



February 16, 2021

Memorandum

To: Members of the Board
From: Monica R. Valentine, Executive Director
Subject: *FASAB FY 2020 Annual Report and Three-Year Plan* – **TAB G**¹

MEMBER ACTIONS REQUESTED:

Please review the materials and provide feedback on the questions on p.3 by February 19, 2021

MEETING OBJECTIVE

To review the responses regarding the *FASAB Fiscal Year (FY) 2020 Annual Report and Three-Year Plan for FY 2021-2023* (“the Report”). The combined report gives stakeholders a snapshot of FASAB’s activities over the past year; and allows the community to reflect on FASAB’s progress, as well as invites them to comment on the Board’s upcoming plans.

BRIEFING MATERIAL

The briefing material includes this memorandum, summary tables of the comments received organized by topic, and the full text of the responses in Attachment 1.

The Report can be found on the FASAB website at https://files.fasab.gov/pdf/annual_report_2020.pdf

SUMMARY OF OUTREACH EFFORTS

The Report was issued November 20, 2020 with comments requested by January 21, 2021. Upon release of the Report, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, *FASAB News*, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on our proposals in the past. To encourage responses, a reminder notice was provided to our Listserv.

As of February 11, 2021 twelve responses had been received from the following sources:

¹ 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.

	FEDERAL	NON-FEDERAL
Users, academics, & others	1	5
Auditors		
Preparers and financial managers	6	

The full text of the responses is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received.

Staff Analysis

Based on staff's review of the responses, general support was noted for the current work of the Board, as well as the potential projects. Below is a brief summary and general assessment of the comments received.

- *Current projects:*
 - Land – support for planned implementation activities/guidance
 - Public-Private Partnerships – support for recognition and measurement guidance
 - Reporting Model – support to continue all three projects – budgetary information, management's discussion & analysis, and note disclosures
 - Technical Clarifications – support to continue with guidance on fund balance with Treasury classification and debt cancellations
- *Potential projects:* General support was expressed for all three potential projects – intangible assets, reexamination of existing standards, and subscription-based information technology arrangements.
- *Leases:* The one comment on leases noted concerns with inconsistencies in the budgetary accounting for lease transactions. Budgetary accounting is not within FASAB's purview.
- *Liabilities:* Two respondents requested additional guidance on environmental and pension liabilities.
- *Other technical topics:* A respondent requested guidance on the reporting of fees and other collections required by federal commissions. SFFAS 7 does address several types of user and regulatory fees. The respondent also requested the Board provide guidance on the recognition of improper payments, which is currently not addressed in the standards.
- *Outreach and Training:* One respondent encouraged the Board to continue its outreach and training activities.

Based on staff's assessment of the responses, we do not recommend any change at this time in the Board's current agenda. Staff also suggests the Board consider the comments received when the Board reviews the full agenda later this year.

Questions for the Board:

- 1. Does the Board want to follow up with any of the respondents to get further information or clarity on their comments?**
- 2. Does the Board agree with staff's recommendations to not make any changes to the current Board agenda and to review the comments received when the full agenda is reviewed by the Board later this year?**
- 3. Do the members have other specific comments on any of the responses?**

MEMBER FEEDBACK:

If you have any questions or comments please contact me by email at valentinem@fasab.gov, by February 19, 2021.

Table A: Topic – Land

Land			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
5	DOD - CFOC	Request the Board consider hosting task force sessions with federal agencies, auditors, and other stakeholders as it works through the land Standard. The Department and other agencies may need the implementation guidance closer to the Standard’s implementation date.	Noted.
8	AGA - FMSB	We encourage FASAB to continue its implementation guidance research with the goal to have complete and comparable reporting among federal entities once the exposure draft is finalized.	Noted.

