1. This financial information will need to be obtained, and some organizations may not agree with the Federal agency on inclusion; 2. Reporting periods may not be the same; and 3. Reporting criteria and breakouts may not be similar. <p>These relationships should be reviewed and it may be determined to bring many of these organizations into the Federal agency.</p>
#27 GWSCPA FISC	The FISC agrees with the inclusion of all funding sources for all consolidation entities, but we suggest that the definition of consolidation entities include a requirement that the relationship between the organization and the federal government be other than temporary in nature.
#28 Joyce Dillard	Consolidation is preferable. From a Public perspective, private fundraising on a government entity, whether

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	<p>component or disclosed.</p> <p>We are seeing a trend to produce non-tax-exempt income on entities where decision making is controlled by the government.</p> <p>Protection of assets is an issue not addressed. Collections and other valuable assets need to be disclosed to the Public.</p>
#29 DOL CFO	No comment
#30 Intelligence Community	We agree all reporting entities should consolidate all organizations for which they are accountable; no matter what the funding source is (this should all be disclosed too).
#31 AGA FMSB	The FMSB agrees that if the decision to consolidate is made, it is in an all-inclusive manner. The basis for consolidation versus disclosure will hinge for the most part upon the issue of control. As such if control is considered sufficient, all the financial results for the entity should be included. Providing only a partial view of the financial results benefits no one.
#32 NSB	No Response
#33 Treasury Bureau of Fiscal Service (FMS)	Agree – Once an entity falls into the “consolidation entity” classification, all of its financial data should be reported accordingly
#34 NRC CFO	Agree.
#35 FAF	No Response
#36 Treasury CFO	Agree. Federal reporting entities should consolidate in their entirety organizations for which they are accountable without regard to funding source.
#37 Smithsonian Institute CFO	We strongly disagree with the exposure draft position of consolidation of each component reporting entity and government-wide reporting entity regardless of funding source. This position is in contrast to the tenants of consolidation accounting, that is to say, component reporting entities should be consolidated based upon funding source; otherwise, the reader will be misled in terms of comparing apples with oranges. Funding sources to a governmental entity outside the federal government appropriation process (OMB circular A-11) CANNOT be “commingled” with appropriated funds. These funding sources are under the mandate of the donor in terms of purpose and time restriction. Upon fulfillment of these two restrictions, of course, the nature of the funding is changed from either restricted or temporarily restricted to unrestricted. Question: How can this change of color of

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	<p>money be captured in this proposed exposure draft? What is the value or importance to the reader of “confusing and misleading” statements? Generally speaking, this proposed exposure draft will only confuse the reader more; and, thus render the ability for the reader (taxpayer) to make a rational decision to be nullified. If the Board is interested in making this proposal palatable to the reader, then, perhaps, a footnote disclosure is warranted in which non-federal funding can be identified and reported separately.</p>
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QUESTION 5	
<p>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.</p>	
<p>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.</p>	
<p>#1 PBGC -Joint Response CFO & OIG</p>	<p>We disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate.</p> <p>PBGC applies FASB GAAP for financial statement reporting, and provides intragovernmental FASB to FASAB conversion information with its Government-wide Financial Report System (GFRS) closing package.</p> <p>The proposed standard in the Exposure Draft would require PBGC to provide intragovernmental FASB to FASAB conversion information with its own standalone financial statements. PBGC’s financial statement users expect and understand FASB GAAP, and will not likely understand or use this FASB to FASAB conversion information. Further, the FASB to FASAB conversion information amounts would likely be material to PBGC's standalone financial statements.</p> <p>As noted by the majority of the FASAB members who commented on this issue at the June 27, 2012 meeting, any requirement to provide conversion information with the standalone entity's financial statements would not be necessary if conversion information was provided in the closing package.</p> <p>Accordingly, we recommend the continuation of our current practice to provide intragovernmental FASB to FASAB conversion information with the GFRS closing package.</p>
<p># 2 Holocaust</p>	<p>No response</p>

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Memorial Museum- CFO	
#3 Office of Personnel Management - CFO	Agree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate, per SFFAS 34. The disclosure of intragovernmental amounts facilitates any elimination entries required.
#4 Postal Service-OIG	<p>For consolidation entities, the Statement proposes that FASAB and Financial Accounting Standards Board (FASB) based information be consolidated without conversion of FASB-based information to a FASAB basis. 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.</p> <p>We agree with the FASAB’s proposal that consolidation of FASAB and FASB based information without conversion is appropriate. The proposal is consistent with the FASAB’s prior position on the matter.¹⁴⁸ Further, with respect to the Postal Service financial statements prepared in accordance with FASB standards, the FASAB standards have not had a material effect regarding changes prior to submitting financial information to the U.S. Department of the Treasury (Treasury) for the consolidated government-wide financial statements.</p> <p>We noted paragraph 66 necessitates a component entity using FASB based information to disclose intragovernmental amounts measured in amounts in accordance with federal accounting financial standards to facilitate elimination entries in the government-wide financial statements. We believe this is an unnecessary condition. First, it results in financial statements presented with two accounting standards and, despite accompanying explanations, can be confusing to a reader. Also, after fiscal year end, federal entities must submit financial information to Treasury for the consolidated government-wide financial statements. The financial information must identify intragovernmental amounts, thus supplanting the need for entities using FASB based information to identify such amounts in their published financial reports.</p> <p>With implementation of this standard, there could exist a future conflict between it and Treasury's requisite. In recent years, the Treasury Financial Manual¹⁴⁹ has required agencies using FASB based accounting standards to convert to FASAB based standards prior to submitting financial information for consolidation in the government-wide financial statements. Should Treasury's requirement remain, the conflicting positions would need resolution. Various federal agencies, including the FASAB, might need to discuss and resolve the opposing requirements in favor of the proposed Statement.</p>

¹⁴⁸ Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.*

¹⁴⁹ I TFM 2-4700, Agency Reporting Requirements for the *Financial Report of the United States Government*, Subsection 4705.25.

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#5 SIPC	No response
#6 DOC CFO	The Department of Commerce disagrees with consolidating FASAB and FASB information without conversion for consolidation entities. Considering that the GPFFR has been prepared under FASAB, consolidation with FASB could make comparison to prior years GPFFR difficult. SFFAS 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board, dictates using FASAB to prepare the GPFFR. We would recommend addressing this idea separately due to its significance.
#7 SSA CFO	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.
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	<p>Although paragraph 65 indicates no new disclosures are needed for consolidated organizations, the last sentence of paragraph 66 implies that there are additional disclosure requirements for consolidated entities that follow FASB standards. The required disclosures in paragraph 66 should result in an amendment to SFFAS 34. Further, we believe that there are appropriate disclosures that should be required, such as the significant organizations being consolidated.</p> <p>Paragraph 65 states, “Consolidation entities as defined herein are considered federal reporting entities and should apply GAAP as defined in SFFAS 34.” SFFAS 34 recognizes FASAB standards and FASB standards as GAAP for federal reporting entities. This paragraph implies that a consolidated organization that does not follow FASAB or FASB GAAP (such as a GASB entity) would need to convert their financial statements to either FASAB or FASB GAAP. The statement is silent as to how to consolidate GASB entities and as a result we suggest including guidance on how to consolidate a GASB entity.</p> <p>Paragraph 66 states that FASB entities need not be converted to FASAB for consolidation; however this paragraph should address how accounting aspects unique to FASAB GAAP (such as budgetary accounting) be obtained from a FASB entity if conversion is not required. Further, under current practice, federal reporting entities that consolidate FASB GAAP entities do currently convert the financial information to FASAB GAAP before consolidation. Paragraph 66 would cause a change in the current practice.</p> <p>Paragraph 66 also uses the term consolidation entity to refer to the entity doing the consolidation—the government wide reporting entity—as well as those entities being consolidated. To reduce confusion, we</p>

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	<p>suggest that the statement use the term consolidated organization to refer to the organization being consolidated.</p>
#10 Treasury OIG	<p>We disagree that consolidation of FASAB and FASB based information without conversion is appropriate. The consolidation of material FASB based financial information that has not been converted to the FASAB basis of accounting used for the consolidated entity reporting, could result in a material misstatement and a qualified audit opinion on the consolidated entity’s financial statements, and in the worst case, an adverse audit opinion, if the resulting misstatement is pervasive to the consolidated financial statements. A good example of an area where potential material differences in reporting between FASB and FASAB standards could arise is in the accounting for direct loans and loan guarantees.</p>
#11 HUD CFO	<p>HUD agrees that consolidation of FASAB and FASB based information without conversion for consolidation entities could be appropriate. However, it could also add confusion for the reader if there are multiple accounting methodologies reporting similar activities. For example, the confusion would occur wherein there were differing amounts for a component in its stand-alone statements and in the consolidated statements of the larger organization. Therefore, disclosure of the basis of accounting can provide clarity as to the governing body of the entity’s reporting (FASB v FASAB).</p> <p>SFFAS 34 provides that GPFFRs prepared in conformity with accounting standards issued by the FASB also may be regarded as in conformity with GAAP, so consolidation entities (i.e. the consolidated government-wide reporting entity or a consolidated component reporting entity) would be able to 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.</p>
#12 TVA CFO	<p>As adopted, SFFAS 34 allows that certain federal reporting entities prepare and publish financial reports pursuant to the accounting and reporting standards issued by FASB and these reports may be regarded as in conformity with generally accepted accounting principles (GAAP). TVA agrees in part with paragraph 66 which states that consolidation entities should consolidate component reporting entity or sub-component financial statements for consolidation entities in accordance with SFFAS 34 without conversion for any differences in accounting policies among the organizations.</p> <p>However, TVA does not agree with the last sentence of paragraph 66 which states that “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” and recommends it be removed.</p>

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	<p>TVA’s reason for the removal of the sentence is that the primary users of TVA’s financial statements are financial institutions, bondholders, investors, banking trade groups, and customers. These users expect TVA’s financial statements to be prepared in accordance with FASB GAAP as required by the Securities and Exchange Commission with whom TVA is required to file financial statements. To present a second set of financial statements with intragovernmental amounts measured in accordance with FASAB standards could be confusing to the user. Also, conversion of information may not be cost-effective at a time when agencies are being asked to evaluate work efforts in order to be more cost-conscious.</p> <p>Concern for the elimination of intragovernmental activity for the government-wide financial statement could potentially be resolved by Treasury through its Governmentwide Financial Report System Closing Package instructions as contained in Treasury’s Financial Manual and its Intragovernmental Transactions Policy. Both documents may more appropriately address the mechanics of eliminating entries for the consolidated GFRS.</p>
#13 NASA CFO	<p>NASA agrees that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate. Our rationale is that the financial statement presentation by both standards is based on the GAAP, accrual based accounting. In addition, the presentation of a component entity’s financial information should be consistent in both their individual financial reports and the government-wide financial reports.</p> <p>However, NASA does not agree with making this requirement effective prior to receiving guidance related to tie points between budgetary and proprietary accounts or specifying which reports are required. FASB does not require budgetary accounts and addition of proprietary accounts alone will cause out of balance conditions not accepted during annual reporting.</p>
#14 Department of Homeland Security CFO	<p>We agree that conversion need not be required when consolidating. However, disclosures should include any significant differences caused by different accounting treatments when entities use FASB vs. FASAB.</p>
#15 Nuclear Regulatory Commission OIG	<p>I disagree that consolidation entities based on two different standards are appropriate in all cases without conversion. Even though both standards are based on accrual rules, other accounting rules are different and can result in different account balances that could be material. I think that an analysis of the account balance differences based on different accounting standards should be completed and the materiality concept applied. If there is a material difference, then the balances should be converted to the government-wide reporting entity accounting standards. To do otherwise could be misleading to the GPFRR user.</p>
# 16 Federal Reserve System	<p>In addition, the U.S. government, the Board, and the Reserve Banks apply different sets of accounting principles (FASAB, U.S GAAP for public companies, and Board of Governors established principles, respectively). Reconciling these principles for reporting purposes would involve additional cost to both the federal government and the Federal Reserve System and could potentially increase financial reporting risk without any material benefit. These costs and efforts may also exist to a lesser extent if the Board and the Reserve Banks were to</p>

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	be classified as disclosure organizations under the standard.
#17 TVA OIG	<p>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.</p> <p>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.</p> <p>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.”</p>
#18 DOD CFO	<p>Agree. Since the objective is to incorporate all required components into the GPFFR, entities with differences in accounting standards should still be consolidated, in accordance with SFFAS 34. In addition, a disclosure of the differences in accounting methodologies should be required. FASB reporting entities need to provide intragovernmental balances based on FASAB standards to allow for the proper elimination of intragovernmental activity. Intragovernmental differences are one of the causes of the disclaimer the GPFFR receives each year.</p>
#19 Commodity Credit Corporation	<p>Disagree. Federal Financial Reporting should consistently follow FASAB guidance. The mixing of reporting standards could mislead a reader and provide confusion for the report users.</p>

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CFO	
#20 Joseph H. Marren	No response
#21 HUD OIG	<p>We do not agree that the consolidation FASAB and FASB based information without conversion is appropriate. HUD insures mortgages for single family and multifamily dwellings through its mortgage insurance programs administered by Federal Housing Administration (FHA). HUD also guarantees, through Government National Mortgage Association (Ginnie Mae), the timely payment of principal and interest on Mortgage-Backed Securities issued by approved private mortgage institutions and backed by pools of mortgages insured by the FHA, U.S. Department of Agriculture, U.S. Veterans Affairs, and HUD’s Office of Public and Indian Housing. As component entities, Ginnie Mae (prepared using FASB standard) and FHA’s financial information (prepared using FASAB standard) are reported to HUD for consolidation.</p> <p>In HUD-OIG’s view, consolidating financial information using different basis of accounting can provide misleading information to the users of HUD’s financial statements. This is true, even with additional disclosures, especially in instances where material differences between FASB and FASAB accounting standards could result in very different accounting outcomes. This scenario applies to HUD because Ginnie Mae’s FASB based information is reported to HUD for consolidation and the FASB and FASAB conversion information is material to HUD’s group financial statements. Further, transactions between Ginnie Mae and FHA (as component reporting entities of HUD) with regard to defaulted insured mortgages had generated material intragovernmental balances and activities in their respective books in recent years, but each prepare stand-alone financial statements using FASB and FASAB accounting standards respectively.</p> <p>The Board also indicates that, as a consideration for its proposal to allow consolidation of different basis of accounting without conversion, the conversion imposes a cost and it is not clear that the cost is justifiable based on the benefits to the user. However, the additional disclosure provision in the ED would most certainly require entities to incur additional disclosure costs already and therefore the cost conversion concern should not have significant incremental effect.</p> <p>Accordingly, we recommend the Board to reconsider its position to not allow consolidation without conversion in cases where material differences exist between FASB and FASAB accounting standards. Additionally, with respect to the additional disclosure requirement on intragovernmental amounts proposed in the ED, the Board needs to clarify whether the requirement is only required in the component entity’s stand-alone financial statements or both the component and parent/group management entity’s financial statements.</p>

