

FASAB Exposure Draft: Questions for Respondents due March 14, 2017***Classified Activities***

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:

- 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 Interpretations¹ 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 classified information? Please provide the rationale for your answer.

Treasury agrees with the Board's overall proposed approach with the requirement that the modification does not change net results of operations or net position.

- 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

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results of operations and net position? Please provide the rationale for your answer.

As stated in Q1 above, Treasury agrees with the Board's overall proposed approach with the requirement that the modification does not change net results of operations or 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.

Treasury agrees with the Board's overall proposed approach. In order to protect classified sources, methods and financial data, certain liberties must be utilized to disguise classified data yet not change the overall net results of operations or net position.

Treasury must make known our concern with the existing Exposure Draft language in paragraph 8 which it states...."The Board may issue Interpretations of existing Statements permitting other unclassified presentations and disclosure options as needed. The other options would protect specific financial statement elements from unauthorized disclosure in an unclassified GPFFR. Such options may modify net results of operations and net position." The ability to alter the overall results of operations or net position, as this reads, we do not agree should be allowed.

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

Treasury agrees with the Board's overall proposed approach to allow for the modification of disclosures and RSI in order to protect classified information. Protection of this information should outweigh the public's right to financial disclosure.

- 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

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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.

Treasury agrees with the Board's overall proposed approach and recommends that FASAB notify the Federal reporting community when a classified interpretation is issued for comment and final form to help ensure all affected parties are informed.

- 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.

Treasury agrees with the Board's conditions and agrees that a primary record of the classified financial and reporting information must be maintained in order to provide visibility to approved individuals for decision making purposes.

- 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.

Treasury disagrees with the disclosure requirements as outlined in paragraphs 10-14, as we believe the requirement should be mandatory for all U.S. government agencies to state that classified information may be summarized, excluded, etc. Requiring all reporting entities to disclose will provide foreign enemies with less transparency as to those agencies with classified activities.

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.

Treasury disagrees. See above.

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.

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Treasury agrees that every component reporting entity of the federal government should be required to disclose that certain presentations may have been modified in order to mask the agencies that do have classified information that has been modified or excluded from the financial reports.