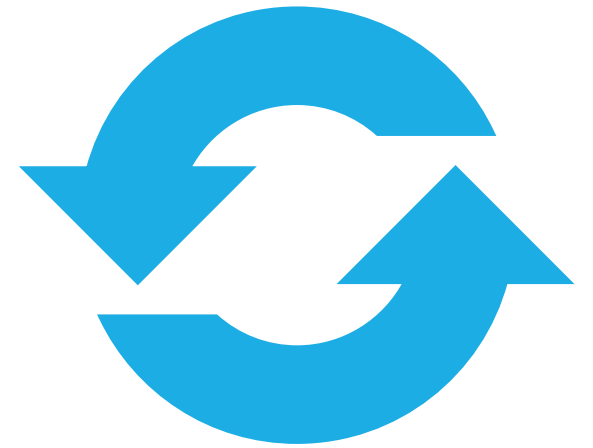


Transitioning MD&A Reporting from SFFAS 15 to SFFAS 64

**Integrative Agency Training
to prepare MD&A
according to SFFAS 64**

February - May 2025

Version 3 – Updated April 17, 2025



FASAB MD&A Transition Team



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FASAB Disclaimer

- Information presented in this presentation is not authoritative. Therefore, it does not reflect authoritative views of the Board.
- Official positions of the FASAB are determined only after extensive due process and deliberations.
- Term descriptions are generic and not official FASAB definitions.

How Training Is Structured

- The first hour FASAB staff presents a recommended method for transitioning to SFFAS 64.
 - Enter questions in Chat for review at the end of the presentation
- The second hour staff reviews the agency's current MD&A with suggestions for a smooth transition.
- CPEs are available for federal employees who attend the entire training session (amount will depend on total time, i.e. 1.5 or 2 hours)
 - A link will be provided to the coordinator after completion of the course to distribute.
 - Participants must complete the survey by the date indicated to receive your completion certificate (email from "Event Coordinator")

Training Serves Two Purposes

1. To provide governmentwide implementation training on the transition from SFFAS 15 to SFFAS 64 MD&A reporting.
2. To gain more knowledge about federal entity challenges and best practices to develop implementation guidance to include both question & answer guidance as well as scenario examples.

Introducing SFFAS 64

Management's Discussion and Analysis,
Rescinding and Replacing SFFAS 15

Effective for reporting periods after
September 30, 2025.

Early implementation is permitted.

SFFAS 64 Improves MD&A Reporting by



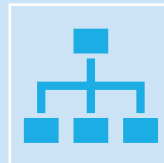
merging and updating **RELEVANT CONTENT** from SFFAC 3 and SFFAS 15 based on FASAB's reporting objectives for budgetary integrity, operating performance, stewardship, and systems and controls.



providing a concise set of **PRINCIPLE-BASED STANDARDS** with a focus on reporting financial position, condition and key performance results.



encouraging **FLEXIBILITY** for management to efficiently and effectively prepare MD&A content without required sections.



guiding management in the preparation of a **balanced, concise, integrated, and understandable** MD&A that is **USEFUL FOR ALL USERS**, including those who are not experts in federal government financial matters.



Why Reporting Entities Should Consider Using the Statement of Net Cost (SNC) as a Framework for MD&A Reporting

SNC

- Already identifies a concise breakout of organizations key to the reporting entity, such as, major programs, component agencies, or responsibility segments, and
- Already reports costs associated for each key organization.

SFFAS 64, par. 12. d. i states:

i. Performance results that are key to the reporting entity. For example, key performance results could be organized based on responsibility segments as reported on the reporting entity's statement of net cost.



Important Terms

- Key
- Significant

*Descriptions are generic and
not official FASAB definitions*

Key

What is of paramount or crucial importance to the reporting entity?

For example - Management uses **judgment in identifying** what performance results are **key** to the reporting entity

(SFFAS 64, par 12.d, footnote 4)

*Descriptions are generic and
not official FASAB definitions*

Significant

Management includes information they believe is important for users to understand what has impacted financial position, financial condition, or key performance results despite whether it is material or not.

The footnote for the “Impairments” definition in Appendix E – the *Consolidated Glossary* says:

The determination of whether or not an item is significant is a matter of professional judgment. Determining if a decline in service utility is significant is separate and distinct from materiality considerations that include considering the likely influence that such disclosure could have on judgments or decisions of financial statement users.