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#22 HHS OIG	<p>HHS prepares its financial statements in accordance with standards established by FASAB. This question is directed to those entities that prepare their GPFFR in accordance with standards established by FASB. A more appropriate response could be provided to Treasury, GAO and the agencies that prepare their standards in accordance with standards established by FASB.</p>
#23 SEC CFO	<p>Disagree. The consolidation of FASB-based information into a component entity financial statement is likely to be unachievable because federal component entities are required to prepare a Statement of Budgetary Resources and a footnote that reconciles its budgetary and proprietary information. FASB-based financial statements do not include a Statement of Budgetary Resources or other budget-related classifications required for federal reporting entities, such as which of its expenses are “future funded” and which of its liabilities are “covered or not covered” by budgetary resources. Because of this, if FASB-based financial information were consolidated with FASAB-based information, the component entity’s required reconciliation of budgetary and proprietary data would likely be forced out of balance.</p> <p>The consolidation of mixed-basis data would also likely create technical problems for component-level reporting to Treasury because FASB-based organizations are not required to use the U.S. Standard General Ledger chart of accounts with required account attributes that Treasury needs in order to prepare the consolidated government-wide financial statements.</p> <p>The component entity’s USSGL-compliant trial balances are currently required to fully support the component entity’s audited financial statements; this would not be possible with mixed-basis component-level financial statements because the FASB-basis data would not have sufficient information for USSGL-compliant trial balances. In addition, certain relationships between budgetary and proprietary information (edit check known as “tie points” are required for reporting to Treasury. Those relationships would almost certainly be forced out of balance if FASB-basis data is consolidated with FASAB-basis data.</p> <p>If the proposed standard results in numerous organizations newly classified as part of the federal government, this would likely also create challenges for Treasury regarding intragovernmental eliminations and reporting on debt held by the public versus intra-governmental debt.</p> <p>Other implementation difficulties would include differences in fiscal year-end, because many FASB-based entities report on a calendar-year basis. It would be inappropriate to consolidate stale data with more current data into financial statements, because the title of the financial statements (“as of” and “for the period ended”) would be inaccurate and hence misleading. However, reliable and timely data is generally not available from organizations that to prepare financial statements on a calendar year, and/or available timely enough to be included in the component entity’s audited statements and notes.</p>
#24 DOL OIG	<p>We agree that any the consolidation entities should be consolidated without conversion of FASB-based information to a FASAB basis. We agree with the Board’s discussion that to do so could cause confusion due to</p>

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	differing amounts presented, but also could raise questions about the appropriateness of the entity’s method of accounting.
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	No, it will be very difficult to combine financial statements unless reporting is based on same guidelines.
#27 GWSCPA FISC	<p>The FISC generally agrees that the consolidation of FASAB and FASB-based information without conversion for consolidation entities is appropriate. We suggest that the Board:</p> <ol style="list-style-type: none"> 1. Include guidance on the conversion or consolidation of GASB-based information. There could be circumstances in which a consolidation entity could be a state-controlled organization, and the ED does not address the circumstances of what a GASB-based organization should do to comply with this Standard. 2. Add additional information in the ED on the Board’s views on methods for consolidation of FASB entities into FASAB-based general purpose financial reports, such as whether the equity, cost, or acquisition consolidation method is preferred, and how an agency should handle consolidation of entities with year-ends other than September 30. <p><i>Staff notes GWSCPA FISC also included the following in response to Q2:</i></p> <p>Finally, we suggest that the Board remove the requirement in paragraph 66 that requires FASB-based organizations to disclose intragovernmental amounts measured in accordance with federal financial accounting standards. Such a requirement for disclosure in the FASB-based organization’s GPFFR does not appear to meet the requirement for general-purpose reporting since the disclosure is needed solely to facilitate elimination entries in the preparation of the government-wide financial statements. In addition, reporting in accordance with two bases of GAAP (i.e., FASB and FASAB) may lead to unnecessary confusion among the users of the FASB-based organization’s financial statements. Such intragovernmental information could continue to be reported to the U.S. Department of Treasury through the Closing Package process.</p>
#28 Joyce Dillard	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.
#29 DOL CFO	No Comment
#30 Intelligence	We disagree; it is not appropriate to consolidate FASAB- and FASB-based information without conversion for

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Community	<p>consolidation entities. Consolidating amounts without regard for differences that may result from the differing accounting standards being used by the reporting entity and the consolidation entity may result in inconsistency in financial reporting. The proposed standards should include guidance related to material differences between FASB and FASAB accounting standards.</p> <ul style="list-style-type: none"> • Situations may occur in which different accounting standards are applied to different entities, which could lead to possible presentation and disclosure conflicts when they are consolidated. • The use of different accounting standards reduces the confidence users and preparers have in the qualitative characteristics of the financial reports specifically consistency, comparability, reliability, and understandability. • Situations may arise in which there is a high opportunity cost to convert all financial statements and reports from FASB to FASAB and the cost outweighs the potential benefit. In these situations, the entity should evaluate the material impact of various accounting differences between the two standards and convert only those that would significantly change or could significantly change the presentation of the financial reports and the decision making of stakeholders and users. <p>The board should consider the inclusion of principles discussing the requirements and guidance related to consolidation concerns when evaluating differences between FASB and FASAB. This could significantly mitigate costs of interpretation, provide clarity on the subject matter for preparers of a GPFFR, and enhance the usefulness of financial reports for users and stakeholders.</p>
#31 AGA FMSB	<p>The FMSB agrees that the consolidation of FASAB and FASB based information without conversion is appropriate. Restatement of FASB information to a FASAB basis will provide opportunities for errors to occur and may require effectively two sets of records. Furthermore the information based on FASB principles are used by management and should stay as originally prepared.</p>
#32 NSB	<p>No Response</p>
#33 Treasury Bureau of Fiscal Service (FMS)	<p>Disagree – although FASB is in compliance with GAAP, FASAB follows budgetary accounting reporting principles which do not apply to FASB; Without the reporting entity and organizational unit following the same accounting standards, USSGL propriety/budgetary tie points will not reconcile if the USSGL data for the tie points is derived from the consolidated trial balance which would be uploaded to FACTS I and II and/or GTAS for government-wide reporting; if the organization unit is not included in the FACTS I and II/GTAS trial balance, then how will the entity’s data be reported government-wide?</p> <p>In addition, the government-wide financial statements are reported on a FASAB basis; therefore, agencies need to convert to FASAB before reporting to the government-wide level.</p>

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#34 NRC CFO	Disagree, there should be one consistent accounting basis for Federal accounting and reporting, which is FASAB.
#35 FAF	No Response
#36 Treasury CFO	Agree. Consolidation of FASB-based accounts of component entities without conversion may be appropriate for agencies that publish financial reports pursuant to FASAB standards, particularly if differences between the two bases of accounting for these entities are not significant. Certain of Treasury’s component entities, including Bureau of Engraving and Printing and the Exchange Stabilization Fund, maintains their financial accounts and prepare stand-alone audited financial reports on a FASB basis. Currently, we convert their accounts to FASAB accounts prior to consolidating them. While the provisions of the ED may eliminate the burden of conversion in the future, we do express concern as to potential new issues that may arise with regards to budgetary accounting and financial reporting requirements associated with these FASB accounts which are currently addressed when these FASB accounts are converted to FASAB accounts.
#37 Smithsonian Institute CFO	No response

QUESTION 6

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.

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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.	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	a. Agree with the minimum disclosures for the central banking system. b. N/A
#4 Postal Service- OIG	No response
#5 SIPC	No response
#6 DOC CFO	a. The Department of Commerce agrees with the minimum disclosures for the central banking system. However, additional disclosures may be necessary due to the unique nature of reporting requirements for the central banking system. b. The Department of Commerce does not believe there are other significant organizations for which minimum disclosures should be made.
#7 SSA CFO	a. 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. We are not aware of any other significant organizations that FASAB should consider for minimum disclosure.
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	We believe that when applying the principles (In the Budget and Control) to the central banking system, that a reporting entity could conclude that the central banking system would not be a consolidated or disclosure organization. If the Board believes that at a minimum the central banking system should be considered a disclosure

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	<p>organization, then we believe this requirement should be stated within the Principles section of the statement. We further believe that paragraph 77 should be deleted as the minimum disclosure requirements provide the necessary disclosures for all disclosure organizations.</p> <p>The ED addresses the central banking system because of its uniqueness. We also believe that the Treasury General Fund should be addressed within the statement for the same reason. The consolidation of the Treasury General Fund would appear to be required based upon the application of the “control” principle, but the entity to which it should be consolidated should be specified within the statement. (Appendix 4 V1)</p>
#10 Treasury OIG	No response
#11 HUD CFO	<p>a. HUD agrees with the minimum disclosures for the central banking system. The disclosures should be integrated so that concise, meaningful and transparent information is provided.</p> <p>b. HUD believes there may be other significant organizations for which minimum disclosures should be made, depending on the circumstances. Materiality is an overarching consideration in financial reporting. Preparers should consider both qualitative and quantitative materiality in determining the information that should be presented regarding disclosure organizations.</p>
#12 TVA CFO	No response
#13 NASA CFO	NASA neither agrees nor disagrees with this statement.
#14 Department of Homeland Security CFO	<p>a. We agree with some of the minimum disclosures relating to the central banking system, we do not believe new or onerous reporting requirements are needed.</p> <p>b. We do not believe there are other significant organizations that won't be included in the three inclusion principals. Standards should include organizations that are significant and do not leave flexibility to include organizations based on subjective criteria.</p>
#15 Nuclear Regulatory Commission OIG	<p>a. I agree with the minimum disclosure requirements. The disclosures are comprehensive and complete. I think that any additional disclosures would be excessive and not add value to the GPFFR users.</p> <p>b. I am not aware of any other significant financial organizations that might require minimum disclosure.</p>
# 16 Federal Reserve System	<p>I. The Federal Reserve System provides a variety of transparent financial reports to the public that exceeds the reporting requirements of the proposed standard.</p> <p>The Federal Reserve System provides a substantial amount of information to the public, and its financial reporting practices are particularly robust. Each week, the Board publishes the balance sheet of each Reserve Bank along with other significant financial information on their assets and liabilities. The Board also publishes an annual</p>

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	<p>independent audit of the financial statements of the Board, each of the twelve Reserve Banks, and the combined Reserve Banks. The Board began publishing an unaudited quarterly combined Reserve Banks' financial report in 2012. The annual audited Board and Reserve Bank financial statements, and the Reserve Banks' weekly and quarterly financial reports can be accessed from the Board's public website at http://www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm. We believe that the information we provide to the public demonstrates our ongoing commitment to transparency and should be sufficient for meeting the purposes of the standard without incurring additional costs.</p> <p>V. The provisions related to minimum disclosures for the central banking system are unnecessary. The disclosure requirements for the central banking system described in paragraph 77 are inconsistent with the FASAB's objective of providing a principles-based standard. We believe that applying the proposed standard's inclusion principles and disclosure requirements that are applicable to all other organizations will result in an appropriate level of disclosures of Federal Reserve System financial information. The proposed disclosures for disclosure entities and the minimum disclosures for the central bank are very similar, even though the two sets of disclosures are described somewhat differently. For example, paragraph 73a, which is applicable to all disclosure organizations, requires disclosure of "information about how its mission relates to federal policy objectives, actions taken on behalf of the federal government, its organization and any significant involvements with outside parties." That requirement is substantially the same as the minimum disclosure requirement for the central bank described in paragraph 77b, which requires disclosure by the central bank of "significant roles and responsibilities (and how these relate to federal policy objectives)." We recommend deleting paragraph 77 in its entirety.</p> <p>VI. The authority over the financial accounting and reporting practices of the Board and the Reserve Banks is vested with the Board of Governors. FASAB's authority, which is derived from statutory authorities of the OMB, GAO, and Treasury, does not include authority to impose reporting requirements on the Board and Reserve Banks, given that (1) the Board is an independent entity in the executive branch; (2) neither the Board nor the Reserve Banks have reporting or other relationships to FASAB; and (3) Congress has separately established the financial reporting requirements applicable to the Federal Reserve System and vested final authority over those reports in the Board without directing the Board or the Reserve Banks to issue financial statements in accordance with FASAB requirements. To the extent requirements to report about the Federal Reserve System would be imposed on another entity, such as the Department of the Treasury, it is unclear how the Treasury can be expected to fulfill this obligation when the requested information pertains to the central bank, not the Treasury, and the central bank does not report to the Treasury.</p> <p>The Board's statutory powers and reporting requirements largely address the issues in the proposed statement. These statutory provisions take precedence and the proposal would be in conflict with them. For example, Congress has addressed its expectation regarding transparency of Federal Reserve System financial information.</p>
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	<p>Public Access to Information- the Board shall place on its home Internet website, a link entitled “Audit”, which shall link to a webpage that shall serve as a repository of information made available to the public for a reasonable period of time, not less than 6 months following the date of release of the relevant information, including—</p> <ol style="list-style-type: none">(1) the reports prepared by the Comptroller General under section 714 of title 31, United States Code;(2) the annual financial statements prepared by an independent auditor for the Board in accordance with section 11B;(3) the reports to the Committee on Banking, Housing, and Urban Affairs of the Senate required under section 13(3) (relating to emergency lending authority); and(4) such other information as the Board reasonably believes is necessary or helpful to the public in understanding the accounting, financial reporting, and internal controls of the Board and the Federal reserve banks. [12 U.S.C. 225b.] <p>In addition, as required by statute, the Board includes in its annual report to Congress a full account of its operations. To the extent the information you seek in the proposed statement is included in the Board’s existing reports, we suggest that you reference these reports in the GPFFR.</p> <p>VII. We disagree with the proposal to include forward-looking financial information in the audited financial statements for the Federal Reserve System.</p> <p>The proposed disclosures and the minimum disclosures both include a requirement to disclose future exposures to gains and losses from future operations. Such information about future events is very difficult to audit and including such information in audited financial statements provides a false sense of reliability to such information. Further, preparers of the financial statements are unable to predict future monetary policy actions or when they will occur. Although it may be possible to report on contingencies arising from past events, it would not be feasible to report relevant and reliable financial information about pre-decisional future operations of the central bank that could be audited. The Federal Reserve System does not include forecasts and forward-looking information in the financial statements of the Board and the Reserve Banks. Instead, as it deems appropriate, such information is provided through other means. We recommend removing the disclosure requirements related to future exposures from paragraphs 72 and 73 of the proposed standard.</p> <p>VIII. The characterization of the Bureau of Consumer Financial Protection (CFPB) in the proposal is incorrect, and should be revised.</p> <p>Paragraph A32, footnote 57, in the proposed standard describes the Federal Reserve System as comprised, in part, of the CFPB. When Congress created the CFPB as a part of the Federal Reserve System, it provided that the CFPB’s financial statements “shall not be consolidated with the financial statements of either the Board of Governors or the Federal Reserve System.” The proposed standard should be clarified in this regard and,</p>
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	specifically, the references to the CFPB should be removed from the footnote.
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Agree. If the central banking system is reported as a disclosure entity, it should be subject to the minimum disclosure requirements mentioned within this exposure draft.</p> <p>b. Yes. All segments of the government that are not consolidated entities should be required to provide disclosure information. This is consistent with GAAP principles and enhances government transparency and accountability to the public. However, we do not know of any specific entities that fall into this category.</p>
#19 Commodity Credit Corporation CFO	<p>a. Agree. The emphasis of the disclosure however should be from the Reporting Entities viewpoint and outline its business relationship and interactions with the Central Banking System.</p> <p>b. None to add.</p>
#20 Joseph H. Marren	The proposed rules will largely continue current unconstitutional reporting practices with respect to the Federal Reserve System and Government Sponsored Enterprises such as Fannie Mae and Freddie Mac. They will not be consolidated in the Financial Report and hence, the government’s consolidated financial statements will remain substantially misleading.
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	<p>a. Since HHS prepares its financial statements in accordance with standards established by FASAB and prepares its required disclosures, it is not appropriate to comment on this area. These questions are directed more to the Federal Reserve, Treasury, OMB and GAO. A more appropriate response would be obtained by these entities.</p> <p>b. Not aware of any other significant organizations for which minimum disclosures should be made.</p>
#23 SEC CFO	<p>a. The SEC has no objections to the proposed minimum disclosures.</p> <p>b. The SEC is not aware of any other significant organizations for which minimum disclosure should be made.</p>
#24 DOL OIG	<p>a. We agree with the minimum disclosures for the central banking system.</p> <p>b. See answer to Q12.a.</p>
#25 Administrative Office of the US	No response

