

**FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD  
Board Meeting Minutes  
October 24–25, 2018  
Room 7C13  
441 G Street, NW  
Washington, D.C. 20548**

<b>Wednesday, October 24, 2018.....</b>	<b>1</b>
<b>Attendance .....</b>	<b>1</b>
<b>Administrative Matters .....</b>	<b>2</b>
• Approval of Minutes .....	2
<b>Agenda Topics .....</b>	<b>2</b>
• Closed Session .....	2
• Land.....	2
• Disclosures .....	4
• Annual Report and Administrative Matters.....	5
<b>Adjournment .....</b>	<b>6</b>
<b>Thursday, October 25, 2018 .....</b>	<b>6</b>
<b>Agenda Topics .....</b>	<b>6</b>
• Closed Session .....	6
• MD&A Improvements.....	7
• Land.....	8
• Closed Session .....	11
• Steering Committee .....	11
<b>Adjournment .....</b>	<b>11</b>

For research purposes, please see the briefing materials at [www.fasab.gov](http://www.fasab.gov). Briefing materials for each session are organized by tab; references to these tabs in the minutes are hyperlinked.

**Wednesday, October 24, 2018**

**Attendance**

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Mr. Showalter (chair), Mr. Bell, Ms. Bronner, Messrs. Granof, McNamee, Scott, and Smith. Mr. Dacey was present with the exception of a brief absence on Thursday during which he was represented by Mr. O’Neill. Mr. Soltis was present with the exception of a brief absence on Thursday during

which he was represented by Ms. Johnson. The executive director, Ms. Payne, and general counsel, Ms. Motley, were also present throughout the meeting.

## **Administrative Matters**

- **Approval of Minutes**

The Board approved the August meeting minutes prior to the meeting.

## **Agenda Topics**

- **Closed Session**

The Board met in closed session from 9:00 – 10:30 a.m. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(1) were discussed. The discussion involved matters of national defense concern that have been classified by appropriate authorities pursuant to Executive Order. A determination has been made in writing by the U.S. Government Accountability Office, the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the portion of the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(1).

- **Land**

At the August 2018 Board meeting, members directed Mr. Domenic Savini, assistant director, to extend an invitation to all 18 respondents of the exposure draft (ED) on land, allowing respondents an opportunity to provide clarification of their responses and to address technical issues where members desired further information, clarification, or feedback. Members also directed staff to 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. In particular, they desired hearing from auditors on several matters, including whether there are any issues with auditing the non-financial information proposed to be included in note disclosures.

Eight respondents accepted the Board's invitation to clarify their comments, and five interested parties agreed to share their views on a variety of matters related to the ED. The discussion agenda, presenter biographies, comment letters, and the ED can be found at [tab A](#).

### **Preparer Clarifications: Panels 1–6**

The following respondent agencies were represented: Department of Defense (DoD), Department of the Interior (Interior), General Services Administration (GSA), Department of Energy (Energy), National Aeronautics and Space Administration (NASA), and the United States Department of Agriculture's Forest Service. DoD and Interior clarified their comments during the morning session; the remaining agencies

presented their comments after lunch. A summary of the respondent views categorized by concurrence or non-concurrence with the Board's proposal follows:

**DoD, Energy, NASA, and Forest Service agreed** with reclassifying general property, plant, and equipment (G-PP&E) land as proposed in the ED. The general belief among these agencies is:

- Utilizing geographic information system (GIS) technology and data to comply with the reporting requirements for acreage would satisfy most auditor concerns and can be done fairly effectively.
- Valuing land is too costly and questionable in light of environmental liabilities.
- Expensing G-PP&E land will have little to no effect on the financial statements.

Key concerns raised include: (1) comparability of physical units and the potential for inconsistent application within agencies, (2) inconsistencies in GIS policies among agencies and their bureaus, and (3) system changes to policies and information technology databases/applications that will require additional time and effort to implement.

**GSA and Interior disagreed** with reclassifying G-PP&E land as proposed in the ED. The agencies presented the following concerns:

- G-PP&E land is an asset that should remain on the balance sheet to avoid distorting financial statements.
- The Board's proposal veers from its conceptual framework while over-emphasizing one asset category over all others.
- The separation and expensing of a land value from associated real property assets (for example, building values) creates inconsistencies and complications. A suggested alternative was to combine land values with associated real property holdings for asset and cost recognition.
- G-PP&E acres are already reported in the federal real property profile and in Interior's performance reports, so the proposals in the ED would lead to duplicative reporting.
- An insufficiency of internal controls over processes and systems that maintain acreage information makes audit precision and related burdens problematic.

