



February 14, 2020

**MEMBER ACTIONS REQUESTED:**

Please review the materials and answer the questions on page 3 by **February 21, 2020**.

**Memorandum**

To: Members of the Board  
From: Monica R. Valentine, Executive Director  
Subj: Technical Agenda & Three-year Plan Responses – **Tab I**<sup>1</sup>

**MEETING OBJECTIVES**

- To review and approve the proposed Fiscal Year (FY) 2020 technical plans
- To review responses to the FY 2019 Annual Report

**BRIEFING MATERIAL**

- **Attachment 1:** FY 2020 Technical Plans
- **Attachment 2:** FY 2019 Annual Report Responses Received

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

**BACKGROUND**

The Board published the FY 2019 FASAB Annual Report on November 19, 2019. The Report includes:

- A note from the Chair
- A note from the Executive Director
- A summary of the Board's collaboration, education, and outreach activities
- A summary of the Board's governance, operations, and budgetary resources
- A summary of FY 2019 technical activities and three-year plan
- A summary of the Accounting and Auditing Policy Committee's activities

---

<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.

## **FY 2020 TECHNICAL PLANS**

**Attachment 1: FY 2020 Technical Plans** includes the Board's current agenda projects, as well as three projects that the Board previously agreed to add to the agenda once staff resources were available. Two of those projects were also included in the FY 2019 Annual Report and Three-Year Plan. As noted in the technical plans these projects will begin with a research phase.

### **Current Agenda Projects:**

- Land
- Leases Implementation
- Reporting Model – Budgetary Information
- Reporting Model – Management, Discussion & Analysis
- Reporting Model – Note Disclosures
- Technical Clarifications of Existing Standards<sup>2</sup>

### **New Projects to be added to the Agenda:**

- Intangible Assets
- Public-Private Partnerships (P3) Phase II – Recognition and Measurement
- Reexamination of Existing Standards

Phase II of the Reporting Model – Note Disclosures project will likely be delayed due to the recent departure of former staff member Grace Wu. Staff recommends that the current slate of agenda projects continue and, as staff resources become available, the new projects be added to the agenda.

The expectation is that SFFAS 5X, *Accounting and Reporting of Government Land* will be finalized by late summer 2020. Staff is also aware that the implementation and monitoring phases of the land project will be a multi-year ongoing effort. As such, staff recommends initiating Phase II of the P3 project (recognition and measurement) as soon as SFFAS 5X is balloted.

Staff recommends initiating the research phase of the reexamination of existing standards project in early FY 2021 as the current projects under the technical clarifications of existing standards projects are finalized. Staff also recommends initiating the research phase of the intangible assets project later in FY 2020 with educational briefings.

---

<sup>2</sup> *New Project Title*—this project was previously titled Evaluation of Existing Standards, but has been renamed to Technical Clarifications of Existing Standards with the addition of the new project Reexamination Project.

## **FY 2019 ANNUAL REPORT RESPONSES**

The FY 2019 FASAB Annual Report, published on November 19, 2019, asked readers of the report to submit suggestions on any aspects of the technical activities and three-year plan or other areas of the report. As of February 7, staff received nine responses to the FY 2019 Annual Report. These are included in **Attachment 2: FY 2019 Annual Report Responses Received**.

Three respondents suggested projects different from those in the three-year plan, three respondents supported the plan (one with added comments), one respondent disagreed with the direction of one project, and two respondents had no comment on the report.

## **QUESTIONS FOR THE BOARD**

1. Does the Board agree to continue with the current agenda projects?
2. Does the Board agree with the proposed technical plans for the current agenda projects? If not, what are your suggested revisions?
3. Does the Board agree with the new projects to be added to the agenda? If not, what are your suggested revisions?

## **NEXT STEPS**

Update the FY 2020 technical agenda and technical/research plans based on feedback from Board members.

**TAB I: TECHNICAL AGENDA SETTING**

**ATTACHMENT 1:**

**FY 2020 TECHNICAL PLANS**

## TABLE OF CONTENTS

<b>TECHNICAL PLAN</b>	<b>PAGE #</b>
<b>Intangible Assets</b>	<b>1 of 25</b>
<b>Land</b>	<b>2 of 25</b>
<b>Leases Implementation</b>	<b>3 of 25</b>
<b>Public-Private Partnerships (P3) Phase II – Recognition and Measurement</b>	<b>7 of 25</b>
<b>Reexamination of Existing Standards</b>	<b>9 of 25</b>
<b>Reporting Model – Budgetary Information</b>	<b>11 of 25</b>
<b>Reporting Model – Management, Discussion &amp; Analysis</b>	<b>15 of 25</b>
<b>Reporting Model – Note Disclosures</b>	<b>18 of 25</b>
<b>Technical Clarifications of Existing Standards</b>	<b>20 of 25</b>
<b>Technical Agenda Quick Reference Table</b>	<b>25 of 25</b>

# Intangible Assets

## FY 2020 Research Plan

**Project Description:** The purpose of this project would be to define and develop comprehensive guidance on accounting for intangible assets. It would also address inconsistencies between federal and state and local generally accepted accounting principles (GAAP), as well as inconsistencies in the application of current federal GAAP.

This project would expand on and better delineate the reporting requirements for intangible and tangible assets (PP&E). FASAB guidance currently addresses intangible right-to-use lease assets, certain land and water rights, and internal use software (IUS). SFFAS 6 and 10 consider land rights and IUS, respectively, to be tangible PP&E assets, while other standards-setters consider these classes of assets to be intangible capital assets (for example, GASB Statement No. 51).

**Accounting and Financial Reporting Issues:**

- Sufficient, appropriate guidance may not exist for certain classes of intangible assets that would otherwise meet the basic recognition criteria under SFFAC 5.
- Inconsistencies in practice exist due to changes in technology and operations that may necessitate changes to existing standards and consideration of subscription-based information technology (IT) arrangements.
- There are opportunities to distinguish the classification and accounting treatment for tangible and intangible assets, while also maintaining consistencies with existing practice to the extent appropriate and cost-beneficial.

**Current Developments:**

- In August 2019, Board members expressed interest in addressing intangible assets and subscription-based IT arrangements.
- Staff is currently planning to arrange an educational session panel on state and local GAAP for intangible assets (GASB Statement No. 51), the current GASB project on subscription-based IT arrangements (which interacts with Statement No. 51), and the existing state of federal GAAP and practice challenges.

**Research Plan:**

Board Meetings	Topics to Be Considered
<b>FY 2020</b>	Staff will hold educational briefings and present issue papers to the Board for their consideration.
<b>FY 2021</b>	Depending on availability of staff resources, staff may request that the Board consider moving the project from preliminary research to the technical agenda.

## Accounting and Reporting of Government Land FY 2020 Technical Plan

**Project Description:** The overall objective of the project is to assess whether information on land regardless of its classification as G-PP&E Land or Stewardship Land should be consistently accounted for and reported.

An Exposure Draft was issued on April 30, 2018 with comments due by July 30, 2018. At the October 2018 Board meeting members heard directly from those respondents who accepted the Board's invitation to clarify comments concerning the *Accounting and Reporting of Government Land* Exposure Draft as well as opinions of interested parties.

The Board is currently finalizing its deliberations.

**Accounting and Financial Reporting Issues:** As a result of its deliberations and due process (re)considerations, the Board has concluded to require the following:

- Reclassifying G-PP&E land and permanent land rights as a non-capitalized asset
- Referencing a note on the balance sheet that discloses information about G-PP&E land and permanent land rights without an asset dollar amount
- Reporting estimated acres of G-PP&E land and SL using three predominant use sub-categories
  - Conservation and preservation land
  - Operational land
  - Commercial use land
- Reporting estimated acres of land held for disposal or exchange
- Reporting land rights information, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights

**Current Developments:** Following two member dissents primarily predicated on cost-benefit concerns, the Board is currently in the final stages of redeliberating the implementation time-line.

**Work Plan:**

Board Meetings	Topics to Be Considered
<b>February 2020</b>	Finalize the Implementation Time-line and prepare for balloting.
<b>April 2020</b>	Ballot draft SFFAS and upon affirmative vote, submit SFFAS for Congressional (45 in-session days) and Principal (90 calendar day) reviews.