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Courts	
#26 GSA CFO	<p>a. Per the notes already provided above, GSA see no justification for applying the rules differently just because the Federal Reserve System is the only entity of its kind, especially given the magnitude of its banking operations and the need for transparency. GSA agrees if the minimum disclosures for the central banking system are in addition to the disclosures required of other reporting entities.</p> <p>b. No comments.</p>
#27 GWSCPA FISC	The FISC agrees with the proposed standards included in paragraph 77.
#28 Joyce Dillard	<p>Central Banking system aka Federal Reserve System FRS is too critical a factor in government, not to include it in consolidation.</p> <p>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.</p> <p>The offsetting entity needs full disclosure under Comments or Footnotes.</p> <p>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.</p> <p>All risk should be disclosed.</p> <p>Accountability has been lacking and that aspect of Representation needs to be addressed.</p> <p>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.</p> <p>The Judicial Branch should never be excluded, yet it does not operate in disclosure.</p>
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>a. We disagree; the central banking system should be required to report disclosures that provide for complete disclosure of their activities. Due to the unique nature of the central banking system, maybe additional guidance should be issued by the board to address specifically all of the central banking system’s unique accounting and operations. The statement does not provide sufficient minimum disclosure requirements for the central banking system and the board should consider providing the additional disclosure requirements referenced below.</p> <ul style="list-style-type: none"> • Paragraph 77, item b should include an assessment of meeting the objectives of federal and monetary

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	<p>policy. Item b requires the Federal Reserve System to disclose significant roles and responsibilities and how they relate to federal objectives, which is important, but incomplete. Financial reports are useful when they possess comparability and relevance to the user. As a result, it is important that not only the objectives are linked to the roles and responsibilities, but that an assessment is provided of those objectives (similar to a balanced scorecard).</p> <ul style="list-style-type: none"> • Paragraph 77, item c should include actions such as open market operations, reserve requirements, adjustments to the fed funds rate, specific financial services provided to the federal government, and investments in specific financial instruments used by the Federal Reserve System (e.g. swaps, asset backed securities, collateralized debt and mortgage obligations, interest rate derivatives, commodities, real assets, etc.) in which significant positions are taken. • Paragraph 77, item d should also include significant transactions and balances within the fiscal period that would impact the decision making of stakeholders and GPFFR users. • The Federal Reserve System should disclose transactions and relationships with foreign governments and financial institutions as well as significant holdings (currencies, debt, treasury securities, ownership interests, etc.) that could be materially useful to a user of the GPFFR. <p>The current minimum disclosures do not encompass these disclosures requirements, which should be articulated to a greater degree in order to ensure that the government-wide GPFFR is reliable and the information presented is verifiable, and completely and faithfully represents what it purports to represent. The Federal Reserve System is a unique organization; therefore, the board should emphasize transparency in Federal Reserve System disclosures. The board should also consider developing a single statement devoted to the central banking system.</p> <p>b. We believe the board should consider providing minimum disclosures for the following organizations:</p> <ul style="list-style-type: none"> • Federally Funded Research and Development Centers; • Venture capital projects; and • Government sponsored enterprises such as the Federal Agricultural Mortgage Corporation, Federal National Mortgage Corporation, and Federal Home Loan Mortgage Corporation due to their impact on political, monetary, and fiscal policy objectives, and the federal government. <p>The statement should require similar disclosures to the Federal Reserve System such as the roles and responsibilities of the organization, how it is accomplishing specified objectives and an assessment of meeting those objectives, nature of the research, development, or venture, sources and uses of funds, significant transactions, and governance structure. The government-wide GPFFR should provide transparency and accountability for the activities financed by taxpayers and non-exchange revenue as well as organizations that have a significant impact on policy making. In turn, this will provide users and stakeholders with sufficient information for decision making purposes.</p>
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#31 AGA FMSB	<p>a. The FMSB agrees with the minimum disclosures for the central banking system. The importance of the central banking system warrants minimum disclosures. However we are puzzled by the FASAB’s decision to not provide a definitive determination as to whether the FRS should or should not be considered within the federal entity and at what level.</p> <p>b. No.</p>
#32 NSB	No Response
#33 Treasury Bureau of Fiscal Service (FMS)	<p>a. Agree – The minimum disclosure requirements appropriately identify what, why, and the financial implications of the work performed within the federal banking system on behalf of the Federal government</p> <p>b. No – I am not aware of other non-Federal entities that should receive unique consideration related to this exposure draft</p>
#34 NRC CFO	<p>a. Disagree as the Federal Reserve is independent. Disclosure if required should only include items a, e, and f. Disclosure information contained in items b, c, and d would be included in the Federal Reserve’s reports.</p> <p>b. Yes, if the Judicial and Legislative branches are not considered consolidating entities, then there should be disclosures pertaining to these entities and the fact that they receive appropriations funded from Federal tax revenue.</p>
#35 FAF	No Response
#36 Treasury CFO	<p>a. Agree. We generally agree with the ED’s minimum disclosures for the central banking system, with the exception of paragraph 77(c). Based on the inclusion principles outlined in paragraph 21, we do not believe the FRB would meet the criteria for being included as a consolidation or disclosure entity. Therefore, we agree that separate guidelines, such as those presented in paragraph 77, are needed to ensure that appropriate disclosure is given to this related party entity which is too misleading to exclude.</p> <p>We recommend removing the phrase “and changes in those actions” in paragraph 77(c). Treasury’s agency financial report disclosures currently provide a general description of the FRB’s monetary policy and how this policy is executed. We disagree with disclosing specific details about how monetary policy is executed or even changes in these actions or tools used to effect monetary policy. Not only is would this discussion be complex but is subject to significant change each year. Furthermore, audit assurance of this information could be difficult and costly to obtain. Reference to the availability of the FRB’s annual report, as required by paragraph 77(f), would provide a reader with more in-depth information on this subject rather than in Treasury’s agency financial report.</p> <p>b. Yes. Some organizations falling outside of the inclusion principles may be viewed by the public as being part of the federal government such as Medicaid and state unemployment programs. Perhaps some level of disclosure explaining the federal government’s limited role with regards to organizations such as these would be useful to</p>

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	readers of GPFFRs.
#37 Smithsonian Institute CFO	No response

QUESTION 7

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.

#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management -	<ol style="list-style-type: none"> a. Agree with the related parties definition and requirements. b. Agree with the list of the types of organizations that generally would be considered related parties.

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CFO	<p>c. N/A</p> <p>d. Agree with the list of exclusions.</p> <p>e. N/A</p>
#4 Postal Service- OIG	No response
#5 SIPC	No response
#6 DOC CFO	<p>a. The Department of Commerce agrees with the related parties definition and requirements. They ensure the inclusion of material and significant items.</p> <p>b. The Department of Commerce agrees with the list of organization types, which would generally be considered related parties. However, each reporting component would need to exercise sound judgment when applying this standard to decide which organizations would be considered a third party.</p> <p>c. The Department of Commerce is unaware of any additional organizations that should be considered third parties.</p> <p>d. The Department of Commerce agrees with the list of exclusions. This list appears comprehensive and easy to understand.</p> <p>e. The Department of Commerce is unaware of any additional exclusions that should be considered.</p>
#7 SSA CFO	<p>a. 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.</p> <p>b. 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.</p> <p>c. We are not aware of additional organizations that FASAB should consider as related parties with regards to this draft Standard.</p> <p>d. We agree with the list of exclusions.</p> <p>e. We are not aware of additional exclusions FASAB should consider.</p>
#8 NSF CFO	<p>a. In paragraph 80, FASAB indicates that significant influence may be exercised by representation on the board of directors or equivalent governing body. The National Science Foundation, by law, must consist of a Director and National Science Board (NSB). The persons nominated for appointment as members of the board are eminent in the fields of the basic sciences, medical science, engineering, agriculture, education, or public affairs and are appointed by the US President. The NSB establishes the policies of NSF within the framework of applicable national policies set forth by the President and Congress. In this capacity, the Board identifies issues that are</p>

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	<p>critical to NSF's future, approves NSF's strategic budget, and approves new major programs and awards. The Board also serves as an independent body of advisors to both the President and the Congress on policy matters and education related to science and engineering.</p> <p>Several NSB members may be affiliated with entities to which NSF issues grants or contracts. Most often these board members are professors or hold honorary positions at the awardee institution. NSF is concerned that the related party definition as currently written will be applied to organizations with which NSB members are affiliated. NSF does not support this view and does not see any indication in the related party illustration in Appendix C, page 74, Andromeda Prime Power Systems (related Part- GSE), this is FASAB's intent. Indicating a related party relationship between the federal government and organizations that receive grants such as not-for-profit entities and collegial institutions would grossly mislead the public.</p> <p>In order to clearly denote that NSB members as individuals, or the entities they are affiliated with, are not in related party relationships with NSF; NSF requests that FASAB add additional clarifying language. Suggestions for this clarification are indicated below:</p> <p>Paragraph 80 – The current reference to policy decisions should be narrowed to distinguish between “operational” (day-to-day, transactional level) and “strategic” (high level strategy and direction) policy decisions. Strategic policy decisions do not have a direct influence on financial transactions and operating decisions and should not be determinative of the existence of related party relationships. In the case of the NSB, the Board's strategic decisions do not directly influence the day to day operational and financial transactions of the Foundation (individual awards to grantees, etc.). NSF suggests adding the language from paragraph 79 to the first sentence of paragraph 80 to clarify the intent: “Significant influence (for the purpose of this Statement) is the power to participate in the financial and operating policy decisions of an entity, but not control those policies.”</p> <p>Paragraph 84 – Although Paragraph 84 c) indicates that “key executives of the federal government and organizations owned or managed by key executives, other employees of the federal government, or members of their families” should be excluded from the related party definition; NSF suggests that FASAB explicitly add “Including Presidentially appointed agency board members” to the list of exclusions. Alternatively, paragraph 84 b) could be expanded to state “This exclusion also applies to management and board members of institutions that jointly serve on the board of a federal agency. This occurrence does not automatically result in a related party relationship between the federal government and the individual or the federal government and the affiliated institution.”</p> <p>Furthermore, NSF requests that FASAB add the term “that may or may not” to paragraph 84 b) as indicated below: “Organizations with which the federal government transacts a significant volume of business that may or may not result in economic dependence such as....”</p> <p>b. NO NSF COMMENT</p>
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	<p>c. NO NSF COMMENT</p> <p>d. As noted in response Q7 a above, NSF suggests that FASAB explicitly add in 84c “Presidentially appointed agency board members” to the list of exclusions. Alternatively, paragraph 84 b) could be expanded to state “This exclusion also applies to management and board members of institutions that jointly serve on the board of a federal agency. This occurrence does not result in a related party relationship between the federal government and the individual or the federal government and the affiliated institution.”</p> <p>Furthermore, NSF requests that FASAB add the term “that may or may not” to paragraph 84 b) as indicated below: “Organizations with which the federal government transacts a significant volume of business that may or may not result in economic dependence such as....”</p> <p>e. As noted in response Q7 d above, NSF suggests that FASAB explicitly add “presidentially appointed agency board members” to the list of exclusions.</p>
# 9 KPMG	<p>Related Parties</p> <p>i. We believe that related party disclosures would only be evaluated for an organization that was considered by the reporting entity to be subject to its influence to such an extent that the reporting entity evaluated it under this standard; however the organization failed the control criteria but was considered misleading to exclude. This is based on our observation that the factors in paragraphs 79 and 80 closely parallel those in paragraph 30. If there is an expectation of an evaluation of a separate population, that expectation should be specifically stated and perhaps a separate standard should be considered.</p> <p>ii. The statement should contrast the disclosure requirements of a related party to those of a disclosure organization. It appears that a related party is similar to a disclosure organization but with limited disclosure requirements.</p> <p>Paragraph 83b seems to suggest that organizations such as the United Nations, World Bank, IMF, etc. would be considered related parties of the federal government and should therefore be subject to disclosure requirements. Is this the Board’s intention?</p> <p>We recommend that the Board consider developing a separate standard for Related Parties instead of embedding those disclosures within the Reporting Entity standard. If a reporting entity currently includes related party disclosures in its financial statements, the reporting entity would be using the guidance provided in the FASB standards as FASAB does not currently contain a standard addressing related party reporting. Once the Reporting Entity statement is issued, it may be difficult for a federal reporting entity to know and understand that embedded within the statement is guidance for related party identification and reporting. We believe that this statement can refer to related parties however; a separate standard addressing all aspects of related parties may be beneficial. (Appendix 4 1V)</p>

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#10 Treasury OIG	No response
#11 HUD CFO	<p>a. HUD agrees with the related parties definition and requirements. In addition to organizations for which the Congress and/or the President are accountable, the federal government may have relationships with other parties. Only relationships of such significance that it would be misleading to exclude information about such relationships warrant disclosure.</p> <p>b. HUD agrees with the list of the types of organizations that generally would be considered related parties.</p> <p>c. HUD is not aware of additional organizations that would be considered related parties.</p> <p>d. HUD agrees with the list of exclusions.</p> <p>e. HUD is not aware of any additional exclusions that should be considered.</p>
#12 TVA CFO	No response
#13 NASA CFO	<p>a. NASA agrees with the definitions and requirements for related parties.</p> <p>b. NASA agrees with the list of the types of organizations that would be considered related parties.</p> <p>c. NASA does not recommend additional types of organization that should be considered related parties.</p> <p>d. NASA agrees with the list of types of organization that would not be considered related parties.</p> <p>e. NASA agrees that the definition for related parties is consistent with generally accepted accounting principles guidance. The list of organizations considered to be related parties is consistent with the definition.</p>
#14 Department of Homeland Security CFO	<p>a. We disagree with definitions and requirements for related parties that require professional judgment in calculating significance and whether it would be misleading to exclude information.</p> <p>b. Disagree, the three inclusion principles would cover an related parties when the government holds a majority interest or controls an organization with risk of loss or expectation of benefits.</p> <p>c. There are no additional organizations that should be considered as related parties.</p> <p>d. The inclusion principals would capture all objectively measurable related parties requiring disclosure.</p> <p>e.No, there are no additional exclusions that should be considered.</p>
#15 Nuclear Regulatory	a. I agree with the definition and requirements for related parties. This standard is similar to GAAP related party disclosure requirements. By requiring disclosure of related party relationships, GPFFR users are provided with