- The effect of expensing G-PP&E will create recurring distortion on the statement of net cost, cost allocation processes, and performance metrics that rely on cost data.
- For Interior financial reports measurement of physical units in acreage is not meaningful, as land is managed by units such as national parks or wildlife refuges and not by acreage. Acreage information already exists in other reports, such as the Public Land Statistics Report published by Interior's Bureau of Land Management. Audit of extensive and long-standing land holdings would be burdensome to Interior.
- The proposals in the ED will lead to many implementation issues, which will require FASAB to spend time developing additional guidance such as Technical Bulletins.
- Some rate-setting entities use and require historical cost information concerning land.
- Some Interior GIS personnel have a backlog of pressing agency-specific duties and responsibilities such as land disputes, which would take priority over supporting audit initiatives.

- **Disclosures**

Ms. Grace Wu, assistant director, presented a proposed note disclosure principle outline and three discussion topics. The materials were included in the briefing materials at [tab B](#).

**Question 1 – Does the Board agree to the proposed outline? If not, do you have any suggestions?**

Members agreed with staff's proposed outline, which included four sections: disclosure purposes, disclosure content, what should not be disclosed, and disclosure style. The Board discussed the language surrounding the purpose of notes. Members questioned the proposed language in the disclosure purposes section that states, "Disclosures are essential for presentation in conformity with GAAP." Some indicated the purpose of disclosure may be essential to understanding the basic financial statements. Others questioned whether the notion of essentiality was appropriate. Overall, they agreed that the user's need for disclosures should be incorporated in the disclosure purpose.

The Board also discussed whether the proposed section addressing what should not be disclosed should be separate or not. One member suggested combining this section with others. The Board discussed that renaming the section from "what should not be disclosed" to "a list of items to consider in deciding on disclosure" would be more appropriate.

## Question 2 – Does the Board have any input on the three discussion topics?

The briefing materials included three discussion topics: (1) future-oriented information, (2) the role/content of note disclosure compared with management's discussion and analysis (MD&A), and (3) sensitive disclosures:

- The discussion of future oriented information included what items are under management control and what goes into estimates of items recognized in the statements. Management control could be a gray area, so some members suggested not distinguishing according to this characteristic. The Board ultimately suggested two categories: future oriented information recognized in the statements and unknown future events.
- The Board agreed that the degree of audit scrutiny applied or applicable to information should not drive whether information is reported as a note disclosure or in MD&A (required supplementary information—RSI). Rather, user needs should drive what is required. The Board noted that note disclosure and RSI are not mutually exclusive communication methods; MD&A may summarize and/or reference additional information in the notes. The Board agreed that the basic financial statements and the notes should be a standalone portion<sup>1</sup> of each report.
- The discussion of sensitive disclosures included whether ideas such as competitive harm or reputational harm were appropriate in a federal governmental context. Rather, sensitive disclosures may be limited to national security, procurement, and litigation.

**Next steps:** Based on the proposed outline, staff will research and begin drafting principles section by section.

- **Annual Report and Administrative Matters**

Ms. Payne reminded members that the annual report and three-year plan would be published on November 15. A hard copy was provided to members showing edits made to the draft provided in mid-October. Any final substantive suggestions or concerns should be raised during the meeting. Grammar corrections should be provided after the meeting.

Members agreed to the following suggestions:

- Clarifying that the disclosure principles planned for phase I of the disclosure project will be concepts rather than standards.

---

<sup>1</sup> The notes are an integral part of the financial statements.

- Clarifying that references to collaboration refer to continuation of former efforts rather than new efforts.
- Updating table 1—presenting 2016 to 2019 budget amounts—to report actuals for 2016 through 2018.

Regarding the budget, Ms. Bronner noted that the budget has not included funding for investment. For example, there does not appear to have been IT investment over the years to support Board activities. Ms. Payne explained that FASAB receives support from GAO's IT investments but does not plan for or invest in IT unique to standards-setting. The Board briefly discussed the costs not included in the Board's budget, such as the cost of space and legal counsel. These are costs that should be considered in assessing the cost of operations.

Ms. Payne directed the members to the memo at tab E of the briefing materials. The memo provides a timeline for selecting the next executive director. She described the process and outreach to date. The vacancy announcement will close on November 30.

The non-federal members are asked to review all qualified applicants and develop a ranking. Hard copies of the application packages will be provided to members in early December. The individual member rankings will be discussed and a consensus ranking developed on December 19.

**Next steps:** Ms. Payne will incorporate member edits to the annual report and three-year plan, and FASAB will publish the document on November 15.