## Leases

### FY 2020 Technical Plan

**Project Description:** This project addresses implementation of SFFAS 54, *Leases*, and includes multiple post-issuance sub-projects to facilitate effective implementation of the new accounting standards on leases. Sub-project areas include:

- A. Deferral of SFFAS 54
- B. Leases implementation guidance Technical Release (TR)
- C. Omnibus amendments and interpretations of SFFAS 54
- D. Software licenses Technical Bulletin (TB)
- E. Conforming amendments to existing TRs

#### **Accounting and Financial Reporting Issues:**

- A. Deferral of SFFAS 54 (currently in resolution phase)
  - 1. How long should the effective date of SFFAS 54 be deferred, given the implementation issues identified by the task force and in comment letters to the exposure draft (ED)?
- B. Leases implementation guidance TR (currently in development phase)
  - 1. This project will consider all implementation issues that can be addressed in a TR. Guidance is expected to include approximately 90 questions and answers, organized by SFFAS 54 topic area, and potentially include illustrations.
  - 2. Extensive education and outreach efforts will be performed as the project progresses, including: workshops, conferences, articles, videos, and other collaborations. Staff is also performing outreach with other stakeholders (e.g., CFO Council, BFS Office of Financial Innovation and Technology).
- C. Omnibus amendments and interpretations of SFFAS 54 (currently in research phase)
  - 1. This project will consider the potential need for minor technical and/or clarifying edits to SFFAS 54 and other guidance with nexus to lease accounting (e.g., SFFAS 6, SFFAS 49). Potential topics include:
    - i. Conforming edits to existing SFFAS to align terminology
    - ii. Clarifying edits to existing requirements and/or topics not explicitly considered in SFFAS 54 which require explanation
    - iii. Conforming edits to SFFAS 6 (as amended) and SFFAS 49 to align terminology and clarify the applicability or non-applicability of

SFFAS 54 to certain types of transactions (e.g., land easements, temporary land rights, water rights, “bundled leases”)

iv. Reimbursable work authorizations

**D.** Software licenses TB (currently in development phase)

1. In light of forthcoming rescissions to SFFAS 6, *Accounting for Property, Plant, and Equipment*, this project will clarify the accounting treatment for software licenses once SFFAS 54, *Leases*, and its related amendments to existing software licenses guidance become effective.
2. This project will gather working group and other stakeholders’ views (public comments) regarding subscription-based information technology arrangements (SBITAs), cloud computing, and other accounting issues related to technology-related intangible assets.
  - i. Some of the accounting and reporting issues brought to light through research and stakeholder input will be presented to the Board in educational sessions, staff issue papers, and forthcoming Board briefings in late FY 2020 and FY 2021.

**E.** Conforming amendments to existing TRs (currently in resolution phase)

1. This TR is intended to eliminate references in TR 10 and TR 16 that conflict with forthcoming amendments to SFFAS 5 and 6, as amended by SFFAS 54. This proposal does not provide a complete update of the above TRs; they will simply conform the TRs to SFFAS 54.
2. Staff is currently incorporating stakeholder input received from public comments and working with stakeholders and the AAPC to make technical and clarifying edits to the original proposal (exposed in early 2019).

**Current Developments:**

- A.** Staff is receiving and analyzing comment letters from the public for discussion in February. Board decisions and deliberations will be conducted.
- B.** Task force members are identifying a plethora of implementation guidance candidates. Staff is currently working on circulating working drafts of implementation guidance, topic area by topic area, to task force members for their comments and feedback. As each SFFAS 54 topic area is revised and improved, staff will then circulate working drafts of several topic areas (in bunches of 4-5 topic areas) to the AAPC for their comments. The May AAPC meeting is expected to have an extensive agenda.
- C.** Staff is flagging implementation issues identified by task force members during project **B** (above) and developing a working draft of omnibus amendment and

interpretation candidates for SFFAS 54 and related guidance. A listing of candidates identified to-date may be shared with the Board at the April meeting.

- D.** Staff has circulated a working draft of a TB to the working group. The working group will meet to discuss comments on February 20<sup>th</sup>. Staff hopes to present a working draft of the TB to the Board for discussion at the April meeting.
- E.** In November 2019, staff presented an analysis of comment letters to the conforming amendments TR ED to the AAPC and proposals for revising the proposals to address certain comments. An updated draft TR will be presented to the AAPC at the May or August 2020 meeting.

**Work Plan:**

<b>Board Meetings</b>	<b>Topics to Be Considered</b>
<b>February 2020</b>	<b>A:</b> Discuss comment letters and staff-proposed recommendations. Discuss next steps for balloting
<b>April 2020</b>	<b>A:</b> <b>Ballot final</b> <b>B/C:</b> Provide updates on progress
<b>June 2020</b>	<b>B/C:</b> Provide updates on progress
<b>August 2020</b>	<b>B/C:</b> Discuss working drafts
<b>October 2020</b>	<b>B/C:</b> Discuss pre-ballot / <b>ballot ED</b> . Release ED during Q1 for public comment
<b>December 2020</b>	<b>D:</b> Education session on accounting for SBITAs, cloud computing, and SaaS under FASAB and GASB
<b>February 2021</b>	<b>B/C:</b> Discuss comment letters and staff-proposed recommendations in response
<b>April 2021</b>	<b>B/C:</b> Discuss and deliberate updated working drafts
<b>June 2021</b>	<b>B/C:</b> Pre-ballot <b>D/E:</b> Discuss working drafts
<b>August 2021</b>	<b>B/C:</b> <b>Ballot final</b> <b>D:</b> Discuss and <b>ballot ED</b>

## Project Plan

	Deferral SFFAS	Implementation Guidance on Leases	Omnibus SFFAS / Interpretations	Conforming Amendments TR	Software Licenses Technical Bulletin	Training / Outreach
FY 2020 Q1	Draft Exposure Period	Draft	Research			Draft FY 20 content
FY 2020 Q2	Exposure Period	Draft	Research		Draft	Provide
FY 2020 Q3	Finalize Issuance	Draft	Draft		Draft	Provide
FY 2020 Q4		Draft	Draft		Draft	
FY 2021 Q1		Exposure Period	Exposure Period	Finalize	Draft	Draft FY 21 content
FY 2021 Q2		Finalize	Finalize		Draft	Provide
FY 2021 Q3		Finalize	Finalize		Exposure Period	Provide
FY 2021 Q4		Issuance	Issuance		Finalize	Draft FY 22 content
FY 2022 Q1					Finalize	Draft FY 22 content
FY 2022 Q2				Issuance	Issuance	Provide
FY 2022 Q3						Provide
FY 2022 Q4						Provide
FY 2023 Q1	Projected effective date of SFFAS 54 (assuming FY 2023 deferral proposal is issued)					

Yellow highlighted cells = AAPC project

Note: Conf. Am. TR finalization and issuance is staggered to enable simultaneous issuance thereof in tandem with the Software Licenses Technical Bulletin

## Public-Private Partnerships

### FY 2020 Technical Plan

**Project Description:** The overall objective of the project is to make the full costs and risks of public-private partnerships (P3) transparent.

In phase I, the Board decided to address definitions and disclosures regarding P3 risk before providing P3 recognition and measurement guidance in phase II. On April 27, 2016, the Board concluded its first phase with the issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, effective for periods beginning after September 30, 2018.

During FY2020 the Board plans to resume its work on P3s in phase II regarding recognition and measurement. The Board also plans to consider implications for other arrangements related to P3s (for example, sale-leasebacks and other long-term arrangements).

A task force will be convened to address major P3 accounting practice issues requiring guidance, review entity P3 disclosures, and coordinate progress and results with the leases and risk reporting project managers.

**Accounting and Financial Reporting Issues:** Specific objectives of phase II - recognition and measurement include providing guidance for the recognition and measurement of assets, liabilities, revenues and expenses. Some examples follow:

- a) **Balance sheet valuation.** A fundamental accounting issue is whether to capitalize a P3's full cost or limit capitalization to just the asset in question.
- b) **Financial interests in special purpose entities.** Capital contributions made to private partners may need to be accounted for (e.g. equity method of accounting) in a manner that best reports the nature and amounts contributed.
- c) **Applicability of lease accounting guidance.** For example, there is a significant difference between the capital value of the asset created and the fair value of the entire P3. As a result, there could be sufficient justification to use different discount rate methodologies than those prescribed by SFFAS 54, *Leases*.
- d) **Reversionary or Residual Interests.** Accounting guidance may need to be issued on how to either disclose or properly recognize and value of the government's reversionary interest in a P3 arrangement/transaction.
- e) **Non-monetary exchanges.** For example, an entity that (1) swaps land use for the placement of solar energy panels or satellite antennas or (2) allows the private partner to use a portion of the P3 asset for private profit may not be able to comply with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*); that is, the requirement to fair value the asset given up in the P3 arrangement/transaction.
- f) **Intellectual Property.** SFFAS 1, *Accounting for Selected Assets and Liabilities* and SFFAS 6 *Accounting for Property, Plant and Equipment* do not discuss intangible assets.

- g) **Other matters.** For example, as a result of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, certain implementation issues may arise that require clarifying existing guidance or necessitate additional guidance.

**Current Developments:** Staff has begun researching the following areas (1) how to measure and report liabilities arising from different Generally Accepted Accounting Principles frameworks, (2) whether intangible assets with commercial application possessing a zero cost basis should be measured at fair value, and (3) how to measure and report equity investments made to private partners.

