Comments to FASAB Reporting Entity due 7.3.2013

According to the Financial Audit: U.S. Government’s Fiscal Years 2012 and 2011 Consolidated Financial Statements:

The Government’s fundamental mission is derived from the Constitution: “...to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity.” The Congress authorizes and agencies implement programs as missions and initiatives evolve over time in pursuit of key public services and objectives, such as providing for national defense, promoting affordable health care, fostering income security, boosting agricultural productivity, providing veteran benefits and services, facilitating commerce, supporting housing and the transportation systems, protecting the environment, contributing to the security of energy resources, and helping States provide education.

There are 24 Chief Financial Officer Act agencies:

1. Department of Agriculture
2. Department of Commerce
3. Department of Defense
4. Department of Education
5. Department of Energy
6. Department of Health and Human Services
7. Department of Homeland Security
8. Department of Housing and Urban Development
9. Department of the Interior
10. Department of Justice
11. Department of Labor
12. Department of State
13. Department of Transportation
14. Department of the Treasury
15. Department of Veterans Affairs
16. Environmental Protection Agency
17. General Services Administration
18. National Aeronautics and Space Administration
19. National Science Foundation
20. Office of Personnel Management
21. Small Business Administration
22. Social Security Administration
23. U.S. Agency for International Development
24. U.S. Nuclear Regulatory Commission

There are 11 Additional Significant Entities:
1. Export-Import Bank of the United States
2. Farm Credit System Insurance Corporation
3. Federal Communications Commission
4. Federal Deposit Insurance Corporation
5. National Credit Union Administration
6. Pension Benefit Guaranty Corporation
7. Railroad Retirement Board
8. Securities and Exchange Commission
9. Smithsonian Institution
10. Tennessee Valley Authority
11. U.S. Postal Service

There are 115 Additional Entities/Funds:

1. Abraham Lincoln Bicentennial Commission (no longer active)
2. Administrative Conference of the United States
3. Advisory Council on Historic Preservation
4. African Development Foundation
5. American Battle Monuments Commission
6. Antitrust Modernization Commission (no longer active)
7. Appalachian Regional Commission
8. Architect of the Capitol
9. Architectural and Transportation Barriers Compliance Board
10. Armed Forces Retirement Home
11. Barry Goldwater Scholarship and Excellence in Education Foundation
12. Broadcasting Board of Governors
13. Bureau of Consumer Financial Protection
14. Central Intelligence Agency
15. Chemical Safety Hazard Investigation Board
16. Christopher Columbus Fellowship Foundation
17. Commission for the Preservation of America’s Heritage Abroad
18. Commission of Fine Arts
19. Commission on Civil Rights
20. Commission on International Religious Freedom
21. Commission on Security and Cooperation in Europe
22. Commission on Weapons of Mass Destruction (no longer active)
23. Committee for Purchase from People Who Are Blind or Severely Disabled
24. Commodity Futures Trading Commission
25. Congressional Budget Office
26. Congressional-Executive Commission on the People’s Republic of China
27. Consumer Product Safety Commission
28. Corporation for National and Community Service
29. Council of the Inspectors General on Integrity and Efficiency
30. Court of Appeals for Veterans Claims
31. Court Services and Offender Supervision Agency for DC
32. DC Courts
33. DC Courts–Defender Services
34. Defense Nuclear Facilities Safety Board
35. Delta Regional Authority
36. Denali Commission
37. Dwight D. Eisenhower Memorial Commission
38. Eisenhower Exchange Fellowship Program
39. Election Assistance Commission
40. Environmental Dispute Resolution Fund
41. Equal Employment Opportunity Commission
42. Executive Office of the President
43. Farm Credit Administration
44. Federal Election Commission
45. Federal Financial Institutions Examination Council Appraisal Subcommittee
46. Federal Housing Finance Agency
47. Federal Labor Relations Authority
48. Federal Maritime Commission
49. Federal Mediation and Conciliation Service
50. Federal Mine Safety and Health Review Commission
51. Federal Trade Commission
52. Financial Crisis Inquiry Commission (no longer active)
53. Foreign Military Sales Program
54. Government Accountability Office
55. Government Printing Office
56. Harry S. Truman Scholarship Trust Fund
57. Indian Law and Order Commission
58. Institute of American Indian and Alaska Native Culture and Arts Development
59. Institute of Museum and Library Services
60. Interagency Council on the Homeless
61. Inter-American Foundation
62. International Trade Commission
63. James Madison Memorial Fellowship Foundation
64. Japan-United States Friendship Commission
65. John C. Stennis Center
66. John F. Kennedy Center for the Performing Arts
67. Library of Congress
68. Marine Mammal Commission
69. Medicaid and Children’s Health Insurance Program Payment and Access Commission
70. Medicare Payment Advisory Commission
71. Merit Systems Protection Board
72. Millennium Challenge Corporation
73. Morris K. Udall Scholarship Foundation
74. National Archives and Records Administration
75. National Capital Planning Commission
76. National Commission on Libraries and Information Science (no longer active)
77. National Council on Disability
78. National Endowment for the Arts
79. National Endowment for the Humanities
80. National Gallery of Art
81. National Labor Relations Board
82. National Mediation Board
83. National Railroad Retirement Investment Trust
84. National Transportation Safety Board
85. Neighborhood Reinvestment Corporation
86. Northern Border Regional Commission
87. Nuclear Waste Technical Review Board
88. Occupational Safety and Health Review Commission
89. Office of Compliance
90. Office of Government Ethics
91. Office of Navajo and Hopi Indian Relocation
92. Office of Special Counsel
93. Office of the Director of National Intelligence
94. Office of the Federal Coordination for Alaska Natural Gas Transportation Projects
95. Office of the Nuclear Waste Negotiator (no longer active)
96. Open World Leadership Center
97. Overseas Private Investment Corporation
98. Patient Centered Outcomes Research Trust Fund
99. Peace Corps
100. Presidio Trust
101. Public Defender Service
102. Ronald Reagan Centennial Commission
103. Recovery Act Accountability and Transparency Board
104. Selective Service System
105. Senate Preservation Fund
106. St. Lawrence Seaway Development Corporation
107. State Justice Institute
108. U.S. Capital Preservation Commission
110. U.S. Holocaust Memorial Museum
111. U.S. Institute of Peace
112. U.S. Trade and Development Agency
113. Vietnam Education Foundation
114. White House Commission on the National Moment of Remembrance (no longer active)
115. Woodrow Wilson International Center for Scholars
The report states:

*Legislative and Judicial Branches*

There are no legal or other requirements for the legislative or judicial branches to prepare consolidated audited financial statements or to provide accrual-based accounting data for inclusion in the Government-wide financial statements. Therefore, these consolidated statements do not include accrual-based accounting data for such entities as the U.S. Courts or the Congress. Some legislative branch entities voluntarily prepare and submit such information (e.g., Government Accountability Office, Government Printing Office, and Library of Congress). The President’s Budget includes cash-based outlay data for the legislative and judicial branches and, to a limited extent, this outlay data is also a part of the information contained in this report.

The report states:

*Entities Excluded from These Statements*

The following entities are not part of the Government-wide reporting entity based on an assessment of these entities in accordance with the indicative criteria stated in SFFAC No. 2, Entity and Display. However, this list is not all inclusive of all entities excluded from these statements.

Those 13 entities are:

1. American International Group (AIG)
2. Board of Governors of the Federal Reserve System (Including the Federal Reserve Banks)
3. Citigroup
4. Federal Home Loan Banks
5. Federal Home Loan Mortgage Corporation (Freddie Mac)
6. Federal National Mortgage Association (Fannie Mae)
7. Thrift Savings Fund
8. The Financing Corporation
9. GMAC Financial (Ally Financial)
10. National Railroad Passenger Corporation (does business as Amtrak)
11. Public-Private Investment Funds
12. Resolution Funding Corporation
13. Student Loan Marketing Association

We believe the Citizens have the Constitutional right for full disclosure, even incorporated companies and non-profit corporations and other consultants who act as government agencies with oaths required. They are de-facto agencies.
The National Security Agency has blossomed into a worldwide contracting agency, yet the Public did not have a clue as to their use of funding on behalf of the Federal Government.

We now have privatized space exploration in a similar path.

The Executive Branch operates without consent, and those entities who execute those orders, also need to be disclosed.