TABLE B: Topic – Leases

Leases			
Ref Number	Respondent Name/Organization	Response	Staff Notes:
8	AGA - FMSB	<p>We appreciate the omnibus amendments and implementation guidance, as they should provide preparers detailed instructions for properly implementing the standards and enhancing comparability between federal agencies. We found helpful FASAB's effort to expand its communication strategy through podcasts and videos related to this complex topic that will require significant implementation efforts by federal agencies.</p> <p>We hope that the implementation guidance will also provide instructions on the budgetary entries that federal agencies – both component entities and the federal government as a whole – must record for lease transactions, especially obligations for non- GSA (General Services Administration) leases with a cancellation clause.</p> <p>An FMSB member who works in public accounting has noted contradictory guidance in the Government Accountability Office's (GAO's) Principles of Federal Appropriations Law and Office of Management and Budget's (OMB's) Circular A-11 Appendix B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets, regarding the amount of the obligation that must be recorded for non-GSA multi-year leases with cancellation clauses.</p>	<p>Staff does not see any specific issues with SFFAS 54. The budgetary entries fall under the purview of Treasury/OMB, and the Red Book falls under the purview of GAO.</p>

TABLE C: Topic – Liabilities

Liabilities			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes
2	USCG	<p>Coast Guard recently received extremely useful technical guidance from Mr. Savini, regarding pension liabilities, under SFFAS #5 and SFFAS #33 (TI_2020_6).</p> <p>It would be helpful to update SFFAS #5 and SFFAS #33 to eliminate the issues raised by the auditor.</p> <p>The key issue was: What date should the discount rate be determined, to compute the year-end liabilities? This is important because pension liabilities make up over 50% of the balance sheet for Coast Guard, DHS and many other government agencies.</p>	This issue can be addressed in the reexamination project.
12	DoE	<p>DOE plans to propose changes to or clarifications of FASAB’s guidance regarding environmental liabilities, including <i>Technical Release 2, Determining Probably and Reasonably Estimable for Environmental Liabilities in the Federal Government</i>. Specifically, DOE plans to propose:</p> <ul style="list-style-type: none"> • Clarifications regarding the use of contingencies in estimates of environmental liabilities, and • Clarifications on time period for which cleanup liabilities are deemed to be reasonably estimable. <p>DOE is currently reviewing accounting requirements for Nuclear Materials and other national security assets to identify potential changes that could reduce the level of effort when accounting for these assets. In the future, DOE may approach FASAB staff to discuss potential changes to or exemptions from current standards to improve efficiency.</p>	Environmental liabilities could be considered as a potential research topic when time and resources are available.

TABLE D: Topic – Internal Use Software/SBITAS

Internal Use Software (IUS)/SBITAS			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
3	Mr. Jones	<p>I found the discussion about software as an adjunct to the revisiting of both Intangible Assets and Subscription-Based Information Technology Arrangements as Potential Projects very interesting.</p> <p>I was disappointed to not see accounting for the cost of software development in an Agile Environments also listed as a potential project. SFFASs 6 and 10 still reflect the traditional (or waterfall) method of software development, which means reporting entities must adapt their accounting methods (as allowed by GAAP), which inevitably puts them at odds with their auditors. Accurate accounting for software costs in an agile environment requires that cost reporting protocols are established early in the software acquisition cycle, and if that window is missed it's expensive, if at all possible to insert adequate reporting protocols into awarded projects. The nature of an ongoing development project, which is both in service and in development at the same time, is more than some experienced accountant I have worked with can conceive of. In addition, tracking pieces of code from one "sprint" to the next, and matching that code with functionality with any specificity (as required by a strict reading of SFFAS 10) is a huge burden, which far outstrips the benefit derived.</p> <p>I would suggest a comprehensive look at accounting for software be under-taken, and guidance reflecting acquisition practices be issued as quickly as reasonable.</p>	Staff expects to consider updates to IUS guidance as part of the Intangibles/SBITAs project.

TABLE E: Topic – Public-Private Partnerships

Public-Private Partnerships			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
5	DOD - CFOC	The Department acknowledges the public-private partnerships (P3s) project is in Phase 2, the research phase, and will include recognition and measurement; and recommends this subject as a key priority in the three-year plan. SFFAS 49 implementation will benefit from examples of common P3s across agencies and guidance on recognition and measurement. Currently, SFFAS 49 P3s address note disclosure requirements. Guidance on recognition and measurement would improve completeness and accuracy of the disclosures.	Noted.
8	AGA - FMSB	We believe FASAB’s research regarding recognition and measurement will consider the body of evidence gathered by other standard setting bodies and will generally result in similar treatment of P3s between the federal government and state and local governments, except for matters unique to the federal government that must be individually researched and concluded upon.	Noted.

