Federal Accounting Standards Advisory Board

MEMBER ACTIONS REQUESTED: • Review the draft EDs regarding required supplementary stewardship information and management's discussion and analysis. • Provide answers to the questions on page 7 by October 23, 2017.

October 12, 2017

Memorandum

To: Members of the Board

Ross Simms

From: Ross Simms, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: Federal Financial Reporting: Streamlining Management's Discussion and Analysis and Required Supplementary Stewardship Information – **TAB B**[1]

OBJECTIVES

The objectives are to discuss draft exposure drafts (ED) for reporting on stewardship investments, the remaining category of required supplementary stewardship information (RSSI), and improving management's discussion and analysis (MD&A).

BRIEFING MATERIALS

The briefing material includes this memorandum and the following attachments:

Attachment I provides a draft ED proposing guidance for reporting on stewardship investments.

Attachment II provides a draft ED proposing improvements to MD&A and amending SFFAS 15, *Management's Discussion and Analysis*.

[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.

BACKGROUND

During the August 2017 meeting, the Board discussed proposals for eliminating RSSI and improving MD&A. The Board discussed staff's initial draft ED proposing to eliminate RSSI by rescinding SFFAS 8 in its entirety. The draft ED noted that stewardship investments is the remaining component of RSSI and users do not review the information provided in financial reports. Users can access the information from other sources, such as the Budget of the U.S. and agency annual performance reports (APR). However, the Board discussed the history and complexities of RSSI and noted that the draft ED needed to include a comprehensive discussion of the rationale for rescinding RSSI. Thus, FASAB staff is presenting a revised draft ED during the October meeting.

In addition, the Board supported the proposal to improve MD&A. Staff proposed to eliminate the reporting requirement that addresses the reporting entity's vital performance goals, objectives, and results in MD&A. As an alternative, the Board would require reporting entities to inform readers where to obtain the entity's annual performance report (APR). Members noted that conditions have changed since FASAB developed the MD&A reporting standards. Component reporting entities currently issue separate financial and performance reports and issue the reports at different times. In addition, the Board's concepts acknowledge that information that users need may not reside in a single report. Consequently, the Board would develop an ED to amend the existing MD&A reporting standards, explain the rationale for the proposal, and obtain comments from users, preparers, and auditors.

NEXT STEPS

The next steps for the project will be determined during the meeting.

MEMBER FEEDBACK

If you have any questions or comments, please contact me by telephone at (202) 512-2512 or by email at simmsr@fasab.gov with a cc to paynew@fasab.gov .

RSSI

Revised Draft ED

Staff revised the August 2017 ED to focus on stewardship investment reporting and clarifying that reporting entities have flexibility in reporting stewardship investment information. In revising the ED, staff considered three approaches: 1) rescinding Statement of Federal Financial Accounting Standards (SFFAS) 8, *Stewardship Reporting*, in its entirety, 2) rescinding SFFAS 8 in its entirety and retaining the definitions for stewardship investments, and 3) rescinding SFFAS 8 in its entirety and incorporating the stewardship investment trends guidance in a new standard.

Option 1: Rescinding SFFAS 8 in Its Entirety

This approach simply involves rescinding SFFAS 8 in its entirety and would not preclude entities from reporting stewardship investment information. SFFAS 8 established the RSSI category and discusses the nature of stewardship information. However, the Board became concerned that users and the financial reporting community did not fully understand the significance of RSSI. Consequently, the Board began reclassifying or eliminating all the RSSI elements and only stewardship investments remain. SFFAS 8 currently requires reporting trends in stewardship investment expenses.

During the Board's August 2017 meeting, staff proposed rescinding SFFAS 8 in its entirety and noted roundtable participants' view that the stewardship investments information was not useful. In addition stewardship investments information is available from other sources, such as the Budget of the U.S. Government.

However, this approach would remove the definitions of the stewardship investment components— non-federal physical property, human capital, and research and development—from the standards. A reporting entity may choose to classify stewardship investment expenses on the face of its statement of net cost and/or inform its users on stewardship investment trends. In the absence of FASAB guidance, the entity would possibly rely on definitions prescribed in administrative directives for budgetary reporting and such definitions may differ from the Board's definitions.

Option 2: Rescinding SFFAS 8 in Its Entirety and Retaining the Definitions for Stewardship Investments

This approach involves rescinding SFFAS 8 in its entirety, and discussing that reporting entities have discretion in determining whether to report stewardship investment information. If reporting entities choose to report on stewardship investments, the proposed Statement provides definitions for stewardship investment components. Reporting entities may present information on stewardship investments by aggregating expenses as a line item on the face of the statement of net cost, discuss the components of stewardship investments in disclosures or discuss trends in required supplementary information (RSI).

This approach recognizes the diversity of reporting entity goals, objectives, and users and the need for reporting entities to have flexibility in determining how to meet their users' information needs. Because the basic statement and RSI are required by generally accepted accounting principles (GAAP), the reporting entity would be presenting information in established categories. The attached ED provides an example of the guidance that could be presented.