Without full financial disclosure, we cannot achieve our general welfare, blessings of liberty now and for future generations and are overall freedom.

**QUESTION 1**

Q1. The Board is proposing three inclusion principles for an organization to be included in the government-wide GPFFR:

- Budget of the United States Government: Analytical Perspectives—Supplemental Materials schedule entitled “Federal Programs by Agency and Account” unless the organization is a non-federal organization receiving federal financial assistance

- An organization in which the federal government holds a majority ownership interest

- An organization that is controlled by the federal government with risk of loss or expectation of benefit

*In addition, the Board is proposing that an organization be included in the government-wide GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.*

Refer to paragraphs 20-36 of the proposed standards

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

Please provide the rationale for your answer.

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

Please provide the rationale for your answer.

c. Do you agree or disagree that an organization should be included in the GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles?
Please provide the rationale for your answer.

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?

Please provide the rationale for your answer.

Comment:

We agree with each of the inclusion principles.

The principle:

- An organization in which the federal government holds a majority ownership interest

may need further explanation. Public Private Partnerships may be formed. How is that defined under this principle? Are Memorandums of Understanding MOUs included as ownership interest as participation is a controlling interest factor.

The principle:

- An organization that is controlled by the federal government with risk of loss or expectation of benefit

Are Memorandums of Understanding MOUs included in this category?

Do you consider non-profit organizations requiring Federal approval for that tax-exempt status as being controlled by the federal government and approve the Mission Statement?

We are trying to ascertain the use of the non-profit corporation as a substitute for a government agency. Would the non-profit substitute be misleading because of the dependence of tax funding to operate that government-substituted function?

We believe the Inclusion Principles should apply all organizations. The People deserve to know who their representatives are, and through these organizations, that representation is masked.

The People must be able to petition their government, and these financial mazes make it extremely difficult.
Q2. The Board proposes distinguishing between two types of organizations in GPFFRs and this distinction will ultimately determine how they are reported: consolidation entities and disclosure organizations. Consolidation entities generally are

(1) financed by taxes or other non-exchange revenue as evidenced by their inclusion in the budget,
(2) governed by the Congress and/or the President,
(3) imposing or may impose risks and rewards on the federal government, and/or
(4) providing goods and services on a non-market basis.

In contrast, disclosure organizations are those that

(1) receive limited or no funding from general tax revenues,
(2) have less direct involvement, and influence, by the Congress and/or the President,
(3) impose limited risks and rewards on the federal government, and/or
(4) are more likely to provide goods and services on a market basis.

The Board proposes consolidation entities be consolidated in the government-wide financial statements and the information about disclosure organizations be disclosed in notes.

The Board also proposes that certain factors and objectives be considered in determining the information about disclosure organizations to be disclosed in notes.

The Statement allows flexibility in the information presented as long as the disclosure objectives are met.

The Statement also provides examples of information that may meet objectives.

Refer to paragraphs 37-53 and 64-77 of the proposed standards and paragraphs A30-A54, A62-A63 and A71-A81 in Appendix A - Basis for Conclusions for a discussion and related explanation.

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

Please provide the rationale for your answer.

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

c. Do you agree or disagree that, assuming the organizations are determined to be organizations included in the GPFFRs, 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 provide the rationale for your answer and 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.

d. Do you agree or disagree with:
   i. the factors to be considered in making judgments about the extent of appropriate disclosures (see par. 69),
   ii. the objectives for disclosures (see par. 72), and
   iii. the examples provided (see par. 73)?

Please provide the rationale for your answers.

Comment:

As you have stated:

Materiality is an overarching consideration in financial reporting

How are you approaching a Non-Profit Corporation acting as a Program Manager on a project partially funded by Federal funds?

Who determines the definition limited funding from general tax revenues?

If Disclosure Entities are privately owned, what are the liability tests?

QUESTION 3

Q3. The Board proposes each component reporting entity report in its GPFFR organizations for which it is accountable; that includes consolidation entities and disclosure organizations administratively assigned to it. Administrative assignments can be identified by evaluating:

- the scope of the budget process,
- whether accountability is established within a component reporting entity, or


• rare instances of other significant relationships such that it may be misleading to exclude an organization not administratively assigned based on the previous two principles.