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Commission OIG	<p>additional information that may be material and relevant to sound financial decision making.</p> <p>b. I agree with the list provided, but I think the list could have provided more examples so that the preparers would have a better understanding of the definition of related parties. The list for what is not a related party is longer than the list of what is a related party.</p> <p>c. I think this would be dependent on the degree of influence rather than on a type of entity.</p> <p>d. I agree with list. These are examples where influence would not be significant.</p> <p>e. No additional exclusions.</p>
# 16 Federal Reserve System	No response
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Agree. The definition and requirements of related parties are consistent with GAAP terminology and disclosures.</p> <p>b. Agree. The list of organizations appears to define the vast majority of potential related parties.</p> <p>c. No additional organizations are noted, at this time.</p> <p>d. Agree. The list of exclusions appears appropriate.</p> <p>e. No additional exclusions are noted, at this time.</p>
#19 Commodity Credit Corporation CFO	<p>a. Agree. Definition provided in para 78-83 are clear and concise.</p> <p>b. Para 83 is not clear “use of the term generally” allows for substantive judgment by the reporting entity.</p> <p>c. None at this time.</p> <p>d. Agree. Definitions in Para 84 are clear.</p> <p>e. None at this time.</p>
#20 Joseph H. Marren	No response
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	a. The definitions and requirements in paragraphs 78-87 adequately describe related parties. They are logical and define how related parties should be disclosed. The definitions and requirements follow what one would expect to

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	<p>find in normal Federal financial reporting.</p> <p>b. The list in paragraph 93 appropriately defines the types of organizations that would generally be considered related parties. The list follows what one would expect to find in normal Federal financial reporting.</p> <p>c. Not aware of additional organizations that should be considered related parties.</p> <p>d. The list of exclusion in Paragraph 84 appears complete and normal for what one might expect in Federal financial reporting.</p> <p>e. Not aware of additional exclusions that should be reported.</p>
#23 SEC CFO	<p>a. Agree, except for question in Q7c below</p> <p>b. Agree, except for question in Q7c below</p> <p>c. Yes. It would be helpful if this section could address factors to consider regarding whether non-federal organizations receiving federal financial assistance (which are excluded from the inclusion principles in paragraph 22) might be considered related parties.</p> <p>d. Agree. The individuals and organizations listed should not be considered related parties.</p> <p>e. The SEC is not aware of any significant omissions from the list.</p>
#24 DOL OIG	<p>a. We agree with the related parties definition and requirements.</p> <p>b. We agree with the list of the types of organizations.</p> <p>c. We identified no additional related organizations.</p> <p>d. We agree with the list of exclusions.</p> <p>e. We identified no additional exclusions.</p>
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	<p>a. GSA agrees that the definition as stated is sufficiently comprehensive and justifiable.</p> <p>b. GSA agree that the list is sufficient, so long as it is a representative sample list and not all inclusive.</p> <p>c. No comments.</p>

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	<p>d. GSA does not agree that it is necessary to provide exclusions for Part 84, Sections' (d), (e), and (f) especially for special interest groups. The guidance indicates that significant influence is the power to participate in the policy decisions of an entity, but not control those policies. The guidance goes on to state that regulation or economic dependency, together with other factors, may give rise to significant influence and therefore a related party relationship. Most importantly, the guidance states that judgment is required in assessing the impact of regulation and economic dependence on a relationship. It is believed that there may indeed be instances where foreign governments and special interest groups meet the definitions as provided herein in certain relationships. The power to disclose such related party information should not be taken from the disclosing entity under any general exclusion principle.</p> <p>e. See comment above.</p>
<p>#27 GWSCPA FISC</p>	<p>The FISC generally agrees with the definition of related parties found in paragraphs 78-87. However, we suggest that additional guidance be provided to address whether a related party exists when a federal board or commission (such as many of the entities named under the Accountability of Tax Dollars Act of 2002) has members of its board of directors or commissioners who maintain employment outside of the Federal government, and then the federal board or commission issues a contract or grant with the company, state, university, or charitable organization that is represented by the board member or commissioner. Given the guidance in the ED, the member of the board or commissioner has significant influence since the individual has the “power to participate in policy decisions of an entity” (paragraph 80). However, the board member or commissioner likely doesn’t have the ability to direct a specific grant or contract to create a less-than-arms-length transaction between the federal board or commission and the individual’s company, state, university, or charitable organization.</p> <p>Further, the definition of a related party appears to differ from the FASB’s definition of related parties. For example, the ED differs from FASB literature in the discussions of arms-length transactions, and how arms-length transactions with related parties impact the reporting of those relationships in the entity’s GPFFR. If differences exist in the two definitions, then the consolidation of reporting entities with FASB-based information may be complicated if two definitions of related parties are applied.</p>
<p>#28 Joyce Dillard</p>	<p>You state:</p> <p>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.</p> <p>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.</p> <p>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.</p>

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	<p>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.</p> <p>As related parties become complex, so does disclosure. We, the public, need to understand these relationships, financially and operatively.</p>
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>a. We believe the definition and requirements set forth in sections 79 and 87, respectively, provide an adequate understanding of what constitutes a related party and the appropriate information for the reader to understand the nature and extent of the relationship.</p> <p>The definitions and requirements provided for related parties provide sufficient guidance that enable preparers and auditors of financial reports to assess an organization’s relationship to the federal government and whether it should be included and disclosed in the GPFRR.</p> <p>b. We agree that the list of the types of organizations that generally would be considered related parties, while limited, is adequate. Determining whether a related party exists requires professional judgment and the application of a number of tests/principles to reach the appropriate conclusions, which cannot necessarily be anticipated and/or defined by a particular type of organization.</p> <p>c. We believe the board should also consider the influence of those listed below when considering related parties:</p> <ul style="list-style-type: none"> • Free trade agreements • Customs unions • Common markets • United Nations • Foreign financial institutions <p>Each of these organizations could possess significant influence due to their relationships with the federal government, its organizations, and non-profit or private sector organizations that impact the federal government.</p> <p>d. We agree with the list of exclusions because it is either explicit or implicit that the transactions do not meet the principles of inclusion or do not meet the related party definition.</p> <p>e. We do not believe there are additional exclusions needed.</p>
#31 AGA FMSB	<p>a. The FMSB has some concerns about the use of the term related parties in the exposure draft. Under GASB, state and local governments are required to disclose certain related party transactions and to recognize the</p>

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	<p>transaction for its economic form rather than its legal form. Thus related party issues are linked to transactions. The FASAB approach is to call the entity a related party if one party has the ability to influence financial and operating decisions. It is not linked to any particular transaction. Thus the use of the term by FASAB seems inconsistent with the use of the term in other professional pronouncements and we urge FASAB to utilize another term.</p> <p>b. The FMSB agrees with the list.</p> <p>c. The FMSB has no additions to suggest at this time.</p> <p>d. The FMSB has no comment.</p> <p>e. The FMSB has no comment.</p>
#32 NSB	<p>a. The National Science Board (NSB) fully supports the comments made by the National Science Foundation (NSF) on the subject of related parties. The NSB submits comments to highlight some specific points.</p> <p>The federal government has numerous relationships with private sector and non-profit entities. NSB agrees with FASAB that it is appropriate to focus disclosure requirements only on those relationships of “such significance to the reporting entity that it would be misleading to exclude information about them.” Paragraph A83, Appendix A, and paragraph 78.</p> <p>In paragraph 80, FASAB indicates that ‘significant influence’ may be exercised by representation on the board of directors or equivalent governing body of an entity. The NSB recommends that FASAB clarify the definition of ‘significant influence’ used in paragraphs 78 – 82 to make clear that Presidentially appointed or Congressionally confirmed individuals in collegial bodies that head agencies, and the institutions with which those individuals are affiliated, do not automatically have a related party relationship with that agency. The operation of the National Science Board is illustrative.</p> <p>The National Science Foundation by law consists of the National Science Board and a Director. 42 U.S.C. § 1861. There are 24 members of the NSB; they are appointed by the President. Board members are eminent in the fields of basic science, medical science, social science, engineering, agriculture, education, research management and public affairs. The NSB establishes the policies of NSF within the framework of applicable national policies set forth by the President and Congress. In this capacity, the NSB acts both strategically, in that it identifies issues that are critical to NSF’s future and approves NSF’s strategic budget directions, and in certain instances it acts operationally, by approving major new programs plus specified kinds of large grants and awards. There are typically fewer than 15 NSB-approved awards per year.</p> <p>NSB members may be affiliated with institutions such as universities where researchers are eligible to receive grants and awards from NSF. Individual NSF grant awards are made pursuant to a peer-review based process within NSF and the vast majority are not reviewed by the NSB. The NSB only reviews proposed awards that are</p>

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	<p>larger than a designated threshold or meet other specific criteria. Federal conflict of interest rules prohibit NSB members from participating in matters where they have a conflict of interest or there is an impartiality concern without prior authorization from the designated agency Ethics Official. Individual NSB members are not involved in the review or approval of any proposed grant awards to their affiliated institutions.</p> <p>NSB is concerned that the reference in paragraph 80 that significant interest lies in the power to participate in policy decisions may be interpreted too broadly in circumstances where agencies are headed by collegial bodies. This definition should be narrowed to distinguish between ‘strategic’ (high-level strategy and future direction) policy decisions, and ‘operational’ policy decisions, that is, day-to-day or transactional level policies. Strategic policy decisions do not have a direct influence on financial transactions and operating decisions and should not be determinative of the existence of a related party relationship. The NSB’s strategic policy decisions do not have a direct influence on the day-to-day or financial transactions of NSF. With regard to operational policy decisions, NSB members are regulated by government-wide conflict of interest rules designed to prevent federal employees from participating in matters where they have a conflict of interest or there is an impartiality concern.</p> <p>The NSB fully supports FASAB’s underlying goal of transparency in an agency’s financial statements. As a matter of course, NSF and NSB include information in the NSF Financial Statements about the NSB’s role in the Foundation and the total amount of grant awards that NSF made to NSB member-affiliated institutions in the reporting year. The yearly award totals from NSF to each member-affiliated institution are provided. In years when the NSB has approved a grant to a Board member-affiliated institution, that amount is provided as well. However, to assume a related party relationship between an NSB member and NSF, or between the NSB member’s affiliated institution and NSF, would itself be misleading to the public. It could imply the existence of the factors in paragraph 86, such as the ability to cause the agency to enter in transactions on different terms or conditions that those available to unrelated parties (paragraph 86.c). As explained above, this is not the case with the NSB.</p> <p>Thus, the NSB recommends clarification of the definition of ‘significant influence’ paragraphs 78 – 82 to make clear that Presidentially appointed or Congressionally confirmed individuals in collegial bodies that head agencies, and institutions with which those individuals are affiliated, do not automatically have a related party relationship with that agency. This appears to be the intent of paragraph 84.c, but for avoidance of doubt NSB and NSF recommend the changes below.</p> <p>Paragraph 80 – The current reference to policy decisions should be narrowed to distinguish between “operational” (day-to-day, transactional level) and “strategic” (high level strategy and direction) policy decisions. As noted above, strategic policy decisions do not have a direct influence on financial transactions and operating decisions and should not be determinative of the existence of related party relationships. NSF suggests adding the language from paragraph 79 to the first sentence of paragraph 80 to clarify the intent: “Significant influence (for the purpose of this Statement) is the power to participate in the financial and operating policy decisions of an entity, but</p>
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	<p>not control those policies.”</p> <p>Paragraph 84 – Paragraph 84.c indicates that “key executives of the federal government and organizations owned or managed by key executives, other employees of the federal government, or members of their families” should be excluded from the related party definition. NSF suggests that FASAB explicitly add “Including Presidentially appointed agency board members” to the list of exclusions. Alternatively, paragraph 84.b could be expanded to state “This exclusion also applies to management and board members of institutions that jointly serve on the board of a federal agency. This occurrence does not automatically result in a related party relationship between the federal government and the individual or the federal government and the affiliated institution.”</p> <p>Furthermore, NSF requests that FASAB add the term “that may or may not” to paragraph 84.b as indicated below:</p> <p>“Organizations with which the federal government transacts a significant volume of business that may or may not result in economic dependence such as....”</p> <p>b. NO NSB COMMENT</p> <p>c. NO NSB COMMENT</p> <p>d. As noted above, NSB suggests that FASAB explicitly add in 84.c “Presidentially appointed agency board members” to the list of exclusions. Alternatively, paragraph 84.b could be expanded to state “This exclusion also applies to management and board members of institutions that jointly serve on the board of a federal agency. This occurrence does not result in a related party relationship between the federal government and the individual or the federal government and the affiliated institution.”</p> <p>NSB requests that FASAB add the term “that may or may not” to paragraph 84b as indicated below:</p> <p>“Organizations with which the federal government transacts a significant volume of business that may or may not result in economic dependence such as....”</p> <p>e. As noted in response Q.7.d above, NSB suggests that FASAB explicitly add “presidentially appointed agency board members” to the list of exclusions.</p>
<p>#33 Treasury Bureau of Fiscal Service (FMS)</p>	<p>a. Agree – significant control should be the overriding factor for identifying a related party</p> <p>b. Agree – the ability to manage or control activities is the driving factor for these two conditions</p>

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	<p>c. No</p> <p>d. Yes – the exclusions do not represent factors related to control; (b) relates to concentrations of risk, (c) relates to family members but neither of these exemplifies control</p> <p>e. No</p>
#34 NRC CFO	<p>a. Agree.</p> <p>b. Agree.</p> <p>c. Disclosures should also include business entities and key individuals residing outside the United States for the purposes of conducting international business.</p> <p>d. Agree; educational institutions, state and local governments, and foreign governments should be excluded.</p> <p>e. No.</p>
#35 FAF	No Response
#36 Treasury CFO	<p>a. : Agree. While we generally agree with the related party definition (paragraph 12) and requirements (paragraphs 78-87), the standard does not appear to provide a clear distinction between the characteristics of a related party and those of a disclosure organization meeting the "misleading to exclude" inclusion principle. More specifically, it could be interpreted that a disclosure entity meeting the "misleading to exclude" inclusion principle is a related party and therefore could be disclosed under the requirements of either a disclosure entity or related party. Thus, the section "misleading to exclude" should not be placed as a "catch-all" for the inclusion principle (paragraphs 35 and 36), and then again in paragraphs 78-79 in referring to related parties. Instead, entities not meeting the "Budget", "Ownership", and "Control" inclusion criteria should then be considered for disclosure as a "related party" if too misleading to exclude. Also see related comments and recommendations in our response to Q1(c) and Addendum A.</p> <p>b. Agree with one minor exception. The federal government is party to certain multi-lateral development banks where it does not have significant influence. Paragraph 83(b) should therefore be amended to read "(for example, certain multi-lateral development banks)."</p> <p>c. No. We did not identify any missing types of organizations.</p> <p>d. No. We did not identify any additional exclusion that should be considered.</p>
#37 Smithsonian Institute CFO	No response

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QUESTION 8	
<p>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.</p> <p>Do you agree or disagree with the conforming changes to SFFAC 2? Please provide the rationale for your answer.</p>	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	Agree with the conforming changes to SFFAC 2.
#4 Postal Service- OIG	No response
#5 SIPC	No response
#6 DOC CFO	The Department of Commerce agrees with the conforming changes to SFFAC. While SFFAC 2 will remain the overarching concept for the GPFFR, this standard will refine the GPFFR to make the information more complete and result in better reporting for the government-wide GPFFR and the component GPFFRs. Not having these changes would result in overlapping guidance with conflicting criteria.
#7 SSA CFO	We agree with the conforming changes to SFFAC 2 as the language concerning the criteria for determining what