A possible concern regarding this approach is that it does not bring forward all the guidance for reporting on stewardship investment trends, such as the following:

a. Non-federal physical property. Annual investment[2] including a description of federally-owned physical property transferred to state and local governments provided for the year ended on the balance sheet date as well as for each of the preceding four years. Reporting should be at a meaningful category or level. Reporting at the entity level should be more specific than at the government-wide level. Description of major programs involving federal investments in nonfederal physical property including a description of programs or policies under which non-cash assets are transferred to state and local governments.

b. Human Capital. Annual investment provided for the year ended on the balance sheet date and for each of the preceding four years. Reporting should be at a meaningful category or level and reporting at the entity level should be more specific than at the government-wide level. Narrative description of major education and training programs.

c. Research and Development. Annual investment provided for the year ended on the balance sheet date and for each of the preceding four years. Reporting should be at a meaningful category or level. Reporting at the entity level should be more specific than at the government-wide level. Narrative description of major research and development programs.

Option 3: Rescinding SFFAS 8 in Its Entirety and Incorporating the Stewardship Investment Trends Guidance in a New Standard

This approach involves rescinding SFFAS 8, in its entirety, and incorporating the SFFAS 8 stewardship investment trends guidance into the new standard. With respect to stewardship investment trends, the proposed Statement would describe requirements such as the number of periods to present and the level of reporting. The proposed Statement would also require a description of major programs for each stewardship investment component.

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[2] The term annual investment refers to the full cost of the investment measured and accounted for in accordance with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.

However, this approach affirms existing practice and may not improve reporting entity financial reporting. Reporting entities currently treat this information as RSI and roundtable participants noted the information was not used.

Questions for the Board

1. Which of the following options does the Board prefer for reducing the concerns regarding RSSI and improving reporting entity financial reporting:

    - Option 1: Rescinding SFFAS 8 in its entirety,

    - Option 2: Rescinding SFFAS 8 in its entirety and retaining the definitions for stewardship investments, or

    - Option 3: Rescinding SFFAS 8 in its entirety and incorporating the stewardship investment trends guidance in a new standard?

2. Is there another option members would like to offer for reducing concerns regarding RSSI and improving reporting entity financial reporting?

3. Does the Board have comments or suggestions regarding the proposed draft ED reflecting option 2?

MD&A

Staff prepared a draft ED proposing to amend SFFAS 15, *Management's Discussion and Analysis*, and permit flexibility in reporting performance information in the management's discussion and analysis (MD&A) section of financial reports. SFFAS 15 was intended to help address users' need for performance information and requires reporting entities to address the entity's performance goals, objectives, and results in MD&A. However, since the Board developed the standard, reporting entities have evolved to reporting financial and performance information at different times. Consequently, the performance information is not available at the time the entity is required to prepare the MD&A and reporting entities present prior period data or estimates to address the MD&A standards.

The alternatives reporting entities use to address the MD&A standards may adversely impact the qualitative characteristics of the MD&A information. For instance, users may be confused by differences between the information presented in the MD&A and annual performance reports, and MD&As presenting prior period data may not be useful to users.

The proposed Statement would permit flexibility in addressing the reporting entity's performance goals, objectives, and results. Reporting entities would be allowed to include a statement in MD&A regarding the availability of the reporting entity's annual performance report and how that report can be obtained. This approach would reduce the risk of confusion and help users obtain detailed performance information.

Questions for the Board

4. Does the Board agree with the proposal to amend SFFAS 15?

5. What comments or suggestions do members have regarding the draft ED for improving MD&A?

Questions for the Board

1. Which of the following options does the Board prefer for reducing the concerns regarding RSSI and improving reporting entity financial reporting:

    - Option 1: Rescinding SFFAS 8 in its entirety,

    - Option 2: Rescinding SFFAS 8 in its entirety and retaining the definitions for stewardship investments, or

    - Option 3: Rescinding SFFAS 8 in its entirety and incorporating the stewardship investment trends guidance in a new standard?

2. Is there another option members would like to offer for reducing concerns regarding RSSI and improving reporting entity financial reporting?

3. Does the Board have comments or suggestions regarding the proposed draft ED reflecting option 2?

4. Does the Board agree with the proposal to amend SFFAS 15?

5. What comments or suggestions do members have regarding the draft ED for improving MD&A?

Federal Accounting Standards Advisory Board

REPORTING ON STEWARDSHIP INVESTMENTS

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by XX

November XX, 2017

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board"
- "Mission Statement: Federal Accounting Standards Advisory Board," exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: www.fasab.gov

Contact us:

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Federal Accounting Standards Advisory Board

November XX, 2017

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Reporting on Stewardship Investments*, are requested. Specific questions for your consideration appear on page 4, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by [TBD].

