



Federal Accounting Standards Advisory Board

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**August 6, 2019**

Memorandum

To: Members of the Board  
From: Robin M. Gilliam, Assistant Director  
Through: Monica R. Valentine, Executive Director  
Subject: MD&A Amendments Project Plan – **Tab C-1**<sup>1</sup>

**MEMBER ACTION REQUESTED:**

Please review project plan and answer the question by **August 16, 2019**

**MEETING OBJECTIVE**

The objective is to approve the proposed project plan for the Management's Discussion and Analysis (MD&A) Amendments project.

**BRIEFING MATERIAL**

You may electronically access all of the briefing material at <https://fasab.gov/board-activities/briefing-materials/>.

MD&A Proposed Project Plan

**MEMBER FEEDBACK**

If you have any questions or comments, please contact Ms. Gilliam by telephone at (202) 512-7356 or by email at [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov), with a cc to Ms. Valentine at [valentinem@fasab.gov](mailto:valentinem@fasab.gov), by Friday, **August 16, 2019**.

**BOARD QUESTION:**

Do members approve the proposed project plan for the MD&A Amendments project?

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<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

**MD&A AMENDMENTS  
PROPOSED PROJECT PLAN  
AUGUST 2019**

**Assigned staff:** Robin M. Gilliam

**Purpose:**

Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*, provides limited principles for preparing MD&A, which does not provide reporting entities with enough guidance on how to discuss and analyze the four reporting objectives: budget integrity, operating performance, stewardship, and systems and control in a holistic manner. The Board recognizes that most of the criteria for preparing MD&A are currently in non-authoritative FASAB literature, Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*.

**This project will address the following issues to help general purpose federal financial report (GPFFR) preparers provide users with adequate MD&A information:**

1. SFFAS 15 requires a format that **limits the flexibility** on how reporting entities should present MD&A information about topics of importance such as mission; performance; financial statements; systems and controls, and legal compliance.
2. SFFAS 15 requires reporting entities to address the **financial statements**. However Board members noted that reporting entity MD&As do not always discuss the rationale for significant changes in financial statement amounts and balances.

Preparers often do not provide a discussion and analysis of significant changes to financial statement balances because that guidance resides in SFFAC 3 instead of SFFAS 15.

3. SFFAS 15 requires reporting entities to discuss **forward-looking information regarding significant risks**. However, Board members noted that reporting entity MD&As focus on current problems and short-term proposed resolutions instead.

Preparers often do not provide a discussion and analysis on significant risks and their potential forward-looking impact on operating performance because that guidance resides in SFFAC 3 instead of SFFAS 15.

4. SFFAS 15 requires reporting entities to address **performance** in MD&A; however,
  - a. performance information is not always available to prepare a complete discussion and analysis;
  - b. Board members noted that current MD&A focuses primarily on non-financial performance information; and
  - c. preparers do not provide a good balance of financial and non-financial performance information because that guidance resides in SFFAC 3 instead of SFFAS 15
  
5. SFFAS 15 does not provide guidance for reporting entities to discuss and analyze **significant investments**, which the Board determined should be included in MD&A.

This project combines efforts from the [Reporting Model Phase I: MD&A and Stewardship Investments Improvements](#) and [Risk Reporting](#) projects to provide updated standards for preparing MD&A in one concise document.

### **Applicability:**

This project applies to the government-wide reporting entity and to component reporting entities that prepare general purpose federal financial reports in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles*, including the *Application of Standards* issued by the Financial Accounting Standards Board.

### **Objective:**

The objective of this project is to improve MD&A guidance and help preparers to provide GPFFR users with a holistic picture of the reporting entity's achievements, financial results reported, and implications of significant events on operating performance that have occurred or are likely to occur.

## **PROPOSED APPROACH**

### **I. Consider Existing Concepts, Standards, Other Guidance, and Legislation:**

- Statement of Federal Accounting Concepts (SFFAC) 1 – 8.
- Statement of Federal Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*; and other SFFAS that might address MD&A
- FASB and GASB standards on MD&A
- Federal Agency and Governmentwide financial reports
- SEC MD&A regulations and commercial financial statements
- OMB Circular A-136, *Financial Reporting Requirements*

## II. Resources

Resources may include other staff with particular expertise in areas under consideration, and/or task force/working groups.

### Project pages:

<http://www.fasab.gov/reporting-model-phase-i/>  
<http://www.fasab.gov/risk-assumed-phase-ii/>  
<https://fasab.gov/projects/active-projects/mda-amendments/>

## III. Research Steps

Research was conducted between fiscal years 2017 to 2019 through the [Reporting Model Phase I: MD&A and Stewardship Investments Improvements](#) and [Risk Reporting](#) projects.

### Timeline:

#### August 2019

- Review and approve project plan
- Review Strategy for Developing MD&A Objectives
- Develop MD&A objectives for Budget Integrity reporting objective

#### October 2019 – December 2019

- Develop MD&A objectives for Operating Performance reporting objective

#### December 2019 – April 2020

- Develop MD&A objectives for Stewardship reporting objective

#### June 2020

- Develop MD&A objectives for Systems and Control reporting objective

#### August 2020 – December 2021

- Develop Exposure Draft to amend SFFAS 15
- Due process
- Issue GAAP document

#### January 2022 – June 2022

- Develop Implementation Guidance if necessary



Federal Accounting Standards Advisory Board

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**August 8, 2019**

Memorandum

To: Members of the Board

From: Robin M. Gilliam, Assistant Director

Through: Monica R. Valentine, Executive Director

Subject: Management's Discussion and Analysis Amendments – **TAB C-2<sup>1</sup>**

**MEMBER ACTIONS REQUESTED:**

Please review the materials and answer the questions by **August 20, 2019**

**MEETING OBJECTIVE**

To review the strategy and begin developing MD&A objectives

**BRIEFING MATERIALS**

You may electronically access all of the briefing material at <https://fasab.gov/board-activities/briefing-materials/>.

The briefing materials include this memorandum and the following:

**Attachment 1:** Budget Integrity Reporting Objective Analysis Document

**Appendix A:** MD&A Amendments: Project History and Milestones

**Appendix B:** Boston University: *Writing Clear Learning Objectives*

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## BACKGROUND

In April 2019, the Board agreed to a number of amendments to Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*, through the reporting model phase I: MD&A and stewardship investments improvements (RMP1) and risk reporting (RR) projects.