TABLE F: Topic – Potential Projects

Potential Projects			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
5	DOD - CFO	<i>Intangibles:</i> The Department agrees that additional information/clarification of standards is necessary for the accounting treatment of cloud-based and other software subscription services, and would benefit from a project that would establish a definition for intangible assets and develop comprehensive guidance on accounting for intangible assets.	Noted.
8	AGA - FMSB	<p><i>Reexamination of Existing Standards:</i> The FMSB continues to support this important project. As we have observed from the GASB, reexamining existing standards is a necessary and appropriate use of resources that ensure standards are operating as intended and address current transactions, law, and technology, as well as removing outdated and contradictory guidance or terminology. We strongly encourage the FASAB to provide the necessary resources to this project.</p> <p><i>Intangibles:</i> The FASAB Annual Report identifies certain shortcomings and inconsistencies in the current guidance related to accounting and reporting for intangible assets. We agree that clarification and guidance in this area is needed. We also agree that federal accounting guidance for SBITA is necessary given the prevalence and valuation issues related to these transactions.</p>	Noted.
10	Interior - OCFO	<i>Intangibles:</i> Moreover, during the land project’s June 2017 deliberations, the Board agreed that, because land rights are intangible assets, any open issues related to their treatment should not be addressed by SFFAS 6 and excluded from the land project’s scope. Confirm that this sentence is accurate when compared to the forthcoming issuance of the SFFAS for Reporting Land. Update the Sentence to confirm with the forthcoming Land standard, if appropriate.	Land rights will be considered in the Intangible assets research project. Staff is also working on clarifying omnibus amendments and implementation guidance for land rights that meet the definition of a lease.

TABLE G: Topic – Reporting Model

Reporting Model			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
5	DOD - CFO	<p><i>Management's Discussion and Analysis (MD&A):</i> The Department agrees the current MD&A and Other Information sections of the Agency Financial Report (AFR) contain duplicative content and incompatible reporting timelines with budget and performance reporting create challenges for reporting. The Department looks forward to streamlined MD&A guidance that addresses these issues.</p>	Noted.
8	AGA - FMSB	<p><i>Budgetary Information:</i> Historically, federal budgeting and the related reporting has been under the purview of OMB, with FASAB having minimal input. Therefore, we consider this project a move in the right direction for better integrating budgetary reporting within the overall financial reporting framework.</p> <p>According to Statement of Federal Financial Accounting Concepts 1, <i>Objectives of Federal Financial Reporting</i>, federal financial reporting should provide information that helps readers determine:</p> <ul style="list-style-type: none"> - how budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization, - the status of budgetary resources, and - how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities. <p>We note the GASB requires disclosure of the original and final appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary</p>	Noted.

Reporting Model			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
		<p>basis. Some FMSB members think Congress and users of federal financial information may find the equivalent federal information essential.</p> <p><i>Management Discussion and Analysis (MD&A):</i> We encourage FASAB to continue this project with the goal of eliminating duplicative content and the density of non-financial information that does not provide informative context for the financial statements.</p> <p><i>Note Disclosures:</i> We believe that the note disclosures project will add significant value to the understandability of the financial statements. Providing concepts on the types of information to include in the note disclosures, in addition to the model note disclosures included in OMB Circular A-136, <i>Financial Reporting Requirements</i>, would increase the relevance, clarity, consistency, and comparability of note disclosures.</p>	
9	GWSCPA - FISC	<p>The FISC noted FASAB's Three-Year Plan is designed to continue to meet the needs of users of federal financial information. The plan includes projects considered to be priorities of the Board that are intended to address emerging issues and improve the usefulness of federal financial reporting and the transparency of the financial activities and results of the federal government and its components. Several FISC member suggest that the Board consider accelerating the activities and timeline related to the Note Disclosures – Phase 2 project to align with the timeline of the Budgetary Information and the MD&A projects as these are all part of the Reporting Model project.</p>	Noted.

