



FASAB Newsletter
Federal Accounting Standards
Advisory Board

August/September 2018
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Member News

[FASAB Welcomes Office of Management and Budget Representative Timothy Soltis](#)

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) welcomes incoming Office of Management and Budget (OMB) representative, Timothy Soltis. Mr. Soltis is the deputy controller at OMB. His service on the Board began on July 1, making the August meeting his first.

Mr. Soltis brings to the Board a diverse range of experiences. At the Department of Education, Mr. Soltis served as acting chief financial officer (CFO) and chief acquisition officer from May 2016 – January 2018 and as deputy CFO from March 2013 – June 2018. Previous to this, he held various senior leadership and audit positions in the Department of Defense and in the Intelligence Community.

Staff News

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that this is tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or wug@fasab.gov.

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or parkerr1@fasab.gov.

FASAB Executive Director Announces Retirement

The Board's executive director, Ms. Wendy Payne, has announced her plan to retire shortly after the second quarter of fiscal year (FY) 2019. Ms. Payne is FASAB's second executive director and has served in that capacity for 21 years. The process of selecting the Board's third executive director will begin later this fall. Please watch for a vacancy announcement from FASAB!

Current Board Projects

(For more information, click on the title of the project to be directed to the related active project page.)

Accounting and Reporting of Government Land

At the August Board meeting, staff provided an overview of the 18 comment letters received on the *Accounting and Reporting of Government Land* exposure draft (ED). The Board noted its desire to achieve a balanced perspective regarding land reporting

and asked staff to continue its outreach in that regard.

There were no Board deliberations or decisions based on the respondent comments because members desired additional clarification from the respondents. Members directed staff to extend an invitation to all respondents to address the Board at the October meeting.

As such, members identified certain technical issues arising from their review of the respondent comments where they desired further information, clarification, and feedback. The technical issues include but are not limited to the following:

- Data availability and reliability
- Effect of expensing land on the statement of net cost
- Preparer's perspective concerning audit burden related to estimating acres
- Auditor's perspective concerning audit burden related to estimating acres
- Application of materiality to non-financial information

- Extent to which audit burden acts as a constraint to reporting of acres, if at all
- Consistency within FASAB's conceptual framework
- Preparer concerns over removal of general plant, property, and equipment land from the balance sheet

Staff was asked to invite all 18 respondents of the ED to present to the Board, allowing them an opportunity to clarify their responses and address technical issues such as those identified above. Staff will also continue its outreach to federal land managers and the audit community, as well as other interested parties, to ensure the Board has a balanced perspective regarding land reporting.

The clarification discussions will occur at the October Board meeting and an agenda will be finalized after invitations are accepted and processed.

Point of Contact: Domenic Savini, 202-512-6841, savinid@fasab.gov

[Classified Activities](#)

The Board is continuing its deliberations on the draft classified Interpretation of Federal Financial Accounting Standards (SFFAS) 56: *Classified Activities*.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

[Assigning Liabilities](#)

The Board reviewed a draft of an ED Interpretation titled *Guidance on Identified Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5*. The document is available in the Board briefing materials at [tab A](#).

The draft ED Interpretation is intended to provide clarification and guidance regarding contingent liabilities and cleanup costs when multiple component reporting entities are involved. The draft ED Interpretation would provide clarification for contingent liabilities where a sub-component reporting entity or different sub-component reporting entities within a single component reporting entity may be designated to manage litigation and/or pay any resulting liabilities on behalf of other sub-component reporting entities. It would also provide guidance regarding cleanup cost liabilities where the component reporting entity responsible for reporting the asset is different from the component reporting entity that will eventually be responsible for environmental remediation upon disposal of that asset.

The Board did not have any open technical issues pertaining to the draft ED Interpretation and agreed with staff's recommendation to move to a pre-ballot draft after

the August meeting. The ED Interpretation is anticipated to be released in October 2018.

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

Leases

On August 22, 2018, the Board released a news release to clarify a question relating to lease accounting guidance during the period between the April 2018 issuance of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, and SFFAS 54's effective date of FY 2021.

As the news release states, federal reporting entities should not convert their lease accounting practices to follow the Financial Accounting Standards Board's new lease accounting standards. Federal reporting entities should continue to follow the current FASAB guidance in SFFAS 5 and 6 that addresses lease transactions. In those instances where the current standards are silent on an issue, the reporting entity should review the hierarchy of generally accepted accounting principles to identify prevalent practices consistent with SFFAS 5 and 6. Generally, reporting entities should continue their current lease accounting practices.

The full news release is available on the FASAB website at http://files.fasab.gov/pdf/clarification_lease_standards.pdf.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Materiality

The Board reviewed changes to the draft materiality ED. Members decided to remove from the draft the suggested materiality discussion for the component and consolidated levels to avoid contradicting the concept that misstatements should be assessed both quantitatively and qualitatively. The Board also agreed to delete the wording regarding relevance because materiality is entity specific and relevance is a general notion about what type of information is useful to users.

