

Memorandum

Technical Agenda

August 12, 2021

To: Members of the Board
From: Monica R. Valentine, Executive Director
Subject: **Technical Agenda Review** (Topic G)

INTRODUCTION

The Board annually reviews its technical agenda to determine priorities for the upcoming year. In past years, the Board has conducted the agenda review in February after comments have been received on FASAB's annual report and three-year plan. At the suggestion of Chairman Scott, the Board agreed to change the process by reviewing the Board's technical agenda and establishing the Board priorities just prior to the start of the federal government's fiscal year. In addition to setting the Board's priorities in August, the Board will conduct a mid-year review of the technical agenda at the February meeting.

For this topic discussion, staff is seeking the Board's feedback on the current technical agenda projects, as well as the current research topics.

REQUEST FOR FEEDBACK BY AUGUST 20

Prior to the Board's August meeting, please review the attached project information, staff recommendations and analyses and consider the ensuing questions. If members have any comments or questions prior to the meeting please contact to me at ValentineM@fasab.gov by August 20.

NEXT STEPS

Based on the agenda priorities established by the Board, staff will allocate available resources appropriately to meet those priorities.

ATTACHMENT

1. Staff Analysis
2. Project Timelines

Staff Analysis

TECHNICAL AGENDA

Attachment 1

CONTEXT

The Board currently has six active projects on the technical agenda and three research topics underway.

BACKGROUND

The current FASAB staff resources include three assistant directors, two senior analysts, one communications analyst, one executive assistant, and the executive director. We are in the process of filling one senior analyst vacancy by the end of the 2021 calendar year.

It is important to note that staff has been successful in leveraging resources through its various task forces, as well as agency details, however such assistance is sporadic and normally short-term in nature. Our recent experience has shown that additional resources provided by interns and detailees can be highly effective. For example, with the use of additional resources staff has been able to develop leases implementation guidance in a timely manner. Please note that without these additional resources the leases implementation guidance would have been significantly delayed.

Given the limited resources, staff continues to provide well-written, well researched, and technically sound products to the Board and the Accounting and Auditing Policy Committee (AAPC) for deliberations. In addition, staff regularly provides responses to technical inquiries, conducts task force meetings, attends government-wide meetings representing FASAB, and participates in a variety of outreach activities. The Board should be cognizant of the fact that such continued exceptional performance in light of our staffing limitations is contingent on a host of variables some of which are unknown and/or uncontrollable. Variables could include staff attrition, changes in Board priorities, or other factors affecting Board progress.

All known and reasonably seen factors should be taken into consideration as the Board establishes its priorities for the upcoming fiscal year.

CURRENT TECHNICAL AGENDA PROJECTS

Below is a list of the six active projects on the Board's technical agenda, as well as summaries, current project status and recommended next steps for the projects. Also, included are the AAPC projects that require staff resources.

Current Technical Agenda Projects:

- Land Implementation
- Leases Implementation
- Concepts – Omnibus
- Public-Private Partnerships (P3) Phase II – Recognition and Measurement
- Reporting Model – Management Discussion & Analysis
- Technical Clarifications of Existing Standards
- Technical Release Conforming Amendments (AAPC)

Technical Agenda Project Summaries, Status, and Next Steps

I. *SFFAS 59, Land Implementation*

- a. Summary - To ensure consistent accounting treatment and reporting for land holdings while considering user information needs, SFFAS 59 (1) requires reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset, (2) clarifies the definition for the stewardship land (SL) category, (3) requires the reporting of G-PP&E land and SL using three predominant use sub-categories: conservation and preservation land; operational land; and commercial use land, and (4) requires consistent and comparable disclosures of information for land (that is, reporting estimated acres of land, estimated acres of land held-for-disposal or exchange, and predominant land use).
- b. Status – SFFAS 59 was issued as final on July 30, 2021. Implementation activities will begin in the coming months.
- c. Next Steps - Given the potential implementation challenges related to SFFAS 59, the Board agreed to include a separate project on its technical agenda to monitor implementation challenges, and to assess the need, as appropriate, for actions to address those challenges prior to transition of the RSI requirements to the notes. Consistent with Board principles and practice, such actions may include, among other things, staff guidance, AAPC guidance, interpretations, or additional standards, as determined appropriate based on Board deliberations. As appropriate, staff intends to establish working groups comprising stakeholders, including major landholding agencies and users to conduct these assessment and research activities.

