



FASAB Newsletter

Federal Accounting Standards Advisory Board

October/November 2018 TABLE OF CONTENTS

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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.

How to Provide Input on FASAB’s Three-Year Plan

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) published its *Annual Report for Fiscal Year 2018 and Three-Year Plan* on November 15, 2018. The plan seeks input from stakeholders. To facilitate input, we provide you two options—submitting a written response or completing an online survey to identify project priorities.

Please see the annual report and three-year plan at <http://fasab.gov/our-annual-reports/> for information regarding currently active projects and potential projects. The plan provides instructions for submitting a written response by **January 23, 2019**.

If you prefer to complete the online survey, please review the three-year plan before beginning. If you are responding to the survey on behalf of an

organization, the organization name will be associated with your response. (If you prefer to respond as an individual without attribution, your response will be presented in aggregate with other responses.) The survey will remain open until **February 1, 2019**. To access the survey please visit: <https://tell.gao.gov/fasabplanning2018/>.

Our FASAB Updates subscribers received a survey username and password for use in accessing the survey. If you did not receive a username and password via email, please enter an account username that you would like to use and then click on the "Log in" button. An email message will be sent to you after you have created your account to confirm this information.

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

[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 October 2018 Board meeting, members heard directly from those respondents who accepted the Board's invitation to clarify comments concerning the *Accounting and Reporting of Government Land* exposure draft (ED). The Board also heard opinions from interested parties.

A great deal was learned about how agencies manage and report on land. Significant concerns expressed included:

- Valuing land is too costly and questionable in light of environmental liabilities.
- Comparability of physical units and the potential for inconsistent application within agencies.
- Inconsistencies in geographic information system (GIS) policies among agencies and their bureaus.
- System changes to policies and information technology databases/applications that will require additional time and effort to implement.
- Some rate-setting entities use and require historical cost information concerning land.

Mitigating these concerns was information about how utilizing GIS technology and data to comply with the reporting requirements for acreage might satisfy most auditor

concerns and can be done fairly effectively. In addition, some respondents recognized the merits of a consistent physical measure of land.

Details of the sessions will be available when the minutes are finalized. See <http://www.fasab.gov/meeting/> for the October Board meeting minutes.

At the conclusion of the last panel's session, the Board requested staff to do the following:

- Analyze general property, plant, and equipment (G-PP&E) land values in relation to G-PP&E building values, especially where land is indistinguishable from G-PP&E
- Reconsider the deferred maintenance and repairs disclosure requirement as it already exists in SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
- Explore the correlation of data reliability between the U.S. Geological Survey and Bureau of Land Management systems
- Identify the pros and cons of disclosure compared to required supplementary information (RSI)
- Summarize the major themes addressed by the panels for future discussion

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

[Classified Activities](#)

On October 4, 2018, FASAB issued SFFAS 56 titled *Classified Activities*. SFFAS 56 balances the need for financial reports to be publicly available with the need to prevent the disclosure of classified national security information or activities in publicly issued General Purpose Federal Financial Reports (GPFRRs).

This Statement permits

- an entity to modify information required by other standards if the effect of the modification does not change the net results of operations or net position;
- a component reporting entity to be excluded from one reporting entity and consolidated into another reporting entity, and the effect of the modification may change the net results of operations and/or net position; and

- an entity may apply Interpretations of this Statement, that allow other modifications to information required by other standards, and the effect of the modifications may change the net results of operations and/or net position.

SFFAS 56 is available at <http://www.fasab.gov/accounting-standards/>.

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

On October 17, 2018, FASAB requested comments on a proposed Interpretation, *Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5*. The proposed Interpretation would provide guidance to assist in the application of identified general liability standards and principles at the component reporting entity level. Comments are due by **January 17, 2019**.

The Interpretation would provide clarification for contingent liabilities when one or more sub-component reporting entities within a single component reporting entity are designated to manage litigation and/or pay any resulting liabilities on behalf of one or more other sub-component reporting entities. The Interpretation would also provide guidance regarding cleanup cost liabilities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for environmental remediation upon disposal of that asset.

