

**FASAB Exposure Draft: *Classified Activities***

**Questions for Respondents due March 16, 2018**

**Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."**

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

**Please provide your name.**

Name:

**Please identify your organization, if applicable.**

Organization:

*Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to 202-512-7366.*

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Q1. Classified information is prohibited from public release and the Board is proposing an approach for protecting classified information from unauthorized disclosure. The proposed Statement would provide general guidance for protecting classified information and, when detailed guidance is needed, the Board proposes to provide classified Interpretations<sup>1</sup> of existing standards. GPFFR modified pursuant to this Statement and related Interpretations would be considered in accordance with generally accepted accounting principles.

Do you agree or disagree with the Board's overall proposed approach for protecting

**Agree, additional guidance is necessary to protect classified information in GPFFR while maintaining compliance with GAAP. FASAB Board classified Interpretations would provide additional guidance and clarification for agencies to follow when there is a need to protect classified information in the GPFFR.**

<sup>1</sup> With respect to Interpretations, the Board would follow its due process and appropriate protections would be applied to classified information.

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Q2. The proposed Statement permits reporting entities to modify unclassified financial statement presentations, disclosures, and required supplementary information (RSI) to protect classified information. The modifications are (1) those that do not change the net results of operations and net position and (2) the inclusion of an organization in a manner that would not reveal classified information.

- a. Do you agree or disagree with permitting reporting entities to modify presentations to protect classified information when it does not change net results of operations and net position? Please provide the rationale for your answer.

**Agree from an accounting standpoint, the protection of classified information and national security takes precedence over financial statements.**

- b. Do you agree or disagree with permitting certain modifications when applying the provisions of SFFAS 47, *Reporting Entity*, when necessary to protect classified information? Please provide the rationale for your answer.

**Agree. The protection of classified information and national security takes precedence over financial statements.**

- c. Do you agree or disagree with permitting modifications to disclosures and required supplementary information? Please provide the rationale for your answer.

**Agree. It is in the best interest of national security to allow for modification to the presentation of balances and reporting entity in the GPFFR. This would help protect classified information from unlawful disclosure.**

**The protection of classified information and national security takes precedence over financial statements.**

Q3. In the future, the Board may issue classified Interpretations of existing standards. The Interpretations would permit other presentation and disclosure options as needed to produce unclassified GPFFR. The other options would protect specific financial statement elements from unauthorized disclosure in an unclassified GPFFR. The classified Interpretations would be developed following a due process involving:

- a. development of classified proposals,
- b. comment on the proposals from individuals and organizations holding appropriate clearances,
- c. consideration of comments, and

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- d. issuance of Interpretations to individuals and organizations holding appropriate clearances. (See par. A9 and A10 for a more detailed discussion of the process.)

Do you agree or disagree with the proposed approach? Please provide the rationale for your answer.

**Agree, there definitely needs to be a limited audience/participative base to protect the discussion of need-to-know information.**

**Classified interpretations will be important for producing GPFFRs in compliance with Federal GAAP. The current lack of guidance leaves accounting practices open for interpretation, creating an environment where financial reporting preparers, reviewers, and independent auditors may arrive at different conclusions that impact the financial statements.**

- Q4. The Board is proposing that recorded amounts related to classified information reconcile in aggregate to schedules or other documentation subject to audit. Documentation must be retained in the appropriate environment and/or domain to adequately support classified information.

Do you agree or disagree with the conditions necessary to apply the proposed Statement? Please provide the rationale for your answer.

**Agree. It is important to demonstrate the completeness of accounting information so that it properly reconciles with other information within the GPFFR. Additional FASAB Interpretations would help clarify accounting practices designed to accurately reflect balances on the GPFFR.**

- Q5. The Board has considered how to inform readers of GPFFRs regarding the potential modifications given the classified nature of the modifications themselves.

- a. Do you agree or disagree with the disclosure requirements (see par. 10-14)? Please provide the rationale for your answer.

**Agree. Protection of classified information and national security takes precedence over financial statements. The draft Exposure Draft provides each component flexibility in reporting/disclosure that is best for its organization.**

- b. Do you agree or disagree that component reporting entities may choose to consistently disclose that certain presentations may have been modified? Please provide the rationale for your answer.

**Agree. Protection of classified information and national security takes precedence over financial statements. The draft Exposure Draft provides**

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**each component flexibility in reporting/disclosure that is best for its organization.**

c. Alternatively, do you believe every component reporting entity of the federal government should be required to disclose that certain presentations may have been modified? Please provide the rationale for your answer.

**Agree. Reporting entities should have flexibility to disclose, not disclose, or modify disclosures relating to the disclosure of classified information.**

**Recommend the use of a blanket statement for all components that states certain presentations may have been modified to help avoid accidental disclosure of classified activities. If only components that modify their presentations disclose the fact of modification, it will highlight them and increase risk of being identified/targeted.**

**FASAB EXPOSURE DRAFT**  
**Classified Activities**  
**Due Date: 16 March 2018**

Please update Header and Footer to Classify as Appropriate

Comment #	Page #	Line #	Section #	Element/POC and Contact Info	Comment Type	Comments	Rationale
1	8	1	Scope	OGA	Indicate (S) for Substantive or (A) for Administrative A	(U) As in the first sentence in the Executive Summary, "The Board is proposing guidance to protect classified national security information or activities from unauthorized disclosure in a <b>publically issued</b> General Purpose Federal Financial Report (GPFFR)" recommend adding <b>publically issued</b> as a modifier to the GPFFRs in the first sentence of the Scope section of the Proposed Standards.	(U) The current wording of the first sentence does not make it clear that this standard does not apply to classified financial reports. It is not until the paragraph A6 of the Application of Standards and Disclosures and that there is reference to unclassified GPFFR.