The Board recognizes that in rare instances it also may be misleading to include an organization that is administratively assigned to a reporting entity based on the above principles. In such cases, the organization may be excluded.

Refer to paragraphs 54-63 of the proposed standards and paragraphs A55-A61 in Appendix A -Basis for Conclusions for a discussion and related explanation.

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

Please provide the rationale for your answers.

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

Please provide the rationale for your answers.

Comment:

Under

56. Administrative assignments to component reporting entities are typically made in laws and policy documents such as statutes, budget documents, regulations, or strategic plans. Administrative assignments can be identified by evaluating:24

24 Component reporting entities should develop processes to ensure they identify and assess any organizations
(1) within the scope of their budget process,
(2) for which accountability is established within their component reporting entity, or
(3) which are misleading to exclude. It is anticipated that central agencies will determine if there is a need for coordinated guidance to ensure government-wide consistency.

a. Scope of the Budget Process
b. Accountability Established Within a Component Reporting Entity
c. Misleading to Exclude and/or Misleading to Include.
Regulations are a major part of the Government as our Strategic Plans. The entities governed by regulations are controlled by Federal government agencies. Under what category do you distinguish this relationship?

**QUESTION 4**

Q4. The Statement provides for each reporting entity (the government-wide and component reporting entities) to consolidate financial information for all consolidation entities for which it is accountable without regard to funding source (for example, appropriations or donations).

For certain organizations, such as museums and performing arts organizations, this may lead to consolidating funds from sources such as donations that are presently not consolidated in the government-wide GPFFR.

Refer to paragraphs 54-64 of the proposed standards and paragraph A19 in Appendix A – Basis for Conclusions for a discussion and related explanation.

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?

Please provide the rationale for your answers.

**Comment:**

Consolidation is preferable. From a Public perspective, private fundraising on a government entity, whether component or disclosed.

We are seeing a trend to produce non-tax-exempt income on entities where decision making is controlled by the government.

Protection of assets is an issue not addressed. Collections and other valuable assets need to be disclosed to the Public.

**QUESTION 5**

Q5. For consolidation entities, the Statement proposes that FASAB and Financial Accounting Standards Board (FASB) based information should be consolidated without conversion of FASB-based information to a FASAB basis.

Refer to paragraphs 65-66 of the proposed standards and paragraphs A66-A70 in Appendix A - Basis for Conclusions for a discussion and related explanation.
Do you agree or disagree that consolidation of FASAB and FASB based information without conversion for consolidation entities is appropriate?

Please provide the rationale for your answers

Comment:

It should be noted that no conversion took place. At a point in time, you may wish to analyze if this decision is the proper one.

QUESTION 6

Q6. Central banking (through the Federal Reserve System) is a unique federal responsibility with distinctive characteristics.

The proposed standards do not specify that the central banking system be included in GPFFRs or whether, if included, it would be classified as a consolidation entity or a disclosure organization.

Because of the unique nature and magnitude of central banking transactions, and the fact there is only one organization of this type, the Board proposes certain minimum disclosures regarding the central banking system.

These disclosures would be required in addition to any other reporting requirements regarding the central banking system.

The information should be disclosed in the government-wide GPFFR and the GPFFR of any reporting entity to which it may be primarily associated with or administratively assigned.

Depending on the circumstances, some of the minimum disclosures may have been addressed in other requirements.

The resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive.

Refer to paragraph 77 of the proposed standards and paragraphs A30-A37 in Appendix A -Basis for Conclusions for a discussion and related explanation.

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?

Please provide the rationale for your answer.
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 disclosures and provide the rationale for your answer.

Comment:

Central Banking system aka Federal Reserve System FRS is too critical a factor in government, not to include it in consolidation.

Since the system is regional, all regions of the FRS should be disclosed. The aspect of Cash holdings need to be addressed, as this entity prints its own money. Uncirculated cash needs to be included as should any physical assets such as gold.

The offsetting entity needs full disclosure under Comments or Footnotes.

The Public needs to grasp the liability aspect of the Federal Reserve System and its investments in foreign and/or offshore banking and the terms of any relationship.

All risk should be disclosed.

Accountability has been lacking and that aspect of Representation needs to be addressed.

Space is being privatized. With that, the industry should be analyzed for inclusion. Future assets in the area of mining inventories need inclusion in this process as well as the risks and liabilities.