**Work Plan:**

<b>Board Meetings</b>	<b>Topics to Be Considered</b>
<b>April 2020</b>	Continue research and begin developing a draft phase 2 project plan. No Board action.
<b>June 2020</b>	Review draft phase 2 project plan and adjust accordingly based on Board guidance.
<b>August 2020</b>	Convene P3 Phase 2 work group to identify issues requiring guidance. No Board action.
<b>October 2020</b>	Provide project status to Board and introduce issues identified for guidance.
<b>December 2020</b>	Begin deliberating proposed guidance.
<b>February 2021</b>	Draft Exposure Draft (ED)
<b>April 2021</b>	Issue ED
<b>June 2021</b>	Review ED comments. No Board action.
<b>August 2021</b>	Draft preliminary Statement

## Reexamination Project

### FY 2020 Technical Plan

**Project Description:** Approximately one-third of FASAB current Statement of Federal Financial Accounting Standards (SFFAS) were written over twenty years ago and another one-third written between twenty and ten years ago. Some aspects of these dated standards need to be reexamined to assess their current relevance and usefulness. Further, most would agree that the accounting standards should be periodically reexamined to assess their current applicability and to eliminate or revise unnecessary requirements. The Board will explore opportunities to review and reexamine existing SFFAS, and other pronouncements as appropriate, and identify areas where clarification or amendments are needed.

This project will focus on fully reexamining existing SFFASs or chapters of SFFASs, and other pronouncements as appropriate, to address issues related to (1) inconsistencies with current practice, (2) confusion or difficulties applying requirements, (3) need for clarifications, and (4) usefulness of disclosures and other required information.

FASAB staff will initially perform a preliminary assessment of standards more than 20 years old to identify those SFFAS that appear to have greatest need based on the factors listed above.

**Accounting and Financial Reporting Issues:** TBD

**Current Developments:** N/A

**Work Plan:** TBD

Board Meetings	Topics to Be Considered
<b>February 2020</b>	No Board action
<b>April 2020</b>	No Board action
<b>June 2020</b>	No Board action
<b>August 2020</b>	No Board action
<b>October 2020</b>	Begin initial staff assessments. No Board action

<b>December 2020</b>	Continue staff assessments – No Board action
<b>February 2021</b>	Continue staff assessments – No Board action
<b>April 2021</b>	Discussion of staff assessment. Gain Board approval of next steps.
<b>June 2021</b>	TBD
<b>August 2021</b>	TBD

## **Budgetary Information Reporting**

### **FY 2020 Technical Plan**

**Project Description:** This project addresses certain issues related to accounting and financial reporting for government-wide and component reporting entity budgetary information. The project will consider improvements to the existing guidance in Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenues and Other Financing Sources*, and SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, related to: 1) the usefulness of the required U.S. budget surplus/deficit presentations, and 2) the understandability of the required presentation for component reporting entity budgetary resources.

**Accounting and Financial Reporting Issues:** The project is considering the following issues:

➤ **Government-wide Reporting Entity – Consolidated Financial Report (CFR)**

1. Current guidance for budget deficit/surplus reporting requires recognizing the government's budget surplus or deficit for the period and how the surplus or deficit relates to the government's net financial results and change in monetary assets during the period. The information helps users understand matters such as
  - a. differences between the net operating cost and the budget surplus or deficit
  - b. the amount of receipts and outlays that comprise the federal surplus or deficit
  - c. the amount of cash spent to pay interest on debt held by the public
  - d. the amount of cash the federal government borrowed from the public
  - e. the amount of cash the federal government used to make repayments of debt held by the public

Users of the CFR, however, may not be informed on the categories of federal spending, whether amounts result from annual appropriation acts or other laws, and the cause of changes in budget deficits. Budget authority provided in laws other than annual appropriation acts is generally considered mandatory spending and obligate the federal government to pay beneficiaries that meet specific requirements. Over the past 30 years, mandatory and net interest spending has grown from 60 to 70 percent of federal outlays and is expected to continue

growing.<sup>1</sup> Also, some mandatory spending programs are designed to grow without legislative action. To enhance the usefulness of CFR budgetary information, should:

- a. a presentation be developed to better inform users on discretionary versus mandatory spending,
- b. a presentation be developed to distinguish federal programs subject to grow without legislative action,
- c. a presentation be developed to present the source of changes in the budget deficit, or
- d. a link or other mechanism be included in reports to direct users to information on discretionary and mandatory programs and the source of changes?

If a presentation should be developed, where should the government-wide reporting entity present the information (basic financial statements, note disclosures, required supplementary information (RSI), or other information)?

2. The MD&A Improvements and Note Disclosures projects will also consider how financial reports should assist users in understanding the components, causes, and changes in federal budget deficits.
3. Because guidance is limited to the budget deficit/surplus and total receipts and outlays, users of the CFR may not be informed of the reliability of budget estimates and policy changes during a period. The Office of Management and Budget publicly presents a comparison of budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. To improve the usefulness of CFR budgetary information, should a budget to actual comparison be developed and, if so, where should the information be presented (basic financial statements, note disclosures, RSI)?

➤ Component Reporting Entity – Agency Financial Report (AFR)

4. Reporting on the status of component reporting entity budgetary resources is complex due to the various laws enacted and the nature of the federal budget system. For instance, laws could permit agencies to incur obligations for specific purposes, amounts, and time period and could require them to borrow funds. Also, laws could permit agencies to incur obligations in anticipation of the collection of receipts. In addition, component reporting entity budgetary presentations may confuse readers not familiar with the unique budgetary accounting terms and definitions. Because FASAB does not prescribe guidance to account for budgetary resource activity, the project will focus on how should

<sup>1</sup> Office of Management and Budget, Historical Table 8.3 Percentage Distribution of Outlays by Budget Enforcement Act Category: 1962-2024.

financial reporting address complexities related to the format and disclosure of component reporting entity budgetary resource, such as better:

- a. explaining the status of budgetary resources
  - b. explaining changes in budgetary resources
  - c. presenting or explaining the relationship among the entity's fund balance with Treasury, budgetary resources, and outlays
  - d. presenting total budgetary resources, the status of budgetary resources, and net outlays
5. Complexities related to presenting the status of and changes in component reporting entity budgetary resources will also be considered in the MD&A Improvements and Note Disclosure projects.
  6. Given the complexities involved in accounting for budgetary resources, what would be the appropriate category (basic financial statement, note disclosure, RSI, or other information) for reporting the status of component reporting entity budgetary resources?
  7. If a component reporting entity budgetary resources presentation should be a basic financial statement, should it articulate with other basic financial statements and, if so, how?

**Current Developments:** During the June 2019 meeting the Board determined that improving budgetary information was a high priority area of the reporting model.

**Work Plan:**

Board Meetings	Topics to Be Considered
April 2020	Alternative presentations for budgetary resource reporting  Federal budget and receipt and outlay trends
June 2020	Alternative presentations for budget deficit reporting
August 2020 – October 2020	Continue discussions on alternative presentations
December 2020 – April 2021	Discuss initial draft of an exposure draft
June 2021	Discuss pre-ballot draft of an exposure draft

<b>August 2021</b>	Discuss ballot draft of an exposure draft
<b>October 2021</b>	Discuss ballot draft of an exposure draft and consider approval
<b>December 2021 – February 2022</b>	Comment period
<b>April 2022 – June 2022</b>	Redeliberate issues based on feedback
<b>August 2022</b>	Discuss pre-ballot draft of a final Statement
<b>October 2022</b>	Discuss ballot draft of a final Statement and consider for approval

# Management's Discussion and Analysis

## FY 2020 Technical Plan

**Project Description:** The objective of this project is to improve management's discussion and analysis (MD&A) by providing an integrated, holistic story about a reporting entity's mission, budget, cost, and performance.

The project will address this through

1. amendments to or replacement of Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*;
2. amendments to or rescission of Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*; and
3. amendments to other standards that reference MD&A from current concepts and standards, such as SFFAS 57, *Omnibus Amendments 2019*.

### **Accounting and Financial Reporting Issues:**

Current guidance for MD&A in SFFAS 15, paragraph 2, requires reporting entities to break out their MD&A's in the following four sections: 1) mission and organizational structure; 2) performance goals, objectives, and results; 3) financial statements; and 4) systems, controls, and legal compliance. As a result of this requirement, MD&A's do not provide users with an integrated holistic story about an entity's budget, cost, and performance. For example, the second required section - *performance goals, objectives, and results* – has lead reporting entities to focus MD&A on GPRAMA<sup>1</sup> reporting of strategic goals rather than the financial health/sustainability of major program<sup>2</sup> investments.

The project is considering the following issues:

1. How should MD&A concisely explain financial position and condition to help users understand the financial health of major programs in relation to achieving reporting entity missions?

<sup>1</sup> GPRMA (Government Performance and Results Act (GPRA) Modernization Act of 2010.

<sup>2</sup> FASAB does not intend to define the term "major program" rather it is intended as a catch-all phrase to represent how a reporting entity delivers investment information in its Statement of Net Cost.

2. How should MD&A explain major program investments to help users understand any significant financial impact, positive or negative, of achieving reporting entity missions while managing existing problems and mitigating risks?
3. How should MD&A provide concise narratives about significant changes in financial balances and reduce repetitive and boilerplate information to provide users with relevant and useful information?

To answer these questions the Board is identifying MD&A objectives based on the reporting objectives: budgetary integrity, operating performance, stewardship and systems and controls identified in SFFAC 1, *Objectives of Federal Financial Reporting*.

