May one of the board’s objectives be to anticipate problems that may develop in the future in corporate and foundation accounting practices and policies and to set out guidelines in advance of unpleasant happenings to the profession?

This was certainly so when banks were required to value their assets market-to-market at the beginning of 2003. Despite problems later developing that year, in determining market value, the decision was made to enact the measure. The boards ruling also became that law.

Some good thought will have to be given to closing this evasive use of deductible media production cost, certain cost of other corporations and universities foundation educational deduction for Democratic Party political purposes and assistance:

Sincerely,

Richard R. Steen
November 12, 2018

U.S. Securities and Exchange Commission
Division of Enforcement
Stephanie Avakian, Co-Director
100 F. Street NE
Washington, DC 20549

Dear Ms. Avakian:

Liberal bias in network TV news and programs, newspapers, universities and colleges has been in my mind problem solving thoughts for many years. In 2007, being a practicing CPA who retired in 2000, I wrote the enclosed article showing my concern, hoping it would be published in the Journal of Accountancy in the late fall of 2007. Needless to say it was not, and they replied saying I was promoting a law change. Naturally, I disagree.

My common stock investments include 900 shares of Disney (ABC) and 1,143 shares of Comcast (NBC). It is my belief that officers and directors of these and other corporations are using production programming cash expenses and corporate facilities as de facto contributions to benefit Democratic Party objectives and candidates in their socialistic beliefs and efforts. I call it covered up corporate stealing by officers and directors of shareholders funds and property for political purposes.

Let us now go to university and college non-profit educational endowment 501c3 organizations. Their income distributions qualify as charitable education deductions for their non-profit return purposes. However, these distributions are not all used for educational purposes. The trustees know this. Instead, a substantial portion, if not all, is used for socialist and communist indoctrination political purposes.

Both the TV networks and university foundation situations involve subverting tax deductible expense for end use for political purposes, thereby circumventing the present laws.

These actions, in effect, are quasi confiscations of private and public property and facilities for use for socialist, communist, and leftist political purposes and causes which is also circumventing the law.

Enclosed is a copy of the 2007 article and one of my posters.

Sincerely,

Richard R. Greer

Enclosures (2)

cc: Robert Stebbins, General Counsel, Office of the General Counsel
Honorable John Kyl
Publicly listed corporations using shareholder cash, assets and resources for political purposes. Is this a misuse of corporate funds?

Yes Yes Yes

A corporate governance issue

Deducting this political expense on their corporate income tax returns is against the law.

In addition to civil and criminal charges is management and the board subjecting the corporation to back income tax assessments, interest & penalties? Remember, Feds got Al Capone on income tax evasion, not murder and racketeering!
Do the regulatory filings, CAO reports, audit reports or tax returns you are responsible for, or prepare for clients, have hidden political contributions or transforming legalities buried in the figures? At one time off-balance sheet financing was thought to be OK. Then, there was Enron. After that, the backdating of stock options to attract and retain key employees, including CEOs, was considered permissible. On August 2007, Mr. Gregory Reyes, CEO of Brocade Communications, even though he did not participate, was convicted of just permitting it to happen. Accountants and CPAs allocate cost and overhead to material things correctly, but when organizations are selling “time,” since it is not a material thing, allocations of cost and overhead do not get associated with the end use of the various segments of this time.

Being CPAs, maybe we are more aware of how to allocate enterprise cost to the various functions of an enterprise’s activities. All four of the major TV networks are owned and operated by publicly traded corporations listed on the NYSE. All state colleges and universities, and other county and city colleges are supported and operated using taxpayer property and other taxes, and assessment dollars. And just how are some of these dollars being used? Well, we know the answer to that!

How many federal and state laws would be broken by this example? Assume you were the president of a publicly owned (NYSE) printing corporation; so, to help your political party and their candidates, you would use 10% or even 5% of the plant’s capacity over 12 months or so, to print materials and letters for them, and not charge them for any of the work. After all, they are good people and you believe in their cause. Your shareholder’s report, the S.E.C. reports and corporate income tax return are all presented or filed with the above costs buried in the cost of sales figures. Or, maybe you did not initiate this, but the sales manager or the plant foreman did, and you and others knew it was happening, and did not want to do anything about it for various reasons. Oh yes, there is the Report of Management on Internal Control over Financial Reporting in the annual report, and the auditor’s representation letter you and the CFO also signed. Wow, no one in their right mind would want to be in the CEO’s or CFO’s shoes in that example, if an investigation was likely to happen.

Well now, let us apply that same reasoning to some organizations that sell “time”. Freedom of speech and press is not a question. If the time used is unbiased (50% Liberal / 50% conservative), or (33.3% Liberal / 33.3% Neutral / 33.3% Conservative), there is no case, I repeat, no case. Accountants only allocate cost to what has happened. But when the time used is politically biased (60% Liberal / 20% Neutral / 20% Conservative), the cost allocated to the 40% excess liberal portion represents a possible unlawful use of shareholders’ or taxpayer dollars for personal political purposes by several or more corporate network employees, or in the other situation, universities, by the many liberal and socialist professors.