TABLE H: Topic – SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*

SFFAS 7			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
1	Mr. Steinberg	Provide criteria for reporting the fees and other collections required by Commissions (FTC, SEC, NRC, CFTC, FCC) and other entities whose primary revenue are fees, e. g., FAA, PTO.	SFFAS 7 does address several types of user and regulatory fees, including patent and copyright fees and SEC registration and filing fees. Staff will follow up with the respondent to get clarification on the request. If there is a void in the guidance it could be included in the reexamination project research.

TABLE I: Topic – Technical Clarifications

Technical Clarifications			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
5	DoD - OCFO	<i>Non-Federal, Non-Entity Fund Balance with Treasury:</i> The Department previously agreed with the proposed "Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31." We acknowledged that while clarification was provided, the term "non-federal non-entity" was not defined, and agree the development of additional implementation guidance is necessary.	Noted.
4	Anonymous	<i>Debt Cancellation:</i> I believe the ED on Other Financing Sources vs. Revenue is very important. It is not too limited a scope, as most agencies have to deal with it at one point on another, even if they don't submit questions to FASAB. During our discussions with agency personnel, they had a major issue with the fact that the long term liability and receivable were "outside of the budget", as they would only budget for the annual payment and the annual assessment of this 10 year program.	Noted.

TABLE J: Topic – Other Comments

Other Comments			
Ref Number	Respondent Name/Organization	Summary Response	Staff Notes:
1	Mr. Steinberg	I still believe there are two areas that will require accounting standards in future years, one to get comparability among components and the other to prevent GAO's denial of an unmodified opinion when all the other material weaknesses are addressed. The first is to provide criteria for reporting the fees and other collections required by Commissions (FTC, SEC, NRC, CFTC, FCC) and other entities whose primary revenue are fees, e. g., FAA, PTO. The other is recognizing in the financial statements the improper payments already reported by agencies in paymentintegrity.gov.	Noted.
5	DOD - OCFO	The Board reported it was unable to host its annual update meeting in FY 2020 due to COVID-19. For 2021, the Department recommends the Board host its annual update virtually. The annual updates provide important information on key accounting and financial reporting issues. Additionally, we recommend the Board continue to host other online training sessions to share their valuable expertise with the DoD community, as well as the opportunity for continuing professional education credits.	Staff has plans to resume the annual update in 2021.

THIS PAGE INTENTIONALLY LEFT BLANK

Attachment 1: Respondent Table of Content and Individual Comment Letters

Table of Contents

Number	Respondent	Page Number
1	Mr. Hal Steinberg	1
2	U.S. Coast Guard	2
3	Mr. Allen B. Jones	3
4	Anonymous Respondent	4
5	Department of Defense-OCFO	5
6	Social Security Administration	6
7	Environmental Protection Agency	7
8	Association of Government Accountants	8
9	Greater Washington Society of Certified Public Accountants	13
10	Department of the Interior-Office of Financial Management	14
11	Department of Commerce	16
12	Department of Energy	17

Received via email 11/23/2020

Monica

I just finished reading FASAB's three year plan. Congratulation. I liked the different spin this year.

I still believe there are two areas that will require accounting standards in future years, one to get comparability among components and the other to prevent GAO's denial of an unmodified opinion when all the other material weaknesses are addressed. The first is to provide criteria for reporting the fees and other collections required by Commissions (FTC, SEC, NRC, CFTC, FCC) and other entities whose primary revenue are fees, e. g., FAA, PTO. The other is recognizing in the financial statements the improper payments already reported by agencies in paymentintegrity.gov.

Hal

Received via email 12/14/2020

Ms. Batchelor:

Coast Guard recently received extremely useful technical guidance from Mr. Savini, regarding pension liabilities, under SFFAS #5 and SFFAS #33.

It was needed to address a new, unusual position taken by KPMG that was not in alignment with their past position or any other federal agency (and I contacted many, including DoD and GAO).

As noted in the attached guidance, it would be helpful to update SFFAS #5 and SFFAS #33 to eliminate the issues raised by KPMG for all FASAB users, regardless of the auditor they use.

The key issue was: What date should the discount rate be determined, to compute the year-end liabilities?

I will be retiring in FY21 but feel this is important because pension liabilities make up over 50% of the balance sheet for Coast Guard, DHS and many other government agencies.

And I would be pleased to act as an advisor, should technical actuarial advice be needed, even after I retire.