The ED and the specific questions raised are available on the FASAB website (<http://www.fasab.gov/documents-for-comment/>).

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

Materiality

On October 15, 2018, FASAB released for comment a proposed Statement of Federal Financial Accounting Concepts titled *Materiality*. Comments are due by **January 23, 2019**.

To clarify the materiality guidance, the Board is proposing concepts regarding the application of materiality in the federal financial reporting environment. This concepts statement would (1) provide materiality concepts, (2) specify the scope of materiality, and (3) list factors to consider when applying materiality.

The ED and the specific questions raised are available on the FASAB website (<http://www.fasab.gov/documents-for-comment/>).

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

Note Disclosures

The Board approved the proposed outline for the note disclosure principles framework, which included four sections: disclosure purposes, disclosure content, what should not be disclosed, and disclosure style. The Board agreed that the user's need for disclosures should be incorporated in the disclosure purpose. Members also believed a potential section title such as "list of items to consider in deciding on disclosure" could be used to replace the proposed section title "what should not be disclosed."

The Board also considered topics related to note disclosure including future-oriented information, the role and content of note disclosure compared to management's discussion and analysis (MD&A), and sensitive disclosures. The members made the following conclusions:

- Future-oriented information can be categorized in two ways—future oriented information recognized in the statements and unknown future events.
- What is required in the notes and MD&A should be driven by what users need. The basic financial statements and the notes should be a standalone portion of each report. The notes are an integral part of the financial statements.
- Sensitive disclosures may be limited to national security, procurement, and litigation.

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

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

The Board considered whether the requirement for sections of information in MD&A should be rescinded. Staff suggested eliminating the requirement for sections to permit more flexibility in presenting information in MD&A and facilitate an integrated discussion of the required topics. The Board, however, decided to retain the requirement but supported the notion of flexibility within a general framework of topical sections. Members emphasized that sections and section headings assist users in locating the information they need. Also, sections help ensure that management addresses all the required topics.

The Board also considered whether reporting entity MD&A should discuss stewardship investment information. Staff suggested eliminating the SFFAS 8, *Supplementary*

Stewardship Reporting, requirement for stewardship investment information as a separate item in RSI because reporting entities adopt a definition of investments in MD&A and elsewhere that is broader than stewardship investments and the stewardship investment information was not being used. The Board believed that users need stewardship investment information to assess how the government has contributed to the nation's current and future well-being, and the information should be discussed in MD&A.

Although the Board determined that MD&A should discuss stewardship investment information, the Board decided to propose rescinding the SFFAS 8 requirement to present the required supplementary stewardship information category in financial reports. The proposal would permit management to continue reporting stewardship investment information, at their discretion, while the Board develops guidance for discussing investment information in MD&A. Once exposed, the proposal would provide feedback regarding the need for stewardship investment information.

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

[Reporting Model Phase II](#)

The Board did not discuss the reporting model phase II project during the October 2018 Board meeting.

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

[Risk Reporting](#)

The Board did not discuss the risk reporting project at the October 2018 Board meeting. Staff is developing a direct loans and loan guarantees (DL-LG) pilot for the note disclosures project. FASAB anticipates engaging a task force from February through June of 2019 to determine if the DL-LG disclosures are relevant, consistent, efficient, and effective.

If you are interested in joining the **DL-LG note disclosure task force**, please email Robin Gilliam at gilliamr@fasab.gov.

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

[Accounting and Auditing Policy Committee](#)

The Accounting and Auditing Policy Committee (AAPC) meeting scheduled for November 15 was moved to November 27 to accommodate the year-end busy season. At the November 27 meeting, the AAPC reviewed the comment letters on the

ED Technical Release (TR) to rescind TR 8, *Clarification of Standards Relating to Inter-Entity Costs*.

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

FASAB Meeting Schedule

Schedule for 2018 Meetings

December 19-20

Schedule for 2019 Meetings

February 27-28

April 24-25

June 26-27

August 28-29

October 23-24

December 18-19

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 2019 Meetings

February 7

May 9

August 15

November 21

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.