For fiscal Years 2022 and 2023, staff will monitor implementation issues brought to the Board's attention concerning the presentation of total acreage and acreage by predominant use sub-categories as RSI. Additionally, GAO plans to develop and issue audit guidance, in cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), for auditing total acreage and acreage by predominant use sub-categories. The Board agreed to complete its assessment of remaining implementation issues associated with preparation and audit of the

RSI (both total acreage and predominant use sub-categories) in fiscal year 2025, and, as appropriate, take actions to address them, before the RSI requirements transition to the notes.

II. SFFAS 54, Leases Implementation

- a. Summary - Since the issuance of SFFAS 54, *Leases*, in April 2017, the Board has undertaken numerous post-issuance activities. The objective of these is to support effective and timely implementation and understanding of SFFAS 54 through implementation guidance and the timely identification and issuance of conforming amendments, clarifications, and other guidance that may be necessary. SFFAS 54 becomes effective in fiscal year 2024.
- b. Status – The first phase of these post-issuance activities is nearly complete. It includes omnibus amendments to existing level-A guidance and level-C implementation guidance.
 - i. SFFAS 60, *Omnibus Amendments 2021: Lease-Related Topics*, is currently under 90-day sponsor review and is expected to be issued as final in mid-November 2021.
 - ii. Technical Release 20, *Implementation Guidance for Leases*, is also expected to be released in mid-November 2021.
- c. Next Steps – Staff will begin development of additional lease implementation guidance. Remaining issues include those that staff and task force members find suitable for Interpretations of SFFAS 54 (level-A) and/or Staff Implementation Guidance (level-D).

III. Concepts Omnibus

- a. Summary - The objective of the concepts omnibus project is to amend existing concepts for note disclosures and management’s discussion and analysis (MD&A) in SFFAC 2, *Entity and Display*.
- b. Status – A draft exposure draft is being deliberated by the Board.
- c. Next Steps – Staff prepared a draft combined concepts statement exposure draft that included amendments to SFFAC 2 for both note disclosure and MD&A concepts. The draft exposure draft was last reviewed by the Board at the June 2021 meeting. The Board will resume discussions on the draft exposure draft later this calendar year.

IV. Public-Private Partnerships (P3) Phase II – Recognition and Measurement

- a. Summary – The P3 project is meant to address federal agencies increasing use of P3s to accomplish program goals. The overall objective of the project is to make the full costs of such partnerships transparent.

- b. Status – The issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, on April 27, 2016, effectively concluded the first phase of the Board’s two-phased project on public-private partnerships. The second phase of the project is expected to address measurement and recognition, some of which is directly related to the disclosures required by SFFAS 49.
- c. Next Steps – Staff will analyze additional FY 2020 entity disclosures to help address the varying member concerns and noted observations. Staff expects to convene a task force to review implementation issues prior to addressing measurement and recognition.

V. Reporting Model – Management Discussion & Analysis

- a. Summary – The MD&A project is a segment of the Board’s reporting model initiative. The primary goal of the project is to incorporate standards-based language from SFFAC 3 and SFFAS 15 to provide a standalone SFFAS for preparing MD&As.
- b. Status – The Board is currently deliberating proposed updated MD&A standards for a draft exposure draft.
- c. Next Steps – Staff will continue working with the Board to develop proposed MD&A standards for exposure.