As a result, at the June 2019 Board meeting, Ms. Gilliam introduced the new consolidated project, MD&A amendments, which she will lead. Many of the SFFAS 15 amendments will come from Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*. Research from the RMP1 and RR projects uncovered that SFFAC 3 holds most of the standards-based language for preparing MD&A. While the original intent was for preparers to use SFFAS 15 together with SFFAC 3 to generate the MD&A, most preparers only use SFFAC 15.

The status of SFFAC 3 will depend on future Board decisions. The SFFAS 15 amendments should provide clarity and focus to help reduce additional burdens on preparing MD&A.

The MD&A amendments project is a consolidation of **research done between October 2016 and April 2019 through the RMP1 and RR projects**. [Please see Attachment 1: MD&A Amendments: Project History and Milestones.] Therefore, this concludes the **research phase** for the MD&A amendments project.

As a result of the MD&A amendments project, RMP1 is complete. RR will remain an active project, as future work may be conducted in conjunction with the note disclosure-phase II project.

### Development Phase:

The MD&A Amendments project is now in the **development phase** where the Board deliberates to develop the exposure draft.

The Board agreed on the following items at the June 2019 meeting.

- **Materiality** is applied differently to MD&A than basic information. While the financial statements include material quantitative information, management should apply more judgement to what qualitative information to include in MD&A. Therefore, to ensure inclusion of important information, members agreed not to include the materiality boilerplate as an amendment to SFFAS 15. Instead the Board wants to include a discussion about the concept/definition of materiality and how it is applied to MD&A.
- Members requested staff develop **objectives** to help preparers understand what should be achieved in MD&A.

## **STAFF ANALYSIS AND RECOMMENDATIONS**

### **I. STRATEGY FOR DEVELOPING MD&A OBJECTIVES**

To help members develop MD&A objectives, staff recommends using the four reporting objectives as defined and discussed in Statement of Federal Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, and SFFAC 3, *Management's Discussion and Analysis: Budget Integrity, Operating Performance, Stewardship, and Systems and Control*.

As a framework, staff developed the Reporting Objective Analysis Document (ROAD) to help members understand what is important for each reporting objective.

Per member's request, staff presented a pre-review of the ROAD prior to the August 2019 Board meeting. Seven members replied and agreed that the ROAD would help to facilitate development of MD&A objectives.

To begin the process of developing MD&A objectives, staff will review the:

- A. four reporting objectives,
- B. Reporting Objective Analysis Document (ROAD), and
- C. definition and criteria for developing objectives.

#### **A. FOUR REPORTING OBJECTIVES**

The following is a review of the four reporting objectives to help set a framework for members to develop MD&A objectives as described in SFFAC 1.

##### **Reporting Objective #1: Budget Integrity**

Federal financial reporting should assist in fulfilling the government's duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government's budget for a particular fiscal year and related laws and regulations. Federal financial reporting should provide information that helps the reader to determine

- how budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization,
- the status of budgetary resources, and
- how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.

##### **Reporting Objective #2: Operating Performance**

Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities.

Federal financial reporting should provide information that helps the reader to determine

- the costs of providing specific programs and activities and the composition of, and changes in, these costs;
- the efforts and accomplishments associated with federal programs and the changes over time and in relation to costs; and
- the efficiency and effectiveness of the government's management of its assets and liabilities.

### **Reporting Objective #3: Stewardship**

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future.

Federal financial reporting should provide information that helps the reader to determine whether

- the government's financial position improved or deteriorated over the period,
- future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, and
- government operations have contributed to the nation's current and future well-being.

### **Reporting Objective #4: Systems and Control**

Federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that

- transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purpose authorized, and are recorded in accordance with federal accounting standards;
- assets are properly safeguarded to deter fraud, waste, and abuse; and
- performance measurement information is adequately supported.

## B. REPORTING OBJECTIVE ANALYSIS DOCUMENT (ROAD)

Staff developed the ROAD framework to help members analyze the four reporting objective concepts and develop MD&A objectives.

Due to member comments received from the pre-review, staff has made the following adjustments: separated the table into four separate ROADS, one for each reporting objective; and, added an additional column [See Attachment 1: *Reporting Objective #1: Budget Integrity Analysis Document*].

1. The first column includes reporting objective concepts from SFFAC 1.
2. The second column includes MD&A reporting concepts from SFFAC 3.
3. The third column includes proposed MD&A objectives for Board review/approval.

Utilizing the ROADS will help members decide what they want preparers to achieve for GPFFR users in MD&A for each reporting objective. To accomplish this, staff recommends the Board review one ROAD at a time. The time it takes for members to develop objectives may vary depending on each reporting objective's relevance to MD&A. For example, Budget Integrity and Systems and Control may not have as much relevance as Operating Performance and Stewardship, and therefore may take less time to develop.

## C. DEFINITION AND CRITERIA FOR DEVELOPING OBJECTIVES

Staff created a definition and criteria to help members develop MD&A objectives. Because the MD&A should educate GPFFR users, staff has modeled the definition and criteria after Boston University's *Writing Clear Learning Objectives* [See Appendix C: *Writing Clear Learning Objectives*]

1. **MD&A Objective Definition:** A clear MD&A objective states what an MD&A should achieve.
2. **Three steps recommended for developing an MD&A Objective:**
  - a. Begin with the phrase: **MD&A should concisely**
  - b. Add an **action verb** [See Appendix C for sample verbs]
  - c. Add **specifics** of what the MD&A preparer should help the GPFFR user to understand.

## II. PROPOSED MD&A BUDGET INTEGRITY OBJECTIVES

To understand what is important to include in MD&A objectives about budget integrity, staff reviewed the Budget Integrity ROAD. [See Attachment 1] and applied the definition and three steps above to develop the following proposed objectives for reporting budget integrity in MD&A.

1. MD&A should concisely explain the status of budgetary and financing resources.
2. MD&A should concisely describe—in plain English—budget and financial terms used, such as, unfunded, unobligated, and net cost of operations.
3. MD&A should concisely identify original legal authorities and what should be accomplished for budget and/or financing amount(s).
4. MD&A should concisely explain why significant changes in budgetary and/or financing resources were needed during the reporting period.

#### **BOARD QUESTIONS:**

1. Does the Board agree with the proposed budget integrity MD&A objectives?
2. Does the Board want to add any additional budget integrity MD&A objectives

#### **NEXT STEPS**

The next steps are to develop MD&A objectives for operating performance reporting objectives.