The Judicial Branch should never be excluded, yet it does not operate in disclosure.

QUESTION 7

Q7. The Board proposes a definition of related parties and disclosures for related parties where the relationship is of such significance that it would be misleading to exclude disclosures about the relationship.

The proposal also provides a list of the types of organizations that generally would or would not be considered related parties.

Refer to paragraphs 78 -87 of the proposed standards and paragraphs A82-A84 in Appendix A– Basis for Conclusions for a discussion and related explanation.
a. Do you agree or disagree with the related parties definition and requirements?

Please provide the rationale for your answer.

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

Please provide the rationale for your answer.

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

Please provide the rationale for your answer.

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

Please provide the rationale for your answer.

e. Are there additional exclusions that should be considered?

Please provide the rationale for your answer.

**Comment:**

You state:

A83. Because of the extent of the federal government’s relationships – whether already established or implied – “related parties” concepts may result in numerous relationships requiring disclosure.

Therefore, the Board proposes disclosure of related party relationships of such significance to the reporting entity that it would be misleading to exclude information about them.

For clarity of intent, the standards rely heavily on listing parties to be included and excluded. In addition, the proposal provides room for judgment because one cannot anticipate all types of relationships the federal government may have or might have in the future that should be reported.

The related parties category is needed to provide for disclosure of those organizations that are not included under the inclusion principles but where there is an existing relationship of such significance that it would be misleading to exclude.
As related parties become complex, so does disclosure. We, the public, need to understand these relationships, financially and operatively.

QUESTION 8

Q8. The Board proposes conforming changes to Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display, to rescind or amend language to remove criteria for determining what organizations are required to be included in a federal reporting entity’s GPFFR from the concepts statement because criteria will be in a statement of federal financial accounting standards.

Refer to paragraphs 88-101 of the proposed standards and paragraphs A85-A88 in Appendix A - Basis for Conclusions for a discussion and related explanation.

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

Please provide the rationale for your answer.

Comment:

You state:

89. Paragraph 2 is replaced with the following paragraph which describes the amended purpose and contents of the Statement.

The purpose of this statement is to establish concepts regarding what would be encompassed by a Federal Government entity’s financial report. The statement specifies the types of entities for which there should be financial reports (hereinafter called “reporting entities”), establishes an organizational perspective for considering the makeup of each type of reporting entity, identifies types of financial reports for communicating the information for each type of reporting entity, suggests the types of information each type of report would convey, and identifies the process and factors the Board may consider in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI).

We are not clear if all entities involved would be Reporting Entities. They should be. The Federal Register is a notification to the public on Notices, Proposed Rules and Final Rules. One assumes that this is notification of how the government works with an opportunity for the public to comment. Without the full encompassing of the process, government becomes hidden or a “Black Government.” “Black Government” definitely fits into the misleading category.

QUESTION 9
Q9. The Board proposes the Statement and Amendments to SFFAC 2, *Entity and Display*, be effective for periods beginning after September 30, 2016. Refer to paragraph 102 of the proposed standards.

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

Please provide the rationale for your answer.

**Comment:**

No, it should be sooner. Political campaigns years should not be influential in these decisions. The year 2016 is a Presidential Election Year.

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**QUESTION 10**

Q10. The Statement provides two non-authoritative appendices to assist users in the application of the proposed standards.

The Flowchart at Appendix B is a tool that can be used in applying the principles established.

The Illustrations at Appendix C offer hypothetical examples that may be useful in understanding the application of the standards.

Refer to Appendix B-Flowchart and Appendix C-Illustration.

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

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

**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?**

Please provide rationale to support your answer.

**Comment:**

Yes, keep them in. The Board members are industry related, but the accountability is to the Public.

Visual tools help as does color.
Q11. 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.

Comment:

The Judicial Branch is to hidden from the Public and it is part of the three-armed governance. They must be included.

Memorandums of Understanding should be addressed. It becomes a form of government outside representation and that signature may only need the approval of an agency head, not a legislative approval.

Yes, they may involve Local and State Government Agencies and Non-Profit Corporation hybrids.

Public-Private Partnerships are formed to avoid public disclosure and oversight when it is time to rein the secrecy.

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