



**October 2, 2020**

Memorandum

To: Members of the Board  
From: Robin M. Gilliam, Assistant Director  
Through: Monica R. Valentine, Executive Director  
Subject: MD&A – **TAB E**<sup>1</sup>

**MEMBER ACTIONS REQUESTED:**

Please review the materials and answer the questions by **October 9, 2020**

**MEETING OBJECTIVE**

In support of the reporting model initiative, the Management's Discussion and Analysis (MD&A) meeting objectives are to 1) finalize the draft MD&A vision framework in preparation for the pilot and 2) approve the MD&A pilot timeline.

**BRIEFING MATERIALS**

The briefing materials include this memorandum.

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

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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.

## **DEVELOPMENT PHASE**

The MD&A project is in the development phase where the Board deliberates to develop an exposure draft to improve management's discussion and analysis (MD&A) reporting.

## **BACKGROUND**

At the August 2020 Board meeting, members reviewed and edited the draft MD&A vision framework which staff curated from the MD&A objectives the Board identified from August 2019 to June 2020. The MD&A objectives were developed and based on the reporting objectives. Staff developed the framework in response to members' requests to develop a cohesive vision of the MD&A without duplicative language found in the MD&A objectives.

Agencies will use the draft MD&A vision framework to pilot a new streamlined MD&A, provide input to the Board on the MD&A vision framework, and assist the Board in developing the updated MD&A standards.

For a complete history, please see the MD&A active project page that contains summaries of all prior meetings and accompanying briefing materials at <https://fasab.gov/projects/active-projects/mda-amendments/>

## **STAFF ANALYSIS & RECOMMENDATIONS**

The goals for this meeting are to 1) finalize the draft MD&A vision framework for the pilot and 2) review/approve the pilot timeline.

### **I. Finalize the Draft MD&A Vision Framework in Preparation for the Pilot**

During the August 2020 Board meeting, members engaged in an intense editing session of the draft MD&A vision framework. While members completed most of the work on the framework, they requested staff to continue developing a strong lead-in section that also summarizes how funding received contributes to results achieved. Staff updated the lead-in summary sentence and recommends:

MD&A should provide a concise summary of the mission, organization, and performance results—accomplishments and challenges—in relation to financial activities, such as funds borrowed, exchange and non-exchange revenue received, and expenditures made, to help users understand the financial position and condition of the reporting entity.

**QUESTION 1: Do members have any edits to the updated MD&A lead-in summary statement?**

The following is the draft MD&A vision framework. One of the goals for this session is to update the draft MD&A vision framework with any missing information members want to include in a streamlined MD&A. The framework will remain a draft until after the pilots take it for a test drive and members have an opportunity to determine if additional revisions are necessary.

### **DRAFT MD&A VISION FRAMEWORK**

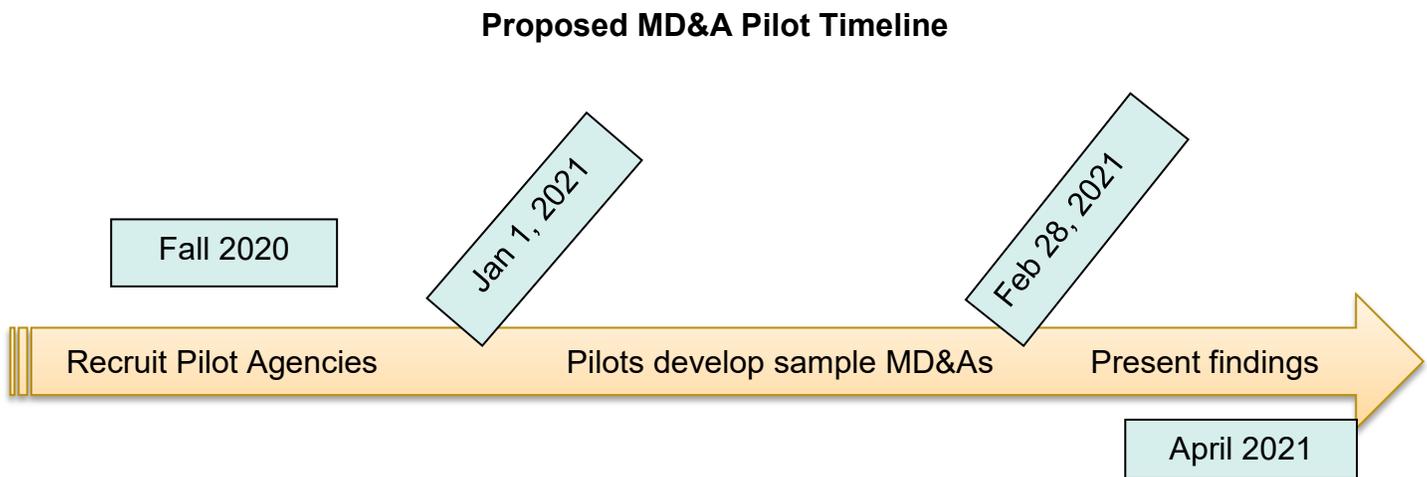
MD&A should provide a concise summary of the mission, organization, and performance results—accomplishments and challenges—in relation to financial activities, such as borrowing, exchange and non-exchange revenue received, and expenditures, to help users understand the financial position and condition of the reporting entity:

- I. by analyzing reasons for significant changes to financial statement balances during the reporting period and significant performance and financial trends;
- II. by discussing ongoing, current, and planned actions to address
  - a. significant ongoing, current and prospective challenges and/or risks that could significantly affect financial statement balances, budgetary resources, and performance objectives in the future; and
  - b. conditions, such as those related to systems and controls, that could affect the ability to produce reliable financial information; and
- III. by including hyperlinks to digital materials, such as, organizational charts, mandated legislative performance information, and other sections of the financial report with more in-depth information.

**QUESTION 2 - Do members have any additional edits to the draft MD&A vision framework in preparation for the pilot?**

## II. Review & approve the MD&A Pilot Timeline

The other goal for this MD&A session is to review and approve the MD&A pilot timeline. Pilot agencies will use the draft MD&A vision framework to develop sample MD&As to present to the Board. This will give the Board an opportunity to see if the sample MD&As accomplish the goals of the new framework.



**Currently**, staff is recruiting for the pilot and recommends between five and eight agencies to participate. Three to four agencies should represent the 24 CFO agencies (in particular at least one CFO agency that has a very large MD&A); one to two should represent the 16 additional significant consolidation entities, with the remaining one to two to represent the 122 additional consolidation entities. Staff is looking for agencies that would like to participate and potentially reduce preparer burden by streamlining the MD&A.

At the **December 2020** meeting, staff will

- introduce the pilot agencies;
- review the criteria and training material for the pilot; and
- recommend survey questions for agencies to answer about their experience with developing a sample MD&A from the draft MD&A vision framework.

From **January 1 – February 28, 2021** (8 weeks), staff will work closely with the pilot agencies to develop sample MD&As based on the draft MD&A vision framework only. As a result, pilot agencies would disregard the MD&A requirements specified in OMB's A-136—Form and Content and AGA's Certificate of Excellence in Accountability Reporting (CEAR)<sup>®</sup> criterion when creating their sample MD&As.

Staff does not anticipate an MD&A session at the **February 2021** Board meeting.

During **March – mid-April 2021**, staff will review the pilot sample MD&As and prepare the Board memorandum for the April 2021 Board meeting.

At the **April 2021** Board meeting, members will

- review pilot sample MD&As;
- learn the benefits and shortcomings of the draft MD&A vision framework used to develop the sample MD&As, and
- determine if any additional revisions are needed to finalize the MD&A vision framework prior to developing the standards for the updated streamlined MD&A.

**QUESTION 3 - Do members approve the pilot timeline?**

## **BOARD QUESTIONS:**

1. Do members have any edits to the updated MD&A lead-in summary statement?
2. Do members have any additional edits to the draft MD&A vision framework in preparation for the pilot?
3. Do members approve the pilot timeline?

**NEXT STEPS:** Staff will recruit agencies for the pilot through December 2020; and kick-off the MD&A pilot in January 2021.

## **MEMBER FEEDBACK:**

If you have any questions, comments, or wish to schedule a teleconference meeting to discuss, please contact Ms. Gilliam 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 **October 9, 2020**.