#### **MEMBER FEEDBACK**

If you have any questions or comments, please contact Ms. Gilliam by telephone at (202) 512-7356 or by email at [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov), with a cc to Ms. Valentine at [valentinem@fasab.gov](mailto:valentinem@fasab.gov), by **August 20, 2019**

TAB C-2

MD&A AMENDMENTS

ATTACHMENT 1

**BUDGET INTEGRITY  
ROAD**

AUGUST 2019

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**BUDGET INTEGRITY REPORTING OBJECTIVE ANALYSIS DOCUMENT (ROAD)**

Reporting Objectives Concepts from Concept 1	MD&A Concepts on Reporting Objectives from Concept 3	Proposed MD&A Objectives <i>What does the Board want to achieve for reporting Budget Integrity in MD&amp;A</i>
<p><b>SFFAC 1, Objectives of Federal Financial Reporting</b></p> <p>Pg. 6, paragraph 13: Federal financial reporting should assist in fulfilling the government’s duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government’s budget for a particular fiscal year and related laws and regulations. Federal financial reporting should provide information that helps the reader to determine</p> <ul style="list-style-type: none"> <li>• how budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization,</li> <li>• the status of budgetary</li> </ul>	<p><b>SFFAC 3, Discussion and Analysis of Financial Statements</b></p> <p>Pg. 13, paragraph 28: MD&amp;A should concisely explain how budgetary resources have been obtained and used, instances in which their acquisition and use were not in accordance with legal authorization, the status of budgetary resources, and how information on the use of budgetary resources relates to information on the cost of program operations.</p> <p>MD&amp;A should explain when major support for cost of a program or activity is provided outside the reporting entity’s budget and when the entity’s budget supports a program primarily reported by another entity.</p> <p>The discussion should describe major financing arrangements, guarantees, and lines of credit, including those not</p>	<ol style="list-style-type: none"> <li>1. MD&amp;A should concisely explain the status of budgetary and financing resources.</li> <li>2. MD&amp;A should concisely describe—in plain English—budget and financial terms used, such as, unfunded, unobligated, and net cost of operations.</li> <li>3. MD&amp;A should concisely identify original legal authorities and what should be accomplished for budget and/or financing amount(s).</li> <li>4. MD&amp;A should concisely explain why significant changes in budgetary and/or financing resources were needed during the reporting period.</li> </ol>

**BUDGET INTEGRITY REPORTING OBJECTIVE ANALYSIS DOCUMENT (ROAD)**

Reporting Objectives Concepts from Concept 1	MD&A Concepts on Reporting Objectives from Concept 3	Proposed MD&A Objectives <i>What does the Board want to achieve for reporting Budget Integrity in MD&amp;A</i>
<p>resources, and</p> <ul style="list-style-type: none"> <li>• <i>how information</i> on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities.</li> </ul> <p><b>SFFAC 1, <i>Background and Rationale</i></b></p> <p>Pg. 5, paragraph 11: Questions this objective should address:</p> <ol style="list-style-type: none"> <li>1. What legal authority was provided for financing government activities and for spending the monies?</li> <li>2. Were the financing and spending in accordance with</li> </ol>	<p>recognized in the basic financial statements.</p> <p>Pg. 14, paragraph 29: MD&amp;A should explain major changes during the period to the budget originally approved, major failures to comply with finance-related laws, and other matters management believes necessary. These could include:</p> <ul style="list-style-type: none"> <li>• unfunded liabilities that may require appropriations;</li> <li>• assets that could be sold to augment future budgetary resources;</li> <li>• amounts of payments that have not been matched with obligations;</li> <li>• anticipated increases in the cost to complete long-term projects in progress that may require additional obligations or appropriations.</li> </ul>	

**BUDGET INTEGRITY REPORTING OBJECTIVE ANALYSIS DOCUMENT (ROAD)**

Reporting Objectives Concepts from Concept 1	MD&A Concepts on Reporting Objectives from Concept 3	Proposed MD&A Objectives <i>What does the Board want to achieve for reporting Budget Integrity in MD&amp;A</i>
<p>these authorities?</p> <p><b>SFFAC 1, <i>The Needs of Users of Federal Financial Reports</i></b></p> <p>Pg. 23, paragraph 89: All user groups need information about the budget... for assurance that their elected and appointed representatives have fulfilled their most basic fiduciary responsibility...</p> <p>Pg. 23, paragraph 91: ...They [users] need periodic information about the status of budgetary resources, that is, the extent to which the resources have been used or remain available.</p> <p>They also want to know whether budgetary resources are available to be used for other purposes through reprogramming.</p> <p><b>SFFAC 1, <i>Budget Integrity; Objective</i></b></p>		

**BUDGET INTEGRITY REPORTING OBJECTIVE ANALYSIS DOCUMENT (ROAD)**

Reporting Objectives Concepts from Concept 1	MD&A Concepts on Reporting Objectives from Concept 3	Proposed MD&A Objectives <i>What does the Board want to achieve for reporting Budget Integrity in MD&amp;A</i>
<p><b>1</b></p> <p>Pg. 27, between paragraphs 115 and 116:</p> <p><b>Federal financial reporting should provide information that helps the reader to determine:</b></p> <p>Pg. 27, paragraph 116: <b>Sub-Objective 1A. How budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization.</b></p> <p>Pg. 28, paragraph 118: <b>Sub-Objective 1B. The status of budgetary resources.</b></p>		

TAB C-2

MD&A AMENDMENTS

APPENDIX A

## **Project History and Milestones**

RESEARCH PHASE: OCTOBER 2016 – APRIL 2019

DEVELOPMENT PHASE JUNE 2019 - CURRENT

**AUGUST 2019**

## RESEARCH PHASE: OCTOBER 2016 – APRIL 2019

Research conducted by reporting Model Phase I: MD&A and Stewardship Investments Improvements and Risk Assumed/Reporting Projects

### October 19-20, 2016

#### Risk Assumed/Reporting

At the October 19, 2016, Board meeting, the risk assumed – phase II began.

The Board reviewed staff's high-level gap analysis presented in table 1: Analysis of Federal Accounting Standards in Relation to the IMF [International Monetary Fund] Recommendations for Disclosing Fiscal Risks and table 2 from the Australian Statement 8: Statement of Risks.

The Board agreed that an extensive gap analysis is necessary to determine the risk information that the consolidated financial report of the U.S. Government includes and how it is presented, the extent to which FASAB can align with enterprise risk management (ERM) as prescribed by The Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Board's preference for presenting risk assumed information going forward.