Universities and colleges provide a service. A measure of this service, cost-wise, an instructor’s total time would consist of the following: 1) instructor time in class, 2) after-class student assistance time, 3) out-of-class instructor preparation, 4) paper and exam grading, 5) student grade record keeping, and 6) administrative time.

The cost of providing this service is made up of the following:
1) Instructor salary, payroll tax expenses, medical plan and retirement benefits, and any other direct cost.
2) Allocation of instructor’s departmental administrative cost, their salaries and benefits.
3) Allocation of schools’ general and administrative cost, their salaries and benefits.
4) Allocation of building maintenance, grounds’ upkeep, security, building depreciation, improvement amortization, utility cost, supplies and services, to name a few.

The method of allocation by instructor hours to all instructor hours and utilization would be relatively simple. Therefore, in courses that can be political, if the time, views, and instructors’ preferences are:

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>20%</td>
</tr>
<tr>
<td>Neutral</td>
<td>20%</td>
</tr>
<tr>
<td>Liberal</td>
<td>60%</td>
</tr>
</tbody>
</table>

(1) Then timewise, 40% is the teacher’s personal liberal preference. So, if a state university professor’s cost (1 through 4) is $160,000 per year, then $64,000 of the taxpayers’ costs has been stolen by that professor for his/her personal political purposes. Multiply that by the number of biased liberal professors, state and national, and the figures make Enron and Worldcom chicken feed!

Yes, many professors do not discuss anything political in or out of class. They should be congratulated for upholding their professional and ethical teaching standards. They carry out an important task of preparing and assisting our young people to provide services or skills with their knowledge and/or creativity. This, in turn, helps their fellow mankind, our society and our great country; thus, students earn a good living for their efforts.

However, not all professors are so noble, and it has been going on for years. The problem is increasingly getting worse, and has accelerated in recent years. Readers with inquiring minds and an abiding interest in the quality of education which some students receive at the university level should read David Horowitz’s recent book The Professors. Some might call this mind molesting. Not all students are so naïve, but many are, and your taxes, fees and donations are paying for this political indoctrination. Would you be pleased if your son or daughter were encouraged to join a rebel or terrorist group in South America or overseas because they have now found their recent new calling in life? And believe me, it happens. Many young people rebel against parental advice and are vulnerable. The Ward Churchills of the academic world utilize this opportunity.

Is any of this political cost buried in your central accounting office figures and the budget figures the Finance Chairman and the department Deans submit each year? Some professors cheating? That’s a switch. Most do not, but some do.

TV network and news time is now playing with GE’s NBC, Disney’s, ABC and recently spin-off CBS from Viacom. Their audience keeps diminishing. It is no wonder with the likes of Rosie O, and retired “Truthful Dan” that new viewers are difficult to attract. Their audience does not find “broken record bashing” entertaining or one-sided news (the bad side) as truly informative. After all, some announcers, commentators and
journalists believe good news is not good news, because you can’t use it for political bashing! They want to make each broadcast minute count, and for their cause! The media elite of the above publicly traded network corporations are still smiling like Cheshire cats. They have not been called down by the IRS, SEC, PCAOB, FEC, FCC or prosecutors for the possible felony charges, unlike those unfortunate guys who are the CEO and CFO in the publicly traded printing company example.

Today duplicity is almost the norm. How do you change your tax rate on earned income to a max of 15%? You quit your mid eight- or nine-figure salaried W-2 position with Goldman Sach Group, Inc., or other similar NYC firms, and start a hedge fund. Same work, a 60.5% approximate reduction in your income and SS taxes, so no wonder HF’s are multiplying like rabbits.

Recently we have a new ruse. Suppose you have bucks to bum for political purposes. Make a movie, then those costs are deductible business expense. Can you deduct your political contributions?

Then, there is the recent arrest of Mr. Hsu in Colorado after he jumped bail. Investors provided funds for his business ventures that really never got going. Oh yes, he used this money in ways that ended up as political campaign contributions. Now, the investors most likely will get a deductible capital loss (against capital gains) for funds that were used for political purposes. Would you want to sign a tax return that includes all or part of the above loss?

When undesirable conditions have existed for many tens of years, extreme difficulties are encountered to get changes accomplished. This requires getting the liberal bias accounting approach popularized and awareness of the potential consequences of the problem continuing.

Trial lawyers are always on the watch for new large scale class action opportunities. These kinds of measures usually cause prompt reactions and media topic publicity. Many companies thought managers did not have to be paid overtime as their salary amounts already covered that extra time on the job. That is what Starbucks thought until the lawyer’s subpoenas were received. Those coffee beans are really bitter.

Let us get back to our subject matter of “anything hidden in your figures.” Excessive fashionable thinking and trends tend to be overdone. When they finally break, and they usually do, the fallout can be very harmful and painful. The management at Enron, Worldcom and the companies granting backdated stock options at one time had a smooth sailing attitude. So, are there any hidden political contributions buried in your figures that could be harmful to you and your sailing plans? Will you be a casualty of this further testing of the limits?

Richard R. Greer

Richard R. Greer is a retired CPA who was a sole practitioner in the Phoenix, AZ area for 40 years. He is a member of the AICPA and AZ-ASCPA. Also, He taught intermediate accounting 1 semester ASU, 1959 and 4 semesters Phoenix College, 1960 & 1961.