



FASAB Update
Tom Allen, Chairman

**CIGIE/GAO 2013 Financial
Statement Audit Conference**
Tuesday, April 23, 2013



Disclaimer

- Views expressed are those of the speaker. The Board expresses its views in official publications.

Overview

- Reporting Model
- Recent Releases for Comment
 - AAPC – Cost Accumulation for General PP&E
 - Reporting Entity
- New Projects
 - Public-Private Partnerships
 - Risk Assumed
 - Leases
 - Investments in non-Federal Securities

Federal Reporting Model

- Seeking to enhance the benefits of accrual basis financial statements
- Input to the Board:
 - User needs surveys, focus groups, and roundtables
 - FASAB Task Force on Government-wide Financial Reports (Dec 2010)
 - CFO Act 20-Year Report
 - Input from task forces focusing on agency level reporting on cost, budget and performance
 - Schedule of spending pilots
 - Study of other sovereign government practices

Research Results

- Participants want particular or **specialized** information to meet their needs.
- **Understandability** of financial information
 - Difficult to relate financial position to long-term fiscal projections (including social insurance amounts)
 - Results of operations may be unclear
- **Centralized source** for obtaining data
 - Move toward real-time data
 - Address program managers needs
- **Integrate data**
 - Financial and non-financial performance information
 - Program level cost information
 - Add **forward-looking** information in agency reports

Research Results, continued

- Improvement Needed in the **Statement of Net Cost**
 - Currently, most agencies present cost by strategic goal
 - Strategic goals change over time even if programs do not
 - Strategic goals are broad and analysis for decision making is not done at that level
 - Some programs relate to multiple strategic goals
 - Some prefer to focus on “cost” by organizations, programs or projects
 - Matching cost and output (and eventually outcome) is still quite challenging:
 - Costs are reported each period but outputs may not relate to the same period or occur immediately
 - Costs are often external to the organization but still contribute to the outcome
 - Budgets are not structured with cost accounting in mind
 - Same terms are used differently by different disciplines(cost per the budget versus cost per accrual principles versus cost per program evaluators)

Reporting Model – Next Steps

- Develop a framework for integrated reporting
 - What is the ideal?
 - Can we define a path to move toward the ideal?



GPP&E - Cost Accumulation, Assignment and Allocation

- Accounting and Auditing Policy Committee
 - 3 CIGIE members (Joseph Marchowski, PBGC; Jon Rymer, FDIC; Steve Zane, NRC)
- Proposal:
 - Explains relationship between SFFAS 4, *Managerial Cost Accounting Standards*, and SFFAS 6, *Accounting for Property, Plant, and Equipment*
 - Reminds us that organizational differences may lead to difference in cost assignments
 - Offers illustrations and a flowchart as aids



GPP&E – Accountability vs. Financial Reporting

- Capitalization thresholds
- Accountability needs
- Financial reporting needs

Federal Entity

- FASAB established concepts in mid-90's
- Standards now being developed
- Questions:
 - What to include (all entities “established by” the federal government or a subset)?
 - How to present information (all consolidated, some separately displayed or disclosed)?
 - What distinguishes “related” parties from parties included in governmental reports?

Federal Entity – Proposal



- The governmentwide GPFFR should include all organizations budgeted for, controlled with potential for risk or reward, or owned
- Distinguish between consolidated entities and disclosure organizations
 - Consolidated entities are supported by general tax revenues and on-going decision making is more clearly linked to elected officials. Information for core entities is to be consolidated in financial statements.
 - Disclosure organizations are somewhat independent from elected officials and may be financial self-sustaining. Information regarding such entities is to be disclosed in notes with emphasis on risk.

Federal Entity – Proposal

- Component reporting entities should include in their GPFFRs all organizations administratively assigned to them.
- Administrative Assignments:
 - Scope of the Budget Process
 - Accountability Established Within a Component Reporting Entity
 - Misleading to Exclude and/or Misleading to Include



Federal Entity – Proposal

- ED provides a flow chart and illustrations as aids
- Alternative View
 - At issue - Organizations in receivership, conservatorship or for which ownership or control results from an intervention
 - Should not be equated with other disclosure organizations
 - Should be addressed – along with other intervention activities such as loan guarantees and grants – through the ongoing risk assumed project
 - Member finds that the proposal implies such organizations are “federal reporting entities”
- The ED is broad since it addresses relationships including related parties. We especially need your input on the proposal.



New Projects

- Risk Assumed
- Public-Private Partnerships
- Deferred Due to Resource Constraints
- Leases
- Investments in non-federal securities

Risk Assumed

- Current reporting:
 - Risk assumed information (the present value of expected future cash flows for insurance in force) is required supplemental information with implementation inconsistent.
 - Commitments and contingencies disclosures vary and at the government-wide level there is uncertainty about comparability of component information and completeness.
- Objective:
 - Meaningful disclosures regarding risks assumed by the government. Challenges include
 - Implicit risk assumptions
 - Definition applicable across a diverse set of programs
 - Measurement

Public-Private Partnerships

- Governments increasingly use innovative approaches to partnering with non-governmental entities.
 - Benefits include:
 - Risk sharing
 - Enhanced performance incentives
 - Financing arrangements to avoid large up front investments of taxpayer funds
 - Arrangements may obscure costs and results.
- The project will consider how the lease and entity standards may be applied to such arrangements and fill any voids in the standards.

Leases

- Federal standards currently align with private sector and state/local government standards.
- FASB and IASB are developing a new approach which will limit the scope of “operating leases” dramatically.
- The FASAB project will consider:
 - Issues and practices in the federal domain
 - Merits of the revised FASB standards
 - A solution that meets federal financial reporting objectives
- FASB and IASB expect to issue a proposal (a revised ED) within the next 3 months.
- A FASAB task force has been formed to research current practice and identify issues.



Investments in Non-federal Securities

- Preparers and auditors applied the GAAP hierarchy to determine how to account for intervention activities such as those initiated in 2008-2009.
- The focus of this project will be on intervention activities and providing standards for any future interventions of a similar nature.

Contact and Website Information

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- www.FASAB.gov
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