Descriptions are generic and not official FASAB definitions





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From SFFAS 15 required SECTIONS
– separating and duplicating information –



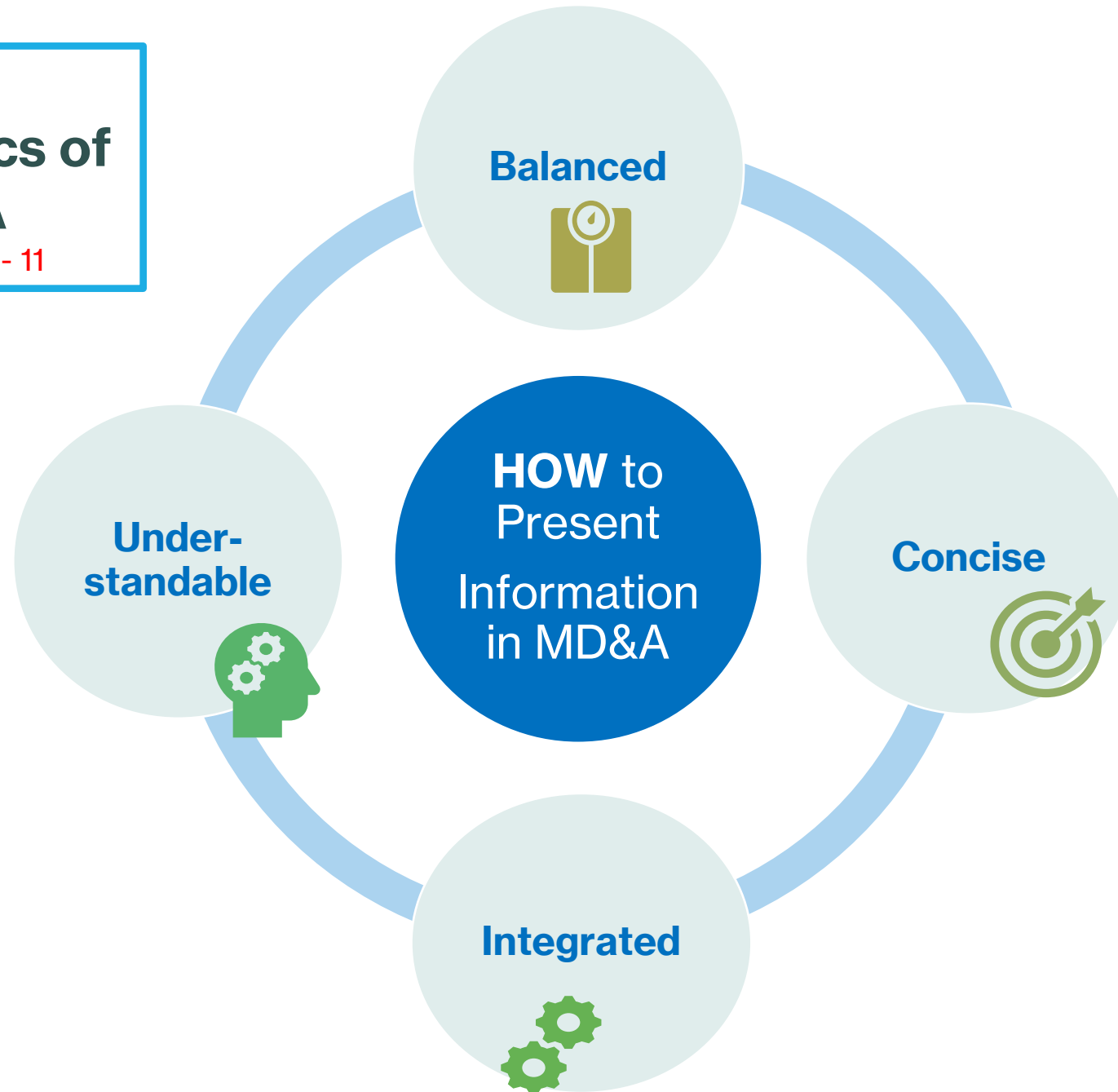
To SFFAS 64
principle-based standards that guide management in

HOW to present a balanced, concise, integrated, and understandable MD&A in ***Presenting Information in MD&A***

WHAT types of information to include in MD&A in ***Information Discussed and Analyzed in MD&A***