Sincerely,

Rick Virgile

Chief Actuary, CG-842

Received via email 12/14/2020

I found the discussion about software as an adjunct to the revisiting of both Intangible Assets and Subscription-Based Information Technology Arrangements as Potential Projects very interesting. I was disappointed to not see accounting for the cost of software development in an Agile Environments also listed as a potential project. SFFASs 6 and 10 still reflect the traditional (or waterfall) method of software development, which means reporting entities must adapt their accounting methods (as allowed by GAAP), which inevitably puts them at odds with their auditors. Accurate accounting for software costs in an agile environment requires that cost reporting protocols are established early in the software acquisition cycle, and if that window is missed it's expensive, if at all possible to insert adequate reporting protocols into awarded projects. The nature of an ongoing development project, which is both in service and in development at the same time, is more than some experienced accountant I have worked with can conceive of. In addition, tracking pieces of code from one "sprint" to the next, and matching that code with functionality with any specificity (as required by a strict reading of SFFAS 10) is a huge burden, which far outstrips the benefit derived.

I would suggest a comprehensive look at accounting for software be under-taken, and guidance reflecting acquisition practices be issued as quickly as reasonable.

Thank you,

Allen B. Jones, CPA

Received via email 12/15/2020

I am listening in to the FASAB Meeting and am finding the discussion interesting. I believe the ED on Other Financing Sources vs. Revenue is very important. It is not too limited a scope, as most agencies have to deal with it at one point or another, even if they don't submit questions to FASAB. The clarification that Bob suggested should be included in the ED, as Statement 7 does not really provide effective guidance.

I've had to deal with a presentation issue of "Other Financing Source" vs "Revenue" at an agency of USDA. They were not recording a major liability for the Tobacco Transition Payment Program (payments the agency was required to make to the producers signed up for the Tobacco Price Support Program) because they expected to collect annual assessments from the tobacco manufacturers and importers. I insisted that they needed to record a long term liability and a long term receivable for the stream of income to offset the effect of the liability, with zero impact on the current period's net cost. They were recording the annual assessments that they levied in account 5900. So I proposed the audit adjustment entry to record an unfunded long term liability (account 6800 as the assessments were annual assessments) and the offsetting income stream in account 5900, which they presented as an "Other Financing Source" in the SCNP. I didn't question their presentation and did not research whether this presentation was appropriate, as my main issue was getting the liability on the books. The next year, they had a new CFO and the CFO comes to me to ask why the transaction was presented as an "Other Financing Source" (as if I were the one who made that decision). I spent a lot of time researching SFFAS 7 and A-136 and the Treasury Crosswalks on what should be the proper presentation, but did not find any good guidance on how the levy should be presented in the FS.

During our discussions with agency personnel, they had a major issue with the fact that the long term liability and receivable were "outside of the budget", as they would only budget for the annual payment and the annual assessment of this 10 year program. So, I am very curious to read the research that FASAB has conducted and the conclusions reached. I will certainly read it and provide my feedback.

Unknown

Office of the Under Secretary of Defense (Comptroller)
Financial Management Policy and Reporting (FMPR)

Department of Defense (DoD)

#	FASAB Potential Projects	Comments
1	Land - Accounting and Reporting	Task Force Sessions: The Board's three-year plan shows continued deliberation and finalization of a new standard for accounting and reporting for land. In addition, implementation guidance for the land standard will be developed in FY 2021 through FY 2023. Request the Board consider hosting task force sessions with federal agencies, auditors, and other stakeholders as it works through the land Standard. Implementation Date and Implementation Guidance: The Project Summary (page 15) does not include the implementation date of the final Standard. The Department and other agencies may need the implementation guidance closer to the Standard's implementation date.
2	Public-Private Partnerships	The Department acknowledges the public-private partnerships (P3s) project is in Phase 2, the research phase, and will include recognition and measurement; and recommends this subject as a key priority in the three-year plan. SFFAS 49 implementation will benefit from examples of common P3s across agencies and guidance on recognition and measurement. Currently, SFFAS 49 P3s address note disclosure requirements. Guidance on recognition and measurement would improve completeness and accuracy of the disclosures.
3	Management's Discussion and Analysis (MD&A)	The Department agrees the current MD&A and Other Information sections of the Agency Financial Report (AFR) contain duplicative content and incompatible reporting timelines with budget and performance reporting create challenges for reporting. The Department looks forward to steamlined MD&A guidance that addresses these issues.
4	Non-Federal, Non-Entity Fund Balance With Treasury	The Department previously agreed with the proposed "Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31." We acknowledged that while clarification was provided, the term "non-federal non-entity" was not defined, and agree the development of additional implementation guidance is necessary.
5	Potential Projects - Intangibles	The Department agrees that additional information/clarification of standards is necessary for the accounting treatment of cloud-based and other software subscription services, and would benefit from a project that would establish a definition for intangible assets and develop comprehensive guidance on accounting for intangible assets.
6	Ongoing Education & Outreach Activities	The Board reported it was unable to host its annual update meeting in FY 2020 due to COVID-19. For 2021, the Department recommends the Board host its annual update virtually. The annual updates provide important information on key accounting and financial reporting issues. Additionally, we recommend the Board continue to host other online training sessions to share their valuable expertise with the DoD community, as well as the opportunity for continuing professional education credits.