## **Adjournment**

The Board meeting adjourned for the day at 4:45 p.m.

***Thursday, October 25, 2018***

## **Agenda Topics**

- **Closed Session**

The Board met in closed session from 9:00 – 10:00 a.m. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(1) were discussed. The discussion involved matters of national defense concern that have been classified by appropriate authorities pursuant to Executive Order. A determination has been made in writing by the U.S. Government Accountability Office, the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the portion of the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(1).

- **MD&A Improvements**

Mr. Ross Simms, assistant director, conducted the discussion on MD&A improvements from [tab D](#) of the briefing materials. Mr. Simms noted that staff had conducted an analysis to determine whether current MD&A concepts and standards address each of the federal financial reporting objectives and determined that they did. Mr. Simms noted that the Board and roundtable participants did, however, identify some concerns in MD&A practices. Those concerns included better integrating the discussion of performance and financial information and including stewardship investment information in MD&A.

**Question 1 – Does the Board agree that the requirement for specific sections of information in MD&A should be eliminated?**

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 determined that the requirement for sections should be retained but supported the notion of flexibility within a general framework of topical sections. The Board emphasized that sections and section headings assist users in locating the information they need, and the sections help ensure that management addresses all the required topics.

**Question 2 – Does the Board believe that, in addition to the discussion and analysis on the entity’s goals and objectives, a distinct stewardship investments discussion and analysis is needed to inform users of provisions being made for the nation’s future?**

Staff suggested eliminating the SFFAS 8 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. Also, roundtable participants noted that stewardship investment information was not being used. Users sought cash-based investment information rather than accrual-based information and investment trend amounts expressed in constant dollars rather than current dollars. The Board determined that reporting entity MD&A should discuss stewardship investment information. The Board concluded that users need information on investments to assess how the government has contributed to the nation’s current and future well-being.

**Question 3 – If the Board does not believe that a distinct stewardship investments discussion and analysis is needed to inform users of provisions being made for the nation’s future, should the requirement for stewardship investments be rescinded?**

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 (RSSI) 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 also provide feedback regarding the need for stewardship investment information.

**Next steps:** Staff will 1) prepare a proposal to rescind RSSI, 2) present alternatives for reporting investment in MD&A, and 3) present an approach for choosing among the alternatives.

The Board meeting adjourned for lunch.

- **Land**

Respondent views and opinions of the interested parties continued and are summarized below by panel in the order presented. Speaker biographies, comment letters of the presenters, and the land ED can be found at [tab A](#).

### **Subject Matter Experts: Panels 7–12**

#### **Ms. Elizabeth Erdmann and Mr. Richard Johnson, Government Accountability Office (GAO)**

The cost of aggregating land information given the decentralized manner in which it is stored may be cost prohibitive. Although different user interests exist among members of Congress (for example, commercial use versus environmental protection and preservation), Congress has not asked GAO for much detail apart from GAO's 2011 report. However, Ms. Erdmann and Mr. Johnson noted that the Congressional Research Service is another source Congress uses to obtain land information. Data collection should be commensurate with user needs, and agencies should be allowed enough flexibility and creativity to tell their story.

#### **Mr. Dan Murrin, Retired Ernst & Young (EY) Partner**

Physical unit information, including acres, is not very informative to users without context. It mixes an acre of marginal land with another acre with high opportunity cost, such as a city block of high existing or alternative use. Measuring acres provides no ready approach to differentiate the effort that should go into accumulating and verifying the information or safeguarding the assets. Mr. Murrin employed a loose diamond analogy—knowing how many loose diamonds or their aggregate carats a jeweler may have in his inventory says very little concerning the quality of the diamonds or their suitability for any purpose or value. Mr. Murrin stated that requiring performance information and arraying it against cost information, including land used in program operations (if significant), to promote assessment of effectiveness and efficiency would be more appropriate and valuable to users.

Consideration should be given to presentation formats other than disclosures and the use of agreed upon procedures. This would help increase reliability of such “back of the book” presentations. Other testimony indicates that land's historical cost is immaterial.



Mr. Murrin posited that acre information is not informative in disaggregated form without sufficient differentiation to support meaningful use. Development of such information with a level of precision sufficient to merit inclusion in the “front of the book” may be more difficult as successively more detailed information is developed for each reporting entity. The absence of an overarching materiality anchor arguably subjects the details to a disaggregated materiality determination. Disclosing and auditing the details may be more expensive when compared to auditing an aggregate amount. Mr. Murrin suggested that inclusion, if at all, with or without the contextual information, should be in the “back of the book.” Absent revisiting the reporting model, he was not in favor of use of fair value for this one asset.