For the gap analysis, the Board agreed to determine the following:

- If federal government reporting is transparent enough for estimates and uncertainty around significant risks with a focus on broad risk categories, such as an economic downturn where revenues go down and benefit program costs go up
- If there is a significant gap in reporting to be addressed for individual risk items, such as treaties, commitments by the federal government, and intergovernmental dependencies with state and local governments
- How to present summarized risk events at the government-wide level for cross-cutting agency efforts, such as disaster relief, with access to detail at the agency level

### December 19-20, 2016

#### Risk Assumed/Reporting

At the December 20, 2016, Board meeting, the Board approved a framework for the risk assumed gap analysis. Members agreed that categories should not be a laundry list of events but instead should be principle-based and broad enough to encompass current and future significant risk events. The scope will include past and future events and whether uncertainty is adequately explained. Staff will review past financial reports to understand

what was included before and after recent large events, such as the 2008 financial crisis, at the agency and government-wide levels.

Staff will utilize roundtable discussions to discover if current disclosures are clear, relevant, and add value in relation to the available standards. If roundtable participants do not feel that current disclosures are clear, relevant, or valuable, the group will discuss what is missing and should be included.

Staff will work on the gap analysis over the next several months and present findings and recommendations to the Board upon completion.

## **June 21-22, 2017**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board plans to consider opportunities for streamlining management's discussion and analysis (MD&A) and required supplementary stewardship information (RSSI). In May 2017, Board members reviewed financial reports and FASAB staff conducted roundtable discussions to determine potential areas for streamlining. As a result, staff noted several areas, including MD&A, RSSI, other information, the overall reporting model, and certain financial statements and note disclosures that might be suitable for the streamlining initiative.

The Board decided to use a two-phased approach for reviewing the streamlining options. During the first phase, the Board will focus on areas that can be addressed in the near term and, in the second phase, consider areas to address over the long term.

The Board's near-term efforts involve MD&A and RSSI; as such, the Board will begin a note disclosure project. Staff will engage roundtable participants to help determine streamlining prospects for MD&A and RSSI. MD&A is intended to be concise. However, Board members and others noted MD&A is often broad and may overwhelm readers. In addition, with respect to RSSI, users can access the information from other sources, such as Analytical Perspectives, Budget of the United States Government, Fiscal Year 2017. Related performance information may also be presented in agency performance reports.

For the long term, staff will consider the other areas proposed by Board members and roundtable participants. Members discussed that the entire financial reporting community can become involved in the process of identifying opportunities for streamlining financial reports; users do not necessarily need to wait for standards to be developed.

### **Risk Assumed/Reporting**

Members did **not** want to include discussions that

- predict unforeseen catastrophes and their potential financial effect;
- trends for using emergency funding as an indicator of fiscal exposure to risk shocks;
- comparisons of estimates to actuals;

- how past risk events were managed; or
- a separate risk section [as presented in the USAFacts 10-K Report -risk section—Item 1A Risk Factors] within federal financial reports.

#### Members **did want to**

- include past events that affect the current financial position;
- include and define major risk events with a relationship to long-term sustainability that are not already reported;
- use the principle-based broad risk categories as a foundation for continuing the gap analysis; and
- present meaningful streamlined information as a broad analysis rather than specific details.

### **August 30 – 31, 2017**

#### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

During its August 2017 meeting, FASAB staff presented a proposal to require reporting entities to inform readers on where to obtain the entity's annual performance report (APR) rather than providing detailed performance information in MD&A. The Board supported providing flexibilities to reporting entities and noted that conditions have changed since FASAB developed the MD&A standards in the early 1990s. Component reporting entities currently issue separate financial and performance reports and issue the reports at different times. In addition, the Board's concepts acknowledge that information that users need may not reside in a single report. Consequently, the Board plans to develop an exposure draft (ED) to amend the existing MD&A reporting standards, explain the rationale for the proposal, and obtain comments from users, preparers, and auditors.

The Board also discussed an initial draft ED proposing to rescind RSSI reporting requirements. The draft ED noted that users do not review the RSSI provided in financial reports. Users can access the information from other sources, such as the Budget of the United States and APRs. However, the Board discussed the history and complexities of the RSSI topic and noted that the draft ED needed to include a comprehensive discussion of the rationale for rescinding RSSI. Thus, FASAB staff will present a revised draft ED during the October 2017 meeting

### **October 25-26, 2017**

#### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board discussed two proposals for improving the content of financial reports. The first proposal would provide flexibility in reporting the remaining item of required supplementary stewardship information (RSSI), stewardship investments, and eliminate the RSSI category. The second proposal would permit management to refer users to more detailed performance reports when preparing management's discussion and analysis (MD&A). The flexibilities would be responsive to input from preparers and auditors regarding users' access to and preference for other sources of information.

Given the flexibilities, Board members were concerned that financial reports would not present information needed to achieve the reporting objectives. Board members noted that financial report users need information on expenses that provide long-term benefits, such as investments in human capital, research and development, and non-federal physical property. In addition, users need information about the reporting entity's performance.

Consequently, staff will conduct additional research to determine 1) how stewardship investment information might be improved, 2) what MD&A concepts could be considered for standards, and 3) what performance reporting concerns could be addressed through OMB form and content guidance.

### **Risk Assumed/Reporting**

According to the project objective, the risk assumed project strives ... to determine accounting standards that provide concise, meaningful, and transparent information regarding the potential impact to the fiscal health of the federal government. However, understanding what risks affect U.S. financial sustainability and why they do is very challenging. Therefore, as part of the ongoing gap analysis, staff reviewed SFFAS 2, Accounting for Direct Loans and Loan Guarantees, to learn how risk is currently disclosed in the financial statements.

Staff conducted research with the Department of Education, Department of Housing and Urban Development, Small Business Administration, and the Government Accountability Office and learned that agencies cannot specifically identify their users. In addition, reporting is inconsistent, extremely detailed, and burdensome. This not only affects preparers, but also users.

On October 26, 2017, staff presented these findings at the Board meeting to determine if members wanted to pilot amendments to SFFAS 2 to develop a framework for how to address risk assumed holistically.

Members agreed and requested that staff

- identify user groups to analyze risk factors, beyond those used to calculate credit subsidy reestimates, to help build a risk profile;
- develop a framework for how to discuss measurement uncertainty;
- consider how to discuss the "why" behind the "what" of risk;

- present sensitivity analysis at a future meeting; and
- pilot amendments to SFFAS 2 to develop a model/framework for how to address risk assumed holistically.

