

## Invitation to Comment

### Reexamination of Existing Standards

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input checked="" type="checkbox"/>	If other, please specify: Deputy Assistant Secretary
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify:
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

### FASAB GAAP HIERARCHY QUESTIONS

**QUESTION 1.1:** The federal GAAP hierarchy in SFFAS 34 provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal entities that conform with GAAP. **Do you agree that SFFAS 34 clearly and sufficiently explains the federal GAAP hierarchy and its application to federal accounting and reporting?**

**Agree**

Please explain your response. [Click here to enter text.](#)

**QUESTION 1.2:** Have you experienced challenges in applying and using the federal GAAP hierarchy in SFFAS 34 to resolve accounting or reporting issues?

**Disagree**

**Please explain your response**, including any perceived challenges with applying SFFAS 34 (for example, utility in applying SFFAS 34 to resolving accounting and reporting issues, need to clarify authoritative vs non-authoritative guidance, relationship to other standard setters when FASAB guidance is silent, inconsistencies with different levels of GAAP, or questions regarding the application of "practices that are widely recognized and prevalent in the federal government.")

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**REEXAMINATION OF FASAB STANDARDS QUESTION**

**QUESTION 2:** Below are the 23 reexamination topic areas for which the Board is requesting your response. Respondents may review [Appendix A: Reexamination Table of Pronouncements](#)<sup>1</sup> in its entirety for a full understanding. **For each reexamination topic (column 1), please indicate the priority level for reexamination from the following options:**

**(1) High priority:** topic and related SFFASs are of significant concern and should be included in the reexamination with priority. Please provide ***no more than five*** high priority topics.

**(2) Medium priority:** topic and related SFFASs are of concern and should be included in the reexamination, but after high priority topics are addressed.

**(3) Low priority:** topic and related SFFASs are not of concern and do not need to be reexamined at this time.<sup>2</sup>

**Please explain your response, including specific details<sup>3</sup> and examples to support your rationale, especially those ranked high priority and medium priority.** Provide information (including specific SFFAS references where appropriate) that would help the Board understand why the reexamination of a particular SFFAS might take precedence or be considered more important than other SFFASs. To accomplish this, the Board is seeking feedback from respondents on where they believe there are opportunities for the Board to improve guidance within the 23 reexamination topics. This includes the following potential improvements:

- Streamlining authoritative guidance
- Eliminating or revising unclear requirements
- Eliminating disclosures and other required information that may no longer benefit users
- Filling gaps in the standards where the guidance either does not address or does not adequately address areas where federal financial reporting objectives are not being met
- Resolving inconsistencies in current practice
- Clarifying the standards (including addressing areas where the standards are difficult to apply)
- Reconsidering areas where there is significant preparer or audit burden versus perceived value of the information or other cost/benefit concerns

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<sup>1</sup> [Appendix A: Reexamination Table of Pronouncements](#) provides more details regarding how the 61 SFFASs result in 23 reexamination topics for consideration.

<sup>2</sup> The Board anticipates that the topics for reexamination will need to be reassessed in the future.

<sup>3</sup> For example, respondents may offer detail in terms of materiality, audit findings, cost-benefit, or other significant information to explain the need for reexamination of the SFFAS.

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- Considering overlaps or redundancy in requirements

Please be explicit regarding opportunities to eliminate or revise requirements, whether those are in the standards or elsewhere. Stakeholder feedback will give the Board insight on respondent's views on these matters.

<b>Topic #1</b>	<a href="#">SFFAS 1, Accounting for Selected Assets and Liabilities Interpretation 10, Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31</a> <a href="#">TB 2020-1, Loss Allowance for Intragovernmental Receivables</a>
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#### Medium Priority

To assist federal agencies with reporting and disclosure requirements, FASAB Board should provide or discuss scenarios when the agency's FWBT does not balance with Treasury.

<b>Topic #2</b>	<a href="#">SFFAS 2, Accounting for Direct Loans and Loan Guarantees</a> AS AMENDED BY: <a href="#">SFFAS 18</a> , <a href="#">SFFAS 19</a>
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#### High Priority

The standard can be expanded to provide guidance on the disclosure requirements for Credit Reform. The current guidance is complex and should be simplified.

<b>Topic #3</b>	<a href="#">SFFAS 3, Accounting for Inventory and Related Property</a> AS AMENDED BY: <a href="#">SFFAS 48</a> <a href="#">Interpretation 7, Items Held for Manufacture</a>
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#### Medium Priority

It would be helpful to expand on guidance for disclosure requirements for opening balances and valuation methods.