VI. Technical Clarifications of Existing Standards (TCES)

The TCES project addresses requests for clarifications to existing standards that may be needed. 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.

a. Debt Cancellation –

- i. Summary – As part of the TCES project, the Debt Cancellation sub-project considers whether paragraph 313 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, which pertains to debt cancellation, needs to be clarified. The objective is to respond to a request for guidance from stakeholders by issuing clarifying guidance regarding debt cancellation as included in paragraph 313 of SFFAS 7. The Interpretation is expected to clarify that debt cancellation activity should be reported on the statement of changes of net position.
- ii. Status – On May 25, 2021, FASAB released for comment the proposed Interpretation of Federal Financial Accounting Standards titled *Debt*

Cancellation: An Interpretation of SFFAS 7, Paragraph 313. Comments were due on July 23, 2021.

- iii. Next Steps – Staff will provide the Board with an analysis of the responses received and recommend revisions to the guidance so that a final interpretation can be issued by the end of the calendar year.

VII. AAPC Work

a. Conforming Amendments Technical Releases

- i. Summary – In May 2021 meeting, the AAPC approved a project to examine existing technical releases (TRs) for conforming amendments resulting from two recent pronouncements: (1) Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities*, and (2) Technical Bulletin (TB) 2017-2, *Assigning Assets to Component Reporting Entities*.
- ii. Status – At the August AAPC meeting staff provided the Committee with a brief overview of the approach and project plan. Staff also received the Committee’s feedback on the project plan.
- iii. Next Steps – As part of the research and analysis, staff has begun an assessment of the Technical Releases identified for conforming amendments resulting from two recent pronouncements. Staff determined that the TRs should also be updated for amendments required by other SFFASs.

A. RECOMMENDATION

Staff advises that although the above projects on the Board and AAPC agendas continue, staff recommends that the use of detailees and interns be available to supplement FASAB staff resources to continue moving the projects forward.

ANALYSIS

These six projects currently on the Board’s technical agenda, as well as the AAPC projects, are assigned to four of the five FASAB project managers. Please note that each project manager is managing two projects under the current technical agenda. Only the Debt Cancellation project is expected to be completed by the end of the calendar year.

As noted in the attached project timeline [Attachment 2], these projects are expected to continue into fiscal years 2023 - 2025, with the earliest project completion at the end of fiscal year 2022.

Question #1 for the Board:

Does the Board agree to continue with the current technical agenda projects and that the use of detailees and interns be available to supplement FASAB staff resources to continue moving the projects forward?

CURRENT RESEARCH TOPICS

The Board currently has three active research topics. Below is a list of those research topics, as well as summaries, research statuses and recommended next steps for each research topic.

Current Research Topics:

- Intangible Assets
- Climate Impact and Risk Reporting
- Reexamination of Existing Standards

Research Topic Summaries, Status, and Next Steps

VIII. Intangible Assets

- a. Summary – FASAB guidance does not specifically or comprehensively address the accounting and reporting of intangible assets; however, the word “intangible” is used in a few select instances throughout the *Handbook*.

During the deliberations of SFFAS 54, *Leases*, the Board discussed the need for specific guidance to address several assets perceived to be intangible assets. Additionally, as a result of FASAB’s training and outreach program, staff has received questions regarding cloud-based subscription services that do not convey either a license or contractual right. In such cases, preparers are seeking clarity regarding the proper treatment of said costs and whether they should follow leases guidance or simply be expensed as incurred. The Board began initial deliberations of this topic as part of the now archived software licenses project. Members decided to archive the software licenses project due to the breadth of guidance potentially needed to address intangible assets.

- b. Status – Staff has researched the significance of intangible assets throughout federal agencies for the Board to consider ultimately approving a project to develop accounting and financial reporting guidance for intangible assets that are not within scope of another more appropriate standard. In June 2021 staff presented potential intangible assets identified across federal reporting entities based on research gathered from a task force survey, round table meetings, and other methods.
- c. Next Steps – At the June 2021 meeting, staff presented research findings on federal intangible assets to the Board. The presentation highlighted potential intangible assets identified across federal reporting entities along with benefits and concerns of potential financial reporting guidance. At the August meeting, staff will propose recommendations and analyses for the Board to consider in moving forward with the intangible assets project as members consider adding it to the technical agenda.