## **December 20, 2017**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board discussed the next steps toward improving long-term investment reporting and management's discussion and analysis. SFFAS 8, Supplementary Stewardship Reporting, requires reporting on the government's long-term investments (or stewardship investments), and the Board discussed concerns regarding this guidance. For instance, the guidance defines and measures the government's long-term investments differently from other sources of information, and readers of financial reports do not use the information presented. In addition, the Board considered whether reporting entities could reference other sources of information, such as the Budget of the U.S., but noted that the other sources could decide to change or remove the information at any time.

Considering that long-term investment information is important for achieving the Stewardship Reporting objective, the Board decided to reach out to interested groups and individuals. The feedback will be used to determine how best to improve long-term investment reporting.

Also, the Board discussed whether to update Statement of Federal Financial Accounting Concepts 3, Management's Discussion and Analysis. The Board developed the concepts in the 1990s, and performance reporting and other areas have evolved since then. Rather than revisiting the entire concepts statement, the Board decided to identify and prioritize key areas for improving the guidance.

## **FEBRUARY 21-22, 2018**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

In considering a reporting model for the future, the Board observed a demonstration of interactive data visualizations, management's discussion and analyses (MD&As), and financial statements. The interactive presentations considered the needs of users and were designed to help users understand financial information.

Mr. Justin Marsico, Senior Policy Analyst, Department of the Treasury (Treasury), presented a series of data visualizations. Treasury developed the visualizations to help users understand and explore data collected as part of the Digital Accountability and Transparency (DATA) Act of 2014. Mr. Marsico's presentation included a sankey diagram and a dendrogram. The sankey diagram linked budget functions to object classes and illustrated the magnitude of the relationships. The dendrogram listed each federal agency and allowed users to drill down from the agency level to the sub-agency level and to the federal accounts that comprise sub-agency spending. Users could also view a federal account profile to gain a

better understanding of how agencies receive and spend congressional funding to carry out their programs, projects, and activities.

The Board also observed an interactive MD&A and interactive financial statements developed by a team from Deloitte & Touche LLP. The interactive MD&A included tips to help users understand technical terms, a sankey diagram of budgetary resources, a radar chart comparing the net cost for five programs over multiple periods, and a geospatial heat map of net cost by state with drill-down capability enabling users to view amounts by congressional district. The interactive financial statements also provided drill-down capability. The drill-down feature enabled users to learn more about the details of financial statement line item balances.

The Board encouraged continued progress in electronic reporting. The Deloitte team included Mr. Justin Reed, Partner; Ms. Tasha Austin, Senior Manager; Mr. Daniel Shorstein, Manager; Ms. Tanya Bagheri, Business Technology Analyst; Ms. Reem El Seed, Consultant; and Mr. Dai Tran, Specialist Master.

The Board subsequently discussed whether to revisit certain topics within Statement of Federal Financial Accounting Concepts (SFFAC) 3, Management's Discussion and Analysis. The possible topics included revisiting (1) SFFAC 3 for standards or implementation guidance; (2) the role of MD&A; (3) the scope of MD&A; (4) the schematic diagram of a sample general purpose federal financial report (GPFRR); (5) the intended audience for MD&A and GPFRRs; (6) the financial statements discussion; (7) the systems, control, and legal compliance discussion; and/or (8) the performance discussion. Board members discussed the topics for revisiting SFFAC 3 and noted that they were integrated rather than stand-alone topics. Consequently, the Board agreed that implementation guidance should be developed to help improve the content of MD&As. The Board noted that component reporting entities could be more creative and use interactive technology. Existing standards do not preclude reporting entities from using the technology.

### **Risk Assumed/Reporting**

The Board hosted an **ERM risk profiling education session**. The panel discussed the following:

- Ms. SallyAnne Harper, a founding member and immediate past president of the Association for Federal Enterprise Risk Management (AFERM), provided a high-level review of federal ERM.
- Mr. Tom Brandt, the Chief Risk Officer at the Internal Revenue Service (IRS) and AFERM President Elect, presented a review of IRS's risk profiling processes, including risk identification, categorization, assessment, quantification, measurement, and modeling.
- Mr. Mike Wetklow, Deputy Chief Financial Officer (CFO) and Division Director for Financial Management, National Science Foundation (NSF), presented

NSF's ERM implementation process, including a discussion about risk appetite as an integral part of risk profiling.

- Mr. Daniel Fodera, Lead Management Analyst, Program Management Improvement Team, Directors of Field Services, Federal Highway Administration (FHWA), explained the tools used in ERM risk profiling, including the use of a heat map at FHWA.

The Board learned the following main points:

- Risk assessment is integrated into strategic planning and investment decision making to determine priorities and objectives.
- Senior management is responsible for setting risk appetite to determine the most significant risks that could impact the organization's strategic mission.
- Risk appetite includes an analysis of both the likelihood and impact of events.
- Most agencies are just beginning to develop their ERM processes; a few are moving into a more mature model.

**Directly following the education session, the Board discussed whether to leverage ERM risk profiling as identified in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.**

The Board agreed that staff should explore how to incorporate OMB A-123 risk profiling in the project; however members noted the following concerns:

- The Board should determine what type of risks to focus on: performance/programmatic—MD&A and/or financial impact—disclosure notes.
- The Board should determine what risks are not currently included in financial reports through working groups and determine the consequences of not including certain risks.
- The Board should consider producing best practices guidance if the standards are complete and agencies need additional help.
- The Board should prevent risk identification from turning into a compliance exercise that might affect the ERM process.
- The Board should consider how agency internal ERM processes might be affected by external financial reporting and the related audit.

**APRIL 25-26, 2018**

## Reporting Model Phase I: MD&A and Stewardship Investments Improvements

### MD&A Improvement

During the April 2018 meeting, the risk assumed (RA) and reporting model projects collaborated to present recommendations to improve management's discussion and analysis (MD&A). The projects collaborated because the findings from the separate round tables were the same—financial statement users want to understand the financial performance for major programs and not have to sift through dense, duplicative strategic performance information that can be found in the agency performance report. As a result, staff recommended a new Statement that would maintain the current principles but rescind Statement of Federal Financial Accounting Concepts 3, Management's Discussion and Analysis, and SFFAS 15, Management's Discussion and Analysis.

The Board directed staff to consider previously discussed concerns regarding MD&A, review existing MD&A concepts and standards, and determine what changes might be needed. Staff will also collaborate with the Office of Management and Budget to determine whether form and content guidance could help guide improvements.