All comments received by FASAB are considered public information. Those comments may be posted to FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to e-mail your responses, we encourage you to fax the comments to (202) 512-7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide one or more public hearings may be held on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

D. Scott Showalter

Chairman

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

This proposal eliminates the required supplementary stewardship information (RSSI) category by rescinding Statement of Federal Financial Accounting Standards (SFFAS) 8, *Supplementary Stewardship Reporting*. This proposal also clarifies the flexibility reporting entities have in reporting on the government's investments intended to provide long-term benefits for the nation. These investments are referred to as stewardship investments.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

This proposal would reduce confusion caused by the unique RSSI category. The Board established the RSSI category to highlight the government's stewardship, including trends in stewardship investments. However, users and the financial reporting community did not clearly understand the purpose of the RSSI category and the RSSI section of financial reports. Consequently, the Board began eliminating items from the RSSI category and only stewardship investment trends remain.

In addition, reporting entities have diverse goals, objectives, and users. Permitting flexibility in reporting stewardship investments would enable reporting entities to address their users' principal information needs.

MATERIALITY

The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

TABLE OF CONTENTS

QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or "the Board") encourages you to become familiar with all proposals in the Statement before responding to the questions in this section. In addition to the questions below, the Board also would welcome your comments on other aspects of the proposed Statement. Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

The questions in this section are available in a Word file for your use at http://www.fasab.gov/documents-for-comment/. Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by e-mail, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by XX, 2017.

Q1. The provisions of Statement of Federal Financial Accounting Standards (SFFAS) 8, *Supplementary Stewardship Reporting*, designates the required supplementary stewardship information (RSSI) category for reporting investments in federally financed but not federally owned property, such as bridges and roads; certain education and training programs; and federally financed research and development. However, the purpose for the RSSI category was not clear to the reporting community and users. Consequently, the Board is proposing to eliminate the RSSI category and reduce confusion caused by the unique category designation.

Do you agree or disagree with the Board's proposal to eliminate the RSSI category? Please provide the rationale for your answer.

Q2. The Board is proposing to permit flexibility in reporting stewardship investments in required information—basic financial statements and required supplementary information. The responsibilities of financial reporting entities are broad and reporting entities need flexibility to address their respective users' information needs.

Do you agree or disagree with the Board's proposal to permit flexibility in reporting stewardship investments? Please provide the rationale for your answer.

PROPOSED STANDARDS

SCOPE

1. This Statement applies when a reporting entity is presenting general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP) as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

ELIMINATING THE REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION CATEGORY

2. This paragraph rescinds SFFAS 8 in its entirety.

REPORTING STEWARDSHIP INVESTMENTS

3. Reporting entities may elect to report stewardship investments in its basic financial statements and required supplementary information. This election should be based on the nature of the reporting entity, its goals and objectives, and the information needs of its users. Stewardship investments are recognized as expenses in determining net cost. However, the expenses are intended to provide long-term benefits.

4. Reporting entities that elect to identify stewardship investments should apply the following definitions:

    a. Nonfederal Physical Property. Properties financed by the federal government, but owned by states and local governments, such as highways and bridges.

    b. Human Capital. Education and training programs financed by the federal government for the benefit of the public, such as job training programs and grants for higher education.

    c. Research and Development. Basic and applied research and development efforts to provide future benefits or returns, such as genetic code research to advance national medical research.

EFFECTIVE DATE

5. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Overview of the Required Supplementary Stewardship Information Category

A1. Required Supplementary Stewardship Information (RSSI) is a category developed when FASAB recommended accounting standards and its conceptual framework had not yet included criteria for basic information and guidance to help determine when to use required supplementary information (RSI). Also, component reporting entities prepared reports intended to meet several reporting requirements in a single document.

A2. While RSSI included non-financial data, projections, and other elements the Board believed did not articulate with the basic financial statements, the Board agreed the category was needed to highlight information regarding the government's stewardship (stewardship information). However, audit guidance for RSSI was not developed and the financial reporting community did not completely understand the Board's intent for the category. Consequently, the Board began eliminating the category by reclassifying most of the elements to the basic financial statements or RSI.

A3. For one element, the current services assessment (CSA),[1] the Board decided to eliminate the information from the financial reporting model. Presenting the information was not practical and users could access similar information from other sources. Currently, only stewardship investment trends remains in the RSSI category.

[1] The CSA presents projections of future receipts and outlays from future activities based on the programs established by current law. The CSA focuses on the totality of government operations rather than on individual programs, and shows the short- and long-term direction of current programs.

Progress since the Development of the RSSI Category

A4. Since the Board developed the RSSI category, the American Institute of Certified Public Accountants designated FASAB as the source of generally accepted accounting principles (GAAP) for federal reporting entities and the Board's conceptual framework evolved. The Board developed concepts regarding the following topics:

a. the definition of accrual basis financial statement elements and basic recognition criteria,

b. criteria for distinguishing basic information, RSI, and other information,

c. measuring accrual basis financial statement elements, and

d. improving the reporting models for the government-wide and component reporting entities.