### **Current Developments:**

To date, members have identified the following MD&A objectives:

#### BUDGETARY INTEGRITY

- MD&A should concisely explain financing resources and the sources and status of budgetary resources.<sup>3</sup>
- MD&A should concisely explain why significant changes in budgetary and/or financing resources were needed during the reporting period.

#### OPERATING PERFORMANCE (in progress)

- MD&A should concisely explain how significant costs contributed to agency performance.
- MD&A should concisely explain reasons for significant changes in components of net cost for the prior year, and any significant related trends and costs over multiple years.

#### GENERAL OBJECTIVE

- MD&A should concisely explain—in plain language—any budget and financial terms used, such as but not limited to unfunded, unobligated, and net cost of operations.

<sup>3</sup> The Budgetary Information Improvement project is considering how to address complexities involved in presenting information on the status of budgetary resources.

At the **December 2019** meeting, staff presented an education session to discuss 1) the interrelationships among the current reporting model phase II, note disclosures, and MD&A projects; 2) common objectives; and 3) next steps.

**Work Plan:**

Board Meetings	Topics to Be Considered
February 2020 – June 2020	<ul style="list-style-type: none"> <li>• Complete identification of MD&amp;A objectives</li> <li>• Draft MD&amp;A Standards</li> </ul>
August – October 2020	<p><b>Education Session – RSI vs. Basic Audit Requirements</b></p>
	<ul style="list-style-type: none"> <li>• Draft MD&amp;A Standards</li> <li>• Develop MD&amp;A Mock-Up Pilot (identify pilot reporting entity and user groups)</li> </ul>
December 2020 – February 2021	Implement MD&A Mock-Up Pilot
April 2021	<p><b>Education Session –</b></p> <ul style="list-style-type: none"> <li>• pilot agency experience with new MD&amp;A format</li> <li>• pilot user experience with new MD&amp;A format</li> </ul>
April - June 2021	Draft exposure draft
August – December 2021	Continue due diligence – promulgate MD&A standards.

## **Note Disclosures**

### **FY 2020 Technical Plan**

**Project Description:** The objective of this project is to improve the effectiveness of note disclosures in general purpose federal financial reports. The project will be conducted in two phases:

- Phase I. Develop the Note Disclosures Conceptual Framework Statement from existing note disclosures concepts to guide the Board in reexamining existing standards and developing accounting and financial reporting in the future.
- Phase II. Evaluate existing note disclosures to identify opportunities for improving financial reporting. This phase will be conducted as part of the Reexamination of Existing Standards project and a technical plan for the project will be developed at that time. The project will also use the Note Disclosures Conceptual Framework developed during Phase I to coordinate with the Budget Information Improvement project to improve the usefulness of budgetary information.

#### **Accounting and Financial Reporting Issues:**

Specific issues to be considered during the project include:

1. What should be the purpose of note disclosures and their relationship to basic financial statements?
2. How should concepts explicitly for note disclosures be codified in the conceptual framework?
3. What types of information are appropriate for note disclosures, such as descriptions of accounting policies underlying the amounts recognized in the financial statements and additional information about inflows and outflows of resources and financial position and financial condition that do not meet the criterion for recognition?

**Current Developments:** During the December 2019 meeting, the Board discussed the project and its relationship to the Budgetary Information Improvement and Management's Discussion and Analysis Improvement projects.

## Work Plan

<b>Board Meetings</b>	<b>Topics to Be Considered</b>
<b>April 2020 – October 2020</b>	Discuss Note Disclosures Conceptual Framework Exposure Draft and pre-ballot/ballot
<b>December 2020</b>	Approve Note Disclosures Conceptual Framework Exposure Draft
<b>January 2021 – March 2021</b>	Comment period
<b>April 2021 – June 2021</b>	Redeliberate and approve final Note Disclosures Conceptual Framework Statement
<b>August 2021</b>	Begin Note Disclosures Phase II Project

# Technical Clarifications of Existing Standards<sup>1</sup>

## FY 2020 Technical Plan

**Project Description:** A general concern expressed by members of the Board and the federal financial management community has been that federal entity resources are increasingly constrained. Some believe existing requirements should be evaluated and any unnecessary requirements eliminated. When appropriate, the Board explores opportunities to engage with the community on changes to existing standards and areas where clarification may be needed.

The project addresses requests for guidance that align with the above goals and provide benefits that clearly exceed costs. To accomplish these goals, ongoing efforts may include providing additional forums for preparers, auditors, and users to identify requirements they believe are unnecessary and where clarification may be needed (this can be accomplished through an open-ended written request for input or round table discussions). The Board will assess requests against the reporting objectives. The Board may address these requests through the appropriate level of GAAP guidance. [For example, topics addressed thus far have included imputed costs, assigning assets, intragovernmental exchange transactions, cleanup costs, and clarification of paragraphs 40-41 of SFFAS 6, *Accounting for Property, Plant, and Equipment*.]

**Accounting and Financial Reporting Issues:** The project is presently considering the following issues:

1. What additional guidance should be provided regarding the accounting and reporting for Intragovernmental Receivables?
  - The Board issued a Technical Bulletin (TB) ED regarding intragovernmental receivables in FY 2019 and the final TB guidance will be issued during 2020.
2. What additional guidance and clarification is required regarding debt cancellation as it relates to paragraph 313 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*?
  - The terms "gain/loss" need clarification and it is important to clarify that this type of activity is reported on the Statement of Changes in Net Position.

<sup>1</sup> New Project Title—this project was previously titled Evaluation of Existing Standards, but has been renamed to Technical Clarifications of Existing Standards with the addition of the new project Reexamination Project.

3. What additional guidance and clarification is required regarding the presentation of non-entity Fund Balance with Treasury as it relates to paragraph 31 of SFFAS 1, *Accounting for Selected Assets and Liabilities*?

- How should monies received in deposit funds from non-federal sources in anticipation of an order be reported and presented on the financial statements when the non-entity funds are held in deposit in the General Fund of the U.S. Government.

4. Does the lower level guidance require updating as a result of recent technical guidance? In FY 2019, the Board issued Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*. Consequently, although it may not be significant changes, related conforming amendments resulting from Interpretation 9 and TB 2017-2, *Assigning Assets*, need to be made to applicable technical guidance.

- Conforming amendments to Technical Releases will be developed by the AAPC and final review by FASAB before being issued.

5. FASAB staff also researches other topic areas as they are presented by the federal financial management community or identified by other projects. For example, FASAB staff is consistently provided technical inquiries through our technical inquiry page, some of which become the basis for clarification projects requiring Board attention and the basis for interpretations or technical bulletins.

6. What improvements or corrections may be needed? Are there minor amendments that are narrow in scope that don't create new requirements for reporting entities?

- These narrowly scoped minor amendments may be accomplished through an Omnibus. Combining proposed technical amendments should ease the burden on respondents as well as make efficient use of Board time. FASAB staff will identify other provisions of standards for consideration in future omnibus amendments as they are identified.

7. Department of Defense (DoD) efforts to implement standards have revealed areas in need of clarification or amendment. FASAB will continue to liaison with DoD workgroups and develop implementation guidance as necessary.

#### **Current Developments:**

- A.** At the December 2019 Board meeting, the Board agreed that an Interpretation should be the GAAP vehicle to clarify SFFAS 7 par. 313 debt cancellation issue.
- B.** At the December 2019 meeting, the Board agreed that an Interpretation should be the GAAP vehicle to clarify SFFAS 1 par. 31 nonentity Fund Balance with Treasury issue.

- C.** The comment period for the Exposure Draft, *Loss Allowance for Intragovernmental Receivables*, concluded on October 1, 2019. At its October meeting, no FASAB member objected to issuing the proposed TB, *Loss Allowance for Intragovernmental Receivables* but agreed to hold the issuance until after all component reporting entities had issued their current reports. Therefore, it would not be issued until February 2020 or later.
- D.** Technical Release(s) conforming amendments needed.

