

From: Christopher Hanks [<mailto:chhanks@gmail.com>]

Sent: Wednesday, September 27, 2017 9:31 AM

To: FASAB

Subject: Comment on Intragovernmental Exchange Transactions Exposure Draft

Working Capital Fund (WCF) activities within the DOD - the Defense Logistics Agency (DLA) is an example - rely on "intragovernmental exchange transactions" for their funding. That makes DLA and other WCF-funded activities different from DOD activities that are directly funded by appropriations, and that difference (given the volume and complexity of the transactions involved) is one of the reasons (and possibly the main reason) why the DOD will *never* be able to produce "consolidated" financial statements able to win unqualified opinions from financial-statement auditors.

I believe it would be worthwhile, therefore, for the FASAB to step back and consider the more fundamental question: why is it necessary for *any* DOD activity to be WCF-funded? What benefits are gained?

The paper "Financial Accountability at the DOD: Reviewing the Bidding," published in the July 2009 issue of the Defense Acquisition Review Journal (Vol 16, No.2m, pgs. 181-196) reviews the history and motivation underlying the use of WCD-funding mechanisms within the DOD and makes the case for the view that the problems associated with WCF funding at DOD far outweigh the benefits those mechanisms supposedly provide.