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	organizations are required to be included in a Federal reporting entity’s GPFFR will now be included in this Standard.
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	<p>Comments related to Amendments to SFFAC 2, Entity and Display (Appendix 4 VII)</p> <p>a. As a result of the number of changes that the ED requires for SFFAC 2, we recommend that the Board consider the need to re-evaluate SFFAC 2 in totality and consider a complete revision to SFFAC 2 outside of the required changes resulting from the ED.</p> <p>b. Paragraph 91 – The new paragraph (6a) to be included within SFFAC 2 uses the term “accountability.” We believe this should state “financial accountability” to agree with paragraph 38 of SFFAC 2, which uses the term “financial accountability.” This suggestion may require additional edits to SFFAC 2 if there is inconsistent use of “accountability” versus “financial accountability.”</p> <p>c. Paragraph 93 – We provide the following suggested revision to the paragraph 10 replacement to SFFAC 2:</p> <p style="padding-left: 40px;">Ensure information at each reporting entity includes information about all relevant organizations to support financial accountability by identifying organizations that are in the budget or controlled with risk of loss or expectation of benefit.</p> <p>d. Paragraph 94 – We suggest eliminating part of the last sentence to the revised paragraph 38 to SFFAS 2, which includes the concept of misleading to exclude.</p> <p>e. Paragraphs 99-100 – We do not believe that the information related to distinguishing between consolidated and disclosure organizations is necessary to be included in a concept statement.</p>
#10 Treasury OIG	If changes are made to the Exposure Draft to implement our response to question 5 above, the rescission of paragraph 78 of SFFAC 2, proposed in paragraph 101 of this Exposure Draft, would need to be revisited. We have no comment on other conforming changes to SFFAC 2.
#11 HUD CFO	<p>HUD agrees with the conforming changes to SFFAC 2. Most of the conforming changes are rescissions that result from movement of criteria for determining what organizations are required to be included in the federal reporting entity’s GPFFR from a concepts statement to standards statement.</p> <p>SFFAC 2 is being amended to ensure that concepts provide a framework for standards-setting but do not themselves establish standards by listing specific exclusions.</p>
#12 TVA CFO	No response

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#13 NASA CFO	NASA agrees with the conforming changes, with the exception of item noted in our previous responses: Paragraph 94: The Statement should provide clarity on the criteria for the term “misleading”.
#14 Department of Homeland Security CFO	Agree, inclusion of organizations that the federal government owns, controls, with risk of loss or expectation of benefits, fits within the objective of accountability for financial reporting purposes.
#15 Nuclear Regulatory Commission OIG	I agree with the conforming changes. The changes appear to be necessary to make SFFAC 2 and SFFAC 34 language agree.
# 16 Federal Reserve System	No response
#17 TVA OIG	No Response
#18 DOD CFO	Agree. The changes made to SFFAC 2 are consistent with the Exposure Draft guidance.
#19 Commodity Credit Corporation CFO	Agree. The SFFAC 2 should reflect the same reporting decision criteria outline in the standard.
#20 Joseph H. Marren	No response
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	The conforming changes should be made to SFFAC 2 since what is required for inclusion in an entities’ GPFRR will now be in a Statement of Federal Financial Accounting Standards (SFFAS). The SFFAS’ have a higher priority than the concept statements in the Federal accounting hierarchy.
#23 SEC CFO	Disagree. The proposed standard would rescind paragraph 42 of SFFAC 2 and replace it with what the SEC believes to be a narrower definition of a non-federal entity. Paragraph 42 of SFFAC 2 states that: “This does not mean, however, that an appropriation that finances a subsidy to a non-Federal entity would, by itself, require the recipient to be included in the financial statements of the organization or program that expends the appropriation.” However, paragraphs 22 and 39 and footnote 11 of the ED refer to federal financial assistance as defined by the Single Audit Act; this implies that organizations must be subject to the Single Audit Act in order to qualify for the exemption currently in paragraph 42 of SFFAC 2.

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	<p>Also, the SEC disagrees with inconsistent use of the terms “organization” and “entity.” For example, in this ED, the terms “consolidation entity” and “disclosure organization” are used. However, in paragraph 100 of the ED, proposed new paragraph 53A refers to the federal governments as an “organization” and proposed new paragraph 53B uses the term “disclosure entity.” (This was also noted in SEC response to Q1b and Q2a.)</p> <p>SEC Recommendation:</p> <p>The SEC recommends that paragraphs 22 and 39 be deleted and that being “in the budget” should be included only a one indicator of control. The passage referring to non-federal entities listed in the budget should retain the same language as paragraph 42 of SFFAC 2.</p> <p>Also, to address inconsistent use of the terms “entity” and “organization,” the term “organization” should be used consistently throughout the document, including conforming changes to SFFAC 2, for everything except for references to a primary federal reporting entity (government-wide or component level) that would be reporting on an organization.</p>
#24 DOL OIG	We agree with the conforming changes.
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	It is agreed that conforming changes to the 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 are necessary for the reasons stated.
#27 GWSCPA FISC	The FISC agrees with the conforming changes to SFFAC 2.
#28 Joyce Dillard	<p>You state:</p> <p>89. Paragraph 2 is replaced with the following paragraph which describes the amended purpose and contents of the Statement.</p> <p style="padding-left: 40px;">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</p>

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	<p>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).</p> <p>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.</p>
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>We agree the conforming changes to SFFAC 2 relating to rescissions and additions based on the explanations provided in paragraphs 88-101. Rescissions appear to be justified based on the explanations provided in the Exposure Draft. There are two newly added paragraphs, the first of which relates the financial reporting objective of accountability to that of the reporting entity, and the second of which (containing subparagraphs 53A-53E) provides a more detailed distinction between consolidation entities and disclosure organizations.</p> <p>The remaining changes described are either amendments or replacements. The document does not specify what was replaced and/or why it was replaced. We would recommend that the document specify this information to provide the reader with FASAB’s rationale for the proposed change.</p> <p>FASAB should consider providing more specific guidance related to the material differences before rescinding paragraph 78.</p>
#31 AGA FMSB	The FMSB agrees with the conforming changes to SFFAC 2.
#32 NSB	No response
#33 Treasury Bureau of Fiscal Service (FMS)	Agree – the changes give proper consideration to the effects of implementing this exposure draft
#34 NRC CFO	Agree.
#35 FAF	No Response
#36 Treasury CFO	Agree. We generally agree that conforming changes to SFFAC 2 are appropriate and necessary since, without these changes, there is a risk that federal agencies will erroneously follow the original guidance in the SFFAC and miss the guidance in the new standard. However, due to the significant number of changes that are proposed to SFFAC 2, the Board should give consideration to superseding the provisions of SFFAC 2 in their

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	entirety with this ED, or alternatively completely revising SFFAC 2.
#37 Smithsonian Institute CFO	No response

QUESTION 9

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.

#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	Agree with this effective date.
#4 Postal Service-	No response

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OIG	
#5 SIPC	No response
#6 DOC CFO	The Department of Commerce agrees with the effective date being for periods after September 30, 2016. We believe it provides ample time for agencies to implement, including the preparation of data systems and the identification of consolidation entities and disclosure organizations.
#7 SSA CFO	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.
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	We do not agree with allowing for early implementation, because it would lead to inconsistent reporting across federal reporting entities. We suggest stating that early implementation is not permitted.
#10 Treasury OIG	No Response
#11 HUD CFO	HUD agrees with this effective date. It is the beginning of federal government fiscal year.
#12 TVA CFO	No response
#13 NASA CFO	NASA agrees with this effective date as long as technical guidance on the accounting treatment of implementing this requirement is provided prior to the effective date to include guidance related to tie points between budgetary and proprietary accounts and specifying which reports are required when FASB entities are consolidated with FASAB entities.
#14 Department of Homeland Security CFO	Agree
#15 Nuclear Regulatory Commission OIG	I agree.
# 16 Federal Reserve System	No response
#17 TVA OIG	No Response

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#18 DOD CFO	Agree. The effective date seems reasonable to allow Component Reporting Entities to fulfill these requirements and update their accounting systems.
#19 Commodity Credit Corporation CFO	Disagree. The change should be further out into the future to allow agencies to complete the necessary analytics and incorporate reporting changes. We would suggest agencies complete the information for FY17, with comparative presentation in FY18 financial statements.
#20 Joseph H. Marren	No response
#21 HUD OIG	We support the Board's position on questions 1 – 4 and 6-11
#22 HHS OIG	The effective date for the new Statement and Amendments to SFFAS 2 appears reasonable. This implementation date should give preparers and auditors of component and government-wide GPFFRs enough time to account or make any changes needed for reporting under the new statement.
#23 SEC CFO	Agree, provided that the SEC's concerns in Q1, Q3, and Q5 are addressed.
#24 DOL OIG	We agree with the proposed effective date.
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	GSA agree that the effective date, which is well over two years from now, should give reporting entities sufficient time to prepare for these new guidelines and requirements.
#27 GWSCPA FISC	The FISC suggests that the Board take an iterative step before full implementation of this ED. This Standard has the potential for some far-reaching consequences that may not be envisioned in deliberations during this limited comment period. We suggest that the Board consider an expanded comment period for implementation challenges, and/or allow the preparer community additional time to consider whether the consequences of this ED may result in unintended legal or political challenges.
#28 Joyce Dillard	No, it should be sooner. Political campaigns years should not be influential in these decisions. The year 2016 is a Presidential Election Year.
#29 DOL CFO	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

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	coordination more difficult and that reporting entities may be better served by a date certain for implementation.
#30 Intelligence Community	We agree the effective date gives entities adequate time to implement the new standard.
#31 AGA FMSB	The FMSB agrees with the effective date.
#32 NSB	No response
#33 Treasury Bureau of Fiscal Service (FMS)	Agree – the proposed date gives agencies an opportunity for the Board to consider reviewer responses, to effect any changes, roll out the new standard and for agencies to assess the impact as a Reporting Entity. It also provides the opportunity for early implementation.
#34 NRC CFO	Agree.
#35 FAF	No Response
#36 Treasury CFO	Agree. The proposed effective date seems reasonable as long as changes in reporting entity, if applicable, follow the past practice that these types of changes are not retroactively restated in comparative statements.
#37 Smithsonian Institute CFO	No response

QUESTION 10

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.

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<p>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.</p>	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	<p>a. Agree the appendices are helpful in the application of the proposed standards.</p> <p>b. Yes. The guidance will assist entities in adopting the new standard.</p> <p>c. No. The summary chart in Appendix C appears to be excellent.</p>
#4 Postal Service- OIG	No response
#5 SIPC	No response
#6 DOC CFO	<p>a. The Department of Commerce agrees that the appendices are helpful in multiple ways. Seeing these examples, especially the inclusion principle illustrations in appendices B and C, allows you to understand how to apply the standard in a variety of situations. The appendices also provide good resource information to support the paragraphs in the body of the standard.</p> <p>b. The Department of Commerce believes that the appendices should remain after the statement is issued, because they assist in understanding and applying the standard.</p> <p>c. The Department of Commerce does not believe that any changes or additional examples are needed in the illustrations to understand the application of the standards.</p>
#7 SSA CFO	<p>a. 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.</p>

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	<p>b. 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.</p> <p>c. 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.</p>
#8 NSF CFO	<p>a. NO NSF COMMENT</p> <p>b. Yes – the illustrative scenarios in particular help the reader to understand FASAB’s intended application of each definition.</p> <p>c. NSF, and presumably other agencies with Boards such as the Nuclear Regulatory Commission and Federal Communications Commission, would benefit from a related party scenario involving agency Board members. The scenario should involve a federal agency with a board of directors that approves strategic and high level budget decisions. A board member with an administrative or professor role at a collegial institution, or that serves in a management capacity at a not-for-profit organization should be included. The illustration should indicate that the agency does not have a related party relationship with the board member or the institution/organization with which the board member is affiliated. NSF is open to providing the board with scenario details if desired.</p>
# 9 KPMG	<p>KPMG provided a Revised Flowchart for consideration, see letter.</p> <p>We did not review the illustrations provided in Appendix C for consistent application of the principles included within the statement because we believe these examples will become requirements and replace the application of the principles. As a result, we suggest removing Appendix C. If this removal causes concern because the examples provide important guidance, consider whether additional guidance should be added to the Principles and Characteristics section. (Appendix 4, V)</p>
#10 Treasury OIG	<p>a. We agree that the appendices are helpful in the application of the proposed standard.</p> <p>b. Yes, We believe the appendices should remain after the Statement is issued.</p> <p>c. We have no suggested changes or additional examples that would be useful in understanding the application of the standards.</p>
#11 HUD CFO	<p>a. HUD agrees that the flowcharts and illustrations are useful in understanding the application of the standards.</p> <p>b. HUD believes the appendices should remain after the Statement is issued.</p> <p>c. HUD believes that the illustrations are adequate for understanding the application of this standard.</p>
#12 TVA CFO	No response

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#13 NASA CFO	<p>a. NASA agrees. The appendices provided insight on the Board’s objectives and concerns, which facilitated understanding the proposed standard in the Statement.</p> <p>b. NASA agrees. The appendices will provide clarity on the background of the Statement standards and its applicability to various types of organizations.</p> <p>c. NASA does not recommend additional examples.</p>
#14 Department of Homeland Security CFO	<p>a. Agree</p> <p>b. Yes</p>
#15 Nuclear Regulatory Commission OIG	<p>a. I agree the appendices are very helpful.</p> <p>b. I believe the appendices should be part of the Statement after it is issued. Since these are tools to apply the Statement, they should remain.</p> <p>c. I do not have any changes or additional examples regarding the illustrations. I think they provide good examples for guidance of how to apply the Statement.</p>
# 16 Federal Reserve System	No response
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Agree. The examples provided help demonstrate the inclusion principles out lined in the exposure draft, as well as the four attributes that distinguish what to consolidate or disclose. The flowchart summarizes the standard in a clear and concise way. “A picture is worth a thousand words.”</p> <p>b. Agree. The guidance will assist Component Reporting Entities in adopting the new standard.</p> <p>c. No changes at this time. The examples provided are helpful, they should not be considered all encompassing.</p>
#19 Commodity Credit Corporation CFO	<p>a. Agree—all of the appendices provide clarifying guidance. The decision flowchart will clearly aid reporting entities in the determination of inclusion and presentation.</p> <p>b. Yes</p> <p>c. None at this time.</p>
#20 Joseph H.	No response