Work Plan:

Board Meetings	Topics to Be Considered
<p><b>February 2020</b></p>	<p><b>A.</b> Board considers first draft ED interpretation to clarify debt cancellation issue in par. 313 of SFFAS 7. Board to provide staff feedback on scope and approach and other items so that a final draft may be considered for review at the April 2020 meeting. The Board may also opt to have an electronic draft between meetings.</p> <p>-----</p> <p><b>B.</b> Staff is developing a draft interpretation to clarify the nonentity Fund Balance with Treasury issue in par. 31 of SFFAS 1. No Board action in February.</p> <p>-----</p> <p><b>C.</b> Issue TB 2020-1, <i>Loss Allowance for Intragovernmental Receivables</i></p>
<p><b>April 2020</b></p>	<p><b>A.</b> Review draft ED Debt Cancellation Interpretation. Based on comments—may move quickly to pre-ballot ED or electronically to ballot before June 2020 meeting.</p> <p>-----</p> <p><b>B.</b> Board considers first draft ED interpretation to clarify the nonentity Fund</p>

	<p>Balance with Treasury issue in par. 31 of SFFAS 1. Board to provide staff feedback on scope and approach and other items so that a final draft may be considered for review at the June 2020 meeting. The Board may also opt to have an electronic draft between meetings.</p>
<p><b>June 2020</b></p>	<p><b>A. IF NECESSARY -</b> Review pre-ballot ED Debt Cancellation Interpretation or Ballot ED Debt Cancellation Interpretation—or determine what needs to be done so can ballot electronically after meeting.</p> <p>Release ED Debt Cancellation Interpretation when approved.</p> <p>-----</p> <p><b>B. Review draft ED nonentity Fund Balance with Treasury Interpretation.</b> Based on comments—may move quickly to pre-ballot ED electronically before August 2020 meeting.</p>
<p><b>August 2020</b></p>	<p><b>A. Comment period for ED Debt Cancellation Interpretation.</b> No Board action.</p> <p>-----</p> <p><b>B. IF NECESSARY-</b> Review pre-ballot ED nonentity Fund Balance with Treasury Interpretation or Ballot ED nonentity Fund Balance with Treasury Interpretation—or determine what needs to be done so can ballot electronically after meeting.</p> <p>Release ED nonentity Fund Balance with Treasury Interpretation when approved.</p> <p>-----</p> <p><b>D. AAPC approval of project plan to make conforming amendments in technical guidance—see #4 under accounting</b></p>

	issues for more information. Work on this will continue with AAPC for 6-12 months and may result in one or more documents.
<b>October 2020</b>	<p><b>A.</b> Review comments on ED Debt Cancellation Interpretation. Due Process and Finalize wording for proposed Interpretation.</p> <p>-----</p> <p><b>B.</b> Comment period for ED nonentity Fund Balance with Treasury Interpretation. No Board action.</p>
<b>December 2020</b>	<p><b>A.</b> Pre-ballot /Ballot Proposed Debt Cancellation Interpretation approved by Board (either at meeting or shortly thereafter)</p> <p>-----</p> <p><b>B.</b> Review comments on ED nonentity Fund Balance with Treasury Interpretation. Due Process and Finalize wording for proposed Interpretation.</p>
<b>February 2021</b>	<b>B.</b> Pre-ballot /Ballot Proposed nonentity Fund Balance with Treasury Interpretation approved by Board (either at meeting or shortly thereafter)
<b>April 2021</b>	<b>D.</b> Approved AAPC documents for conforming amendments for review by Board
<b>June 2021</b>	
<b>August 2021</b>	

**Note: FASAB staff efforts to determine areas for a future Omnibus and to liaison with DoD is ongoing. There will be no Board action unless a specific project is approved and deliberations begin.**

Technical Agenda Projects	Three-Year Plan			Staff Contact
	FY20	FY21	FY22	
<b>Intangible Assets</b>	RE	RE	RE	TBD
<b>Land – Accounting and Reporting</b>	FI	RE	RE	Domenic N. Savini
<b>Leases</b>				
Deferral of SFFAS 54	FI			Ricky A. Perry, Jr
Implementation Guidance TR	RE DE	FI		Ricky A. Perry, Jr.
Omnibus Amendments/Interpretations	RE DE	FI		Ricky A. Perry, Jr
Software Licenses	RE	DE	FI	Ricky A. Perry, Jr.
Conforming Amendments to TRs	RE	DE	FI	Ricky A. Perry, Jr.
<b>Public-Private Partnerships - Phase II</b>	RE	RE DE	FI	Domenic N. Savini
<b>Reexamination of Existing Standards</b>		RE	RE DE	TBD
<b>Reporting Model</b>				
Budgetary Information	RE	DE	DE	Ross E. Simms
MD&A	DE	DE	DE FI	Robin Gilliam
Note Disclosures Phase I	DE	DE FI		Simms/Gilliam
Note Disclosures Phase II		RE	RE	TBD
<b>Tech Clarifications of Existing Standards</b>				
Debt Cancellation	DE	FI		Melissa L. Batchelor
Nonentity Fund Balance	DE	FI		Melissa L. Batchelor
Intragovernmental Receivables	FI			Melissa L. Batchelor
Technical Conforming Amendments TRs	RE	DE	FI	Melissa L. Batchelor
DoD Implementation Guidance	RE	RE	RE	Melissa L. Batchelor
Omnibus Amendments	RE	RE	RE	TBD

RE = research phase

DE = development and exposure draft phase

FI = resolution and finalization phase

TAB I: TECHNICAL AGENDA SETTING

ATTACHMENT 2:

FY 2019 ANNUAL REPORT –  
RESPONSES RECEIVED

## Budget Reporting Proposal

In 2004, the IPSAS Board commissioned Dr. Jesse Hughes to conduct research to determine if accounting standard setting boards had the authority to establish budget standards. The conclusion from the research was that the IPSAS Board did have authority to establish accounting standards for budget reporting but they did not have authority to establish accounting standards for budget preparation. Three recommendations from that research were as follows:

- 6. Ex-post budget reports reflecting budget to actual comparisons shall be part of the general purpose financial statements issued at the end of the fiscal period for each reporting entity at each level of government.
- 7. The Comparative Budget to Actual Statement shall include the original budget as approved by the legislative body as well as the final adopted budget.
- 8. Governments shall be encouraged to operate their budgeting and accounting systems on the same basis. If the budgetary system is on a different basis than the accounting system, a statement shall be developed to reconcile key differences between the two systems.

Consequently, the IPSAS Board approved the issuance of IPSAS 24, "Presentation of Budget Information in Financial Statements". IPSAS 24 requires a **comparison of budget amounts and the actual amounts** arising from execution of the budget to be included in the financial statements of entities which are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard requires the original and final budget be included in the Comparative Statement along with the actual amount expended on the budgetary basis. A variance between the budgetary and actual amounts could be included in the Comparative Statement but it is not required. If the variance is large, an explanation is required to be included in the Notes to the Financial Statements.

To date, the FASAB has issued a standard (SFFAS 53, Budget to Actual Reconciliation) as recommended by the IPSASB. However, the recommendation to issue a Budget to Actual Comparative Statement has not been established for the U.S. federal financial statements even though such a requirement is included in GASB 34 for state and local governments in the U.S. Needless to say, budgets are extremely important in the management of federal resources. Otherwise, it would not be possible to quantify the financial plans approved by the elected officials. Without a requirement for a budget to actual comparative statement, transparency and accountability cannot be achieved as desired in the current President's Management Agenda. Without such a comparative statement, the citizens would not be able to hold their elected officials accountable for their actions. Prior recommendations by Dr. Jesse Hughes to provide a Budget to Actual Comparative Statement were as follows:

- "Should Financial Reporting Standards be Established for Budget Reports in the Public Sector?", Journal of Government Financial Management, Vol. 53, Nr. 3 (Fall 2004): 18-26. Coauthor Ronald Points.
- "Limited Transparency and Accountability in U.S. Government Financial Reports", Journal of Government Financial Management, Vol. 67, Nr. 3 (2018): 60-62.

One current project in the three year plan is to consider changes to the Financial Reporting Model. One of the purposes for the review is as follows: "Decision makers desire additional information about the budget, including comparisons of full costs with the budget and projections of future receipts and expenditures." Hopefully, a Budget to Actual Comparative Statement will be approved by FASAB as part of that review.

The federal agencies do prepare a Combined Statement of Budgetary Resources (SBR) and include further information on the SBR in their Notes to the Financial Statements. However, many readers of each federal agency's financial statements would be interested in knowing what was proposed by the President and what was approved by Congress as well as the final budget, actual results, and variance between the two. If a consolidated statement is too difficult for the U.S. government to prepare at this time, federal agencies in the U.S. that are required to prepare financial statements should be required to include a Comparative Statement in their financial statements. When all federal agencies have prepared such a Statement, a Consolidated Comparative Statement can be prepared for the U.S. government.

In order to help readers of the US Consolidated Financial Report better understand the difference between the budget deficit and the accrual deficit, a FASAB Task Force did an excellent job helping identify the procedures for SFFAS 53 (Budget and Accrual Reconciliation). To provide more transparency and accountability, perhaps a similar task force could be established to identify the procedures for a SFFAS requiring the preparation of a Budget to Actual Comparative Statement prepared on the budgetary basis. The format that could be used for such a budgetary statement to be reported in each of the Agency's Financial Reports and reported in the Consolidated Financial Report of the US Government is as follows:

<b>Budget to Actual Comparative Statement<sup>1</sup></b> <b>United States of America Consolidated Financial Report</b> <b>As of 30 September 2018</b>					
<b>Agency<sup>2</sup></b>	<b>President's Proposed Budget</b>	<b>Congressionally Approved Initial Budget</b>	<b>Congressionally Approved Final Budget</b>	<b>Actual Results<sup>3</sup></b>	<b>Budget Surplus/ (Deficit)<sup>4</sup></b>
<b>Budget Outlays by 24 CFO Act Agencies</b>					
Agriculture					
Commerce					
Defense					
Education					
Energy					
HHS					
HUD					
Interior					
Justice					
Labor					
State					
Transportation					
Treasury					

Budget to Actual Comparative Statement <sup>1</sup> United States of America Consolidated Financial Report As of 30 September 2018					
Agency <sup>2</sup>	President's Proposed Budget	Congressionally Approved Initial Budget	Congressionally Approved Final Budget	Actual Results <sup>3</sup>	Budget Surplus/ (Deficit) <sup>4</sup>
VA					
EPA					
NASA					
AID					
FEMA					
GSA					
NSNRCF					
OPM					
SBA					
Total					
Budget Outlays Incurred by All Other Federal Agencies					
Grand Total Budget Outlays					
<b>Budget Receipts by All Federal Agencies</b>					
Grand Total Budget Receipts					
<b>Budget Surplus/ (Deficit)<sup>5</sup></b>					

Submitted (11/25/2018) by:

Dr. Jesse Hughes (CPA, CIA, CGFM)  
Professor Emeritus of Accounting  
Old Dominion University  
Norfolk, VA 23529

([email—jhughes@odu.edu](mailto:jhughes@odu.edu))

<sup>1</sup> In billions of dollars

<sup>2</sup> See <http://www.fasab.gov/federal-financial-reports> for hyperlink to federal agencies reporting actual results on the budgetary basis in the Reconciliation between Budget and Accrual Statement.