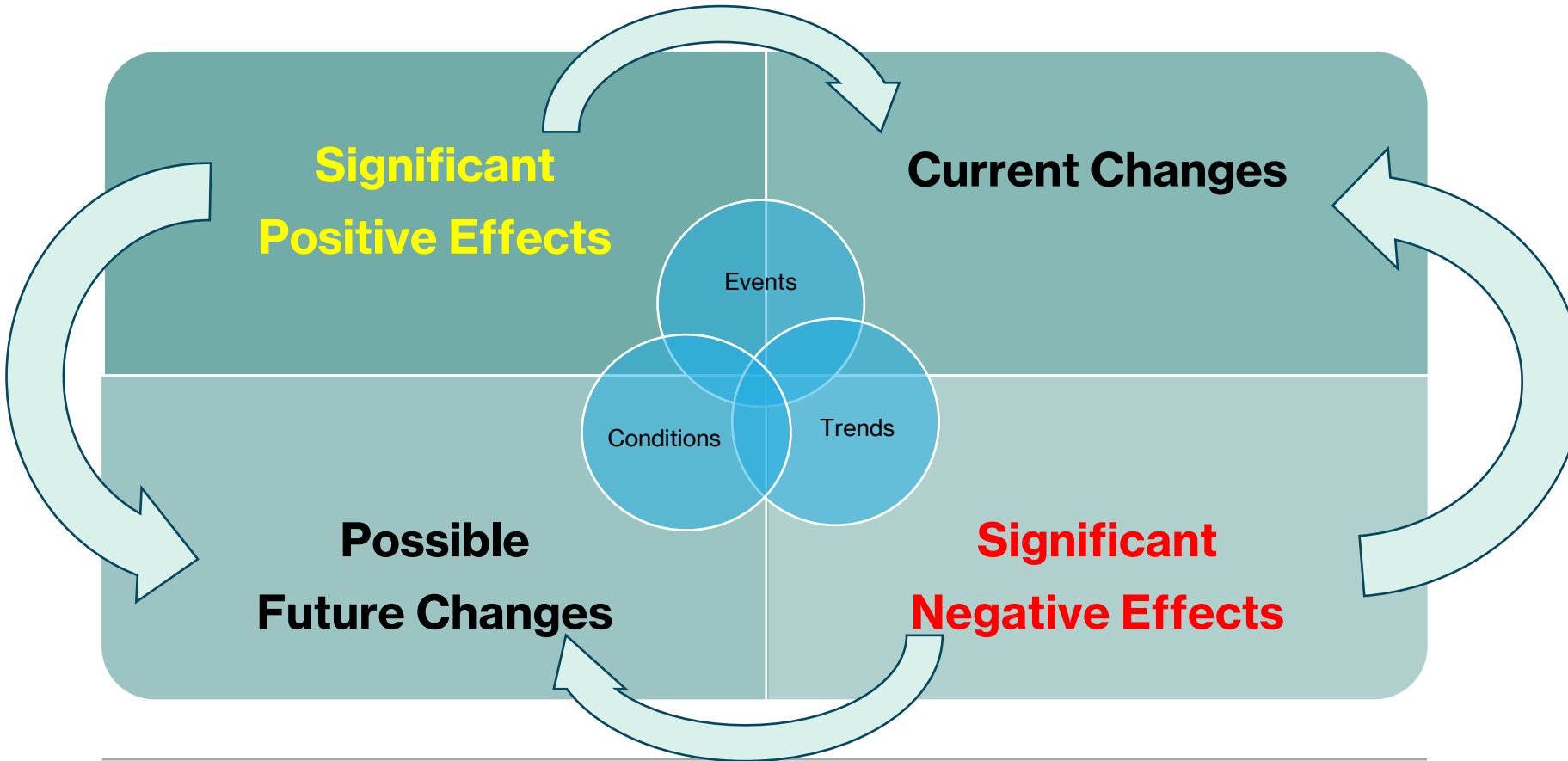
FOUR characteristics of an MD&A

SFFAS 64: pars 8 - 11



A BALANCED MD&A Includes

SFFAS 64 - par 8

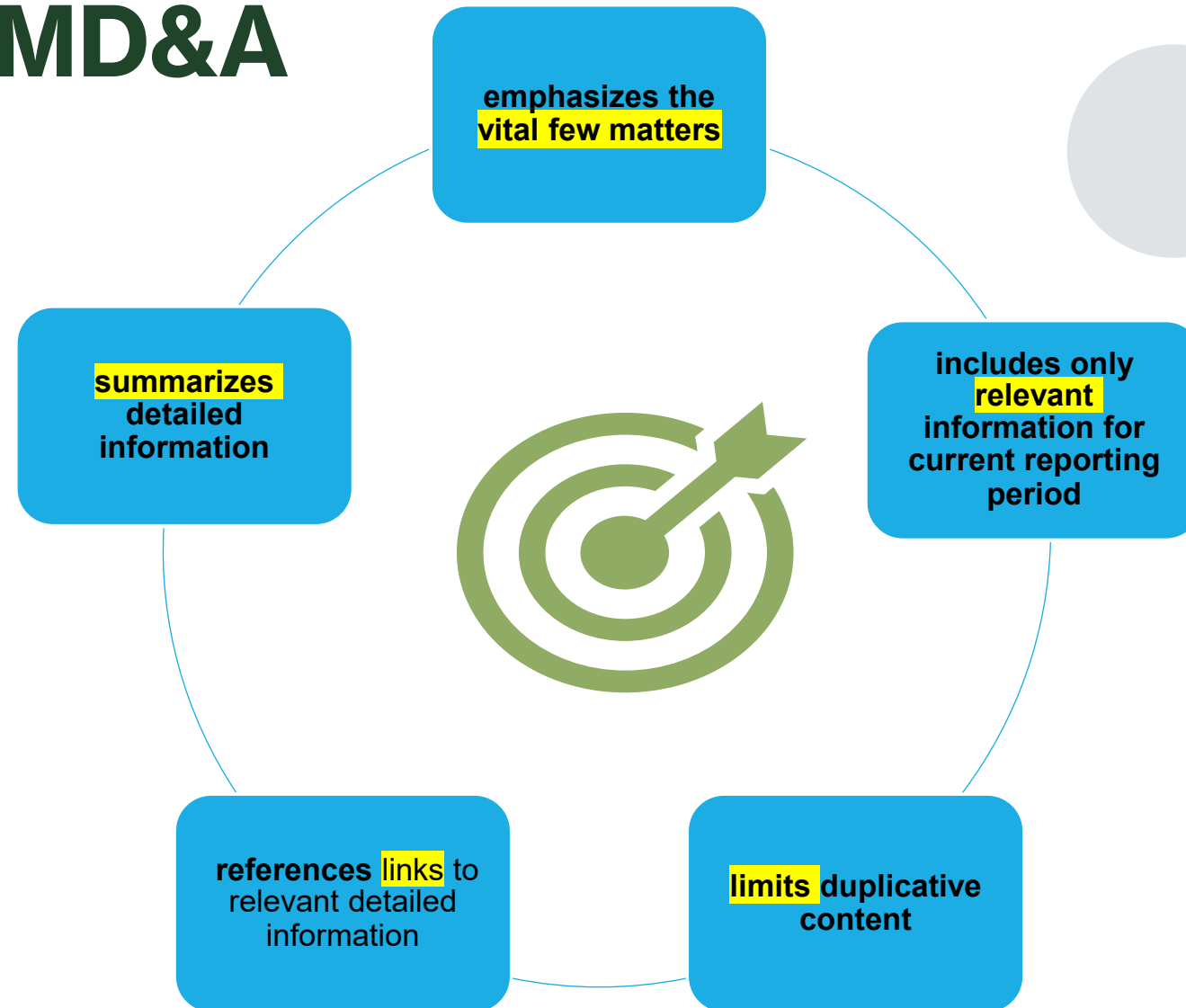