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Marren	
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	<p>a. The appendices were extremely helpful in defining how to apply the proposed standards. The flowchart in Appendix B is also extremely helpful in showing support for the illustrations described in Appendix C.</p> <p>b. The appendices should remain in the Statement when issued by FASAB. They are especially helpful to those who have limited experience in Federal financial reporting.</p> <p>c. Not aware of any additional examples that would be useful in understanding the application of the standards</p>
#23 SEC CFO	<p>a. • Agree that Appendix B could be helpful, except for recommended edits described in response to Q 1c and as follows: The decision tree appears to indicate that all organizations in the budget must be consolidated, either by a component entity or in the government-wide financial statements. The text of the proposed standard and Q2 indicate that this is not accurate. Accordingly, Appendix B should be edited to more accurately reflect the proposed requirements.</p> <ul style="list-style-type: none"> • Disagree for Appendix C. <p>Reason: Appendix B, with the recommended edits described in response to Q1c, provides a summary decision tree that would be useful for preparers. The recommended edit is that the potential decision of “misleading to exclude” should be deleted. The rationale for this is explained in the SEC’s response to Q1c and Q3a.</p> <p>Appendix C does not provide useful implementation guidance because it does not explain which factors were selected as the deciding factors, and why. The explanations imply that factors not mentioned could have been the deciding factors. (Illustrative “tentative conclusions” in Appendix C generally stated that “Management determined and the auditor concurred that, based on the assumed facts and circumstances as well as other considerations not described in the illustration, it would not be misleading to [include/exclude] organization XX.”) For this reason, the illustrations in Appendix C do not provide useful implementation guidance.</p> <p>SEC Recommendation: Retain Appendix B (with recommended edits) but not Appendix C in the final standard.</p> <p>b. SEC Recommendation: Agree for Appendix B (with edit described in (a) above); Disagree for Appendix C. See response to Q10a for rationale.</p> <p>c. No. See explanation in response to Q10a above.</p> <p>SEC Recommendation: It would be impractical to change Appendix C so that each example spelled out the factor or factors that were considered decisive. Instead, Appendix C should not remain when the Statement is issued.</p>

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#24 DOL OIG	<p>a. The appendices would be very helpful in the application of the proposed standard.</p> <p>b. Yes, the appendices should remain as a part of the issued Statement.</p> <p>c. We identified not additional changes or additions to the examples.</p>
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	<p>a. The appendices provide some useful insight into application of the guidelines, but there are some inconsistencies in the examples, in the Commentator's opinion (see comments in Question 11 below). The guidelines serve to demonstrate how truly subjective this reporting requirement is, and how it can be anticipated that inconsistencies in application will be the norm for reporting disclosure organizations.</p> <p>b. GSA agrees that the appendices should remain as useful insight into application of the guidelines, but only after the examples goes through another review by independent parties to insure their consistency.</p> <p>c. See comments on 10a. above.</p>
#27 GWSCPA FISC	The FISC agrees with the appendices included the ED.
#28 Joyce Dillard	Yes, keep them in. The Board members are industry related, but the accountability is to the Public. Visual tools help as does color.
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>a. We agree Appendix B (Flowchart) is helpful in the application of the proposed standards as it provides a simplified depiction of the process, including decision trees, to enable the user to easily understand the thought process that applies to determining the appropriate composition of the reporting entity.</p> <p>We agree Appendix C (Illustration) is helpful in the application of the proposed standards because it provides detailed scenarios for control, ownership, budget inclusion and related parties, which serve to deepen the reader's understanding of the concepts presented in the standard.</p> <p>Although Appendix A was not referenced in this question, we believe this appendix is helpful in the application of the proposed standards as it provides the reader with FASAB's rationale for each proposed action in the standard.</p>

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	<p>b. We believe the appendices should remain after the Statement is issued for the reasons stated in Q10a.</p> <p>c. We do not believe there are any additional changes or examples needed.</p>
#31 AGA FMSB	<p>a. The FMSB agrees that the appendices are useful in applying the proposed standards.</p> <p>b. The FMSB believes the appendices should remain after the Statement is issued.</p> <p>c. The FMSB has no suggested changes.</p>
#32 NSB	<p>a. NO NSB COMMENT</p> <p>b. Yes – the illustrative scenarios in particular help the reader to understand FASAB’s intended application of each definition.</p> <p>c. NSF, and presumably other agencies with Boards such as the Nuclear Regulatory Commission, Federal Communications Commission, Federal Retirement Thrift Investment Board, and the Corporation for National and Community Service, would benefit from a related party scenario involving agency Board members. The scenario should involve a federal agency with a board of directors that approves strategic and high level budget decisions. A board member with an administrative or professorial role at a collegial institution, or that serves in a management capacity at a not-for-profit organization should be included. The illustration should indicate that the agency does not have a related party relationship with the board member or the institution/organization with which the board member is affiliated.</p>
#33 Treasury Bureau of Fiscal Service (FMS)	<p>a. Agree - Appendix B is a useful resource for organization considerations; Appendix C is useful in providing various examples.</p> <p>b. Yes</p> <p>c. Yes - The exposure draft does not provide clear guidance for the reporting entity’s financial statement presentation when it involves a consolidating entity (i.e. Is columnar presentation recommended or required that specifically identifies consolidation entities?) Are any updates necessary for OMB Circular A-136 or was consideration given to directing the reader to A-136 for sample presentation formats?</p>
#34 NRC CFO	<p>a. Agree.</p> <p>b. Disclosures should also include business entities and key individuals residing outside the United States for the purposes of conducting international business or for taxation.</p> <p>c. Yes, include the Judicial and Legislative branches of government in paragraphs A38 – A41.</p>
#35 FAF	No Response

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#36 Treasury CFO	<p>a. Agree. The appendices provide quick reference to pertinent sections.</p> <p>b. Yes. The appendices should remain after the Statement is issued as they provide quick reference to pertinent sections.</p> <p>c. Yes. See Addendum A, and responses to Q1(c) and Q7(a) above regarding proposed changes to the Flowchart in Appendix B. Additionally, an illustration that provides clarity in the application of the "administratively assigned" principles would also be a positive addition to the standard.</p>
#37 Smithsonian Institute CFO	No response

<p style="text-align: center;">QUESTION 11</p> <p>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.</p>	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	N/A
#4 Postal Service- OIG	No response
#5 SIPC	No response
#6 DOC CFO	The Department of Commerce is not aware of any other unique situations that should be addressed within this statement.

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#7 SSA CFO	We are not aware of any other unique situations that this Standard should address.
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	<p>We believe the statement should address how an organization should be consolidated if it appears in the budget in multiple locations. For example, the National Railroad Passenger Corporation (Amtrak) is included in the budget of the Department of Transportation and is also included as an Other Independent Agency (National Railroad Passenger Corporation Office of the Inspector General). (Appendix 4 II)</p> <p>We understand that certain equity investments currently are required by legislation to be accounted for in accordance with the Federal Credit Reform Act and normally follow the requirements of SFFAS 2, Accounting for Direct Loans and Loan Guarantees. As equity is an ownership interest, we believe that these equity investments could result in a majority ownership interest, which is considered an indicator of control and therefore would trigger the need to evaluate the organization against the Principles contained in the statement. This will cause a change in accounting principles, which we believe should be addressed by the statement (Appendix 4 III)</p> <p>The ED addresses the central banking system because of its uniqueness. We also believe that the Treasury General Fund should be addressed within the statement for the same reason. The consolidation of the Treasury General Fund would appear to be required based upon the application of the “control” principle, but the entity to which it should be consolidated should be specified within the statement. (Appendix 4 V1)</p>
#10 Treasury OIG	No response.
#11 HUD CFO	HUD believes that there are no other unique situations that should be addressed within this Statement.
#12 TVA CFO	No response
#13 NASA CFO	No response
#14 Department of Homeland Security CFO	Yes, when the government divests its ownership interest in an organization. How will comparative statements be prepared.
#15 Nuclear Regulatory Commission OIG	I am not aware of any unique situations that should be addressed within this Statement.

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# 16 Federal Reserve System	No response
#17 TVA OIG	No Response
#18 DOD CFO	No unique situations are noted, at this time.
#19 Commodity Credit Corporation CFO	Not aware of any at this time.
#20 Joseph H. Marren	No response
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11
#22 HHS OIG	Not aware of other unique standards that should addressed within this Statement.
#23 SEC CFO	<p>The proposed SFFAS lists a large number of indicators/factors both for and against inclusion, and for and against consolidation. As a result, considerable future resources will likely be expended as federal component entities and their auditors debate which factors should be considered decisive for a large number of organizations, most of which are immaterial for the government-wide GPFFR.</p> <p>The proposed standard indicates that legislation should not determine inclusion or exclusion (paragraph 4). It is difficult to imagine what could be more authoritative information on the nature of an organization than the legislation that established the organization or authorizes its activities. Entities carrying out governmental functions generally may do so only to the extent authorized by legislation. If the organization’s activities are beyond the scope authorized, that raises legal issues regarding governmental responsibility for its actions. Meanwhile, much larger organizations, such as most of the Legislative and Judicial branches of the federal government, are not included in the government-wide GPFFR. This material omission is not mentioned in the proposed standard; it is only mentioned in the Basis for Conclusions, which may or may not be retained in the final standard.</p> <p>The SEC also questions whether it is cost-beneficial for federal entities to expend increasingly scarce resources evaluating and defending decisions on the inclusion/exclusion of reporting on relatively immaterial organizations.</p> <p>SEC Recommendation:</p> <p>In order to avoid expending increasingly scarce resources addressing the pros and cons of reporting relatively</p>

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	<p>immaterial organizations, the SEC recommends a more cost-beneficial approach by making the following edits:</p> <p>(a) Moving the discussion of the Legislative and Judicial branches from the Basis for Conclusions in paragraph A13 to the Introduction, just before paragraph 4, and change “would” to “should,”</p> <p>(b) Incorporating existing paragraph 42 of SFFAC 2 into the proposed new SFFAS without change and without an added reference to the Single Audit Act as an indicator of control, and</p> <p>(c) Making paragraph 4 less biased toward inclusion of numerous immaterial organizations by deleting the following sentence:</p> <p>Even in cases where legislation indicates an organization is “not an agency or instrumentality” of the federal government, the organization should be assessed against the guidance contained in this Statement to determine whether it should be included in the reporting entity’s GPFFR..</p>
#24 DOL OIG	None.
#25 Administrative Office of the US Courts	No response
#26 GSA CFO	No comments
#27 GWSCPA FISC	Please see our responses to questions 2 & 7.
#28 Joyce Dillard	<p>The Judicial Branch is to hidden from the Public and it is part of the three-armed governance. They must be included.</p> <p>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.</p> <p>Yes, they may involve Local and State Government Agencies and Non-Profit Corporation hybrids.</p> <p>Public-Private Partnerships are formed to avoid public disclosure and oversight when it is time to rein the secrecy.</p>
#29 DOL CFO	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

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	<p>be disclosed.</p> <p>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.</p> <p>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.</p>
<p>#30 Intelligence Community</p>	<p>We believe an exception statement should also be added for the applicability to certain entities if application of this standard will be detrimental to national security.</p> <ul style="list-style-type: none"> • The proposed guidance does not include information pertaining to the disclosure of the consolidation policy in the GPFFR. It would be helpful to the user to understand the policy implemented to by each consolidating entity. The consolidation process will differ from organization to organization; therefore, providing stakeholders with information pertaining to the policies and methodologies employed could significantly enhance the users understanding of the financial reports. • The proposed guidance does not discuss differences in fiscal periods between the consolidating entity and the component entity. There are instances in which the fiscal periods may differ for some entities; therefore, the board should consider including guidance related to consolidating an entity with a fiscal period different than that of the consolidation entity. For example, a component entity may be required to prepare a set of financial statements for a period that corresponds with or closely approaches the fiscal period of the consolidation entity. • Presentation guidance for consolidating and/or combining financial statements is not provided in the statement. The board should consider the possible conflicts and interpretation differences among preparers and auditors of GPFFRs that could arise due to limited guidance between combining and consolidating and the

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	<p>process of presenting information in a uniform manner for users.</p> <ul style="list-style-type: none"> • The statement does not discuss principles and guidance related to combinations. Instances could arise in which a combination of ownerships or non-controlling interests is employed by the preparer. The board should address differences in consolidation and combinations of organizations in the financial statements and the disclosures, and the appropriate presentation that may not be provided in SFFAC No. 2 or SFFAS No. 34. • Deconsolidation principles and guidance are not provided in the statement (the reporting entity deconsolidating a consolidation entity as of the date the reporting entity no longer has majority ownership, exposure to significant benefits or losses, contractual agreement expires, etc.) Presentation requirements for deconsolidations are also not provided in the statement. The board should provide principles and guidance related to these matters since they are possible situations that may occur. • Majority ownership does not necessarily ascertain that an organization should be included as a consolidation entity or disclosure organization. The board should consider adding a paragraph to the statement providing guidance on a majority-owned entity that does not rest with the majority owner. For example, FAS 160/ABS 51, regarding subsidiaries and parent reporting entities, states that “a majority-owned entity shall not be consolidated if control does not rest with the majority owner if the entity is in legal reorganization or in bankruptcy or operates under foreign exchange restrictions, controls, or other governmentally imposed uncertainties so severe that they cast doubt on the parent’s ability to control the entity.” Similar scenarios and situations should be considered when evaluating the majority ownership of an organization from the perspective of the federal government because there are possible situations which may arise that prohibit the Federal Government from having control of the consolidated or disclosed entity. • A consolidating entity’s interest as the majority owner may change as a result of legal, regulatory, or financial difficulties, the consolidation entity may issue additional stock, which could alter the majority ownership position, purchase and/or sell ownership interests, and change a contractual agreement, which provides control over an entity. • The combination of several non-controlling interests could result in a potential risk, loss, or expected benefit to the federal government and could be more impactful than a majority ownership. The board should consider the impact of combining non-controlling interests and the way this information should be presented and disclosed.
#31 AGA FMSB	No response.
#32 NSB	No Response
#33 Treasury	<ul style="list-style-type: none"> • Should a reporting entity or the consolidating disclosure entity know or make known that another entity is

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Bureau of Fiscal Service (FMS)	<p>consolidating or disclosing information about the agency to avoid more than one agency reporting/disclosing the same entity? (The standard does not appear to assist agencies in determining substantial control if control resides with more than one federal agency.)</p> <ul style="list-style-type: none"> • How does Treasury intend to capture the information necessary to consolidate/disclose data without possibly duplicating consolidating reporting entity data that may be submitted by multiple federal agencies?
#34 NRC CFO	No.
#35 FAF	No Response
#36 Treasury CFO	No. We did not identify any other unique situation that should be addressed.
#37 Smithsonian Institute CFO	No response

QUESTION 12

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

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<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
#1 PBGC -Joint Response CFO & OIG	No response
# 2 Holocaust Memorial Museum- CFO	No response
#3 Office of Personnel Management - CFO	<p>a. Disagree with the alternative view that the proposed standards should not equate receiverships, conservatorships, and interventions with other disclosure organizations. Believe the proposed standards appropriately distinguish between consolidation entities and disclosure organizations including receiverships, conservatorships, and interventions resulting in ownership or control; as they are not consolidated into a federal reporting entity’s financial report, and the disclosure can use language to make it clear that they are not part of the Federal Government.</p> <p>b. Disagree with the alternative view. The proposed standards establish principles for when relationships with organizations create a need for accountability, and how information should be included in GPFFRs. This proposed Statement also addresses whether organizations are required to apply the GAAP hierarchy for federal reporting entities, and it was 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.</p>
#4 Postal Service- OIG	No response