**Ms. Kimberly Hancy, EY and Mr. Alan Rosenthal, Cotton & Co**

In general, auditors have little to no recent audit experience related to land. Determining audit procedures for non-financial information would be subject to significant professional judgment. Materiality is a key concern and without clearer guidance in this regard, acreage or other non-financial information may be more suitable for RSI. Given Ms. Hancy and Mr. Rosenthal’s experiences, the Board should not underestimate the preparer transition period; it can take multiple cycles for management to adequately support and auditors to gain comfort over reported information.

**Ms. Jean Dalton, Association of Government Accountants (AGA) – Financial Management Standards Board (FMSB)**

Ms. Dalton expressed AGA-FMSB’s view that land is an asset that benefits future periods and performance and, as such, should remain on the balance sheet. Excluding land from the balance sheet understates the financial position of the government. Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35*, provides sufficient flexibilities with the use of deemed cost to allow certain entities under specific conditions to forgo reporting a cost for G-PP&E land. Therefore, there is no compelling need to adopt the proposed practice and extend it government-wide. Disclosing land acreage in the notes would add useful information to the financial statements.

**Mr. Hal Steinberg, User**

Mr. Steinberg clarified his written comments, stating his belief that the desire for DoD to achieve a clean opinion and the resulting inconsistencies created by SFFAS 50 have brought the Board to this proposal. Legislation, such as the Chief Financial Officers Act and the Federal Financial Management Improvement Act, was enacted to improve agencies' financial management. He believes this proposal runs contrary to the intent of that legislation. Further, he believes it also sends the wrong signal to agencies, encouraging them to seek special dispensation from FASAB’s guidance as opposed to maintaining sound financial management practices. He suggested SFFAS 50 could be amended to allow deemed cost to include market value for adjacent land, which would enable DoD to report a financial amount for G-PP&E land. He concluded, therefore,

there is no compelling need to extend the elimination of a financial measure for land government-wide.

### **Mr. Robert Jolley, Bureau of Land Management (BLM)**

Mr. Jolley provided a historic overview of federal land acquisition and ways the bureau has published public land information since the 1800s. Mr. Jolley noted the following information:

- Section 311 of the Federal Land Policy and Management Act of 1976 requires a report to be prepared and submitted annually to Congress on public land programs.
- Most of the Public Land Statistics (PLS) reports, dating back to the early 1800s, are available in the BLM's main library in Denver (DFC Building 50). In addition to very fragile leather-bound versions of early editions, virtually the complete set through the late 1980s is available in microfiche format. Online versions are available on the BLM's website from 2001 to present at: <https://www.blm.gov/about/data/public-land-statistics>.
- Members of the public, various industries, Congress, the Executive Branch, and state and local governments use the report as a reference resource.
- The PLS report includes acreage information. The information is compiled by a national operation center with accountants, scientists, and GIS specialists who help put together the report from BLM's system of record—Land Record System 2000 or LR 2000. These professionals also reach out to state governments that maintain similar databases on lands, even federal. Ultimately, the PLS is a combination of federal, state, and Interior's record systems, as well as reaching out to interest groups.
- Congress seeks information for a variety of purposes.
- There are concerted efforts to develop geospatial data from existing records, which helps with the presentation and analysis of different aspects of land boundaries.
- BLM is working and coordinating with the United States Geological Survey protected areas data-U.S. initiative. This includes reviewing data definitions and reconciling differences.
- Agency overlaps in reported land area data for the surface management area (SMA) data layer are an issue that BLM is working to reconcile for more accurate representation of the SMA.

- Both the scale and level of detail for data published in the PLS are designed to meet the overall public need. This does not provide sufficient information for direct financial determinations. Use of the PLS for financial accountability purposes would require an extensive and potentially cost-prohibitive investment of additional resources.

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

- Analyze 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 BLM systems
  - Identify the pros and cons of disclosure compared to RSI
  - Summarize the major themes addressed by the panels for future discussion
- **Closed Session**

The Board met in closed session from 3:30 – 4:15 p.m. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(1) were discussed. The discussion involved matters of national defense concern that have been classified by appropriate authorities pursuant to Executive Order. A determination has been made in writing by the U.S. Government Accountability Office, the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the portion of the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(1).

- **Steering Committee**

The Steering Committee discussed recruitment activities. The schedule for interviews will be established as soon as the position opening is closed.

## **Adjournment**

The Board meeting adjourned at 4:45 p.m.