



FASAB – Recent Standards and Pending Proposals

GAO Update

May 23, 2013



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
 - Impairment of General PP&E (2015)
- Ongoing Projects
 - Federal Financial Reporting Model
 - Federal Entity
- New Projects
 - Public-Private Partnerships
 - Risk Assumed
 - Leases
 - Investments in non-Federal Securities

SFFAS 43 – Earmarked Funds



- “Earmarked funds” becomes “funds from dedicated collections.”
- Modifying the definition of a “fund from dedicated collections” by:
 - clarifying that at least one source of funds external to the federal government must exist for a fund to qualify as a fund from dedicated collections, and
 - adding an explicit exclusion for any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military).
- Permitting either consolidated or combined data on funds from dedicated collections to be provided.
- Permitting certain component entities to report on funds from dedicated collections for amounts related to the statement of changes in net position in a note rather than on the face of the statement.
- Illustrating optional formats for displaying information on the face of the balance sheet and statement of changes in net position.

Illustrative Statement of Changes in Net Position with Parenthetical Amounts

	<u>FY 2XX1</u>
<u>Cumulative Results Of Operations:</u>	
Beginning balance, as adjusted (includes Funds from Dedicated Collections of \$XX in FY XXXX and \$XX in FY XXXX (Combined Totals) - See Note X)	<u>xxx</u>
<u>Budgetary Financing Sources:</u>	
Other adjustments	<u>xxx</u>
Appropriations used	<u>xxx</u>
Non-exchange revenue	<u>xxx</u>
Donations and forfeitures of cash and cash equivalents	<u>xxx</u>
Transfers in/out without reimbursement	<u>xxx</u>
Other	<u>xxx</u>
<u>Other Financing Sources (Non-Exchange):</u>	
Donations and forfeitures of property	<u>xxx</u>
Transfers in/out without reimbursement	<u>xxx</u>
Imputed financing	<u>xxx</u>
Other	<u>xxx</u>
Total Financing Sources (includes Funds from Dedicated Collections of \$XX in FY XXXX and \$XX in FY XXXX (Combined Totals) - See Note X)	<u>xxx</u>
Net Cost of Operations (includes Funds from Dedicated Collections of \$XX in FY XXXX and \$XX in FY XXXX (Combined Totals) – See Note X)	<u>xxx</u>
Net Change	<u>xxx</u>

What is Transparency?

- Draft fiscal transparency principles:
 - Coverage is comprehensive
 - Right organizations and all of them
 - All flows and stocks (revenues, expenses, financing, and resources and obligations)
 - Tax expenditures
 - Frequency and timing right
 - Quality (classification, consistency)
 - Integrity (reliable and audited)
- Integrated Reporting = Integrated Management

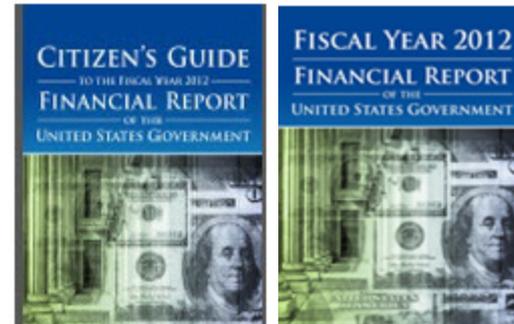
Reporting Financial Information



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Increase Reliability of Financial Information

Twenty-three of the twenty-four Chief Financial Officers (CFO) Act agencies received an audit opinion in 2012 while operating in an increasingly complex reporting environment. This is the highest number of opinions the Federal government has achieved since the passage of the CFO Act. Federal agencies have implemented rigorous financial management disciplines to ensure that Federal funds are appropriately accounted for and wisely spent. Agency financial statements are audited each year to help maintain accountability for taxpayer dollars. In addition, 32 auditor-identified material weaknesses were reported in FY 2012, an approximately 50 percent decline from the start of this decade — this highlights the increased reliability the public can place in Federal financial information.

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Breakdown of Agency Audit Opinions





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
 - 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

Research Results, continued

10

- 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?



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
- Does not specifically address particular entities



Federal Entity –Proposal

- Distinguish between consolidation entities and disclosure organizations
 - Consolidation entities are supported by general taxes 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 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 GPFRR
 - 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

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