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#5 SIPC	No response
#6 DOC CFO	<p>a. The Department of Commerce generally does not agree with the alternative view that the standards might infer that receiverships, conservatorships, and interventions are part of the federal government due to them being included in other disclosure organizations. Steps should be taken to highlight the temporary nature of these organizations in the disclosures, so they are not seen as permanent parts of the federal government.</p> <p>b. The Department of Commerce generally does not agree with the alternative view that guidance for all interventions should be presented in a single standard. Although a single standard would be easy to reference and may decrease the probability of misunderstanding the standards by providing one document, it seems unnecessary since interventions can be clearly presented in additional paragraphs. Future updates will be better accommodated through additional paragraphs, instead of completely replacing the existing standard(s) with a new one.</p>
#7 SSA CFO	<p>a. 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.</p> <p>b. 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.</p>
#8 NSF CFO	NO NSF COMMENT
# 9 KPMG	Paragraphs A89-A93 provide an alternative view as it relates to receiverships, conservatorships, and interventions. While we agree that receiverships, conservatorships, and interventions could be covered within a Risk Assumed statement as is suggested in the alternative view, we believe these types of relationships should remain within this statement, until at a later date it becomes apparent that an amendment to the statement is necessary to place these types of relationships in a separate statement related to other Risk Assumed matters. (Appendix 4 VIII f)
#10 Treasury OIG	No response.
#11 HUD CFO	<p>a. HUD does not agree with the alternative view that the proposed standard should not equate receiverships, conservatorships, and interventions with other disclosure organizations to avoid an inference that they are part of the Federal government. We believe that including these types of entities makes the standard more complete. Given that certain organizations were established in the private sector, carry out activities not intended to be performed by the federal government and are temporary, gives the impression that these entities are not part of the Federal government.</p> <p>b. HUD does not agree with the alternative view. We believe that one standard (i.e., this Exposure Draft)</p>

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	should cover all consolidation and disclosure entities in the GPFFR, including interventions, regardless of the type, to maintain consistency.
#12 TVA CFO	No response
#13 NASA CFO	NASA neither agrees nor disagrees with this statement.
#14 Department of Homeland Security CFO	<p>a. Disagree, if an organization meets one of the three inclusion principles it should be included in the GPFFR.</p> <p>b. Disagree, this exposure draft's proposed three inclusion principles meets the modern governmental and quasi-governmental arrangements that would also include receiverships, conservatorships, and/or interventions.</p>
#15 Nuclear Regulatory Commission OIG	<p>a. I disagree with the alternative view. I think receiverships, conservatorships, and interventions should be a part of the GPFFR if they meet the criteria of inclusion rules. I think the Statement clearly makes the distinction that disclosure entities are not required to apply the GAAP hierarchy for federal reporting entities.</p> <p>b. I disagree with the alternative view. I think interventions should be addressed in SFFAC 34 because they should be included in an entities GPFFR if they meet the inclusion rules. The financial risks associated with interventions should disclosed to the GPFFR users to provide them with the necessary information to make informed and sound business decisions.</p>
# 16 Federal Reserve System	No response
#17 TVA OIG	No Response
#18 DOD CFO	<p>a. Disagree. The proposed standard appropriately distinguishes between consolidation entities and disclosure entities, including receiverships, conservatorships, and interventions. The Federal Government assumes some risk in these endeavors and does exhibit some control. Therefore, these entities need to be included, but it is important that the disclosures clearly state that they are not part of the Federal Government. It is important for the Federal Government to be as transparent as possible, especially when it involves public funding. Additional explanation within the disclosure could emphasize the government's position.</p> <p>b. Disagree. This proposed standard attempts to establish which entities need to be included in the GPFFR. It also establishes which entities need to be consolidated and which entities need to be disclosed. Receiverships, conservatorships, and interventions need to be disclosed since they pose a potential risk to the Federal Government. Any additional guidance as to the proper accounting for these entities, or risks assumed, could be resident in another standard, but disclosure requirement are appropriately resident in this proposed standard.</p>

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#19 Commodity Credit Corporation CFO	<p>a. Disagree. While the inclusion of these organizations greatly broadens the scope—the disclosure of Government involvement in the organization management and financial actions provides the user of the statements significant information. The disclosure needs to be concise and not duplicate information reported.</p> <p>b. Disagree. The current statement is focused on the reporting entity—it should ensure that it is not in conflict with other statements or concept papers.</p>
#20 Joseph H. Marren	
#21 HUD OIG	We support the Board’s position on questions 1 – 4 and 6-11.
#22 HHS OIG	<p>a. The alternative view should not be considered based on the fact these are still disclosures organizations. All Federal reporting entities should disclose areas where the component reporting entities or the Federal government taken as whole would be at risk. Receiverships, conservatorships and interventions provide a great deal of risk for Federal agencies. Disclosure of these items helps report on actual financial condition of the Federal government.</p> <p>b. All requirements for reporting entities should be included in one single Statement of Federal Accounting Standards. Two different Statements of Federal Financial Accounting Standards that define potential reporting entities or disclosure organizations could create different interpretations and lead to inconsistent financial reporting.</p>
#23 SEC CFO	The SEC has no comment
#24 DOL OIG	<p>a. We believe the alternative view includes a number of valid points; however, we believe these can be addressed by the standard establishing a minimum level of disaggregation and disclosure of information for such entities. We do concur with the majority view that such entities should be included in the GPFFR. The proposed standard allows latitude as to presentation for disclosure entities and whether and how disclosure entities should be aggregated or reported separately (paragraphs 70 through 73 of the proposed standard, and A45 of Appendix A). Perhaps two broad classes of disclosure entities could be defined with the requirement for separate reporting and minimum level of disclosure in the GPFFR. This may help address the concerns raised in the alternative view, which we share.</p> <p>b. A separate standard on interventions may be appropriate for other purposes; however, the standard on the reporting entity should provide complete guidance on determining what constitutes the reporting entity and stand on its own.</p>
#25	No response

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Administrative Office of the US Courts	
#26 GSA CFO	<p>a. GSA disagrees with the alternate view. It is pointed out that Mr. Steinburg's position is that the organizations in question were established in the private sector and they carry out activities not intended to be performed by the federal government, and that equating them with other disclosure organizations could be viewed as a broadening of the reach of the federal government into the private sector. GSA not only believes that equating these bailout entities with other disclosure organizations could be viewed as a broadening of the reach of the federal government, but that is in fact exactly what happened. It is not a view - it is a fact. The real question is how such dramatic interference into operations of the private sector could ever possibly be legal. When the government owns something, it is part of the federal government by definition. There is no avoidance of that fact.</p> <p>b. GSA sees no problem with disclosing the information as a separate standard as long as it is fully disclosed and is fully accounted for as part of the assets and liabilities of the Federal government. More important to the subject at hand would be how to fully disclose the government's current and future potential liabilities in these areas.</p>
#27 GWSCPA FISC	<p>The FISC agrees with the Board Member's alternative view. Receiverships, conservatorships, and interventions are less than temporary in nature, and information related to the federal government's role in these organizations should be disclosed separately from the financial information included for disclosure organizations in the notes to the financial statements of the GPFFRs. We suggest that the disclosures for receiverships, conservatorships, and interventions be limited to the risk of loss or expectation of benefit associated with the federal government's temporary role in those organizations. We agree with the Board Member that presenting all of the financial information for receiverships, conservatorships, and interventions would give a false impression to the readers of the GPFFRs of the federal government's size and financial position.</p>
#28 Joyce Dillard	No response
#29 DOL CFO	No Comment
#30 Intelligence Community	<p>a. We agree 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. If these types of entities have a material relationship with the federal government, they should be disclosed, but there needs to be criteria developed to distinguish the reporting requirements for</p>

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	<p>these types of entities versus true disclosure entities per this standard. The proposed standards should establish specific terminology in order to refer to disclosure entities that are part of the federal government and disclosure entities that are not part of the federal government. The current definition and proposed language for disclosure entities could create unnecessary confusion regarding the type of relationship between a disclosed entity and the federal government, and between a receivership, intervention, or conservatorship (RIC) and the federal government. Disclosure organizations are categorized in the statement as (1) receiving limited or no funding from general tax revenues, (2) having less direct involvement, and influence, by the Congress and/or the President, (3) imposing limited risks and rewards on the federal government, and/or (4) are more likely to provide goods and services on a market basis. These requirements as well as those mentioned throughout the statement do not align with RICs due to</p> <ul style="list-style-type: none"> • the unique nature of their relationships with the federal government; • the government's exposure to significant loss or benefit; • the characteristics of RICs in relation to those of a typical disclosure organization; and • the high degree of influence by Congress and/or the President. <p>The board should consider differentiating between organizations required to be disclosed and a disclosure entity. RICs should be disclosed in the financial reports; however, based upon the statement they do not meet the qualification of disclosures organizations (i.e. an organization being disclosed does not necessary mean it's a disclosure organization). As a result, the board should consider developing separate distinctions and principles for RICs in order to segregate the characteristics and nature of disclose organizations from RICs.</p> <p>b. We agree a separate standard should be developed to capture and address all of the unique aspects of these types of entities. Guidance for all interventions should be presented in a single Statement of Federal Financial Accounting Standard in order to adequately discuss all situations and concerns that may arise related to interventions. The brief guidance provided in this proposed Statement of Federal Financial Accounting Standard does not capture all aspect of interventions; therefore, in order to effectively guide preparers on this subject matter a single standard should be established.</p>
#31 AGA FMSB	<p>No response, but staff notes in the general comments:</p> <p>Comments on Alternative Views in the Basis for Conclusion Section</p> <p>We have read the alternative views contained in paragraph A89 through A93 and we find that the views presented by Mr. Steinberg regarding the case of receivership, conservatorships and interventions are compelling. Although we are disappointed that the FASAB chose to omit these from the current project, we agree with Mr. Steinberg that these issues must be considered in the risk assumed project. In our letter of comments regarding the FMSB's latest three year plan, we had suggested that these projects be combined or</p>

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	operated on parallel tracks as there are interrelated issues that must be considered.
#32 NSB	No Response
#33 Treasury Bureau of Fiscal Service (FMS)	<p>a. Disagree – One purpose of financial statement disclosure is to provide relevant information to assist the reader in interpreting unique relationships between federal entities and/or federal/non-federal entities and why/how those relationships were formed and the extent to which they exist; resulting receivables/payables and operating activities that exist between the entities should be appropriately disclosed</p> <p>b. Disagree – I believe one standard focusing on the “Reporting Entity” is capable of addressing consolidating entities as well as disclosure organizations. Due to the short term nature of interventions, a separate standard could easily be disregarded by a reporting entity as it considers the impact of consolidation only, giving little or no consideration to interventions due to their infrequency of occurrence</p>
#34 NRC CFO	<p>a. Agree.</p> <p>b. No, a separate standard does not seem necessary and exceptions should be included within the single standard.</p>
#35 FAF	No Response
#36 Treasury CFO	<p>a. Disagree. The criteria proposed in the ED seem clear enough that a reader would not infer that receiverships, conservatorships, and interventions are part of the federal government.</p> <p>b. Disagree. One standard focusing on the “reporting entity” is capable of addressing consolidation and disclosure entities. Due to the short-term nature of interventions, a separate standard would only require the same disclosures as are being proposed in this standard for disclosure entities, thereby creating unnecessary duplication.</p>
#37 Smithsonian Institute CFO	No response

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D. Listing Of Additional Comments from Respondents

<u>Respondent</u>	<u>Comment</u>
KPMG # 9	<p><i>General Structure</i></p> <p>The statement should be divided into two sections – Principles and Characteristics and Presentation Requirements.</p> <p>Should present principles for consolidation or disclosure at both the government-wide and component reporting entity level.</p> <p>It should be clear that the principles apply to both the government-wide and component reporting entity level.</p> <p>As noted in paragraph 13 of the ED, SFFAC 2 (paragraph 38) uses the term “financial accountability;” therefore, we suggest that the term “accountability” be replaced with “financial accountability” throughout the statement. In addition, the term “financial accountability” should be added to the definitions section.</p> <p>In conjunction with our suggested removal of “inclusion entity” and the resulting simplification of the statement, our suggested revision of paragraph 1 is as follows:</p> <p style="padding-left: 40px;">The federal government and its relationships with organizations have become increasingly complex. Notwithstanding these complexities, general purpose federal financial reports (GPFFR) for the government-wide reporting entity should be broad enough to reflect the financial accountability of Congress and/or the President for those organizations. In addition, component reporting entity GPFFRs should allow the Congress and/or the President to hold management accountable. Although Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display, addresses identifying reporting entities and criteria for including components in a reporting entity, questions have continued in this area indicating the need for standards. Standards that can be used to identify organizations to be consolidated and/or disclosed in the GPFFR of the government-wide reporting entity and each component reporting entity are important to meet federal financial reporting objectives.</p> <p>Based on our suggestion to divide the statement into two main sections – Principles and Characteristics and Presentation Requirements, we provide the following suggested revision for paragraph 2, which also includes information from paragraph 3, thereby eliminating paragraph 3:</p> <p style="padding-left: 40px;">This Statement guides preparers of GPFFRs in determining what organizations should be consolidated and/or disclosed in the reporting entity’s GPFFR as well as the presentation requirements related to consolidated and disclosure organizations. This statement also provides guidance on identifying and disclosing related parties. This guidance,</p>

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	<p>together with existing guidance, will ensure that users of GPFFRs are provided with comprehensive financial information about federal reporting entities so that the federal financial reporting objectives are met.</p> <p>Paragraph 4 provides useful guidance for evaluating control. We suggest that it be moved to that section of the statement.</p> <p>As suggested in the general structure, we recommend placing the information included in paragraphs 13-19 (Organizational Approach) within the Purpose section of the statement. Paragraphs 13 and 14 would follow paragraph 3, and paragraphs 15-17 and 19 would be combined into one paragraph as follows:</p> <p>This statement:</p> <ul style="list-style-type: none">• establishes the principles for identifying organizations to consolidate or disclose within the government-wide and/or component reporting entity;• provides the presentation requirements related to consolidated and disclosure organizations; and• provides guidance for identifying related parties and the disclosure requirements for such relationships. <p>If the statement will separately discuss the central banking system, the information from paragraph 18 should be included in this section.</p> <p><i>Scope and Applicability</i></p> <p>a. Paragraph 6 states, “This statement applies to federal reporting entities that prepare GPFFR in conformance with GAAP as defined by SFFAS 34.” GAAP as defined by SFFAS 34 includes FASB standards for those federal reporting entities that have historically prepared financial statements in accordance with FASB standards. The FASB Accounting Standards Codification contains standards for consolidation. The scope paragraph implies that federal reporting entities that follow FASB, as allowed by FASAB 34, would need to follow this statement for consolidation. In doing so, a federal FASB entity would no longer report in accordance with FASB standards as related to consolidation. Therefore, we suggest that this conflict be resolved.</p> <p>Paragraph 7 of the scope should be revised as follows:</p> <p style="padding-left: 40px;">The purpose of this statement is to enable federal reporting entities preparing and issuing GPFFRs to determine what organizations should</p>
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	<p>Be consolidated or disclosed in its GPFFR and to determine the presentation requirements for consolidated and/or disclosure organizations.</p> <p><i>Definitions</i></p> <p>a. Throughout the ED and its footnotes, embedded definitions should be moved to the definition section.</p> <p>b. This section should include a definition for financial accountability.</p> <p>c. We do not believe that paragraph 9 is the definition of the government-wide reporting entity. It is a statement of what should be included in the financial statements of such an entity.</p> <p>d. The definitions of consolidated and disclosure organizations should be included in this section.</p> <p><i>Presentation</i></p> <p>We suggest the following revision to paragraph 64 to ensure consistency between the terms used in the Principles and Characteristics section and the Presentation Requirements section. We also note that the last sentence included in paragraph 64 provides a definition for the term “consolidation,” which we believe should be moved to the definitions section of the statement, and as a result it is not included in our suggestion revision.</p> <p>Consolidated financial statements should be prepared for the government as a whole to facilitate an assessment of the financial position of the federal government and the cost of operations financed by taxes and other non-exchange revenue. Component reporting entities should consolidate the financial information of all organizations identified through the application of the principles and related characteristics of a consolidated organization.</p> <p>The information presented in paragraphs A14 and A19 should be included in the statement as the paragraphs instead of the Basis for Conclusion.</p>
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KPMG #9	<p>OTHER COMMENTS on BfC</p> <p>Paragraph 1 states, “the government-wide reporting entity should be broad enough to reflect the Congress and/or President’s accountability for those organizations.” Paragraph A13 of the Basis for Conclusion states, “Although the legislative and judicial branches are not currently required to prepare financial statements, based on the principle (in the budget) those organizations would be reported upon in the government-wide report.” Without commenting on the accountability of each branch under the Separation of Powers included with the Constitution, we believe that the consolidation of the judicial branch would provide a more complete presentation of the financial position of the government-wide reporting entity. (Appendix 4 I)</p> <p>Paragraph A13 implies that the judicial branch should be consolidated in the government-wide GPPFR, although noting that the judicial branch is not currently required to prepare financial statements. Further, footnote 53 states that FASAB GAAP would be the appropriate accounting standards for these organizations to adopt to the extent they prepare GAAP-based financial statements. Therefore, if the judicial branch were to prepare GAAP-based financial statement, they should follow FASAB GAAP. This statement conflicts with SFFAC 1, paragraph 5, which states, “FASAB does not propose to recommend accounting concepts and standards for the Legislative and Judicial branches. (Appendix 4 VIIIa)</p> <p>The “Indicators of Control” in paragraphs A23-A27 is the order which we have suggested in the general structure. (Appendix 4 VIIIb)</p> <p>We suggest that the heading before paragraph A30 state, “Characteristics of Consolidated and Disclosure Organizations. (Appendix 4 VIIIc)</p> <p>Paragraph A41 implies that not all of the characteristics of a consolidated organization need to be met to be considered a consolidated organization; however, this should be clarified within the statement at paragraph 38. (Appendix 4 VIId)</p> <p>We find paragraph A84 to be confusing and do not understand why this statement should defer to OMB for additional disclosure requirements for related parties. We believe this statement should be all inclusive of the required related party disclosures or the Board should consider a separate standard to address related parties. (Appendix 4 VIIE)</p>
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STAFF SUMMARY OF RESPONSES – Table C