Impact On Financial Position, Condition, Key Performance Results



A Concise MD&A

SFFAS 64 - par 9





To Create a **CONCISE** MD&A

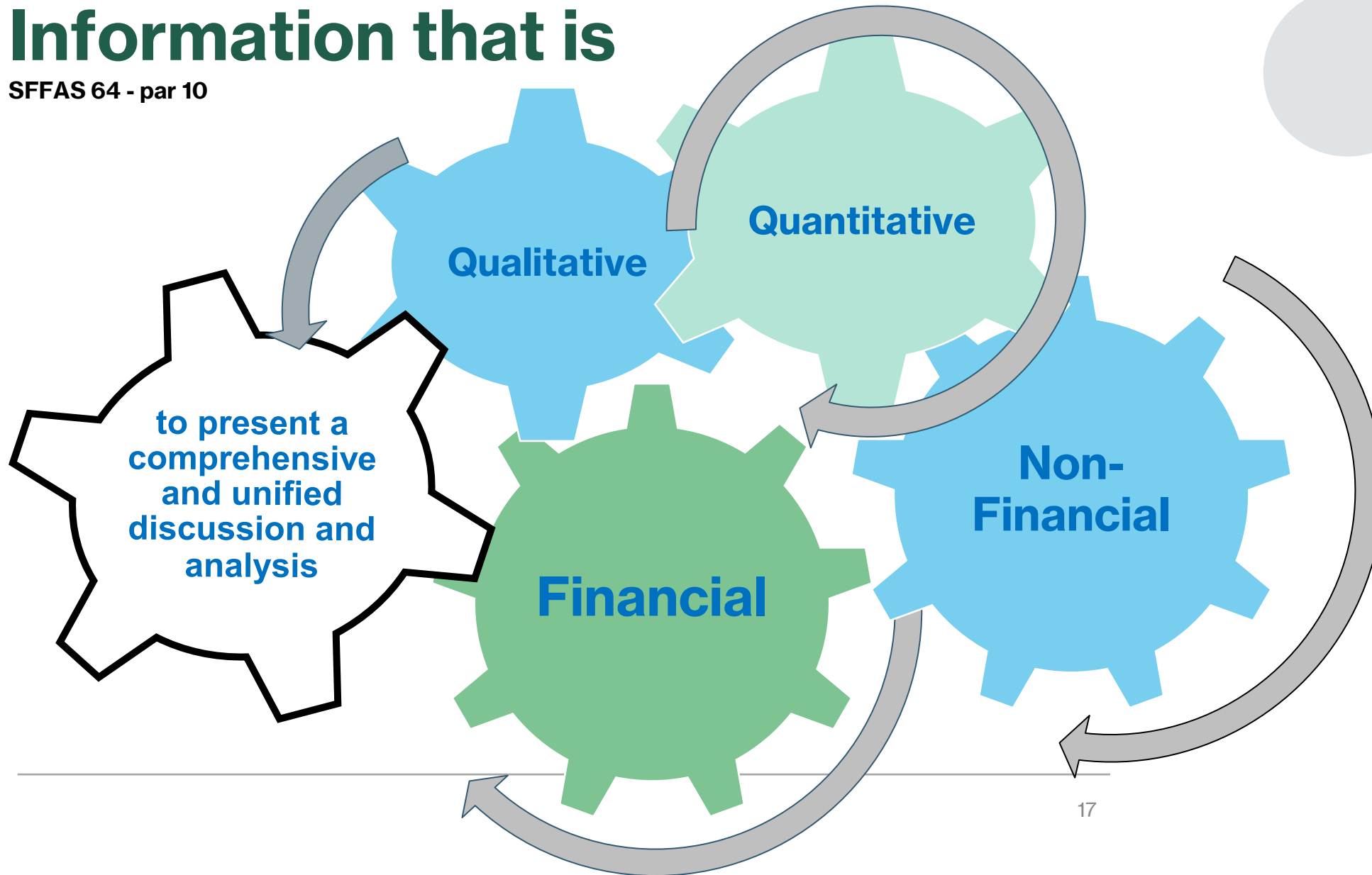
MANAGEMENT:

1. **summarizes** information necessary to understand the reason(s) for significant changes in net cost.
2. **avoids** including boilerplate information, such as repeating language from an SFFAS or instructions from Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.
3. **provides** links to detailed information **found in other relevant sources** outside of the GPFFR, such as GPRA-MA information.
4. **avoids** repeating the same information in multiple places in MD&A.
5. **Includes** only key organizations and key performance results



An INTEGRATED MD&A Includes Information that is

SFFAS 64 - par 10





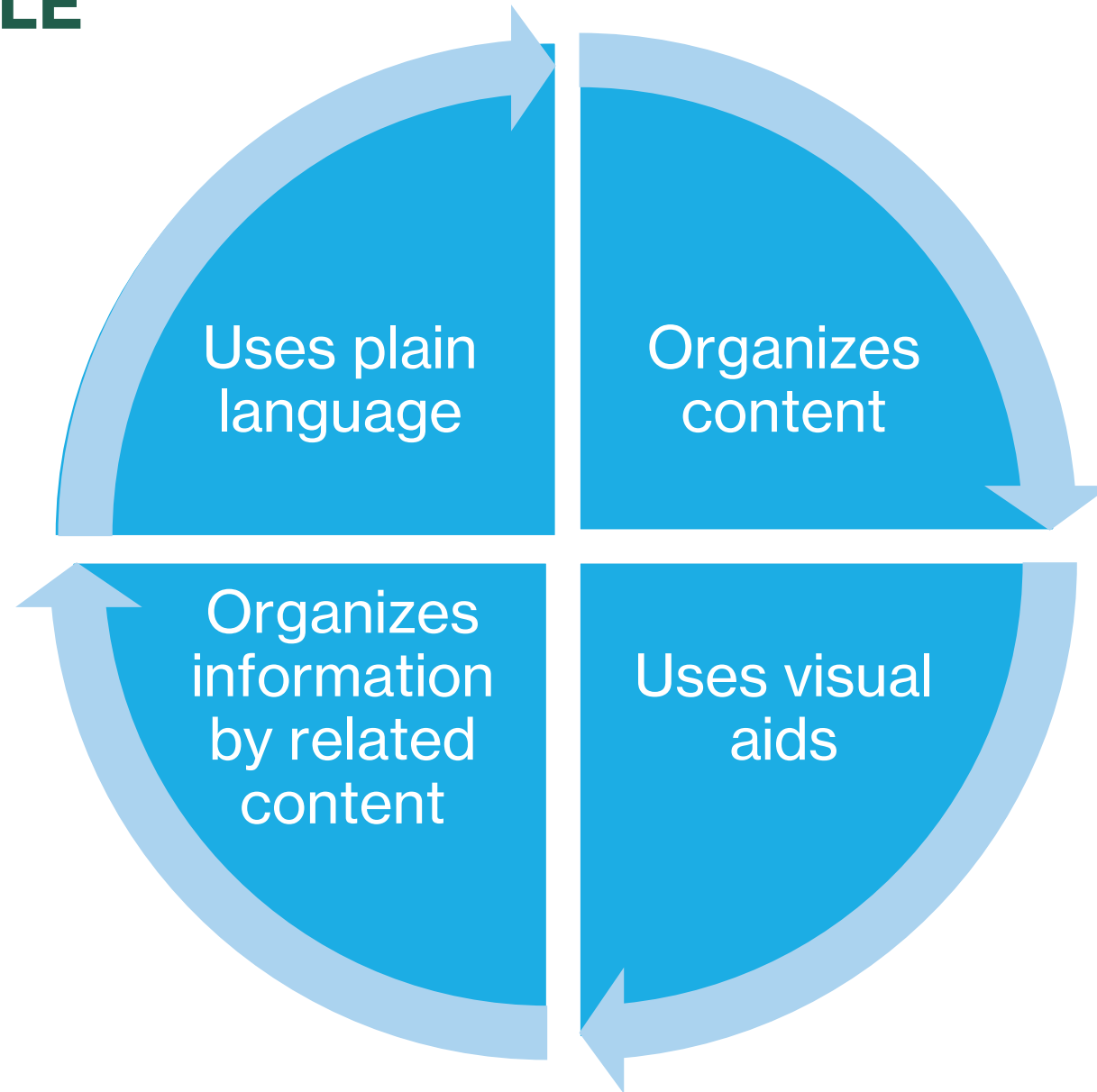
To Create an **INTEGRATED MD&A**

Management provides comprehensive and unified information that is relevant and related.

For example, management could integrate information about budgetary, financial, key performance, and how they are mitigating significant opportunities and risks for each “major” program from the Statement of Net Cost.

An UNDERSTANDABLE MD&A

SFFAS 64 - par 11





To Create an ***UNDERSTANDABLE MD&A***

Management may:

- include organizational tools, such as headers, sub-headers, bullet points, and visual aids, such as charts, tables, or graphs.
- organize related content by major programs included in the statement of net cost break down.





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From SFFAS 15 required SECTIONS
– separating and duplicating information –



To SFFAS 64
principle-based standards that guide management in