A5. In addition, the Board determined that non-financial data and projections could be presented in the basic financial statements.[2]

A6. Also, financial reporting practices advanced since development of the RSSI category. The government began focusing on operating performance and performance reporting and component reporting entities developed improved control activities and data-gathering systems. In addition, reporting entities began preparing more timely financial reports and have moved away from presenting financial and performance information in a single document.

The Nature of Stewardship Information

A7. The Board defined stewardship as "the federal government's responsibility for the welfare of the nation in perpetuity"[3] and developed conceptual guidance that discusses what information users may need to assess the government's stewardship. Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, notes that the federal government has unique access to financial resources and financing[4] and has broad, timeless responsibilities.[5] In addition, the government's financial condition is intertwined with the financial condition of the nation.[6] Consequently, there is no single measure of success,[7] and users need financial and non-financial information about the government and the national economy.[8]

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[2] SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*.
[3] FASAB Handbook, Appendix E, Consolidated Glossary.
[4] SFFAC 1, par. 53.
[5] SFFAC 1, par, 135.
[6] SFFAC 1, par. 236.
[7] SFFAC 1, par. 53.
[8] SFFAC 1, par. 144.

A8. To report on the government's stewardship, SFFAC 1 notes that the government's accrual basis financial position must be supplemented with reports that might disclose the contribution that the government is making to national wealth by financing assets that are not federally owned, such as research and development, education and training, and state-owned infrastructure. In addition, information on trends in total national wealth and income would be important to users.[9]

A9. In 1996, to help address users' need for stewardship information, the Board developed Statement of Federal Financial Accounting Standards (SFFAS) 8, *Supplementary Stewardship Reporting*. Consistent with the conceptual guidance, the Board noted that "traditional" financial measures did not address all the responsibilities of the federal government. Also, in some instances, financial data may need to be presented and characterized in ways that differ from traditional reporting and traditional data may need to be supplemented with non-financial data. In other instances, it may be necessary to rely almost entirely on non-financial data.[10]

A10. SFFAS 8 discussed the information needed to supplement traditional financial information and facilitate stewardship reporting. The Statement provided the following discussion.

> The purpose of this Statement is to establish standards for reporting on the Federal Government's **stewardship** over certain resources entrusted to it, and certain responsibilities assumed by it. The resources and responsibilities relate to those which do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but that are important to an understanding of the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods. Costs of these stewardship-type resources are treated as **expenses** in the financial statements in the year the costs are incurred. However, these costs and resultant resources are intended to provide long-term benefits to the public and are included in stewardship reporting to highlight for the reader their long-term-benefit nature and to demonstrate accountability over them.[11]

A11. Reporting on the government's stewardship would include information on the following:

a. **Stewardship Property, Plant, and Equipment (Stewardship PP&E)**. Items whose physical properties resemble those of general PP&E traditionally capitalized in financial statements. However, the nature of these physical assets differ from general PP&E in that their values may be indeterminable or

[9] SFFAC 1, par. 145.
[10] SFFAS 8, pars.9 and 10.
[11] SFFAS 8, par. 1.

may have little meaning (for example, museum collections, monuments, assets acquired in the formation of the nation) or that allocating the cost of such assets (for example, military weapons systems and space exploration hardware) to accounting periods that benefit from the ownership of such assets is meaningless.[12] This category formerly included federal mission PP&E, heritage assets, and stewardship land.

b. **Stewardship Responsibilities**. The projected financial impact on the government of sustaining the current services that it provides pursuant to laws already enacted. The commitments and constraints reflected in "current services" are inherent in the tax and spending policies contained in current law. This information included risk assumed and social insurance information and the CSA.

c. **Stewardship Investments**. Substantial investments made for the benefit of the nation. When incurred, they are treated as expenses in determining the net costs of operations. However, these items merit special treatment so that readers know the extent of these investments that are made for long-term benefit. Such investments would be measured in terms of expenses incurred for certain education and training programs; federally financed research and development; and federally financed but not federally owned property, such as bridges and roads.[13]

The RSSI Category for Reporting Stewardship Information

A12. When the Board developed SFFAS 8, it believed that stewardship information should be distinguished from basic financial statements. Stewardship information may include non-financial data, may be based on projections or assumptions, and may not articulate with basic financial statements.[14] In addition, stewardship information should be distinguished from required supplementary information (RSI). The importance of the information needed to be highlighted[15] and receive more audit scrutiny than RSI.[16]

A13. Consequently, the Board developed the RSSI category for reporting stewardship information. The Board intended that the Government Accountability Office and the OMB would define a level of auditor involvement greater than applied to RSI but less than applied to basic information. However, that level was not defined.

[12] SFFAS 8, par. 11.
[13] SFFAS 8, par. 12.
[14] SFFAS 8, par. 20.
[15] SFFAS 8, par. 111.
[16] SFFAS 8, par. 111 and 114.