### RSSI

The Board discussed alternatives for improving the required supplementary stewardship information (RSSI) category. The Board believed that the remaining element of the category, stewardship investments, should be presented in financial reports and noted that stewardship investments provide important information about how the government affects the nation. Thus, stewardship investments provide information on the performance of the entity.

Upon deciding that stewardship investments should be presented in financial reports, the Board discussed where the information should be reported. The Board agreed that stewardship investments should be presented in MD&A. The MD&A should provide information that addresses the entity's performance. Consequently, the Board directed staff to determine how investment information should be addressed in MD&A.

Given the decision to present stewardship investments in MD&A, the Board agreed to rescind the RSSI category. SFFAS 8, Supplementary Stewardship Reporting, established the RSSI category and discussed the nature of stewardship information. Because the new stewardship information category was not fully understood, the Board had previously reclassified or eliminated all the RSSI elements except for stewardship investments.

### Risk Assumed/Reporting

During the April 2018 meeting, staff presented the gaps for reporting RA as identified from the nine round tables conducted over the past year. Many round table participants were interested in reporting on full program costs, including key risk factors and assumptions. Some believed a **clearer understanding of uncertainties regarding estimates** would help facilitate better management decisions and **an understanding of financial performance**.

These gaps will help to establish a framework for reporting RA holistically in the financial reports. This framework may include new or updated note disclosures and improvements to management's discussion and analysis (MD&A).

For MD&A improvements the RA and MD&A Improvements projects collaborated to present recommendations to improve MD&A. The projects collaborated because the findings from the separate round tables were the same—**financial statement users want to understand the financial performance for major programs and not have to sift through dense, duplicative strategic performance information that can be found in the agency performance report.** As a result, staff recommended a new Statement that would maintain the current principles but rescind Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, and Statement of Federal Financial Accounting Standards (SFFAS 15), *Management's Discussion and Analysis*.

The Board directed staff to consider previously discussed concerns regarding MD&A, review existing MD&A concepts and standards, and determine what changes might be needed. Staff will also collaborate with the Office of Management and Budget to determine whether form and content guidance could help guide improvements.

## **JUNE 27-28, 2018**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

To better reflect the objectives, the reporting model phase I: streamlining project was renamed to the reporting model phase I: MD&A and stewardship investments improvements project.

#### **Management's Discussion and Analysis**

During the June 2018 meeting, the Board discussed the following four improvements to the management's discussion and analysis (MD&A) standards.

##### **Improvement #1**

The Board believed that component reporting entities should provide a summary about performance instead of details. The summary could include background information on the mission of the agency, management measures of strategic performance, and a high-level overview of major accomplishments. The summary could also include key risks associated with prior period performance and risk mitigation initiatives. The summary could also discuss how users might access detailed performance information.

##### **Improvement #2**

The Board believed that the requirement for information on compliance with laws and regulations and the adequacy of internal control should be retained. Members noted that management should provide a general discussion to address the requirement. For example,

management could address material weaknesses that auditors identified and audit findings. In addition, the entity could address actions taken to mitigate any negative audit findings.

The Board also suggested that a reduction in volume of information could be addressed in changes to OMB Circular A-136, Financial Reporting Requirements, and requested that staff collaborate with OMB on this effort.

### **Improvements #3 & #4**

Members agreed to remove the requirement to segment information in the MD&A. SFFAS 15, Management's Discussions and Analysis, currently requires management to discuss topics in discrete sections of the MD&A. Removing this requirement would allow flexibility in formatting MD&A and facilitate an integrated discussion about financial performance. The discussion should include the rationale for material changes in accounting elements, such as assets, liabilities, and/or net costs.

Staff originally presented a framework that would include a financial performance discussion for each responsibility segment presented in the statement of net cost. The discussions would inform users on the financial impact of key risks to the segment. However, the Board determined that key risk factors may affect entities at different levels and requested staff to present an alternative framework. The framework should be flexible enough to integrate risks that had or will have a significant financial impact at the level best defined by management.

Members requested that staff develop principle-based standards to address the different types of risks that may have a significant financial impact on the government-wide financial position, condition, or results of operations. To tell the entire financial story, members believed that management should discuss what actions are being taken to address current and future risk drivers, as well as forward-looking information.

### **Stewardship Investments Information**

The Board discussed alternatives for improving stewardship investments (SI) information and agreed that SI should be presented in the MD&A of government-wide and component reporting entity GPFRRs. The Board considered the following alternatives for presenting SI:

- FASAB limits SI reporting to the Financial Report of the U.S. Government (FR). The FR would include a general discussion of SI and a reference to more detail in the Budget of the United States. SI would not be required for component reporting entities.
- FASAB allows reporting SI in the FR and component reporting entity reports if it is significant.
- FASAB moves all of the existing SI requirements to the MD&A of the FR and component reporting entities.

- FASAB encourages component reporting entities to present SI in agency performance reports.

For each alternative, staff proposed to rescind SFFAS 8, Supplementary Stewardship Reporting, and issue a new Statement.

FASAB members believed that SFFAS 8 should be rescinded and a new Statement should be developed. Members noted that users of the FR and component reporting entity reports need to know about the expenses that provide long-term benefits for the nation; however, the Board did not determine the level of detail that should be discussed. Staff will develop illustrations of the information that could be presented in MD&A regarding investments.

### **Risk Assumed/Reporting**

The RA and MD&A Improvements projects continued to collaborate to request a more integrated format for MD&A.

Members agreed to remove the requirement to segment information in the MD&A. SFFAS15 currently requires management to discuss topics in discrete sections of the MD&A. Removing this requirement would allow flexibility in formatting MD&A and facilitate an integrated discussion about financial performance. The discussion should include the rationale for material changes in accounting elements, such as assets, liabilities, and/or net costs.

Staff originally presented a framework that would include a financial performance discussion for each responsibility segment presented in the statement of net cost. The discussions would inform users on the financial impact of key risks to the segment. However, the Board determined that key risk factors may affect entities at different levels and requested staff to present an alternative framework. The framework should be flexible enough to integrate risks that had or will have a significant financial impact at the level best defined by management.

Members requested that staff develop principle-based standards to address the different types of risks that may have a significant financial impact on the government-wide financial position, condition, or results of operations. To tell the entire financial story, members believed that management should discuss what actions are being taken to address current and future risk drivers, as well as forward-looking information.