<b>Topic #4</b>	<a href="#">SFFAS 4, Managerial Cost Accounting Standards and Concepts</a> AS AMENDED BY: <a href="#">SFFAS 55</a>
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#### Medium Priority

<b>Topic #5</b>	<a href="#">SFFAS 5, Accounting for Liabilities of The Federal Government</a> AS AMENDED BY: <a href="#">SFFAS 12</a> , <a href="#">SFFAS 25</a>
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	<a href="#">Interpretation 2, Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5</a> <a href="#">Interpretation 4, Accounting for Pension Payments in Excess of Pension Expense</a> <a href="#">TB 2002-1, Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government</a> <a href="#">TB 2017-1, Intragovernmental Exchange Transactions</a>
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### High Priority

Expand on standard to assist agencies on the steps to recognize, measure, and account for liabilities accurately. Within the existing standard, it is recommended to include a section on what agencies should consider when estimating liabilities.

It is recommended to remove information on capital leases from SFFAS 5 since it is discussed in depth in SFFAS 54. FASAB can briefly mention capital leases then refer the reader to SFFAS 54.

<b>Topic #6</b>	<a href="#">SFFAS 6, Accounting for Property, Plant, and Equipment</a> AS AMENDED BY: <a href="#">SFFAS 23</a> , <a href="#">SFFAS 40</a> , <a href="#">SFFAS 50</a> <a href="#">Interpretation 9, Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 &amp; SFFAS 6</a> <a href="#">TB 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs</a> (as amended by <a href="#">TB 2009-1</a> and <a href="#">TB 2011-2</a> ) <a href="#">TB 2017-2, Assigning Assets to Component Reporting Entities</a>
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### Medium Priority

<b>Topic #7</b>	<a href="#">SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</a> AS AMENDED BY: <a href="#">SFFAS 20</a> , <a href="#">SFFAS 21</a> , <a href="#">SFFAS 53</a> <a href="#">Interpretation 5, Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7</a> <a href="#">Interpretation 11, Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313</a> <a href="#">TB 2002-2, Disclosures Required by Paragraph 79(g) of SFFAS 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</a> <a href="#">TB 2017-1, Intragovernmental Exchange Transactions</a>
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### Medium Priority

The terms exchange and nonexchange revenue should be elaborated to help agencies consistently recognize, measure, and report revenue on the financial statement. Recommend this standard includes scenarios/examples.

<b>Topic #8</b>	<a href="#">SFFAS 10, Accounting for Internal Use Software</a>
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### Medium Priority

	<a href="#">SFFAS 15</a> , <i>Management's Discussions and Analysis</i> <sup>4</sup>
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### Low Priority

<b>Topic #9</b>	<a href="#">SFFAS 17</a> , <i>Accounting for Social Insurance</i> AS AMENDED BY: <a href="#">SFFAS 26</a> , <a href="#">SFFAS 37</a>
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### Low Priority

<b>Topic #10</b>	<a href="#">SFFAS 24</a> , <i>Selected Standards for the Consolidated Financial Report of the United States Government</i> <a href="#">SFFAS 32</a> , <i>Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"</i>
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### Low Priority

<b>Topic #11</b>	<a href="#">SFFAS 27</a> , <i>Identifying and Reporting Funds from Dedicated Collections</i> AS AMENDED BY: <a href="#">SFFAS 43</a>
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### Medium Priority

<b>Topic #12</b>	<a href="#">SFFAS 29</a> , <i>Heritage Assets and Stewardship Land</i>
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### Low Priority

<b>Topic #13</b>	<a href="#">SFFAS 31</a> , <i>Accounting for Fiduciary Activities</i>
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### Low Priority

<b>Topic #14</b>	<a href="#">SFFAS 33</a> , <i>Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates</i>
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### Medium Priority

<b>Topic #15</b>	<a href="#">SFFAS 34</a> , <i>The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board</i>
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<sup>4</sup> SFFAS 15, *Management's Discussions and Analysis*, is excluded from reexamination because the SFFAS is currently being reviewed under an active Board project. Respondents may provide general comments and feedback for the Board's consideration.

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**Medium Priority**

<b>Topic #16</b>	<a href="#">SFFAS 36</a> , <i>Comprehensive Long-Term Projections for the U.S. Government</i>
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**Low Priority**

<b>Topic #17</b>	<a href="#">SFFAS 38</a> , <i>Accounting for Federal Oil and Gas Resources</i> <a href="#">TB 2011-1</a> , <i>Accounting for Federal Natural Resources Other Than Oil and Gas</i>
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**Low Priority**

<b>Topic #18</b>	<a href="#">SFFAS 39</a> , <i>Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards</i>
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**Low Priority**

<b>Topic #19</b>	<a href="#">SFFAS 44</a> , <i>Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use</i>
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**Medium Priority**

<b>Topic #20</b>	<a href="#">SFFAS 47</a> , <i>Reporting Entity</i>
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**Low Priority**