Concerns Regarding the RSSI Category

A14. The Board monitored the implementation of RSSI and, in 2000, began efforts to eliminate the category. RSSI appeared to create avoidable problems for users and auditors. Some users may pay insufficient attention to information labeled supplementary and auditing standards did not discuss RSSI. Also, the Board had been designated as the source of GAAP for federal reporting entities and believed that financial reports should only use categories that are widely understood by the accounting profession.[17]

Eliminating the RSSI Category: Federal Mission PP&E and the Progress in Performance Reporting

A15. Subsequent to the development of SFFAS 8 and the stewardship information guidance, the government began focusing increasingly on operating performance. Reporting entities were advancing in their response to the Government Performance and Results Act (GPRA) requirements and the Board began considering the need for improved asset management as well as cost information.

A16. The Board considered the relationship between stewardship and operating performance and how addressing operating performance would also address stewardship. For instance, the Board issued SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, and eliminated federal mission PP&E from RSSI. Federal mission PP&E was a component of stewardship PP&E and SFFAS 23 rescinded the federal mission PP&E chapter of SFFAS 8. SFFAS 23 required that the associated costs be capitalized and the Board's rationale for the decision was as follows

> The Board acknowledges that the SFFAS No. 8 stewardship approach was adopted, not as a convenience or temporizing expedient, but as a technically desirable approach. However, an increasing government-wide focus on the cost of operations and operating performance in relation to the implications of the Government Performance and Results (GPRA) Act, combined with the Board's and DoD's extensive study and greater understanding about National Defense PP&E, provides a clear indication that the operating performance objective is relevant for ND PP&E.[18]
>
> … With regard to the stewardship objective and the need for unit information, the Board notes that the stewardship objective is being met for general PP&E without this special disclosure. Through the course of the audit, existence of PP&E and the completeness of PP&E records are

[17] FASAB, *Preliminary Views on Eliminating the Category "Required Supplementary Stewardship Information*," December 2000.

[18] SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, par. 29.

verified. This satisfies the basic stewardship function that the double entry system offers.[19]

Eliminating the RSSI Category: Reclassifying Stewardship Responsibilities and Eliminating the CSA

A17. The Board reiterated its concern that existing audit standards did not discuss RSSI. Also, the financial reporting community was not clear whether RSSI was essential to fair presentation and the Board was concerned that users might not understand the significance of RSSI.[20] As a result, the Board determined that federal accounting standards may be able to address the objectives of federal financial reporting, including accountability and reporting on stewardship, without a unique category.[21]

A18. In 2003, the Board issued SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. The Statement reclassified information about risk assumed[22] and social insurance,[23] and eliminated the CSA required by SFFAS 8. The Board's rationale for each of the elements was as follows:

a. Risk Assumed. The Board believed that the information was valuable but not suitable for basic information. The amounts were not sufficiently reliable and measurement methods were experimental.[24]

b. Social Insurance. The Board believed that social insurance information was essential to fair presentation and important to achieving the financial reporting objectives. The Board rejected the notion that information based on projections cannot be considered part of the basic financial statements, noting that accrual-basis financial statements include measurements that involve assumptions about the future.[25]

c. CSA. SFFAS 8 defined the CSA by reference to what is published in the President's Budget. However, the Financial Report of the U.S. Government (CFR) would be issued before the President's Budget becomes available. In order to continue requiring something comparable to the CSA as part of the CFR federal accounting standards would need to define the CSA in some way other than by reference to the Budget.[26] Other sources, such as the Office of Management and Budget (OMB) and the Congressional Budget

[19] SFFAS 23, par. 37.
[20] SFFAS 25, par. 11.
[21] SFFAS 25, par. 15.
[22] Required by SFFAS 5, *Accounting for Liabilities of the Federal Government*.
[23] Required by SFFAS 17, *Accounting for Social Insurance*.
[24] SFFAS 25, pars. 20-21.
[25] SFFAS 25, pars. 26-28.
[26] SFFAS 25, par. 23.

Office, regularly publish similar projections. Therefore, similar information will continue to be available.[27]

A19. SFFAS 25 rescinded the CSA chapter of SFFAS 8, the lone chapter regarding stewardship responsibilities.

Eliminating the RSSI Category: Reclassifying Heritage Assets and Stewardship Land Reclassified

A20. The Board became concerned that the word "supplementary" in the RSSI title caused some to assume that the information was of secondary importance. In addition, the Board believed it needed to clarify that information essential to fair presentation should be subject to audit. As a result, the Board decided to eliminate the use of the RSSI category and re-categorize the stewardship elements within the reporting categories that are well defined in existing professional literature and familiar to report users.

A21. In 2005, the Board issued SFFAS 29, *Heritage Assets and Stewardship Land*. The Statement rescinded, in their entirety, the SFFAS 8 chapters regarding heritage assets and stewardship land. Also, SFFAS 29 incorporated all the standards for heritage assets and stewardship land into a single standard. In its deliberations, the Board primarily focused on reclassifying the information from the RSSI category and did not reconsider the definition, recognition, and measurement provisions. Essentially, the Statement rescinded the heritage assets and stewardship land chapters of SFFAS 8 and eliminated the use of RSSI for the remaining components of stewardship PP&E.

