



Federal Accounting Standards Advisory Board

June 9, 2016

Memorandum

To: Members of the Board

From: Melissa L. Batchelor, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: FASAB Handbook Update / Codification Outreach Plan– **Tab D**¹

MEMBER ACTIONS REQUESTED:

- Respond to staff question (p. 9) by June 23
- Prepare to approve FASAB Handbook Update / Codification Outreach Plan at the June meeting

OBJECTIVE

The objective of this session is for the Board to review and approve an outreach plan to evaluate alternatives for providing accounting standards to the community.

BRIEFING MATERIAL

The proposed outreach plan is attached along with a question for the Board on page 9. You may electronically access the briefing material at <http://www.fasab.gov/board-activities/meeting/briefing-materials/>.

MEMBER FEEDBACK

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-5976 or by e-mail at batchelorm@fasab.gov with a cc to paynew@fasab.gov.

Attachments:

FASAB Handbook Update / Codification Outreach Plan

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

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FASAB HANDBOOK UPDATE / CODIFICATION

OUTREACH PLAN

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FASAB HANDBOOK UPDATE /CODIFICATION OUTREACH PLAN

Purpose²: The purpose of this effort is for FASAB to evaluate alternatives³ for providing accounting standards to the community. FASAB currently incorporates pronouncements into an annual codification of all FASAB pronouncements as of June 30 each year, or *The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook.)*

Objectives: The primary objectives are to:

- a). Conduct outreach efforts through focus group meetings to obtain the views of those using the accounting standards because such feedback will inform the Board and aid in making the final decision regarding options to present FASAB pronouncements.
- b). Coordinate efforts with GAO to obtain an understanding of the new process to be used for the annual update. Ensure a thorough understanding of any system or software restrictions.
- c). Establish requirements and the necessary FASAB procedures to ensure a smooth transition to the new process and/or potentially new codification, if determined to be appropriate.
- d). Provide guidance as necessary to FASAB staff and the community to address the new process and/or potentially new codification, if determined to be appropriate.
- e). Consider any other potential issues arising from transition to the new process and/or potentially new codification, if determined to be appropriate.

Assigned staff: Melissa Batchelor

Other resources: Focus Group Meetings

Timeline: **June 2016**

- Background & research
- Board reviews and approves outreach plan.

² Although this is not considered a Board project, requirements are presented because it will require staff resources over the next several months and the results obtained, once implemented will impact the community.

³ It was a good time to review such alternatives because FASAB is in the process of converting to different software to support the annual update of the Handbook.

July – August 2016

- Staff conducts focus group meetings.

August 2016 Meeting

- Staff presents results at August meeting.

August – October 2016

- As necessary, additional outreach or follow-up based on Board feedback.

October 2016 Meeting

- Final recommendations and action plan for transition.

November 2016-

- Update the Board periodically on progress.

PROPOSED STEPS TO COMPLETE OBJECTIVES

I. Consideration of History & Background of the Handbook

(Much of this is based on information provided on the FASAB website, Newsletters and FASAB minutes.)

FASAB provides links to all versions of the FASAB Handbook issued since June 2004 on the Archived FASAB Handbooks page at <http://fasab.gov/archived-versions/>. The *FASAB Handbook of Accounting Standards and Other Pronouncements, as Amended (Current Handbook)*—an approximate 2,300-page PDF—is the most up-to-date, authoritative source of generally accepted accounting principles (GAAP) developed for federal entities. It is updated annually to incorporate pronouncements issued by FASAB through June 30 of each year. The annual update includes incorporating amendments within each previously issued pronouncement. Each issuance is presented individually in the handbook by chapter, and those issuances not already included in the complete handbook will be incorporated into the next annual update.

Versions prior to June 30, 2011, were referred to as *Pronouncements as Amended, Statements of Federal Financial Accounting Concepts and Standards (2008–2010)*, *Original Pronouncements, Statements of Federal Financial Accounting Concepts and Standards (2007)*, or *Volume 1, Original Pronouncements, Statements of Federal Financial Accounting Concepts and Standards (2004 and 2006)*. In addition, prior to 2008, amendments were not presented in each pronouncement. Instead, the originally issued pronouncements were presented as described in the introduction to each volume.