HOW to present a balanced, concise, integrated, and understandable MD&A in ***Presenting Information in MD&A***

WHAT types of information to include in MD&A in ***Information Discussed and Analyzed in MD&A***

**Organization &
Mission**

***WHAT
Information
to Include
In MD&A***

SFFAS 64, par 12

**Significant
Risks & Opportunities**

**Significant changes and trends in
Financial Position & Condition**

**Key
Performance
Results**

How to discuss Mission and Organization

MD&A no longer needs:

- A separate *Mission and Organization Structure* section
- Organizational charts
- Extensive discussions about personnel
- Personnel headshots
- Extensive history and milestones

Instead SFFAS 64, par 12.a requires

A brief description of:

- KEY organizational components (*recommend referring to your Statement of Net Costs for a concise break out*)
- and related missions

Links

- to detailed information such as history, org charts, and management information

MD&A is



Balanced

Concise



Integrated

Understandable



Example for Reporting ORGANIZATION & MISSION

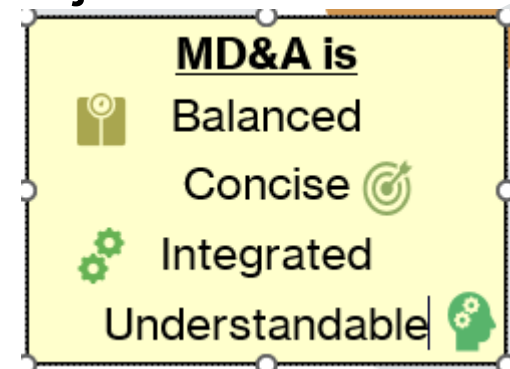
Include a short paragraph about the Agency's overall mission:

i. major program #1

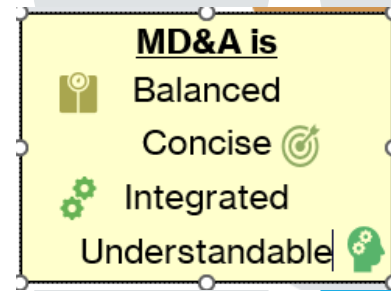
- i. Include two to three sentences about the mission of major program #1

ii. major program #2

- i. Include two to three sentences about the mission of major program #2



How to discuss and analyze Financial Position & Condition



MD&A no longer needs:

- A separate *Financial Statements* Section
- A detailed explanation of financial statements

Instead SFFAS 64, pars 12.b. & c.