The Remaining RSSI Category Element—Stewardship Investment Trends

A22. With the reclassification and elimination of stewardship responsibilities and stewardship PP&E, only trends in stewardship investments remain as RSSI. Stewardship investments include expenses incurred for nonfederal physical property, such as highways and bridges; expenses incurred to increase or maintain national economic productive capacity—investments in human capital; and expenses incurred for research and development that are intended to provide future benefits or returns. Component reporting entities include the expenses incurred for stewardship investments in their statement of net cost and have flexibility in determining whether to distinguish the expenses on the face of the statement.

A23. For the RSSI category, reporting entities generally presented trends in the expenses incurred for stewardship investments. The minimum RSSI for each stewardship investment component is as follows:

[27] SFFAS 25, par. 25.

a. Non-federal physical property. Annual investment[28] including a description of federally-owned physical property transferred to state and local governments provided for the year ended on the balance sheet date as well as for each of the preceding four years. Reporting should be at a meaningful category or level. Reporting at the entity level should be more specific than at the government-wide level. Description of major programs involving federal investments in nonfederal physical property including a description of programs or policies under which non-cash assets are transferred to state and local governments.

b. Human Capital. Annual investment provided for the year ended on the balance sheet date and for each of the preceding four years. Reporting should be at a meaningful category or level and reporting at the entity level should be more specific than at the government-wide level. Narrative description of major education and training programs.

c. Research and Development. Annual investment provided for the year ended on the balance sheet date and for each of the preceding four years. Reporting should be at a meaningful category or level. Reporting at the entity level should be more specific than at the government-wide level. Narrative description of major research and development programs.

A24. The Board believed that stewardship investments trends would help report users know the extent of the investments the government has made to provide long-term benefits for the nation.[29]

A25. To support categorizing human capital and research and development expenses as investments, reporting entities needed to provide performance information on the programs reported. Reporting entities would consider the performance information in measuring human capital and research and development investments, but the performance information was not considered a reporting requirement.

PROJECT HISTORY

A26. In May 2017, the Federal Accounting Standards Advisory Board (FASAB or "the Board") joined the OMB and federal councils in revisiting financial reporting requirements and improving financial reporting. Board members reviewed financial reports and FASAB staff conducted roundtable discussions with the financial reporting community to determine potential areas for improvement. These efforts

[28] The term annual investment refers to the full cost of the investment measured and accounted for in accordance with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.
[29] SFFAS 8, par. 12.

led to identifying the trends in stewardship investments, the remaining component of the RSSI category, as an area in need of improvement in the near term.

A27. The Board's initial concerns regarding the RSSI category continued. The category is not discussed in auditing standards and users do not understand the significance of the information presented.

A28. The Board also acknowledged that other sources help achieve the stewardship objective and present stewardship investment information. For instance, the Budget of the U.S. Government ("the Budget") distinguishes between the government's investment and non-investment activities. For physical capital, education and training, and research and development the report shows the amount of budget authority and outlays for the current period and estimates for two subsequent periods.

A29. Consequently, the Board was concerned that multiple sources intended to report on the government's investments could possibly

a. confuse users regarding the appropriate source for accessing the information,

b. require explanation of the differences in measurement among the sources, and

c. burden users with redundant information.

A30. In addition, the RSSI category is not discussed in the Board's conceptual framework. Concepts help guide the Board's development of accounting and reporting standards and knowledge of the concepts should help users to understand the purposes, content, and qualitative characteristics of information provided by federal financial reporting. Subsequent to the Board's designation as the body that develops GAAP for federal reporting entities, the Board reiterated its plans to eliminate RSSI[30] and determined that basic financial statements and RSI provide information required by GAAP.[31]

A31. While the Board believes that the RSSI category should be eliminated, stewardship investment information may be needed to achieve the stewardship objective. The Board's conceptual guidance discusses users' need for information on the government's investments that are made for long-term benefit[32] and notes that GAAP provides the information.[33]

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[30] SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, pars. A14-A15.
[31] SFFAC 8, *Federal Financial Reporting*, par. 20.
[32] SFFAC 1, par. 145.
[33] SFFAC 8, pars. 39.h. and 42.f.

The Board's Proposed Approach

A32. The Board is proposing to eliminate the RSSI category by rescinding SFFAS 8. The approach would reduce confusion caused by the unique RSSI category, and the presentation of information in a discrete section of financial reports that appears similar to information in other reports.

A33. In addition, rescinding SFFAS 8 would make clear the flexibility reporting entities have in providing stewardship investments information. Reporting entity responsibilities are broad and they have diverse goals, objectives, and users. Consequently, flexibility is needed to permit reporting entities to address their users' most pressing information needs.