<b>Topic #21</b>	<a href="#">SFFAS 49</a> , <i>Public-Private Partnerships: Disclosure Requirements</i>
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**Low Priority**

<b>Topic #22</b>	<a href="#">SFFAS 51</a> , <i>Insurance Programs</i>
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**Low Priority**

<b>Topic #23</b>	<a href="#">SFFAS 52</a> , <i>Tax Expenditures</i>
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**Low Priority**

<b>Topic #24</b>	<a href="#">SFFAS 54</a> , <i>Leases</i> <sup>5</sup> AS AMENDED BY: <a href="#">SFFAS 57</a> , <a href="#">SFFAS 60</a> , <a href="#">SFFAS 61</a> <a href="#">TB 2023-1</a> , <i>Intragovernmental Leasehold Reimbursable Work Agreements</i>
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**High Priority**

<sup>5</sup> SFFAS 54, *Leases*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.

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VA's number one priority for FASAB is the reexamination of SFFAS 54.

VA continues to have significant concerns on SFFAS 54 and asks FASAB to prioritize the reexamination of SFFAS 54 when it becomes effective for periods after September 30, 2023. Furthermore, VA asks FASAB to rescind SFFAS 54 based on following concerns:

There is significant burden to implement SFFAS 54 at the VA and there is no tangible benefit. VA has approximately 1,400 lease agreements potentially impacted by implementation of SFFAS 54. However, VA has no automated solution to effectively support execution of the SFFAS 54. Federal agencies must use their core accounting system to comply with SFFAS, but VA's legacy core financial system is more than 30 years old and cannot be configured to meet SFFAS 54 requirements. VA considered alternative commercial products with the necessary capabilities to support the standard, discussing potential software solutions with several vendors, but, as of September 2023, no Federal Risk and Authorization Management Program (FedRAMP) compliant solution has been identified. Without the availability of a FEDRAMP compliant solution, VA must resort to using manual processes and spreadsheets comply with SFFAS 54 to: calculate the present value of leases, develop the lease amortization schedules, identify the funded principal portion of lease liabilities each year based on the amortization schedules, identify the interest portion of the year for payments that need to be funded, identify the monthly amounts of payments and receipts to apply to principal and interest to update the general ledger balances of lease liabilities and leased assets, and generate the required disclosures of future payments due. Due to the size of VA's lease portfolio, using manual processes and spreadsheets to comply with SFFAS introduces significant financial statement audit risk to the VA.

VA estimates that implementation of SFFAS 54 will cost millions of dollars without beneficial impact to the users of VA's financial statements. The additional accounting and disclosures required by SFFAS 54 will not assist the typical readers of VA's financial reports, Veterans. The lease amortization concept is complex, resulting in a balance sheet gross-up, and most users do not benefit from the solely accounting focused impact of this statement. FASAB could easily expand current disclosure requirements to include future payments of non-cancellable and cancellable leases, providing users a much more straightforward understanding of an agency's long term lease commitments compared to the SFFAS 54 effect of burying a lease liability and lease asset within an agency's balance sheet. Moreover, VA decision makers do not use SFFAS 54 lease information to make programmatic lease decisions. VA determines lease requirements based on the Veteran population and the space requirements necessary to provide Veteran benefits, with Congress often mandating VA's major leases. VA's Contracting Officers solicit leases with terms and conditions based on clinical requirements and market conditions within a geographic area and do not rely on SFFAS 54 asset and liability valuations during the solicitation process. Therefore, this standard will be burdensome and costly to implement without providing benefit to VA and the Veterans we serve.

Due to the size of VA's lease portfolio and the manual process that will be required to perform lease data extraction, maintain the portfolio, and accurately account for the leases as capital leases under the standard, VA will be required to make an unaffordable investment in additional financial staff. Because VA prioritizes investment decisions that prioritize fulfilling our core

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mission, the additional resources necessary to manually comply with SFFAS 54 will divert resources that benefit our Nation's approximately 20 million Veterans. This impediment to cost effective and efficient implementation is not unique to VA as other Federal agencies face similar issues.

<b>Topic #25</b>	<a href="#">SFFAS 56, Classified Activities</a> <sup>6</sup> <a href="#">Interpretation 8, An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities</a>
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**Low Priority**

<b>Topic #26</b>	<a href="#">SFFAS 59, Accounting and Reporting of Government Land</a> <sup>7</sup>
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**Low Priority**

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<sup>6</sup> SFFAS 56, *Classified Activities*, is excluded from the reexamination project due to the topic. Respondents may provide general comments and feedback for the Board's consideration.

<sup>7</sup> SFFAS 59, *Accounting and Reporting of Government Land*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.