

*Exposure Draft SIG 64.1, Guidance for Implementing SFFAS 64:
Management’s Discussion and Analysis*

#12 - HHS

Please select the type of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

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The proposed SIG 64.1 would assist reporting entities in implementing Statement of Federal Financial Accounting Standards (SFFAS) 64, *Management’s Discussion and Analysis*.

QFR 1 The proposed SIG 64.1 provides information on how to achieve a balanced, concise, integrated, and understandable MD&A.

Do you agree or disagree that the proposed SIG 64.1 provides information to implement a balanced, concise, integrated, and understandable MD&A? Please provide the rationale for your answer.

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Agree; HHS early implemented SFFAS 64 in FY 2025, to the extent possible and applicable to HHS.

QFR 2 The proposed SIG 64.1 provides information about how reporting entities may discuss mission and organization in MD&A.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss mission and organization in MD&A? Please provide the rationale for your answer.

Agree; HHS significantly reduced mission and organizational (i.e., Operating Division and Staff Division) descriptions within the "About the Department" subsection to align with SFFAS 64 in FY 2025. HHS will continue to briefly discuss our mission and organization in FY 2026.

QFR 3 The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze financial position and financial condition.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze financial position and condition in MD&A? Please provide the rationale for your answer.

Agree; the information provided assists agencies in explaining financial position and condition within the MD&A. HHS will continue to improve narratives explaining significant changes and trends.

QFR 4 The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze key performance results and associated costs.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze key performance results and associated costs in MD&A? Please provide the rationale for your answer.

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HHS's reporting on performance is complex and unique in nature (HHS's performance measures **do not align one-to-one** with budget items or single PPAs). HHS presents the consolidated Statement of Net Cost by segments (e.g. CMS, FDA, etc.), not by GPRA.

For example, a performance measure about mental health (featured in HHS's FY2025 AFR) reflects the efforts of multiple workstreams across the Department (e.g., at least SAMHSA, HRSA, CDC, and CMS). Calculating costs associated with that performance measure would be misleading and would result in an approximation that is inaccurate. Conversely, some measures report on a small subset of activities within a larger budget item - for example, the number of primary care appointments is a measure that is dependent on funding for health centers. It is usually not possible to disaggregate the amount of funding for primary care appointments specifically within the much larger budget for all health center activities.

HHS recommends an alternative approach in connecting performance results with "associated cost". Instead of linking to statement of net cost, HHS recommends referencing obligations, reported to USAspending.gov or HHS Budget-in-Brief, or allow HHS to share estimated budget proposed amount at a high level.

QFR 5 The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze significant opportunities and risks in MD&A.

**Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze significant opportunities and risks?
Please provide the rationale for your answer.**

Agree; the HHS MD&A discusses major initiatives throughout the Department to align with the HHS Strategic Plan, providing transparency and ensuring consistency. HHS will continue to provide updates in MD&A.

QFR 6 The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze management's assessment of the reliability of the reporting entity's financial information by explaining significant weaknesses in

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the financial management system, related systems, internal controls, or non-compliance with applicable laws.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze management's assessment of the reliability of the reporting entity's financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws? Please provide the rationale for your answer.

Agree; HHS has practiced this principal in prior years within the "Systems, Legal Compliance and Internal Controls" subsection of the MD&A. Narratives have been drafted in accordance with OMB A-136 and OMB A-123, and HHS will continue to improve narratives within this subsection.

QFR 7 Do you wish to comment on any other aspects of this proposal?