Focuses on concisely explaining **causes of significant changes and trends in**

- **FINANCIAL POSITION** i.e. for Assets, liabilities, net position, costs, revenues, budgetary resources and financing sources
- **FINANCIAL CONDITION** i.e. for business type activity, social insurance, long-term fiscal projections, and RSI.

Includes

- References (links) to detailed information such as financial reports or RSI.



Examples of Causes of Significant Changes in Financial Position & Condition

- Support of pandemic-related relief efforts led to a significant decrease of stockpile materials of vaccines by \$\$\$.
- Disaster recovery efforts from natural disasters in X area of the country during 20XX significantly increased the cost of X by \$\$\$.
- Damage to assets from X significantly decreased the value of PP&E by \$\$\$.



Example for Including Significant Changes to Financial Position & Condition & Trends

Reporting Entity

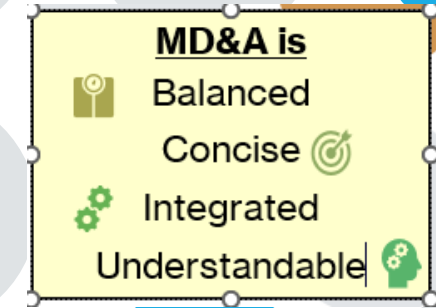
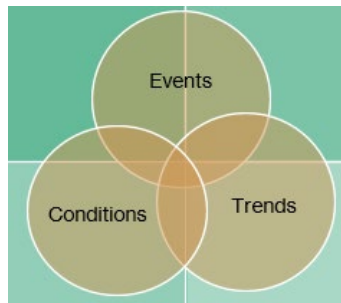
- Agency's overall mission (summary)
- Add entity wide cause(s) of significant change to financial position/condition

i. major program #1

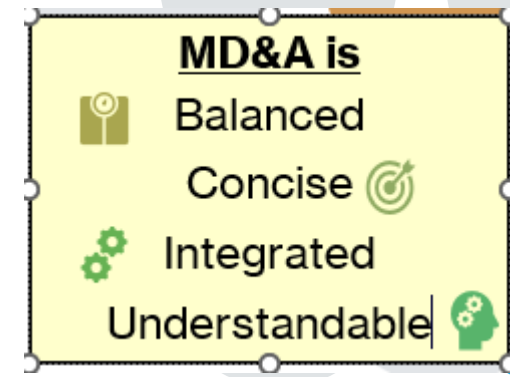
- Include two to three sentences about the mission of major program #1
- Add event(s) that caused a significant change (positive or negative) to the reporting entity's composition or balances of assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources or trends

ii. major program #2

- Include two to three sentences about the mission of major program #2



How to discuss and analyze Key Performance Results & Associated Costs



MD&A no longer needs:

- A separate *Performance Goals, Objectives, and Results* section
- Detailed Strategic Goals
- Detailed Government Performance and Results Modernization Act (GPRA-MA) reporting
- Detailed % percentage-based information

Instead SFFAS 64, par 12.d. requires

- Performance results key to the reporting entity
- \$\$\$ Actual costs incurred to accomplish key performance results
- Any cost savings with the accomplishment of key performance results
- Link to GPRA-MA/strategic goal details



What Are Key Performance Results

- MD&A explains **what performance results are key to the reporting entity**. (Basis for Conclusions (BfC) **[not authoritative]**, par. A33)
- Look at your strategic goals – talk to the program managers – were there any performance accomplishments or challenges (results) that are key to your component organizations?
- Integrate that information into the discussion and analysis for each component organization.
- **Link to GPRA-MA details**, SFFAS 64 only requires MD&A to include quantitative & qualitative **financial** information related to key performance results. [GPRA-MA information is percentage based]



What are Associated Costs?

- **Associated costs** are actual costs, or if actual costs are not available, the explanation should include obligations incurred or associated outlays. MD&A explains how key performance accomplishments and challenges affected budgetary or financing resources during the reporting period. Basis for Conclusions (BfC) par A33.b.
- MD&A focuses on what it costs the agency and its key organizational components to pursue or accomplish key performance results, as well as whether the accomplishment of key performance results resulted in cost savings for the agency. Bfc par A33.c.