A34. For instance, under the materiality provisions of standards and, in particular, the guidance provided in SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, reporting entities have flexibility in distinguishing stewardship investment expenses in the statement of net cost. If a reporting entity has stewardship investment programs that have managers reporting directly to the entity's top management and the programs' resources and results of operations can be distinguished from those of others in the entity, the reporting entity may present the programs' expenses as a line item in the statement.

A35. Recognizing the broad nature of reporting entity responsibilities, FASAB's *Implementation Guide: Accounting for Revenue and Other Financing Sources* provides various illustration of how expenses may be distinguished on the face of the statement of net cost. The guidance includes an illustration of how to distinguish stewardship investment expenses on the face of the statement when appropriate.[34]

A36. Also, under the Board's proposed approach reporting entities would have flexibility in reporting stewardship investment trends. For instance, SFFAS 15, *Management's Discussion and Analysis* requires management's discussion and analysis (MD&A) to address trends and SFFAC 3, *Management's Discussion and Analysis*, states, "…as part of their stewardship responsibility, managers should explain the significance of key financial and nonfinancial information shown in the report, the strategies that led to the results reported, and the implications for future operations of events that have occurred or are likely to occur."

A37. Thus, stewardship investments information would be available in recognized categories of GAAP when relevant to users and a distinct section of financial reports would not be necessary.

[34] Implementation Guide: Accounting for Revenue and Other Financing Sources, par. 34.

APPENDIX B: ABBREVIATIONS

CFR	Consolidated Financial Report of the U.S. Government
CSA	Current Services Assessment
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
GPRA	Government Performance and Results Act
MD&A	Management's Discussion and Analysis
ND PP&E	National Defense Property, Plant, and Equipment
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

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Federal Accounting Standards Advisory Board

AMENDMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS: AMENDING SFFAS 15

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by XX

November XX, 2017

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government. Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available on the FASAB website:

- Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- Mission Statement
- Documents for comment
- Statements of Federal Financial Accounting Standards and Concepts
- FASAB newsletters

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FASAB

Federal Accounting Standards Advisory Board

November XX, 2017

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or "the Board") requests your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Amendments to Management's Discussion and Analysis: Amending SFFAS 15.* Specific questions for your consideration appear on page 3, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response will be most helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by DUE DATE.

All comments received by FASAB are considered public information. Those comments may be posted to FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by email to fasab@fasab.gov. If you are unable to email your responses, we encourage you to fax comments to 202-512-7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 to determine if your comments were received.

FASAB's rules of procedure provide that the Board may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in FASAB's newsletter.

Sincerely,

D. Scott Showalter
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

This proposed Statement would amend Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*, and permit reporting entities to inform readers on where to obtain the entity's annual performance report.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

This proposed Statement addresses the changes in financial reporting practices since FASAB developed standards for the management's discussion and analysis (MD&A) section of financial reports. SFFAS 15 requires reporting entities to address the entity's performance goals, objectives, and results in MD&A. FASAB developed the requirements when reporting entities combined financial and detailed performance information in a single document. However, reporting entities have evolved to web-based reporting and presenting financial and performance information at different times. Consequently, the performance information is not available when reporting entities are required to prepare the MD&A. This proposed statement would assist users in accessing the reporting entity's detailed performance report and reduce the risk of reporting entity's providing 1) incomplete information in MD&A, and 2) information in the MD&A that is inconsistent with the performance report.

MATERIALITY

The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

TABLE OF CONTENTS

QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or "the Board") encourages you to become familiar with all proposals in the Statement before responding to the questions in this section. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

The questions in this section are available in a Microsoft Word file for your use at http://www.fasab.gov/documents-for-comment/. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to 202-512-7366. Alternatively, you may mail your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
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All responses are requested by [insert date].

Q1. The Board is proposing to amend Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*, and permit flexibility in reporting performance information in the management's discussion and analysis (MD&A) section of financial reports. SFFAS 15 requires reporting entities to address the entity's performance goals, objectives, and results in MD&A. However, since the Board developed SFFAS 15, reporting entities have evolved to reporting financial and performance information at different times. Consequently, the performance information is not available at the time the entity is required to prepare the MD&A. The proposal would allow reporting entities to include a statement in MD&A regarding the availability of the reporting entity's annual performance report, and how that report can be obtained.

Do you agree or disagree with the Board's proposal to permit flexibility in reporting performance information in MD&A. Please provide the rationale for your answer.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

AMENDMENTS TO SFFAS 15, MANAGEMENT'S DISCUSSION AND ANALYSIS

2. The following paragraph is added to SFFAS 15, following paragraph 2:

   2A. To address the reporting entity's performance goals, objectives, and results, MD&A may include a statement regarding the availability of the reporting entity's annual performance report, and how that report can be obtained.

EFFECTIVE DATE

3. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

A1. In May 2017, the Federal Accounting Standards Advisory Board (FASAB or "the Board") joined the Office of Management and Budget (OMB) and federal councils in revisiting financial reporting requirements and improving financial reporting. Board members reviewed financial reports and FASAB staff conducted roundtable discussions with the financial reporting community to determine potential areas for improvement. These efforts led to identifying the management's discussion and analysis (MD&A) section of financial reports as an area in need of improvement in the near term.