Received via email 1/14/2021

Monica,

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

Please direct any questions or comments to Mark Wohlfort at mark.wohlfort@ssa.gov.

Thank you,

Joanne R. Gasparini

Deputy Chief Financial Officer

Social Security Administration

Received via email 1/15/2021

EPA officials in our financial reporting and financial policy areas reviewed the Annual Report and Three Year Plan referenced below. At this time, we have no comments to offer.

Thank you.....

Christopher S. Osborne, CPA

Senior Financial Adviser

Office of the Controller



January 20, 2021

Mr. George A. Scott, Chair
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 1155
Washington, DC 20548

Via email to fasab@fasab.gov

Dear Mr. Scott:

The Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its three-year plan for its technical agenda. We have reviewed the plan and appreciate FASAB's continued efforts furthering federal financial standards. The FMSB concurs with the content and relative prioritization of the projects on the agenda. We have the following comments regarding selected projects:

Land – Accounting and Reporting

We encourage FASAB to continue its implementation guidance research with the goal to have complete and comparable reporting among federal entities once the exposure draft is finalized.

Leases

We appreciate the omnibus amendments and implementation guidance, as they should provide preparers detailed instructions for properly implementing the standards and enhancing comparability between federal agencies. We found helpful FASAB's effort to expand its communication strategy through podcasts and videos related to this complex topic that will require significant implementation efforts by federal agencies. We hope that the implementation guidance will also provide instructions on the budgetary entries that federal agencies – both component entities and the federal government as a whole – must record for lease transactions, especially obligations for non- GSA (General Services Administration) leases with a cancellation clause.

An FMSB member who works in public accounting has noted contradictory guidance in the Government Accountability Office's (GAO's) *Principles of Federal Appropriations Law* and Office of Management and Budget's (OMB's) Circular A-11 Appendix B, *Budgetary Treatment of Lease-Purchases and Leases of Capital Assets*, regarding the amount of the obligation that must be recorded for non-GSA multi-year leases with cancellation clauses.

According to OMB Circular A-11, Appendix B, *Budgetary Treatment of Lease-Purchases and Leases of Capital Assets*, “For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the

Mr. George A. Scott, Chair
Federal Accounting Standards Advisory Board
January 20, 2021

requirements of the Antideficiency Act. This will include the estimated total payments expected to arise under the full term of the contract or, if the contract includes a cancellation clause, an amount sufficient to cover the lease and other contractually required payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract. For each subsequent year, sufficient budget authority is required to be obligated to cover the annual lease payment for that year plus any additional cancellation costs. For operating leases funded by the General Services Administration's Federal Buildings Fund (which is self-insuring under existing authority), only the amount of budget authority needed to cover the annual lease payment is required to be obligated.”

According to GAO’s Principles of Federal Appropriations Law-Volume II (Third Edition), “an obligation arises when the definite commitment is made, even though the actual payment may not take place until a future fiscal year. ... For appropriations law purposes, the term “obligation” includes both matured and unmatured commitments. A matured commitment is a legal liability that is currently payable. An unmatured commitment is a liability which is not yet payable but for which a definite commitment nevertheless exists. For example, a contractual liability to pay for goods which have been delivered and accepted has “matured.” The liability for monthly rental payments under a lease is largely unmatured although the legal liability covers the entire rental period. Both types of liability are “obligations.” The fact that an unmatured liability may be subject to a right of cancellation does not negate the obligation.”

