

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

#14 - U.S. Department of Commerce

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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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Department of Commerce Response: Agree

Yes, we are generally supportive of the proposed guidance as it includes helpful information for presenting a balanced, concise, integrated, and understandable MD&A. We respectfully propose the following language updates to paragraph 9 of SIG 64.1:

As noted in paragraph 9 of SFFAS 64 and explained further in paragraph A26 in the basis for conclusions, management should summarize information **that is sufficient to meet the needs of the users and may should** emphasize the vital few matters, summarize and include only relevant information, limit duplicative content, and **summarize and refer to provide links to** relevant detailed information to achieve a concise MD&A.

As noted in paragraph 11 of SFFAS 64 and explained further in paragraph A29 in the basis for conclusions, management should provide an MD&A that all users, including those who are not experts in federal government financial matters, can **easily** understand.

As noted in paragraph 12.f of SFFAS 64 and explained further in paragraph A35 in the basis for conclusions, management should explain what significant risks **that have a potentially negative effect on key performance results, plans to mitigate such risks, the reporting entity is mitigating to reduce any negative effects on key performance and financial and budgetary results** and how those plans could potentially affect financial and budgetary results.

We do not have any additional questions.

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.

Department of Commerce Response:

Yes, we are generally supportive of the proposed guidance as it provides helpful information for reporting entities to discuss their mission and organizational structure. We do not have any alternative solutions to propose or any additional questions.

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

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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.

Department of Commerce Response:

We observed that the ED provides additional clarity on the differences between discussing financial position vs. financial condition in the MD&A. However, we respectfully request that the guidance be added to clarify trend analysis. First, we suggest that the trend analysis flexibility be explained in the appropriate financial position and financial condition sections. We also request that consistency of trends (e.g. the same scope and duration) be emphasized in analyzing the reporting entity's financial condition and financial position. Further, the guidance should encourage preparers to explain scope and duration differences in trends, where appropriate, to reduce potential confusion by the readers and users of MD&A.

We do not have any additional questions.

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.

Department of Commerce Response:

Yes, we are generally supportive of the proposed guidance as it provides helpful information for identifying and discussing key performance results and reporting the associated costs for achieving those results.

We respectfully request that the term "vital" be further defined in the context of identifying and discussing key performance results in the MD&A.

We do not have any additional questions.

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

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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.

Department of Commerce Response:

Yes, we are generally supportive of the proposed guidance as it provides additional context for consideration in the discussion of significant opportunities and risks in the MD&A and their impacts on key performance measures and strategic decision making. We do not have any alternative solutions to propose or any additional questions.

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 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.

Department of Commerce Response:

We recognize the proposed guidance confirms the inclusion of management's assessment of the reliability of the reporting entity's financial reporting in MD&A. The inclusion is consistent with OMB A-123 (Section VI., A.), which requires the assurance statement and information on the reporting entity's compliance with laws and regulations and its internal controls over financial reporting. However, OMB A-136 (section II.2.4) specifically requires a section in the MD&A entitled "Analysis of Systems, Controls and Legal Guidance," that contains the information required by OMB A-123.

It should be noted that paragraph 64 of the ED does not contain the specific section requirement in OMB A-136. Additionally, SFFAS 64 does not include the OMB A-136 section requirement. **Accordingly, we respectfully requests that paragraph 64 of the**

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SIG be updated to reflect the section requirement from OMB A-136 and the FASAB consider modifying SFFAS 64 to reflect the OMB A-136 section requirement.

We do not have any additional questions.

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

We respectfully request the structure of SIG 64.1 be clarified to improve readability and the ability to cite the guidance. Currently, certain subsections and major sections use the same format/numbering schema; which makes it challenging to follow the guidance and to reference and notate the SIG for financial reporting purposes.