<sup>3</sup> Actual results on the budgetary basis

<sup>4</sup> Variance between Final Budget and Actual Results

<sup>5</sup> Grand Total Budget Outlays minus Grand Total Budget Receipts

January 10, 2020

We appreciate the opportunity to review the Federal Accounting Standards Advisory Board's *Annual Report for Fiscal Year Ended September 30, 2019* and *Three-Year Plan for Fiscal Years 2020-2022*. The Social Security Administration does not have any comments.

Please direct any questions or comments to Mark Wohlfort.

Thank you,

Joanne Gasparini  
Acting Deputy Chief Financial Officer  
Social Security Administration

January 14, 2020  
Good Morning,

Below is HUD's response on FASAB's *Annual Report* Fiscal Year Ended September 30, 2019 and *Three-Year Plan* Fiscal Years 2020-2022.

**Annual Report:** In HUD's view, the *Annual Report* comprehensively presents FASAB's efforts and accomplishments during Fiscal Year 2019 in its role as the authoritative standards-setting body in establishing generally accepted accounting principles for the federal government.

**Three -Year Plan:** HUD supports the planning and priorities set forth by the FASAB Board in the projects selected for inclusion in the *Three-Year Plan*.

*Karyn P. Dyson*  
*Accountant*  
*Financial Policies & Procedures Division*  
*Office of Financial Management (FM)*  
*Office of Chief Financial Officer*  
*Department of Housing and Urban Development*  
[Karyn.P.Dyson@hud.gov](mailto:Karyn.P.Dyson@hud.gov)

January 16, 2020

FASAB,

Please see comments from the Department of the Interior:

**D. Land – Accounting and Reporting - Comments:**

While it is accurate to state, "The Board is considering improvements with the aid of a task force. The task force considered a variety of measures including historical cost, fair value, and non-financial measures such as acres.", there hasn't been a task force meeting for a couple of years. Would like to see some changes to how a task force operates, including having multiple task force members at Board meetings; not just the FASAB lead; this would help with substantiating the task force position(s). Meeting minutes should be taken and circulated after the task force meetings; however, after the first few Land meetings, subsequent meetings involved a written process and teleconferences were suspended. Some Agencies submitted multiple responses to questionnaires; others, only a consolidated response - this impacted the results that were presented during Board meetings and may not always have been the most accurate representation of the task force members. Furthermore, Exposure Draft (ED) comments/positions may be overlooked during the summarization process or ignored, e.g., National Park Services is incorrect; it is National Park Service (no "s" on Service). Perhaps standardization of task force operating procedures and the ED review/summarization process is warranted.

**Proposed project for consideration:** Perhaps the Board would consider revisiting Concepts 1; especially as it relates to the cost-benefit concept. Agencies are increasingly required to implement new/updated accounting standards using current year appropriations. These unfunded mandates apply to limited resources; ever more so when non-financial information and manual data calls are involved.

Thank you for your consideration.

Monica Taylor Lane  
[monica\\_lane@ios.doi.gov](mailto:monica_lane@ios.doi.gov)  
Office of Financial Management, DOI  
MIB 5521  
1849 C Street, NW  
Washington, DC 20240

January 16, 2020

Good Morning,

The Department of Commerce has no comments on the content of the annual report or the three-year plan for FASAB.

Thanks,  
Kristin

Kristin Salzer, CPA, CGFM  
Director, Office of Financial Reporting & Policy  
U.S. Department of Commerce

15 January 2020

TO: Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

FROM: I. Sam Higuchi, Jr.  
1831 East Capitol Street, SE  
Washington, DC 20003

SUBJECT: Comments on “2019 Annual Report and Three-Year Plan,” specifically regarding the “Three-Year Plan: Fiscal Years 2020-2022”

To Whom It May Concern:

In looking over the document section entitled: “FY 2019 Annual Report for Technical Activities and Three-Year Plan for the Technical Agenda,” from page 10 to page 19, there is no mention regarding Planned Work on “extreme weather and climate events,” including the subjects of “climate change” and “climate risks.” It is my belief that this subject area is timely for FASAB to consider as an activity for its Technical Agenda Work Plan for Fiscal Years 2020-2022. My reasoning for including this subject as a Work Plan activity is based on the following:

- A) Financial Stability Board’s Task Force on Climate-related Financial Disclosure (FSB – TCFD) three major documents at URL: <https://www.fsb-tcfd.org/publications/>; and its associated efforts, such as the TCFD Knowledge Hub” at URL: <https://www.fsb-tcfd.org/tcfd-knowledge-hub/>.
- B) Government Accountability Office’s
- 1) “GAO High Risk List – 2019 – “Limiting the Federal Government’s Fiscal Exposure by Better Managing Climate Change Risks” at URL: [https://www.gao.gov/highrisk/limiting\\_federal\\_government\\_fiscal\\_exposure/why\\_did\\_study](https://www.gao.gov/highrisk/limiting_federal_government_fiscal_exposure/why_did_study).
  - 2) “Climate-Related Risks: SEC Has Taken Steps to Clarify Disclosure Requirements” at URL: <https://www.gao.gov/assets/700/690197.pdf>; see at pages 35-38 “Appendix II: Examples of Climate-Related Disclosures in Securities and Exchange Commission (SEC) Form 10-K Filings.”
- C) Congressional Budget Office’s
- 1) “Potential Increases in Hurricane Damage in the U.S. Implication for the Federal Budget” at URL: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51518-hurricane-damage.pdf>; and in particular Figure 4, at page 13, “Estimates of Expected Hurricane Damage as a Percentage of GDP in Selected Future Years” (Forward Looking Information).
  - 2) “Expected Costs of Damage From Hurricane Winds and Storm-related Flooding” at URL: <https://www.cbo.gov/system/files/2019-04/55019-ExpectedCostsFromWindStorm.pdf> (Forward Looking Information).
- D) Congressional Research Service’s
- 1) “2017 Disaster Supplemental Appropriations: Overview” at URL: <https://crsreports.congress.gov/product/pdf/R/R45084/8>; see table of Federal agencies requests and enacted amounts – Total Amount is \$1.36 x 10<sup>8</sup>.

2) “FY2019 Disaster Supplemental Appropriations Overview” at URL:

<https://crsreports.congress.gov/product/pdf/R/R45844> ; see table of Federal agencies.

3) “Stafford Act Declarations 1953-2016: Trends, Analysis, and Implications for Congress” at URL:

[https://www.everycrsreport.com/files/20170828\\_R42702\\_5c578b70adb0586f36ed3817c42aef87ded9c746.pdf](https://www.everycrsreport.com/files/20170828_R42702_5c578b70adb0586f36ed3817c42aef87ded9c746.pdf) ; see Figure 7, at page 15, “ Reported Severe Weather Incidents and Emergency and Major Disaster Declarations: A Comparison.”

E) Federal Reserve’s

1) “Federal Reserve Bank of San Francisco – Conference on The Economics of Climate Change” (8

November 2019) – conference papers at URL: <https://www.frbsf.org/economic-research/events/2019/november/economics-of-climate-change/> .

F) U.S. Department of Commerce – National Oceanic and Atmospheric Administration’s

1) Webpage “2010-2019: A Landmark Decade of U.S. Billion-Dollar Weather and Climate Disasters” at

URL: <https://www.climate.gov/news-features/blogs/beyond-data/2010-2019-landmark-decade-us-billion-dollar-weather-and-climate> ; see images of: a) “Billion-Dollar Disasters by Type, From 1980-2019” and 2) “Billion-Dollar Weather and Climate Disasters Frequency Mapping: 1980-2019.”

G) U.S. Global Change Research Program’s National Climate Assessment at URL:

<https://nca2018.globalchange.gov/>; see “Summary of Findings,” as Forward Looking Information, at URL: [https://nca2018.globalchange.gov/downloads/NCA4\\_Ch01\\_Summary-Findings.pdf](https://nca2018.globalchange.gov/downloads/NCA4_Ch01_Summary-Findings.pdf) .

