Comments to GASB Financial Reporting For Fiduciary Responsibilities Project No. 3-13P due 3.6.2015

Fiduciary responsibility is masked under various entities, such as Memorandums of Understanding, Joint Power Authorities, Non-Profit Corporations and Foundations. The non-profit world is now affiliating itself, as private organizations, as the fundraising arm of government. This is occurring with major projects such as river revitalization and wetlands restoration in more than one circumstance. One foundation has been acting as the State commission (who is legislated for the work) since the 1990s including the receipt of Federal grant funding. There is no agreement and no requirement to report. Grant funds do not show on financial statements. The State agency and the private Foundation have been used interchangeably without accountability.

Agreements are not easy to obtain. Because permitting may open the door to new political subdivisions and arrangements, we now see entities governed without legislation and no rights for the public to attend meetings regarding the governance. Elected officials may not sit on the governing boards. Staff employees may sit on these boards. This is prevalent in the Clean Water Act NPDES MS4 permitting issued by the Regional State Water Boards. Other MOU entities apply for grants for water issues.

It is a complex problem with grants and funding being held by one entity, not necessarily related and not considered a Reporting Entity.

Funds may not even be held in trust, technically, but held in the name for any grant received. We are not sure how funds are accounted, as there is no disclosure required in the MOUs.

In Los Angeles, public assets are now game for the Public Private Partnership without clear distinction of the fiduciary responsibilities and financial reporting.

Grants may bypass the government entity without written arrangements. Individuals may have responsibilities under the government entity and the private entity. In other words, there may not be “assignees” but people who sign on behalf of both entities without clear distinction of the function of those entities.

Water assets have multiple agencies with responsible for the citizenry

With the need for water in the immediate region, we are talking the potential of billions of dollars being collected without the clear distinction of fiduciary responsibility. Problems compound when investigation budgets are de-funded. In other words, we have no cop to oversee compliance.

We are not clear if guidance issued would be required to be followed. Taxing entities may finance projects through lease revenue bonds. These issues are in the process of formation at this time.

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