This GAO interpretation contradicts the OMB Circular A-11 guidance regarding the recording of obligations for non-GSA leases with a cancellation clause. In GAO's opinion, there is an important difference in financial accounting and reporting between a 20-year cancellable lease and a one-year lease with 19 renewal options. Although OMB Circular A-11 suggests that both could be obligated for annually, GAO’s interpretation does not support that position. Therefore, we hope that the preparation of the leases implementation guidance will open a dialogue between FASAB, GAO, and OMB that will help eliminate the contradictory guidance in the publications related to this topic.

Public Private Partnerships (P3s)

We believe FASAB’s research regarding recognition and measurement will consider the body of evidence gathered by other standard setting bodies and will generally result in similar treatment of P3s between the federal government and state and local governments, except for matters unique to the federal government that must be individually researched and concluded upon.

Reporting Model – Budgetary Information

Historically, federal budgeting and the related reporting has been under the purview of OMB, with FASAB having minimal input. Therefore, we consider this project a move in the right direction for better integrating budgetary reporting within the overall financial reporting framework.

According to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, federal financial reporting should provide information that helps readers determine:

Mr. George A. Scott, Chair
Federal Accounting Standards Advisory Board
January 20, 2021

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

We note the GASB requires disclosure of the original and final appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary basis. Some FMSB members think Congress and users of federal financial information may find the equivalent federal information essential.

Reporting Model – Management Discussion and Analysis (MD&A)

We encourage FASAB to continue this project with the goal of eliminating duplicative content and the density of non-financial information that does not provide informative context for the financial statements.

Reporting Model – Note Disclosures

We believe that the note disclosures project will add significant value to the understandability of the financial statements. Providing concepts on the types of information to include in the note disclosures, in addition to the model note disclosures included in OMB Circular A-136, *Financial Reporting Requirements*, would increase the relevance, clarity, consistency, and comparability of note disclosures.

Potential Projects

Reexamination of Existing Standards

The FMSB continues to support this important project. As we have observed from the GASB, reexamining existing standards is a necessary and appropriate use of resources that ensure standards are operating as intended and address current transactions, law, and technology, as well as removing outdated and contradictory guidance or terminology. We strongly encourage the FASAB to provide the necessary resources to this project.

Intangibles and Subscription Based Information Technology Arrangements (SBITA)

The FASAB Annual Report identifies certain shortcomings and inconsistencies in the current guidance related to accounting and reporting for intangible assets. We agree that clarification and guidance in this area is needed. We also agree that federal accounting guidance for SBITA is necessary given the prevalence and valuation issues related to these transactions.

The FMSB is comprised of 24 members (listed below) 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. If there are any questions regarding the comments in this letter, please contact me at (517) 334-8069.

Mr. George A. Scott, Chair
Federal Accounting Standards Advisory Board
January 20, 2021

Sincerely,

A handwritten signature in cursive script that reads "Craig M. Murray".

Craig M. Murray, CGFM, CPA, CIA
Chair, Financial Management Standards Board

cc: Wendy Morton-Huddleston, CGFM, PMP, AGA National President

Mr. George A. Scott, Chair
Federal Accounting Standards Advisory Board
January 20, 2021

Association of Government Accountants
Financial Management Standards Board
July 2020 – June 2021

Craig Murray, Chair
Scott DeViney, Vice Chair
Crystal Allen
David Arvin
Orinda Basha
Eric Berman
Gerry Boaz
Jean Dalton
James Davis
Jim Dawson
Richard Fontenrose
Christopher Goeman
Simcha Kuritzky
Lealan Miller
Mickey Moreno
Brian Mosier
Masoud Najmabadi
Mark Reger
Anthony Scardino
Sharron Walker
Kawoanna Wiggins
Brittney Williams
Ann Ebberts, CEO, AGA
Susan Fritzen, COO, AGA



January 21, 2021

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 (FASAB or “the Board”) Three-Year Plan.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 20 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.