## **August 29-30, 2018**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board discussed the discussion and analysis of the financial statements section within MD&A. While the discussion and analysis of financial statements may be central to MD&A, the Board expressed concern that component reporting entities were not explaining the reason for significant changes in financial statement line items or totals.

Members agreed that a single set of guidance should be prepared for both the government-wide and component reporting entities. The Board noted that similar information would be needed from both the government-wide and component reporting entities and the discussion and analysis would not necessarily need to focus on addressing a particular reporting objective, such as Operating Performance. Also, the

Board believed that guidance for the discussion and analysis should be principles-based, providing flexibility.

In addition, the Board requested that staff answer the following questions:

- What do SFFAS 15, Management's Discussion and Analysis, and Statement of Federal Financial Accounting Concepts 3, Management's Discussion and Analysis, require to meet the reporting objectives?
- How are reporting entities applying those requirements?
- What are the gaps in the requirements or their application that warrant changing standards or providing guidance?

### **Stewardship Investments**

In addition, the Board discussed permitting flexibility in reporting on stewardship investments. For some component reporting entities, stewardship investments are significant to the entity's mission. Consequently, stewardship investments could be discussed as part of the entity's mission and organizational structure section of MD&A. However, if stewardship investments are not significant to the component reporting entity's mission, the entity could discuss stewardship investments in a distinct section. Considering that the government-wide reporting entity relies on stewardship investments information from the component reporting entities, component reporting entities could have flexibility in the amount of detail presented. Component reporting entities with significant investments may provide more detail than a component reporting entity with less significant investments.

### **Risk Assumed/Reporting**

To better reflect the objectives, the risk assumed – phase II project was **renamed to the risk reporting project**.

The Board reviewed the measurement uncertainty framework it had requested at the October 2017 meeting. Because measurement uncertainty affects a number of estimates throughout the financial statements, the Board revisited the status of the risk assumed project. Members noted that the focus on risk assumed improved decisions in a number of projects despite the challenge of identifying specific risk measures as implied by the term "risk assumed."

Members agreed that the risk assumed project should continue but is not likely to result in a specific measure of “risk assumed.” To avoid this expectation, the Board decided to change the project name to “risk reporting.” Members directed staff to work with the project leads of the reporting model phase I: MD&A and stewardship investments improvements project and the note disclosures project. Through this collaboration, the risk reporting project could address the principles needed for reporting financial and non-financial risks as well as the principles needed to account for measurement uncertainty.

## **October 24-25, 2018**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board considered whether the requirement for sections of information in MD&A should be rescinded. Staff suggested eliminating the requirement for sections to permit more flexibility in presenting information in MD&A and facilitate an integrated discussion of the required topics. The Board, however, decided to retain the requirement but supported the notion of flexibility within a general framework of topical sections. Members emphasized that sections and section headings assist users in locating the information they need. Also, sections help ensure that management addresses all the required topics.

The Board also considered whether reporting entity MD&A should discuss stewardship investment information. Staff suggested eliminating the SFFAS 8, Supplementary Stewardship Reporting, requirement for stewardship investment information as a separate item in RSI because reporting entities adopt a definition of investments in MD&A and elsewhere that is broader than stewardship investments and the stewardship investment information was not being used. The Board believed that users need stewardship investment information to assess how the government has contributed to the nation’s current and future well-being, and the information should be discussed in MD&A.

Although the Board determined that MD&A should discuss stewardship investment information, the Board decided to propose rescinding the SFFAS 8 requirement to present the required supplementary stewardship information category in financial reports. The proposal would permit management to continue reporting stewardship investment information, at their discretion, while the Board develops guidance for discussing investment information in MD&A. Once exposed, the proposal would provide feedback regarding the need for stewardship investment information.

The proposal would be developed as part of the Omnibus project. See <https://fasab.gov/projects/active-projects/omnibus-project/>.

## **December 19-20, 2018**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board agreed to develop an Interpretation of Statement of Federal Financial Accounting Standards (SFFAS) 15, Management’s Discussion and Analysis. The Interpretation would

clarify the purpose of the SFFAS 15 requirements and the level of flexibility available in preparing management's discussion and analysis (MD&A).

Members also discussed a multi-pronged approach to the project. As part of developing the Interpretation, staff could reach out to reporting entities for their feedback on issues, coordinate with the Office of Management and Budget as it prepares form and content guidance, and consider the need for education in preparing the MD&A. In addition, the project will consider guidance for discussing reporting entity performance. Staff will organize a task force to begin developing the Interpretation.

### **Risk Reporting**

At the December 2018 meeting, members discussed the current status of risk reporting under SFFAS 15, paragraph 3 on forward-looking information. During the meeting, the Board discussed the intent of SFFAS 15 in relation to the forward-looking information provided by agencies' in their 2017 MD&As.

Members agreed that the original intent for forward-looking information was to focus on the financial effects of risks on amounts in the financial statements even though the word "financial" was not specifically included in SFFAS 15, paragraph 3. However, this is not the information that agencies are providing.

Members also agreed that forward-looking information should include a discussion of the short-term financial effects, as well as the possible long-term material financial effects of financial statement balances. Short-term effects relate to the budget cycle, while long-term effects may be defined by an agency's life cycle to complete program missions.

Members agreed that staff should prepare an Interpretation to clarify how to discuss risk in MD&A and explain what is meant by financial effect and time horizon. Additional guidance may be included in the Interpretation, such as sensitivity tests and/or best practices. To develop the Interpretation, staff will conduct a number of agency interviews to understand what guidance preparers need to discuss short- and long-term financial effects of risks.

Members agreed that the Interpretation addressing forward-looking information discussed in SFFAS 15, paragraph 3 will be separate from the Interpretation that will address MD&A structure. This is to avoid losing the risk reporting clarification within the formatting clarification.

## **February 27, 2019**

### **Reporting Model Phase I: MD&A and Stewardship Investments Improvements**

The Board agreed to amend SFFAS 15, *Management's Discussion and Analysis*. The Board noted that reporting entity mission-related programs, functions, and activities are complex; therefore, preparers need a flexible framework to discuss the topics SFFAS 15 requires. SFFAS 15, however, is explicit regarding the structure of MD&A and requires preparers to

organize their discussion of specific topics into specific sections. The Board agreed that the requirement should be changed to provide the flexibility preparers need to communicate the required information to users.

## April 24-25, 2019

At the April 2019 Board meeting, the risk reporting project and reporting model phase I: MD&A and stewardship investments improvements project staff recommended amendments to Statement of Federal Financial Accounting Standard (SFFAS) 15.