IX. Climate Impact and Risk Reporting

- a. Summary – Staff began conducting research on the climate-related impacts to federal property, plant, and equipment (PP&E) and adaption activities to ensure the resilience of federal PP&E. Recent Presidential Executive Orders have prompted staff to broaden the research beyond the original scope of PP&E to federal financial reporting and accounting standards.
- b. Status – Staff has collaborated with both OMB and Treasury to get an understanding of their roles as it relates to the recent Executive Orders. Staff's research has also shown extensive work by international standard setters in developing and implementing climate-related financial disclosures based on recommendations by the Task Force for Climate-Related Financial Disclosures (TCFD). This research is being presented to the Board at the August 2021 meeting.

Staff is asking the Board to consider 1) the direction FASAB should take in relation to of climate-related financial disclosures; 2) whether to include this topic on the technical agenda; and 3) whether to adapt the TCFD recommendations as a model for federal climate-related financial disclosures.

- c. Next Steps – The project's next steps will be determined once the Board decides the direction FASAB should take in relation to climate-related financial disclosures. Staff recommends the Board approve the climate project to address any gaps in current accounting and financial reporting guidance.

X. Reexamination of Existing Standards

- a. Summary – The objective of the reexamination project is to reexamine FASAB's existing standards to assess their current relevance and to identify opportunities to streamline authoritative guidance. The Board believes that the accounting standards should be periodically reexamined to assess their current applicability

and to eliminate or revise unnecessary requirements. In this project, the Board is exploring opportunities to review and reexamine existing SFFASs and other pronouncements, as appropriate, and identify areas where clarification or amendments may be needed. The Board also agreed to research both the benefits of and concerns with FASAB's current GAAP hierarchy. The reexamination project is expected to address issues related to (1) inconsistencies with current practice, (2) confusion or difficulties applying requirements, (3) the need for clarifications, and (4) the usefulness of disclosures and other required information.

- b. Status – At the June 2021 meeting, staff requested the Board's feedback on potential approaches to advance the reexamination of existing standards research topic and consider the project during the August technical agenda deliberations.
- c. Next Steps – Since identifying an optimal approach is essential to the success of the reexamination project, the Board will take the necessary time and fully vet all options prior to committing significant resources.

B. RECOMMENDATION

Staff recommends that the above three research topics be added to the Board's technical agenda. Staff also recommends that the use of detailees and interns be available to supplement FASAB staff resources and expedite the projects' progress.

ANALYSIS

Based on the projects currently on the Board agenda and available staff resources, these three research topics can effectively be added to the Board's technical agenda. The projects would initially begin in the research phase before progressing to the development phase. As noted above, four of the five project managers are currently assigned to technical agenda projects. The remaining project manager has spent several months working on the Intangible Assets research and is prepared to advance the topic to a technical agenda project. The Climate topic can be staffed once the Concepts Omnibus project reaches the final exposure draft stage. The Reexamination research topic is expected to be a longer-term project and will require the assistance from multiple staff members. Given the current staff resources, including a new senior analyst expected to start by the end of the calendar year, we are confident these research topics can be moved to the Board's technical agenda.

Question #2 for the Board:

Does the Board agree to add the three research topics to the technical agenda?

Topic G – Technical Agenda: Project Timelines - Attachment 2

FASAB Project Schedule																
Project	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
AAPC Conforming Amendments	RE	RE	RE	DE	DE	FI	FI	IS								
Concepts Omnibus	DE	DE	FI	FI	IS											
Debt Cancellation	DE	FI	IS													
Land Implementation	RE	RE	RE	DE	DE	RE or FI	RE or IS	RE	RE	DE	DE	RE or FI	RE or IS	RE	RE	DE
Leases Omnibus/Implementation	FI	IS														
Leases Followup	RE	RE	TBD - Several subprojects will track differently													
MD&A Standards	DE	DE	FI	FI	IS											
P3 - Phase II	RE	RE	DE	DE	DE	FI	FI	FI	IS							

Research Projects
Intangible Assets
Reexamination of Existing Standards
Climate Impact and Risk Reporting

Legend	
RE	Research Phase
DE	Development/Exposure Draft Phase
FI	Finalization Phase
IS	Issuance