A2. FASAB issued standards for MD&A in 1999 and required that MD&A address several topics including the reporting entity's performance goals, objectives, and results. During the development of this reporting requirement, component reporting entities were piloting a report that combined financial statements, a performance report, and other information in a single document referred to as a performance and accountability report (PAR). Also, as evidenced by the Government Performance and Results Act of 1993 (GPRA), there was an increasing interest in performance information and performance reporting practices were evolving.

A3. Subsequently, reporting entities accelerated reporting to improve managers' access to timely financial and performance information. OMB required component reporting entities to submit their financial reports 45 days after the end of the fiscal year (November 15 for a September 30 fiscal year end) and submit unaudited interim financial statements 21 days after the end of each of the first three quarters of the fiscal year.[1] Also, OMB encouraged component reporting entities to prepare a brief "highlight" version of the PAR and move away from printed documents.

A4. In addition, reporting entities recognized the need to link performance measures to the budget. Thus, reporting entities prepared annual performance reports (APR) to provide detailed performance information required by the GPRA and submitted them with the

[1] OMB Circular A-136, *Financial Reporting Requirements*, August 23, 2005.

component reporting entity's congressional budget justification. The APR also discussed performance improvements that are expected to result from the resources requested.

A5. Component reporting entities began publishing the highlight document on their website on or before the Friday prior to the release of the president's budget in February. The highlights presented budget, performance, and financial information in a brief, user-friendly format and would be referred to as a summary of performance and financial information.

A6. In an effort to further improve the reporting of financial and performance information, component reporting entities began experimenting with an alternative to the PAR and providing the information on a website. In FY 2007, component reporting entities could begin preparing an agency financial report (AFR) rather than a PAR. Reporting entities publish the AFR on the their website by November 15th, and include the Agency Head Message, MD&A, the financial statements, notes, audit report, major management challenges, and other required information. MD&A includes a high-level discussion of performance information and the AFR informs readers on when and where the APR and highlights document would be available to the public.

A7. In addition, the GPRA Modernization Act of 2010 (GPRAMA) [2] refined the GPRA requirements to facilitate more frequent, relevant data to inform decision makers. GPRAMA was intended to help advance the use of performance information in policy decisions such as budget allocations and requires: new products and processes, new roles for department and agency officials, data on cross-cutting areas, performance information in a machine-readable format, making performance information available on a public website, and a central inventory of federal programs to help citizens understand the range of services the federal government performs.[3] Consequently, as part of the new requirements, performance information is centralized on a federal website, www.Performance.gov.

A8. However, as a result of the changes in financial and performance reporting, the performance information needed to address SFFAS 15 is not available. Performance information may not be produced until the APR is due in February. Financial reports are due in November.

A9. To meet SFFAS 15 requirements, reporting entities have used prior period information that may be several months old or develop projections or estimates. By their nature, the estimates in the MD&A could differ from the actual data in the APR.

A10. The Board considered that performance information remains important to financial reporting. The operating performance objective of financial reporting notes, in part, that federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity.[4]

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[2] [1]Pub. L. No. 111-352, 124 Stat. 3866 (2011). GPRAMA amended the Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (1993).
[3] Pub. L. No. 111-352, 124 Stat. 3866 (2011).
[4] Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, par. 122.

A11. In addition, the Board considered whether maintaining the current SFFAS 15 requirements would impact the qualitative characteristics of the performance information presented in MD&A. The Board noted that if reporting entities presented prior period's data, the usefulness of the information would be diminished due to the passage of time. Also, users' understanding of the MD&A may be hindered if the MD&A presents performance information that differs from the APR.

A12. The Board also considered that financial and performance reporting will likely continue to evolve. Reporting entities are experimenting with electronic reporting to help users better access data and address their questions.

A13. The Board believes that all the information needed to achieve the reporting objectives does not need to reside in a single presentation. Information may be electronically linked or provided in other reports and users may drill down from highly aggregated data to disaggregated data.[5]

A14. The Board determined that, given the changes in financial and performance reporting, reporting entities need flexibility in presenting performance information in MD&A. The proposed Statement permits reporting entities to embed a hyperlink to the APR and reduce the risk of confusing users with incomplete or inconsistent information.

A15. The Board concluded that the requirement is sufficiently clear to the preparer and auditor that the reader should be informed that the information referenced is unaudited. Moreover, the Board concluded that MD&A was an appropriate section for directing users to unaudited reports.

[5] SFFAC 8, *Federal Financial Reporting*, pars. 31 and 67.

APPENDIX B: ABBREVIATIONS

AFR	Agency Financial Report
APR	Annual Performance Report
CFR	Consolidated Financial Report of the U.S. Government
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
GAAP	Generally Accepted Accounting Principles
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization of 2010
MD&A	Management's Discussion and Analysis
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standard

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