



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Chief Financial Officer and**  
**Assistant Secretary for Administration**  
Washington, D.C. 20230

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the Exposure Draft, *Reporting Entity*, dated April 2, 2013. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov or Atisha Burks at (202) 482-2715 or aburks@doc.gov.

Sincerely,

A handwritten signature in black ink, appearing to be "Gordon T. Alston", written over a horizontal line.

Gordon T. Alston  
Director for Financial Reporting and  
Internal Controls

Enclosure

cc: Lisa Casias  
Diane Marston  
Atisha Burks

**Department of Commerce Response  
FASAB Exposure Draft – SFFAS, *Reporting Entity Proposal***

**Prepared By: Department of Commerce, Office of Financial Management**

Questions and Answers

**1.a. Do you agree or disagree with each of the inclusion principles?**

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.

**1.b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear?**

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.

**1.c. Do you agree or disagree that an organization should be included in the general purpose federal financial reports (GPFFR) if it would be misleading to exclude it even though it does not meet one of the three inclusion principles?**

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.

**1.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 GPFFR?**

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.

**2.a. Do you agree or disagree with the concept of distinguishing between consolidation entities and disclosure organizations?**

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.

**2.b. Do you agree or disagree with the attributes used to make the distinction between consolidation entities and disclosure organizations? Please identify additional attributes, if any, that you believe should be considered.**

The Department of Commerce agrees with the attributes for distinguishing between consolidation entities and 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).

**2.c. Do you agree or disagree that, assuming the organizations are determined to be organizations included in the GPFRRs, 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 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.**

The Department of Commerce agrees that the attributes are adequate to make a sound determination of whether an organization should be included in the GPFRR, because they are logical, practical, and clearly defined.

**2.d. Do you agree or disagree with the:**

- i. **Factors to be considered in making judgments about the extent of appropriate disclosures (see par. 69),**
- ii. **Objectives for disclosures (see par. 72), and**
- iii. **Examples provided (see par. 73)?**

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.

**3.a. Do you agree or disagree that each component reporting entity should report in its GPFRR organizations for which it is accountable, which includes consolidation entities and disclosure organizations administratively assigned to it?**

The Department of Commerce agrees that each component reporting entity should report in its GPFRR 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.

**3.b. Do you agree or disagree that administrative assignments can be identified as provided in paragraphs 54-63?**

The Department of Commerce agrees that administrative assignments can be identified as provided in paragraphs 54-63.

**4. 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?**

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.

**5. Do you agree or disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate?**

The Department of Commerce disagrees with consolidating FASAB and FASB information without conversion for consolidation entities. Considering that the GPFRR has been prepared under FASAB, consolidation with FASB could make comparison to prior years GPFRR 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 GPFRR. We would recommend addressing this idea separately due to its significance.

**6.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?**

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.

**6.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 the disclosures.**

The Department of Commerce does not believe there are other significant organizations for which minimum disclosures should be made.

**7.a. Do you agree or disagree with the related parties definition and requirements?**

The Department of Commerce agrees with the related parties definition and requirements. They ensure the inclusion of material and significant items.

**7.b. Do you agree or disagree with the list of the types of organizations that generally would be considered related parties?**

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.

**7.c. Are there additional organizations that generally should be considered related parties?**

The Department of Commerce is unaware of any additional organizations that should be considered third parties.

**7.d. Do you agree or disagree with the list of exclusions?**

The Department of Commerce agrees with the list of exclusions. This list appears comprehensive and easy to understand.

**7.e. Are there additional exclusions that should be considered?**

The Department of Commerce is unaware of any additional exclusions that should be considered.

**8. Do you agree or disagree with the conforming changes to SFFAC 2?**

The Department of Commerce agrees with the conforming changes to SFFAC. While SFFAC 2 will remain the overarching concept for the GPFRR, this standard will refine the GPFRR to make the information more complete and result in better reporting for the government-wide GPFRR and the component GPFRRs. Not having these changes would result in overlapping guidance with conflicting criteria.

**9. Do you agree or disagree with this effective date?**

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.

**10.a. Do you agree that the appendices are helpful in the application of the proposed standards?**

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.

**10.b. Do you believe the appendices should remain after the Statement is issued?**

The Department of Commerce believes that the appendices should remain after the statement is issued, because they assist in understanding and applying the standard.

**10.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?**

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.

**11. 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.**

The Department of Commerce is not aware of any other unique situations that should be addressed within this statement.

**12.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?**

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.

**12.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?**

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.