The FISC would like to congratulate the Board on its 30th anniversary. The FISC would also like to commend the Board and staff on their efforts during the Coronavirus Disease 2019 pandemic.

The FISC noted FASAB’s Three-Year Plan is designed to continue to meet the needs of users of federal financial information. The plan includes projects considered to be priorities of the Board that are intended to address emerging issues and improve the usefulness of federal financial reporting and the transparency of the financial activities and results of the federal government and its components. Several FISC members suggest that the Board consider accelerating the activities and timeline related to the Note Disclosures – Phase 2 project to align with the timeline of the Budgetary Information and the Management’s Discussion and Analysis projects as these are all part of the Reporting Model project.

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'S. Ettfa'.

Sherif R. Ettfa
FISC Chair

Annual Report for Fiscal Year 2020 and Three-Year Plan

Comments from Department of the Interior

Bureau/ Representative Name	Section/Appendices/ Page #	Sentence(s)	Comment	Proposed Change
DOI/NPS/Ruth Jobe	G. Note Disclosures / Page 19	Phase 2 will focus on researching existing standards, identifying areas for streamlining to develop and update ND standards according to the concepts developed in phase 1.	Clarify “ND”	If ND = Note Disclosure, consider spelling out in words; otherwise, please define.
DOI/NPS/Ruth Jobe	Potential Projects/Intangibles/ Page 23	Moreover, during the land project’s June 2017 deliberations, the Board agreed that, because land rights are intangible assets, any open issues related to their treatment should not be addressed by SFFAS 6 and excluded from the land project’s scope.	Confirm that this sentence is accurate when compared to the forthcoming issuance of the SFFAS for Reporting Land	Update the Sentence to confirm with the forthcoming Land standard, if appropriate.

Received via email 1/21/2021

Good Afternoon,

The Department of Commerce has reviewed FASAB's Annual Report and Three-Year Plan, and has no comments on either document.

Thanks,
Kristin

Kristin Salzer, CPA, CGFM

Director, Office of Financial Reporting & Policy

U.S. Department of Commerce



Department of Energy
Washington, DC 20585

February 3, 2021

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FROM

Karin

Karin Dasuki
Director, Office of Finance and Accounting
Department of Energy, Office of the Chief Financial Officer

Digitally signed by Karin Dasuki
Date: 2021.02.02 18:03:12
-05'00'

Thomas Griffin **Thomas P. Griffin**
Director, Office of Financial Policy and Audit Resolution
Department of Energy, Office of the Chief Financial Officer

Digitally signed by Thomas P. Griffin
Date: 2021.02.03 09:07:48 -05'00'

SUBJECT

Federal Accounting Standards Advisory Board (FASAB): *Annual Report Fiscal Year Ended September 30, 2020 and Three-Year Plan for Fiscal Years 2021 - 2023*

The Department of Energy (DOE) appreciates the opportunity to comment on FASAB's Annual Report for Fiscal Year 2020 and three-year plan. DOE has no specific comments regarding the projects outlined in the plan. DOE plans to continue its working relationship with FASAB through active participation on the leases implementation workforce, and accounting and reporting of government land project. DOE will also participate in FASAB's project on intangible assets.

In addition to the projects outlined in FASAB's three-year plan, DOE is reviewing two matters that may lead to requests for changes to FASAB guidance, exemptions from FASAB standards, or further clarifications of those standards.

- **Accounting for Environmental Liabilities.** DOE plans to propose changes to or clarifications of FASAB's guidance regarding environmental liabilities, including Technical Release 2, *Determining Probably and Reasonably Estimable for Environmental Liabilities in the Federal Government*. Specifically, DOE plans to propose:
 - Clarifications regarding the use of contingencies in estimates of environmental liabilities, and
 - Clarifications on time period for which cleanup liabilities are deemed to be reasonably estimable.
- **Accounting for Nuclear Materials and National Security Assets.** DOE is currently reviewing accounting requirements for Nuclear Materials and other national security assets to identify potential changes that could reduce the level of effort when accounting for these assets. In the future, DOE may approach FASAB staff to discuss potential changes to or exemptions from current standards to improve efficiency.

Please contact Tynesha Douglass at (202) 586-6144 with any questions regarding this response.