Links to each of the Archived Versions (2004–Present)

- [2014](#)
- [2013](#)
- [2012](#)
- [2011](#)
- [2010](#)
- [2009](#)
- [2008](#)
- [2007](#)
- [2006](#)
- [2004](#)

As noted, FASAB first posted the Original Pronouncements (Volume I) and Current Text (Volume II) on the FASAB website in 2004. As explained in the FASAB newsletter, the Original Pronouncements compiled and Current Text codified the documents produced by the FASAB. The Original Pronouncements volume was designed to meet the needs of users for an authoritative reference to concepts, standards, interpretations, technical bulletins, technical releases, and other issuances. It contained extensive cross-referencing and indexing. Original Pronouncements presented each issuance as a separate chapter. The issue date and effective date of each statement were presented first. In addition to the authoritative volume of Original

Pronouncements, FASAB staff provided a Current Text referred to as Volume II. Current Text (Volume II) presented the authoritative portions of the Original Pronouncements in a topical arrangement. For example, all the literature related to direct loans is presented together. The Current Text was a resource for preparers and auditors but was not an authoritative reference since it did not undergo Board level review for accuracy.

FASAB updated the Original Pronouncements (Volume I) and Current Text (Volume II) on the FASAB website to include all FASAB guidance issued through June 30, 2004. Both volumes could be downloaded as a PDF file.

In July 2006 FASAB staff announced that the 2006 update of original pronouncements should be completed during August. In addition, the presentation of amendments would be changed. With this edition, all pronouncements will be presented as amended. The update of the current text, a topical arrangement of standards and other guidance, will follow completion of the original pronouncements. However, there was concern that the current text was not widely used and the benefits of maintaining it may not justify the cost of doing so. This is an issue that would be explored. **While staff can't find additional public record regarding the issue, Volume II (current text or topical) was not updated beyond September 2004.**

A key point is that FASAB will continue to provide Original Pronouncements (Unamended) as a resource on the website because it is important to maintain FASAB pronouncements as they were originally issued, prior to subsequent amendments for historical references. As explained on our current website:

Original Pronouncements (Unamended)

For the most current and up-to-date source of official FASAB accounting and reporting guidance for federal entities, please access the current version of [The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended \(FASAB Handbook\)](#), **not the individual pronouncements on this page.**

Each new Statement of Federal Financial Accounting Standards (SFFAS) and other pronouncements developed by FASAB are individually numbered (e.g., SFFAS 1, SFFAS 2, etc) and issued after following full [due process](#). The original pronouncement is then posted to the internet to maintain an historical record of each pronouncement in its original state. However, after the pronouncement is subsequently incorporated into the annual codification of all FASAB pronouncements as of June 30 each year ([FASAB Handbook](#)), the annual codification supersedes each individual pronouncement. Amendments made by subsequent pronouncements update the annual codification, not the original pronouncement. Therefore, after an individual pronouncement is incorporated into the annual codification, the official authoritative source for that pronouncement becomes the annual codification. Individuals should **avoid referencing the original individual pronouncements as issued unless it is for historical or research purposes.**

The links below will direct you to the original, unamended pronouncements, which should not be considered authoritative; they have been made available for historical reference and research purposes only.

Original (Unamended) Pronouncements

(for historical reference or research purposes only)

- [Original Concepts \(Unamended\)](#)
- [Original Standards \(Unamended\)](#)
- [Original Interpretations \(Unamended\)](#)
- [Original Technical Bulletins \(Unamended\)](#)
- [Original Technical Releases \(Unamended\)](#)
- [Original Staff Implementation Guidance \(Unamended\)](#)

II. Determine Goals of Codification / Handbook Update

When considering the purpose of codification or the handbook update, one must consider the goals of codification:

- Provide single source of authoritative GAAP
- organized in an easily accessible, user-friendly manner or system
- create a searchable retrieval system that is understood, including how to reference
- reduce the amount of time and effort required to research an accounting issue
- support compliance with standards through improved usability of the literature
- provide accurate information to users
- provide real-time and easy updates as new standards are released or become effective
- assist the FASAB with the research efforts required during the standard-setting process

III. Resources and Research Steps

While this is not considered a project, the results of this effort will impact all who rely on FASAB's Statements and other guidance. Therefore, staff believes it important to brief the Board on the planned outreach.

Staff plans to conduct two focus group meetings (2 hours in length) with members of the financial management community. The meetings will allow staff to gather feedback from stakeholders that use FASAB standards and guidance to inform the

Board on making a decision regarding the best alternative for presenting accounting standards.

The focus groups will consist of representatives from the CFO, IG and IPA communities to ensure all views are considered.

Briefly, staff plans to provide the focus group participants with information prior to the meeting. This may include background information and samples of FASAB's previous Volumes as well as other standard setter's codification for certain subject areas.

