



**Department of Energy**  
Washington, DC 20585

March 16, 2018

**MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**

**FROM:**

Tom Park  
Director, Office of Finance and Accounting  
Office of the Chief Financial Officer

A handwritten signature in black ink, appearing to read "Tom Park", is written over the typed name and title.

**SUBJECT:**

Comments on the Federal Accounting Standards Advisory Board's  
Statement of Federal Financial Accounting Standards Exposure Draft:  
*Classified Activities*.

The Department of Energy (DOE) appreciates the opportunity to comment on the Statement of Federal Financial Accounting Standards Exposure Draft: *Classified Activities*. A general comment regarding the proposed Standard is that it should refer to the reporting of classified information rather than protecting classified information. Our responses to the questions in the Exposure Draft are provided below.

**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 of existing standards. GPFRR 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 classified information? Please provide the rationale for your answer.**

We agree that reporting entities should be able to modify unclassified financial statement presentations required by other standards to prevent the disclosure of classified information if the modification does not change the net results of operations and net position. However, we do not agree that reporting entities should disclose that certain presentations may have been modified, as such disclosures could inadvertently cause classified information to be revealed. In addition, from the perspective of the financial report of the U.S. government, variations in such disclosures would result in a lack of uniformity.

**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.**

We agree. We believe it is critical that reporting entities have the ability to modify the presentation of classified information as long as it does not change the net results of operations and net position.

- 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.**

We agree. We believe it is critical that reporting entities have the ability to modify the presentation of classified information as long as it does not change the net results of operations and net position.

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

We agree that reporting entities should be permitted to modify disclosures so that classified information is not revealed. However, we do not agree that reporting entities should disclose that certain presentations may have been modified, as such disclosures could inadvertently cause classified information to be revealed.

**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 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.**

We agree with the Board's proposed approach to issue classified interpretations of existing standards.

**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.**

We agree that recorded amounts related to classified information reconcile in aggregate to schedules or other documentation subject to audit, and that documentation must be retained in the appropriate environment and/or domain to adequately support classified information.

**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.**

We agree that reporting entities should be permitted to modify disclosures so that classified information is not revealed. However, we do not agree that reporting entities should disclose that certain presentations may have been modified, as such disclosures could inadvertently cause classified information to be revealed.

- 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.**

We do not agree that reporting entities should disclose that certain presentations may have been modified, as such disclosures could inadvertently cause classified information to be revealed.

- 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.**

We do not agree. Reporting entities should not disclose that certain presentations may have been modified. Requiring disclosures by every component reporting entity of the federal government could increase the risk that classified information could be revealed.

Questions concerning our responses may be referred to William Truitt, Director, Financial Policy Division, Office of Finance and Accounting, at [William.Truitt@hq.doe.gov](mailto:William.Truitt@hq.doe.gov) or (202) 586-1065.