H) Inconsistent Reporting in Federal Agencies’ Annual Financial Reports (inability to provide taxpayers with useful and meaningful information):

1) U.S. Air Force:

a) “Department of the Air Force Fiscal Year 2018 Agency Financial Report” at URL:

[https://www.saffm.hq.af.mil/Portals/84/documents/financial\\_statements/FY%202018%20Air%20Force%20Agency%20Financial%20Report.pdf?ver=2018-11-15-151421-480](https://www.saffm.hq.af.mil/Portals/84/documents/financial_statements/FY%202018%20Air%20Force%20Agency%20Financial%20Report.pdf?ver=2018-11-15-151421-480) ; see page 32 (SFFAS No. 15) “Forward Looking Information” regarding Hurricane Michael and Tyndall Air Force Base in Panama City, FL

i) “Natural Disaster Supplemental” (23 March 2019) needed for Tyndall and Offutt and Impacts Without Supplemental at URL:

[https://admin.govexec.com/media/gbc/docs/pdfs\\_edit/fy19\\_disaster\\_supplemental\\_1\\_page\\_23mar\\_final.pdf](https://admin.govexec.com/media/gbc/docs/pdfs_edit/fy19_disaster_supplemental_1_page_23mar_final.pdf)

b) BUT Failure to mention prior year’s impact issues (dollar amounts) at Tyndall and Offutt in “Department of the Air Force Fiscal Year 2019” at URL:

[https://www.saffm.hq.af.mil/Portals/84/documents/financial\\_statements/FY%202019%20Air%20Force%20AFR\\_FINAL\\_11.08%20V5.pdf?ver=2019-11-12-114848-990](https://www.saffm.hq.af.mil/Portals/84/documents/financial_statements/FY%202019%20Air%20Force%20AFR_FINAL_11.08%20V5.pdf?ver=2019-11-12-114848-990) .

2) U.S. Marine Corps’:

a) “U.S. Marine Corps Fiscal Year 2018 Agency Financial Report” at URL:

[https://media.defense.gov/2018/Nov/16/2002063985/-1/-1/1/USMC\\_FY2018\\_AFR.PDF](https://media.defense.gov/2018/Nov/16/2002063985/-1/-1/1/USMC_FY2018_AFR.PDF) ; see pages 110-111 regarding “Impact of Hurricane Florence” (SFFAS No. 6) .

b) BUT Failure to mention prior year’s impact issues (dollar amounts) regarding Hurricane Florence in “U.S. Marine Corps Fiscal Year 2019 Agency Financial Report” at URL:

[https://www.hqmc.marines.mil/Portals/136/Docs/FY2019\\_Agency\\_Financial\\_Report-AFR-FINAL-%20High%20Resolution.pdf?ver=2019-11-14-104331-587](https://www.hqmc.marines.mil/Portals/136/Docs/FY2019_Agency_Financial_Report-AFR-FINAL-%20High%20Resolution.pdf?ver=2019-11-14-104331-587)

In conclusion, “extreme weather and climate events,” including the subjects of “climate change” and “climate risks” reporting and disclosure by Federal agencies needs to be as:

- 1) Robust as the climate risk of “wildfires” narratives with values provided by the private sector in:
  - a) PG&E Corporation’s “2018 Joint Annual Report to Shareholders” at URL: [http://s1.g4cdn.com/880135780/files/doc\\_financials/2018/2018-Annual-Report-FINAL-web-ready-version-4-24-19.pdf](http://s1.g4cdn.com/880135780/files/doc_financials/2018/2018-Annual-Report-FINAL-web-ready-version-4-24-19.pdf)
  - b) Edison International and Southern California Edison’s “2018 Annual Report” at URL: <https://www.edison.com/content/dam/eix/documents/investors/corporate-governance/eix-sce-2018-annual-report.pdf> .
  - c) Sempra Energy’s (includes San Diego Gas & Electric (SDG&E)) “2018 Annual Report” at URL: <http://investor.sempra.com/static-files/11d57ed5-5bb0-4cf7-ba3e-a71134ea8d8b> .
  
- 2) Rigorous in methodology applied in unfunded environmental liabilities; see as examples:
  - a) “Preliminary Summary of Financial Accounting Standards for Environmental Liabilities, Intangible Assets and Climate Risk” at URL: <https://web.archive.org/web/20140326204320/http://www.epa.gov/osem/financial/e-disclosure.pdf> .
  - b) “Climate Change Adaptation in Industry and Business: A framework for Best Practice in Financial Risk Assessment, Governance and Disclosure” at URL: [https://research-repository.griffith.edu.au/bitstream/handle/10072/54579/88671\\_1.pdf?sequence=1](https://research-repository.griffith.edu.au/bitstream/handle/10072/54579/88671_1.pdf?sequence=1) .

Finally, 15 U.S.C. 2938 mandates that the U.S. Global Change Research Program’s National Climate Assessment findings be applied to the Federal Agency’s statutory duties that includes:

- 1) 31 U.S.C. 3512 safeguarding funds, property (e.g. property, plant & equipment) and other assets;
- 2) 31 U.S.C. 1115 managing GAO’s of “Limiting the Federal Government’s Fiscal Exposure by Better Managing Climate Change Risks.”

These three statutes provide the authority for audits and accounting regarding climate-related risks and disclosure: see the attached Figure.

Sincerely,

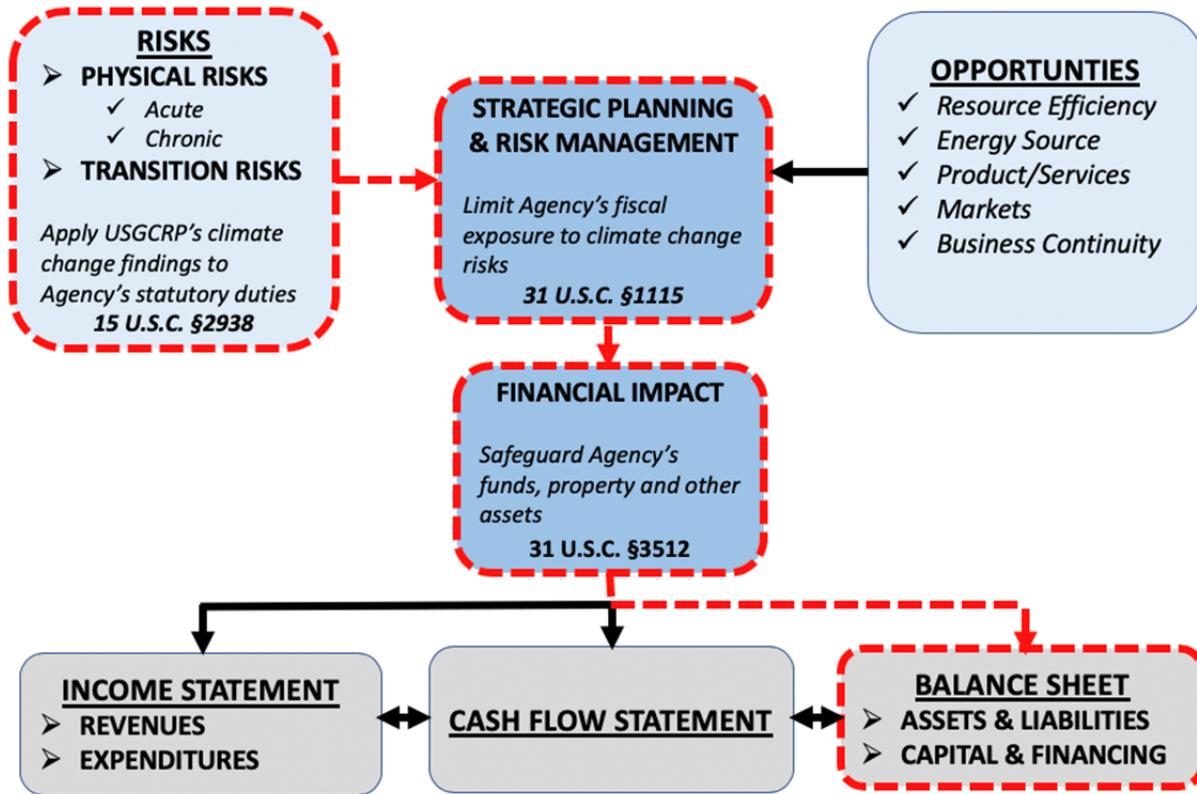
- /s/ -

I. Sam Higuchi, Jr.

ATTACHED FIGURE

## FEDERAL SECTOR CLIMATE RELATED FINANCIAL DISCLOSURE

by I. S. Higuchi, 2019



TO: Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

SUBJECT: Comments on 2019 Annual Report and Three-Year Plan

To Whom It May Concern:

Thank you for the opportunity to comment on your three year plan. I am curious how your work plan might address the following items for greater transparency across the federal government:

1. Training

As a taxpayer, I am curious how federal agency staff using the FASAB Handbook of Accounting Standards are trained to specifically account and report for “extreme weather and climate events” related to both the observed and expected climatic change. Given the observed changes and costs experienced to date, this seems timely. In addition, the combination of best business practices, analytics and science for asset owners and managers are all moving in this direction to fulfill their fiduciary duties such as:

- a. The G-20 Financial Stability Board’s Task Force on Climate-related Financial Disclosure (FSB – TCFD)
- b. American Academy of Actuaries – Actuaries Climate Risk Index Jan 2020
- c. McKinsey Global Institute Climate Risk and response Physical Hazards and Socioeconomic impacts Jan 2020
- d. The bankruptcy of PG&E for negligence in managing climatic risks
- e. Government Accountability Office’s High Risk List 2019
- f. Fourth National Climate Assessment
  - i. *Volume II: Impacts, Risks, and Adaptation in the United States* (Nov 2018)
  - ii. *Volume I: Climate Science Special Report (CSSR)* ( November 2017)

2. Posting Standards and Tools/Climatic Change

Related to the item above, might there be an opportunity to post information so the public can understand the connection between the FASAB standards and managing, accounting and reporting climate risks by federal agencies?

