FASAB – Recent Standards and Pending Proposals

MOV AGA Spring Training
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Disclaimer

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

• Recent Standards
  – Earmarked Funds become Funds from Dedicated Collections (2013)
  – Deferred Maintenance and Repairs

• Ongoing Projects
  – Federal Financial Reporting Model
  – Federal 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
  – CFO Act 20-Year Report
  – Input from task forces focusing on agency level reporting on cost, budget and performance
  – Statement 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.
- **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
• 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)
• Develop a framework for integrated reporting
  – What is the ideal?
  – Can we define a path to move toward the ideal?
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

• Include in GPFFR 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 taxes and ongoing 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 organizations is to be disclosed in notes with emphasis on risk.
Federal Entity – Proposal

• Also addresses:
  – What entities are subject to SFFAS 34 – the GAAP hierarchy for federal entities
  – What organizations to include in component reporting entity GPFFR
  – How to deal with:
    • FASB-basis information for consolidation entities
    • Different year ends for disclosure organizations
  – Related parties
  – Amendments to SFFAC 2, *Entity and Display*

• Alternative View:
  – Organizations in receivership, conservatorship, or owned/controlled through interventions should not be equated with other disclosure organizations.
  – All interventions should be addressed in a single standard on risk assumed.
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

• General inquiries can be directed to fasab@fasab.gov
• Phone: 202 512-7350
• www.FASAB.gov
  – Listserv
  – Exposure Drafts
  – Active Projects
• Contact me at paynew@fasab.gov or 202 512-7357