Risk reporting project staff recommended a number of amendments to SFFAS 15 instead of developing an Interpretation—which was previously approved—because “financial effects” of risk events were not clearly stated in the standards, and therefore could not be interpreted. Staff also emphasized that Statement of Federal Financial Accounting Concepts (SFFAC) 3 was written as standards which should be included in SFFAS 15.

To understand the history and development of SFFAC 3 and SFFAS 15, Ms. Payne shared the following:

*The Board originally worked on MD&A during the window seeking GAAP recognition from the AICPA. Concept 3 was written more like a standard to holistically describe MD&A; but exposed as a concept statement.*

*During the response period, the audit and preparer community said that if FASAB wanted to achieve a GAAP based statement that always included MD&A, the Board must create a standard that required it. The Board, therefore, quickly used the MD&A outline from Concept 3 and proposed standard 15 as required supplementary information (RSI).*

*In Ms. Payne’s opinion, the concepts in SFFAC 3 are not concepts at all but standards, and a must read by preparers to really understand what should be included in MD&A.*

The reporting model phase I: MD&A and stewardship investments improvements project staff also proposed an amendment to SFFAS 15 to rescind Paragraph 2 and references in paragraphs 3 and 4 to the format requirements for sections. This amendment would permit reporting entities to structure MD&A in a manner most appropriate for communicating with general purpose federal financial report users.

The Board agreed to the following for both the risk reporting and MD&A Improvement projects:

- To expand the project to amend SFFAS 15 with the standard-type language currently included in SFFAC 3; noting the following
  - merely moving certain paragraphs from SFFAC 3 to SFFAS 15 will not address the issue that SFFAC 3 holds the actual standards language;

- amendments should occur simultaneously on SFFAC 3 and SFFAS 15;
- SFFAS 15 should become a standalone document that helps to change behavior; and
- amendments to SFFAS 15 should be principle based and not overly prescriptive.
- To remove guidance in SFFAS 15 requiring sections and allow for more flexible reporting;
- To amend paragraphs 3 and 4 in SFFAS 15 to
  - include SFFAC 3 standard-type language;
  - include a discussion on how to include “financial effects” in MD&A; and
  - include a distinction between risks versus problems, and financial versus non-financial.
- To improve financial analysis for material balance differences.
- To ensure amendments to SFFAS 15 encourage agencies to improve risk reporting as ERM processes evolve and improve.

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## DEVELOPMENT PHASE: JUNE 2019 - CURRENT

### Reporting Model Phase I & RISK REPORTING MERGED INTO MD&A AMENDMENTS PROJECT

#### June 26 – 27, 2019

At the June 2019 Board meeting, staff introduced the new project, MD&A Amendments which is a consolidation of work done to date from the Risk Reporting and Reporting Model Phase I: MD&A and Stewardship Improvements Projects. Research from those projects identified that the Statement of Federal Financial Accounting Concepts (SFFAC) 3, Management's Discussion and Analysis, includes most of the standards-based language that staff will use to amend Statement of Federal Financial Accounting Standards (SFFAS) 15., Management's Discussions and Analysis.

Members were curious to know about the future of SFFAC 3. Staff explained the initial analysis of SFFAC 3—presented in TAB G, Attachment 2—was only to present proposed amendments to SFFAS 15. Decisions about what to relocate or rescind from SFFAC 3 and information included in other concepts about MD&A will be presented at a future Board meeting. Members agreed noting that SFFAS 15 amendments should provide clarity and focus to help manage and reduce any additional burdens currently placed on preparers.

The following items were discussed in relation to amending SFFAS 15.

Members agreed that materiality is applied differently to MD&A than basic information. While the financial statements include material quantitative information, management should apply more judgement to what qualitative information to include in MD&A. For example, management should understand issues that are trending to determine what citizens are getting for their money and what qualitative information will be useful for those interest groups. Management could also include a qualitative discussion in MD&A to explain why a financial statement balance is growing, the risk of why it might continue to grow, and potential impact on operations.

Members agreed NOT to include the materiality boilerplate as an amendment to SFFAS 15 to ensure inclusion of important information. Instead the Board wants to include a discussion about the concept/definition of materiality and how it is applied to MD&A.

The following administrative amendments were approved for SFFAS 15 to conform to current SFFAS formats: change the header title from "Statement of Standards" to "Standards," and adding a scope and definition section. Items to be defined will be added at future meetings, which may include financial condition and financial position.

Members requested staff to develop well defined objectives for the MD&A before continuing to develop standards. Objectives should stand on their own to help preparers understand what should be achieved in MD&A and to prevent a check-list compliant exercise.

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TAB C-2

MD&A AMENDMENTS

APPENDIX B

**BOSTON UNIVERSITY**  
**WRITING CLEAR LEARNING OBJECTIVES**

AUGUST 2019

## Writing Clear Learning Objectives

A clear learning objective states what the learner will be able to do upon completion of a continuing medical education activity, in terms of behavioral change. A clear objective identifies the terminal behavior or desired outcome of the educational offering.

When writing objectives, follow these 3 steps:

### Step 1

Learning objectives begin with the phrase:

“At the conclusion of this activity, participants will be able to...”

### Step 2

Connect step one with an action verb which communicates the performance by the learner. Use verbs which describe an action that can be observed and that are measurable within the teaching time frame (e.g., via a post-test).

### Sample verbs

Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
define	classify	apply	analyze	arrange	assess
identify	compile	calculate	calculate	assemble	compare
label	conclude	demonstrate	categorize	compose	critique
list	discuss	develop	classify	construct	decide
match	describe	interpret	criticize	design	determine
name	explain	locate	compare	develop	establish
recall	express	operate	contrast	diagnose	evaluate
recognize	give examples	perform	determine	manage	judge
record	identify	practice	differentiate	organize	justify
relate	interpret	predict	distinguish	plan	measure
repeat	recognize	present	examine	propose	rate
select	summarize	report	outline	relate	recommend
state	translate	use	test	summarize	select

### Step 3

Conclude with the specifics of what the learner will be doing when demonstrating achievement or mastery of the objectives. Stress what the participant will walk away from the activity with.

### Words to Avoid

appreciate	believe	improve	learn
approach	grasp the significance of	increase	thinks critically
become	grow	know	understand

#### References

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[www.bumc.bu.edu/cme/files/2012/07/14-Tips-for-writing-objectives.doc](http://www.bumc.bu.edu/cme/files/2012/07/14-Tips-for-writing-objectives.doc)