

Draft MD&A Vision Framework
Used by Pilot Agencies to develop Sample MD&As

MD&A Vision Statement: MD&A should summarize information about the financial position and condition of the reporting entity by discussing the entity's mission, organization, and key financial and performance results to inform users of its financial health and sustainability of major programs.

Therefore, MD&A should be an objective, concise, and easily readable summary analysis of:

- I. The essential few matters causing significant changes to the entity's (1) financial statement amounts during the current reporting period, and (2) financial, budgetary and key performance trends over past reporting periods.
- II. The current and planned actions that will address the essential few opportunities, challenges, and risks that could significantly affect financial statement amounts and key performance results in the future.
- III. The essential few conditions related to systems and controls that could affect the entity's ability to produce reliable financial information.

MD&A may also include references to websites or other areas of the agency financial report that provide additional information when applicable.

Eleven MD&A Objectives

Developed August 2019 – June 2019 based on general (G), the four reporting objectives in SFFAC 1, *Objectives of Federal Financial Reporting*: budgetary integrity (BI); operating performance (OP); stewardship (ST); and systems and controls (S&C), and review of SFFAC 3, *Management's Discussion and Analysis*.

1. G-1 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. Aug 2019
2. BI-1 MD&A should concisely explain financing resources and the sources and status of budgetary resources. Aug 2019
3. BI-2 MD&A should concisely explain why significant changes in budgetary and/or financing resources were needed during the reporting period. Aug 2019
4. OP-1 MD&A should concisely explain if significant costs contributed to agency performance. Oct 2019
5. OP-2 MD&A should concisely explain reasons for significant changes in net cost from the prior year and any significant trends cost over multiple years. Oct 2019
6. OP-3 MD&A should provide an integrated discussion and analysis of the entity's mission, organization, budget, cost, and performance, for the entity's significant major program investments and the entity as a whole, including what types of resources the entity used and what the entity achieved during the reporting period. Feb 2020
7. OP-4 MD&A should provide a concise/balanced discussion/summary of significant financial and non-financial operating performance information, including electronic references to legislative performance framework documents, such as GPRAMA reporting, for the entity's major program investments and the entity as a whole. Feb 2020
8. ST-1 MD&A should concisely explain reasons for significant changes in assets, liabilities, costs, and/or revenues from the prior year and any significant trends. June 2020
9. ST-2 MD&A should concisely describe planned agency actions to address current and prospective mission-related issues, challenges, and/or risks that could significantly affect assets, liabilities, costs, revenues, and budgetary resources.
10. S&C-1 MD&A should concisely describe the conditions of data, systems, and controls that affect the ability to produce reliable financial information. June 2020
11. S&C NOTE A number of members recommended that MD&A should also include a summary discussion about ongoing and planned actions to address non-compliance and control weaknesses that may be causing material weaknesses. This includes references to other sections that have a more in depth discussion of those items.