3. GAO High Risk List Guest Speakers to FASAB meetings

Because of their expertise in the topic of climate risk management across the federal government, I would like to propose Mr. Alfredo Gomez and Mr. Joseph Thompson of GAO as speakers to the FASAB Board.

It appears to me that as costs continue to rise due to our Nation’s lack of climate readiness and when forward looking information (MD and A, Note Disclosures, Risk Reporting) does not directly account for climatic change and is not directly accessible and organized for understanding by the American people, the greater risk to our Nation both fiscally and physically. The American people need to know the real costs of “paying for stupid.”

Thank you in advance for your service to our Nation.



January 17, 2020

Ms. Monica R. Valentine  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

Dear Ms. Valentine:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its *Three-Year Plan for Fiscal Years 2020-2022*. The FMSB is comprised of 20 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the proposed three-year plan and we appreciate FASAB's continued effort furthering the federal financial standards. The FMSB concurs with most of the content and relative prioritization of the projects on the agenda. However, we do have a few comments and questions regarding some of the projects.

A couple of general comments. We noted on page 8 of the document the AICPA box has a reference to Rule 203 which is the Accounting Principles rule. It is our understanding that rule has been codified and the new references would be ET sec.1.320.001 and 2.320.001. On page 16 we noted sale-leasebacks were included in the Public-Private Partnerships section. It would seem the sales-leasebacks should be within the scope of the leases standard and not the Public-Private Partnerships.

Evaluation of Existing Standards – The FMSB believes this is an important and far reaching project. We strongly encourage the FASAB to provide the necessary resources to this project. We believe this is one avenue to reduce the amount of costs associated with the preparation of financial statements as well as address current standards that may not be applicable due to overall changes to the federal government, technology and the political arena.

Technical Guidance - We agree it is necessary to update the technical guidance for assigning assets and cleanup costs. It is important for the Federal Government's transparency that the technical guidance move to an actual standard as the Federal Government continues to strive for a clean opinion for its annual audit.

Debt Cancellation - We concur with the FASAB's decision to consider debt cancellation as a project due to the lack of guidance in the Department of Treasury manual addressing the proper treatment of debt cancellation.

Department of Defense Implementation Guidance – We support the FASAB's ongoing attempts to resolve the matters specific to the Department of Defense. The AGA has also engaged in projects relative to the Department of Defense in the past and addressing Department of Defense concerns is a matter we totally support.

Land – We applaud the continued efforts of the FASAB in addressing this issue. The FMSB understands the importance of a standard that provides consistency in reporting land. We understand the complexity in determining the consistency while keeping costs of gathering and reporting the information at a reasonable amount. We support and encourage the FASAB to continue to discuss this project and come to a solution that will provide the necessary accounting and reporting of land.

Leases – We agree with the FASAB’s efforts determining the proper treatment of leases. We also agree with the proposed deferral of the effective date of SFFAS 54 while FASAB continues to:

- Update the existing TRs to confirm the guidance to the revised lease standard,
- Issue a standard regarding software licenses and
- Provide an implementation guide for leases, which we believe to be vital to a successful implementation of SFFAS 54.

We have noted GASB’s struggles since they issued their *Leases* standard (GASB Statement No. 87,) prior to finalizing the software license (*Subscription-Based Information Technology Arrangements*) and related *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* projects. Both projects as proposed have similar elements to the *Leases* standard. Finally, we encourage the FASAB to converge as much as possible to the lease standards issued by FASB and GASB.

Materiality Though we appreciate the efforts of the FASAB to address this issue, materiality is primarily an auditing concept, undefined by other standards-setters. Only *performance materiality* is defined in the *Auditing Standards Codification* as “[t]he amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, the term performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances, or disclosures. Performance materiality is to be distinguished from tolerable misstatement.” Empirically, materiality can have quantitative as well as qualitative aspects. We ask the FASAB to consider the auditing provisions and the provisions in AU-C Sections 320 along with the recently released SAS-138 as part of the project.

MD&A Amendments – The FMSB believes the MD&A is a key component of the financial statements as it gives management an opportunity to provide a narrative beneficial to the readers of the financial statements. We encourage the FASAB to include key items in SFFAC 3 and converge them into SFFAS 15 to create a more robust and applicable standard addressing the MD&A. We agree the MD&A should promote a financially focused and integrated report of the use of resources by the entity. We also noted the FASAB is considering “potential forward-looking impact” disclosures as part of the MD&A. Forward-looking information is not currently presented in the financial statements of for state and local governments but is presented for engagements subject to Securities and Exchange Commission regulations. This is a particularly sensitive subject and we encourage the FASAB to take great care with deliberating this aspect of the MD&A. We believe that forward-looking information in an MD&A be confined to currently known facts, decisions, and conditions directly relating to the Statements of Long-Term Fiscal Projections and the Statements of Social Insurance and Changes in Social Insurance Amounts and the Statements of Changes in Social Insurance Amounts.

Note Disclosures – This project corresponds with GASB’s wide-ranging note disclosure which has resulted in a conceptual framework project to potentially streamline and improve note disclosures. While it will be difficult to achieve streamlined note disclosures for federal agencies, we encourage the FASAB to focus on information that is essential to understanding by the readers of the financial statements and to continue to work with the other standard setters for convergence when possible.

Omnibus Amendments – We support the efforts to amend multiple provisions of the standards through a single action of the FASAB. We agree this can ease the burden on preparers and auditors when issuing these amendments.

Public-Private Partnerships (P3's) – With the continued pressure on the federal government to provide services to the taxpayers, P3's are becoming more significant, especially in infrastructure finance. We support FASAB's phase II objectives in moving this issue forward and encourage FASAB to provide the necessary comprehensive guidance. We firmly believe the FASAB needs to cover all the potential topics in the project in one exposure draft rather than address a few and address others in later drafts. We also believe the FASAB needs to be concise in its guidance so the implementation across all federal agencies is consistent.

Reporting Model Project – We believe the Reporting Model Project is a high priority project that should result in significant, overarching improvements to federal financial reporting. We support the efforts to enhance the budgetary information, performance reporting and data quality and integration.

Some of our members voiced concern over the use of “helpful” as a threshold which seems vague to describe a threshold. They also noted the use of “stewardship investment concerns” and whether these are investments that meet the definition of an investment for income or profit. If not, we recommend the terminology be changed to remove the potential confusion.

Risk Reporting Project - We encourage FASAB to continue its efforts as it focuses on determining the best information regarding potential effect of the fiscal health of the federal government. As noted above there are concerns regarding the forward-looking reporting for the MD&A amendments.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, Chair at [lmiller@eidebailly.com](mailto:lmiller@eidebailly.com) or at 208-383-4756.

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller". The signature is written in a cursive, flowing style.

Lealan Miller, CGFM, CPA  
Chair- AGA Financial Management Standards Board

cc: Ernest A. Almonte, CGFM, CPA, AGA National President

Financial Management Standards Board  
July 2019 – June 2020

Lealan Miller, Chair

David A. Arvin

Jo Bachman

Orinda Basha

Eric S. Berman

Gerry Boaz

Jean F. Dalton

James Davis

Scott DeViney

Richard Fontenrose

Simcha Kuritzky

Mickey Moreno

Brian Mosier

Craig M. Murray, Vice Chair

Roger Von Elm

Sharron Walker

Kawoanna Wiggins

Brittney Williams

Ann M. Ebberts, Chief Executive Officer, (Ex-Officio Member) AGA

Mark Reger, (Staff Liaison) AGA



January 17, 2020

Monica R. Valentine, Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

Dear Ms. Valentine:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB or "the Board") Three-Year Plan.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

The FISC would like to join FASAB in thanking Ms. Wendy Payne for her 28 years of service and outstanding commitment to the federal financial management community and wish her all the best in her future endeavors.

The FISC noted FASAB's Three-Year Plan includes projects that are considered priorities of the Board and that are intended to address emerging issues and improve the usefulness and transparency of the federal financial information to the users. Several FISC members suggest that the Board consider accelerating the activities and timeline related to the Reporting Model – Phase 2 project to be more aligned with the timeline for the MD&A Amendments and Note Disclosures – Phase 1 projects since these are all financial reporting related projects and complement each other.

\*\*\*\*\*

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

Sherif Ettifa  
FISC Chair