Example for Integrating Key Performance Results and Associated Costs

Reporting Entity

- Agency's overall mission (summary)
- Add entity wide cause(s) of significant change to financial/position/condition
- Add entity wide Key performance results

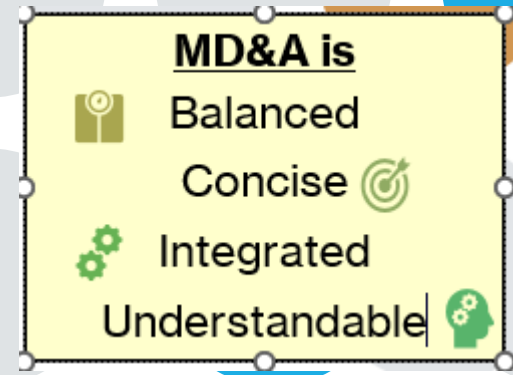
i. major program #1

- i. Include two to three sentences about the mission of major program #1
- ii. Add event(s) that caused a significant change (positive or negative) to the reporting entity's composition or balances of assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources or trends

do not include information here if major program #1 did not have any key performance results

ii. major program #2

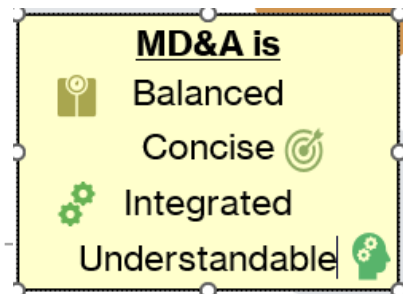
- i. Include two to three sentences about the mission of major program #2
- ii. **do not include information here** if major program #1 **did not have any** thing that caused significant financial position or condition to change
- iii. Add Key performance results for major program #2 and associated costs



How to discuss and analyze Significant Opportunities & Risks

MD&A no longer needs:

- A separate *Forward-looking Information* Section
- possible future effects or anticipated future demands of the most important existing, currently-known demands, risks, uncertainties, events, conditions and trends.



Instead SFFAS 64, pars 12.e. & f. require MD&A to discuss and analyze

- Significant opportunities identified by management that **enhance key performance** results,
 - plans to leverage such opportunities, and the
 - potential effect on financial and budgetary results of carrying out those plans
- Significant risks identified by management that have a **potentially negative effect** on key performance results,
 - plans to mitigate such risks, and the
 - potential effect on financial and budgetary results of carrying out those plans.



Examples for How to Integrate Significant Opportunities & Risks

Reporting Entity

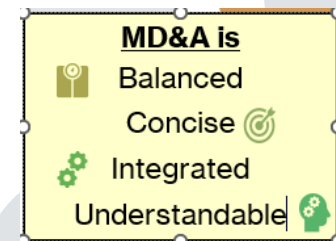
- Agency's overall mission (summary)
- Add entity wide cause(s) of significant change to financial/position/condition
- Add entity wide key performance results
- **Include any entity-wide significant opportunities & risks**

i. major program #1

- i. Include two to three sentences about the mission of major program #1
- ii. Add event(s) that caused a significant change (positive or negative) to the reporting entity's composition or balances of assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources or trends
- iii. **do not include information here** if major program #1 **did not have** any key performance results
- iv. **Include significant opportunities & risks identified for major program #1 and plans to mitigate each**

ii. major program #2

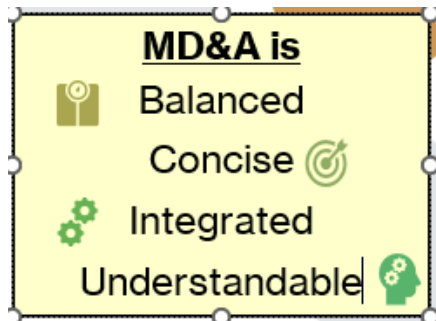
- i. Include two to three sentences about the mission of major program #2
- ii. **do not include information here** if major program #2 **did not have any** thing that caused significant financial position or condition to change
- iii. Add Key performance results for major program #2 and associated costs
- iv. **Include significant opportunities & risks identified for major program #1 and plans to mitigate each**



The Effectiveness of Internal Controls & Financial Management Systems

MD&A no longer needs:

- A systems, controls, and legal compliance section
- A detailed list that repeats compliance content, for example, from laws, acts, regulations



Instead SFFAS 64, par 13 requires MD&A to

- Provide a **summary assessment** of compliance with applicable laws, regulations, contracts, and grant agreements that **are relevant to financial reporting.**
- **address**
 - internal control weaknesses,
 - systems deficiencies, and
 - instances of noncompliance
- **Include**
 - What has a significant effect on the reporting entity's financial and performance reporting, and
 - Management's plans to address them.
- **Link** to detailed information, such as FFMIA and FMFIA

Moving Forward & Questions



- **Not a one and done** - FASAB staff is available to continue answering your questions to help with MD&A implementation. Email:
 - Robin Gilliam at Gilliamr@fasab.gov
 - Include a cc to Brian Robinson at robinsonbm@fasab.gov
- **Question for Agency(s)** – what are your plans for implementation?
 - FY 25
 - Phased in approach
 - FY 26