In addition, staff will add to the draft a discussion of separate materiality levels within a single reporting entity. An entity may have a quantitatively significant activity that would lead to a high entity-wide materiality amount. If used to assess materiality for the entity's other activities, such materiality amounts could allow misstatements that would affect a reasonable financial report user's judgments regarding the rest of the entity's activities. In such cases, other qualitative and quantitative factors could lead to a separate materiality level.

The Board agreed to move to a pre-ballot version and vote prior to the next Board meeting.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Note Disclosures

The note disclosure (NODI) working group presented its initial research results to the Board through four different topics: NODI communication, NODI questions for the Board, pilot note summary of significant accounting policies (SOSAP), and the pilot note fund balance with Treasury (FBWT). After discussing the working group's research, the presenters gave the following suggestions to the Board:

- Seven principles of effective communication
- Decision questions that the Board could use when evaluating potential disclosures in the federal environment
- A need for developing guidance in the *FASAB Handbook* for SOSAP, including developing a principle framework for the SOSAP note and distinguishing SOSAP from content in management's discussion and analysis (MD&A)
- Potential changes on certain FBWT disclosure requirements

The Board agreed that the activities conducted by the working group are in line with the NODI project's objectives. Members provided specific guidance on each topic to the working group. The working group will temporary stop research during the year-end busy season.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Reporting Model Phase I: MD&A and Stewardship Investments Improvements

MD&A

The Board discussed the discussion and analysis of the financial statements section within MD&A. While the discussion and analysis of financial statements may be central to MD&A, the Board expressed concern that component reporting entities were not explaining the reason for significant changes in financial statement line items or totals.

Members agreed that a single set of guidance should be prepared for both the government-wide and component reporting entities. The Board noted that similar information would be needed from both the government-wide and component reporting entities and the discussion and analysis would not necessarily need to focus on addressing a particular reporting objective, such as Operating Performance. Also, the

Board believed that guidance for the discussion and analysis should be principles-based, providing flexibility.

In addition, the Board requested that staff answer the following questions:

- What do SFFAS 15, *Management's Discussion and Analysis*, and Statement of Federal Financial Accounting Concepts 3, *Management's Discussion and Analysis*, require to meet the reporting objectives?
- How are reporting entities applying those requirements?
- What are the gaps in the requirements or their application that warrant changing standards or providing guidance?

Stewardship Investments

In addition, the Board discussed permitting flexibility in reporting on stewardship investments. For some component reporting entities, stewardship investments are significant to the entity's mission. Consequently, stewardship investments could be discussed as part of the entity's mission and organizational structure section of MD&A. However, if stewardship investments are not significant to the component reporting entity's mission, the entity could discuss stewardship investments in a distinct section. Considering that the government-wide reporting entity relies on stewardship investments information from the component reporting entities, component reporting entities could have flexibility in the amount of detail presented. Component reporting entities with significant investments may provide more detail than a component reporting entity with less significant investments.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Reporting Model Phase II

Phase II of the reporting model project was not discussed during the August 2018 meeting.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Risk Reporting

To better reflect the objectives, the risk assumed – phase II project was renamed to the risk reporting project.

The Board reviewed the measurement uncertainty framework it had requested at the October 2017 meeting. Because measurement uncertainty can affect a number of estimates provided throughout the financial statements and can be in itself a risk for estimating significant risk events, the Board ended up contemplating the status of the

risk assumed project. Members noted that the focus on risk assumed improved decisions in a number of projects despite the challenge of identifying specific risk measures.

Members agreed that the risk assumed project should not be terminated. Instead, the Board decided to change the project name to risk reporting.

Members directed staff to work with the project leads of the reporting model phase I: MD&A and stewardship investments improvements project and the note disclosures project. Through this collaboration, the risk reporting project could address the principles needed for reporting financial and non-financial risks that may have a significant financial effect on program missions and principles needed to account for measurement uncertainty.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Accounting and Auditing Policy Committee

During the August 2018 Accounting and Auditing Policy Committee (AAPC or “the Committee”) meeting, the Committee approved the Technical Release (TR) ED, *Rescinding Technical Release 8*, for release.

The TR was proposed to update technical guidance for SFFAS 55, *Amending Inter-entity Cost Provisions*. The TR would rescind TR 8, *Clarification of Standards Relating to Inter-Entity Costs*, because it is no longer consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, as amended. With the issuance of SFFAS 55, the requirement to recognize inter-entity costs was revised significantly.

The ED was released on August 21, 2018, with comments requested by October 5, 2018.

Questions regarding the ED should be directed to Melissa Batchelor at 202-512-5976 or batchelorm@fasab.gov.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

FASAB Meeting Schedule

Schedule for 2018 Meetings

October 24 and 25
December 19 and 20

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2018 Meetings

November 15

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <http://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.