While staff has not finalized the agenda and materials for the focus group meeting as of yet, the key discussion areas will revolve around:

- Review & Discussion of Samples
- Discussion of Experiences or Issues working with HB, codification, other standard setters, or other formats
 - Research Techniques
- Other Alternatives from Participants
- Pros/ Cons of Alternatives

NOTE- Staff also plans to conduct a telephone interview with GASB staff to learn more about their experience and lessons during their codification project.

IV. Consideration of Other Standard Setters

GASB

As noted above, staff plans to discuss GASB's codification project with GASB staff. Below is an excerpt of GASB's model as described on the website.

Annual Bound Editions

- [GASB Codification](#)
- [GASB Original Pronouncements](#)

GASB 2015–2016 Annual Bound Editions

Note: The next editions of the Codification and Original Pronouncements will be updated as of June 30, 2016, and will be available in early fall.

GASB Codification as of June 30, 2015

The GASB Codification presents accounting and financial reporting standards for state and local governments in a topical format. The material in the Codification integrates guidance from GASB Statements, Interpretations, Technical Bulletins, Implementation Guides, and Concepts Statements; NCGA Statements and Interpretations; and the AICPA Industry Audit Guide, *Audits of State and Local Governmental Units (1974)*, and other AICPA literature that has been cleared

by the GASB, and it is considered authoritative. The effects of pronouncements that have been issued but that are not yet effective are presented in an appendix to the Codification for the information of the reader. Similarly, GASB Concepts Statements are presented in an appendix. Additional appendices include a paragraph-by-paragraph cross-reference of original pronouncements to material in the Codification and a topical index. The Codification is current through June 30, 2015. NOTE: The next edition of the Codification will be updated as of June 30, 2016, and will be available in early fall.

GASB Original Pronouncements as of June 30, 2015

This two-volume set contains the following original pronouncements issued through June 30, 2015. The volumes incorporate the following pronouncements:

- NCGA Statements and Interpretations currently in force
- AICPA 1974 Industry Audit Guide and related Statements of Position continued in force when the GASB began operations
- GASB Statements, Interpretations, Technical Bulletins, and Concepts Statements.

The volumes also include several appendices, including a paragraph-by-paragraph cross-reference of the original pronouncements to material in the GASB Codification and a topical index. Implementation Guide No 2015-1 is not included but is available as a separate volume. Note: The next edition of the Original Pronouncements will be updated as of June 30, 2016, and will be available in early fall.

Pronouncements

Certain GASB pronouncements available below may be **completely** superseded by the issuance of subsequent GASB Pronouncements and are marked accordingly on the title page and download caption. Additionally, certain pronouncements have been **partially** superseded or amended by subsequent GASB Pronouncements; such subsequent modifications are not marked in the PDF files of the originally issued pronouncements included on this webpage.

FASB

Staff also considered FASB's model and the major codification project that they completed. Since 2009, FASB's Accounting Standards Codification is the official source of authoritative, nongovernmental U.S. generally accepted accounting principles. The Codification is the result of a major 5-year project involving the FASB, the Financial Accounting Foundation (FAF), the oversight and administrative body of the FASB, and their consultants, along with hundreds of stakeholders that contributed to its completion. The Codification reorganized thousands of pronouncements issued by the FASB, the AICPA, and other standards-setting bodies into roughly 90 accounting topics, displaying all topics using a consistent structure.

V. Summary of Potential Concerns

FASAB is considering two changes—a process change that must be made and potentially a technical change in how standards are presented and updated going forward. Staff notes that there are some that believe the current Handbook should remain while others believe a topical arrangement is most logical.

It appears the current text (topical arrangement of standards) was only “updated” one time. In 2006, staff explained it was not widely used and the benefits of maintaining it may not justify the cost of doing so. Also, some note that it would be nice to have the information arranged topically, but consider the topical index in the Appendix (or perhaps some other format) serving the same purpose. Note that some Board level review of a topical arrangement may be needed to establish an authoritative reference.

Staff believes there will be merit in alternatives that are reviewed so it is best to remain open as we move to the focus group meetings. Staff believes the use of focus group meetings will provide the means to update this understanding.

The objective of this session is to review and approve this outreach plan.

Question for the Board: Does the Board approve the outreach plan to evaluate alternatives for providing accounting standards to the community?

While there are no other specific questions for the Board regarding this topic, Board members should share feedback that may be helpful for completion of this effort. For example, staff would welcome any Board member suggestions regarding questions for the focus group meeting or other ideas regarding organization of standards going forward.

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-5976 or by e-mail at batchelorm@fasab.gov with a cc to paynew@fasab.gov.