AGA FMSB #31	<p><u>Comments Regarding the Executive Summary Section</u></p> <p>We believe the language in the second paragraph of the Executive Summary should be clarified to make it clear to the reader that when the FASAB is discussing the matter of including organizations in the GPFFR, such inclusion could be as either a consolidating entity or a disclosure organization, dependent upon other considerations. This would help to join the first part of the determination with the second part of the determination. We also believe that the Executive Summary would be strengthened if it emphasized the intended temporary nature of a financial relationship as a key factor for determining if an entity is to be considered for consolidation or simply disclosure.</p> <p><u>Comments Regarding the Body of the Exposure Draft</u></p> <p>We believe that the body of the exposure draft is well organized and sufficiently detailed to provide guidance regarding the federal entity. Following are some concerns we had as a result of our review.</p> <p>Paragraph 25 – Part of the definition of the phrase “control with risk of loss or expectation of benefit” uses the phrase “... with the potential to be obligated to provide financial support or assume financial obligations or obtain financial resources or non-financial benefits.” We believe that FASAB needs to provide better guidance in this part to assist the preparer. The word “potential” has a fairly broad meaning and guidance should be provided on this matter. Would the preparer and auditor be expected to apply the same standards it might apply when measuring a contingency or do they expect a lesser standard of measurement to be used. We believe that this should be clarified.</p> <p>Paragraphs 27 and 28 – These paragraphs discuss issues of control and that control can be indicated by the federal government’s authority to determine or influence the policies governing activities. A concern discussed by members of the FMSB is that these paragraphs might justify the inclusion of information from certain states and/or localities in the GPFFR. Although, we believe that it is not the FASAB’s intent to include either a state or locality’s financial information in the GPFFR, clarity would be improved if this matter were addressed either directly or through a footnote.</p>
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STAFF SUMMARY OF RESPONSES – Table C

<p>AGA FMSB #31</p>	<p>Paragraph 31- The paragraph provides additional indicators of control that may exist and must be considered in the aggregate when reaching a decision as to whether an entity is or is not to be included in the GPFFR. Although we find parts of this paragraph useful we are also concerned that it may serve to confuse matters. When reviewing the list, we were able to identify many key indicators that might be associated with various federal programs that exist today, such as for Small Business Loan guarantees. While we do not believe it is the intent of the FASAB to include entities that have received such guarantees as a result of a routine federal program within the Federal Entity, this paragraph may lead to this debate. Perhaps the FASAB should add additional language to this paragraph to clarify matters on this issue.</p> <p>Paragraph 32 – This paragraph appears to be designed to reinforce the concept that regulatory control and economic dependency alone should not be the sole or dual factors that influence a decision to include an entity within the GPFFR. If this is its intent, we would suggest a more direct statement on this matter might be warranted as the term inferred is often confused with the term implied.</p> <p>Paragraphs 35 and 36 – We believe that these paragraphs should be expanded to provide some additional guidance for the preparer on the meaning of the terms “Misleading to Exclude”. While we recognize that this matter will certainly require the exercise of professional judgment, assistance should be provided. It might be expanded to note that factors that will influence the decisions will be made using both quantitative factors such as the Misleading to Exclude entity’s revenues versus the federal entity’s revenues and/or qualitative factors such as the extent to which the Misleading to Exclude entity’s operations are interchangeable with the federal entity’s operations in delivering services to the public.associiin reaching this decision. such as the Misleading to Exclude entity’s revenues versus the federal entity’s revenues and/or qualitative factors such as the extent to which the Misleading to Exclude entity’s operations are interchangeable with the federal entity’s operations in delivering services to the public.associiin reaching this decision.</p>
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Respondent	Comment
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AGA FMSB #31	<p>Paragraph 40 – This paragraph discusses the governance structure and that for consolidation entities the chain of command leads directly to elected officials. We would suggest that the FASAB include in this paragraph a statement that the judicial and legislative branches are included in the Federal Entity as stated in paragraph A13 of the Basis for Conclusions. This might avoid confusion regarding the chain of command issue to the user.</p> <p>Paragraph 87 – Paragraph 87 provides guidance regarding what should be disclosed once the determination is made that an entity is considered a related party. We believe that part 87.b. should be expanded to include information that discusses the fiscal interdependency of the related party to the federal funds in addition to information on the risks to the federal government. What represents a small risk or exposure to the federal government will generally present a significant risk to the related party. Such potential impacts should be disclosed relevant to related parties.</p> <p><u>Selected Terminology</u></p> <p>In reviewing the exposure draft we believe that the FASAB needs to reconsider the terminology selected to describe disclosure organizations. In the exposure draft, the FASAB has chosen the terms “consolidation entities” and “disclosure organizations” to distinguish between who shall have its financial information integrated into the GPFFR and who shall not have its financial information integrated into the face of the GPFFR but instead included in the notes to the GPFFR. We understand the need for such distinction but we are concerned that the term “disclosure organization” will cause confusion on two fronts. The general term disclosure is associated with a wide variety of issues, yet as used in this exposure draft it is now associated with the accounting for a very specific purpose. Likewise, we see the term “organization” used in place of the word entity, when speaking about organizations whose financial information will not be shown on the face of the GPFFR. Is an organization the same as an entity, but just handled differently? This can cause confusion.</p>
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AGA FMSB #31	<p>Reporting of Disclosure Organizations Financial Information</p> <p>The FASAB has provided that the financial information for disclosure organizations should be disclosed on an individual basis to the reader. The exposure draft's discussion, however, does not recognize the essential nature of the information available on such organizations. For example, information that can be presented in the form of a financial statement, and is "essential to understanding the financial position and results of operations" of the organization should be presented in that form, while information that helps in understanding such information should be presented in note form. Therefore, would it not be preferable to include the financial statement information about such organizations in one or more combining statements, with notes structured, as appropriate for each separately presented organizations. Structurally, this would be similar to how "discretely presented component units" are reported for state and local governments—even to the point of presenting the consolidation of all "disclosure organizations" in a single column beside the sum of all of the "consolidation entities." We think that such a presentation would be more readily understood by stakeholders than what might otherwise be a string of separate notes for each disclosure organizations. This would enhance the reader's ability to understand the full financial impacts.</p> <p>Comments on Alternative Views in the Basis for Conclusion Section</p> <p>We have read the alternative views contained in paragraph A89 through A93 and we find that the views presented by Mr. Steinberg regarding the case of receivership, conservatorships and interventions are compelling. Although we are disappointed that the FASAB chose to omit these from the current project, we agree with Mr. Steinberg that these issues must be considered in the risk assumed project. In our letter of comments regarding the FMSB's latest three year plan, we had suggested that these projects be combined or operated on parallel tracks as there are interrelated issues that must be considered.</p>
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STAFF SUMMARY OF RESPONSES – Table C

Respondent	Comment
<p>#30 Intelligence Community</p>	<p><u>Section: PRINCIPLES FOR INCLUSION IN THE GOVERNMENT-WIDE GPFFR</u></p> <p>Page 14, Line 21</p> <p>Suggestion: Recommend removing footnote 10 and including this verbiage directly in line 21.</p> <p>Rational: Provide more clarity without requiring the reader to refer to footnotes, similar to verbiage in line 24 on page 15.</p> <p><u>Section: SITUATION WHERE CONTROL DOES NOT EXIST</u></p> <p>Page 17, Line 32</p> <p>Suggestion: (U) A blanket statement that control does not exist when the organization is economically dependent upon the federal government is unrealistic to a reasonable person; (i.e., the "power of the purse") the presumption should be that there is an ability to influence/control the behaviors of the recipients even when not specifically called out in an agreement -- though it might not be true in all cases and reasonable judgment would be required.</p> <p><u>Section: RECEIVERSHIPS AND CONSERATORSHIPS</u></p> <p>Page 21, Line 49</p> <p>Suggestion: The Basis for Conclusions related to receiverships and conservatorships appears to provide a judgmental conclusion on how to report these organizations, which is not consistent with terminology reflected in the body of the exposure draft.</p> <p>Rational: Line 49 indicates that "Organizations controlled or owned through receiverships or conservatorships are likely to be disclosure organizations." However, in Appendix A, line A48, the basis for conclusion indicates "... such controlled or owned organizations would be disclosure organizations...."</p>

STAFF SUMMARY OF RESPONSES – Table C

Respondent	Comment
<p>#30 Intelligence Community</p>	<p><u>Sections: RECEIVERSHIPS AND CONSERVATORSHIPS & FEDERAL GOVERNMENT INTERVENTION ACTIONS RESULTING IN CONTROL OR OWNERSHIP</u> Page 21, Lines 49-53 Suggestion: Segregating receiverships and conservatorships separately from other Federal Government Intervention Actions Resulting in Control or Ownership may not be necessary. Information included in lines 50-53 could be applied to receiverships and conservatorships to conclude on disclosure requirements. Rational: Note 20 indicates the difference between the two is that receivership and conservatorship activities are considered part of the mission of the federal reporting entity. However, agencies such as TARP were established with the mission to temporarily oversee/assist financial institutions back to safe and sound conditions as part of an economic intervention activity, similar to FHFA's mission to temporarily assist Fannie Mae/Freddie Mac (referred to as receiverships and conservatorships).</p> <p><u>Section: SCOPE OF BUDGET PROCESS</u> Page 23, Line 58.b Suggestion: Recommend editing - b. inclusion in an organization's published organization chart -- may be an indicator but not necessarily evidence of a particular type of relationship; there is no substance to that particular criteria upon which to base a decision.</p> <p><u>Section: ACCOUNTABILITY ESTABLISHED WITHIN A COMPONENT REPORTING ENTITY</u> Page 24, Line 60 Suggestion: Line 60 appears to have an error. Instead of: "If a disclosure organization has not been administratively assigned to a consolidation entity...." should it state: "If a disclosure organization has not been administratively assigned to a component reporting entity...." Rationale: Section 58-60 refers to accountability for component reporting entities.</p>

STAFF SUMMARY OF RESPONSES – Table C

Respondent	Comment
<p>#30 Intelligence Community</p>	<p><u>Section: GPFFR CONSOLIDATION AND DISCLOSURE</u> Page 26, Page 66 Suggestion: Disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate. Recommend that the reporting entity convert any consolidation entity balances to either the FASB or FASAB standards used by the reporting entity. Rationale: While this provision in line 66 may have been included to address cost/benefit concerns, two of the six qualitative characteristics for developing accounting standards discussed in SFFAC No. 1 and SFFAC No. 4 are consistency and comparability. Consolidating balances from two or more organizations without regard to FASAB and FASB differences does not represent consistent application of accounting principles in a GPFFR.</p> <p>Page 26, Line 66 Suggestion: Disagree that any component reporting entity that publishes financial reports pursuant to FASB standards should be required to disclose intragovernmental amounts measured in accordance with FASAB standards to facilitate elimination entries for the government-wide financial statements Rationale: Federal reporting components that use FASB standards are already required by Treasury to prepare GFRS (closing package) financial statements which presents the necessary converted intragovernmental elimination information required for the government-wide financial statements. This additional disclosure may be confusing and/or not useful to the reporting entity's wider GPFFR audience.</p> <p><u>Section: DISCLOSURE REQUIREMENTS</u> Page 28, Lines 72.c, 73.e, 73.i, 73.j Suggestion: Disagree that disclosures should include the objective of providing a description of future exposures. Recommend considering future exposure information as part of the risk assumed project (Required Supplementary Information). Rationale: The disclosures (footnotes) are part of the audited financial statements. It may be difficult for reporting entities to make such determinations and defend them during the audit process as this information may be judgmental and/or speculative in nature.</p> <p><u>Section: MINIMUM DISCLOSURES REGARDING THE CENTRAL BANKING SYSTEM</u> Page 30, Line 77 Suggestion: Minimum Disclosures regarding the Central Banking System -- should include significant types of transactions and balances related to exchanges between the central banking system and foreign entities.</p>

STAFF SUMMARY OF RESPONSES – Table C

Respondent	Comment
# 36 Treasury CFO	<p>In addition to the responses above, Treasury has one additional comment to the ED for consideration. In general, we found the ED difficult to read which we believe is primarily due to how the provisions of the standard are organized. Discussion of the three inclusion principles seems to apply only for purposes of the government-wide GPFFR, while the characteristics for distinguishing between a consolidation and disclosure entity seem to apply to both the government-wide and component reporting entities' GPFFR. We recommend that the Board reorganize this ED by focusing its discussion on the three inclusion principles and then the characteristics for distinguishing between a consolidation and disclosure entity, and that these guidelines be applicable to both the government-wide and component reporting entities' GPFFR.</p>
# 36 Treasury CFO	<p>Move “Misleading to Exclude” after “Related Parties”. The current placement is not appropriate for two reasons: (1) the question of whether a related party is misleading to exclude is not addressed, and (2) current placement would indicate that all related party entities could be excluded and not be misleading.</p>

STAFF SUMMARY OF RESPONSES – Table C

Respondent	Comment
# 36 Treasury CFO	