MD&A PILOT TRAINING

Option 1: January 4, 2021, 3:30 – 4:30pm
Option 2: January 5, 2021, 3:30 – 4:30pm
Option 3: January 6, 2021, 10:00 – 11:00am

WELCOME & INTRODUCTIONS

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Pilots Include:

1. Agriculture (USDA)
2. Commerce
3. Defense Health Program (DHP)
4. DOD
5. Education
6. Federal Trade Commission (FTC)
7. GSA
8. HHS
9. Homeland Security (DHS)
10. HUD
11. Interior (DOI)
12. IRS
13. National Labor Relations Board (NLRB)
14. Peace Corps
15. U.S. International Development Corp
16. USAID
17. VA
3 DISCLAIMER

- Current views expressed are those of the speaker and are unofficial.
- Official positions of FASAB are determined only after extensive due process and deliberations.

4 MANAGEMENT’S DISCUSSION & ANALYSIS (MD&A) PILOT GOAL

Create a sample MD&A by test-driving the draft MD&A Vision Framework (the framework) to determine if it

- Streamlines the MD&A
- Unburdens preparers
- Provides users with summarized information about key financial and performance results to understand the financial health and sustainability of major programs
THE BOARD’S DRAFT
MD&A VISION FRAMEWORK

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; and

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.
7 WHAT IS THE DRAFT MD&A VISION FRAMEWORK?

• A consolidation of 11 MD&A objectives see August 2020 Board Briefing Material, Tab F for mapping of objectives to framework or Welcome packet page 4 for a list of objectives
  • Based on the four objectives of federal financial reporting SFFAC 1: (Statement of Federal Financial Accounting Concepts 1: Objectives of Federal Financial Reporting: pages 25-34:
    • Budgetary integrity
    • Operating performance
    • Stewardship
    • Systems & controls
  • developed by the Board from June 2019 to October 2020 to determine the vision for the MD&A.

8 WHY IS THE MD&A VISION FRAMEWORK STILL A DRAFT?

The MD&A pilot will determine any recommended changes for the Board to finalize the framework in support of updating MD&A standards.
HOW TO CREATE YOUR SAMPLE MD&A

- Use ONLY your FY 2020 Agency Financial Report and draft MD&A Vision Framework
- Leave out
  - A-136 requirements
  - CEAR requirements
  - GPRA-MA detail reports
- Keep any graphs and charts that may help tell a holistic financial story

HOW TO CREATE YOUR SAMPLE MD&A (CONT.)

- **KISS it:** Keep it simple and summarize!
  - Follow the Plain Writing Act of 2010. Plainlanguage.gov
  - Include links to resources with more detail, such as org charts, strategic planning, enterprise risk management (ERM), etc.
11 MISSION & ORGANIZATION

Tell us why your department/agencies exist and what goods and services are provided to better the lives of our citizens?

PRO-TIP
Leave out the org chart – add a link instead

Creating Your Sample MD&A

12 FINANCIAL POSITION & CONDITION

Tell us about your:

• Assets – what you own & why
• Liabilities – what you owe & why
• Net Position
• Budget & financing sources

PRO-TIP
Analyze your Financial Statements (FS)

Creating Your Sample MD&A
**FINANCIAL POSITION & CONDITION (CONT.)**

Tell us about any **significant changes** to these amounts

- from the prior reporting period
- over multiple reporting periods (**trends**)

Help us to understand the **essential few matters** that caused any significant changes.

**PRO-TIP**

Analyze your Financial Statements (FS)

**Creating Your Sample MD&A**

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**POSITION & CONDITION (CONT.)**

Explain current and future plans to address the essential few opportunities, challenges, and risks that could significantly affect financial statement amounts.

**PRO-TIP**

Check out your ERM to understand your risk appetite & financial impact

**Creating Your Sample MD&A**
This one might be extra challenging

In the past, agencies focused on GPRAMA reporting for presenting performance in the AFR.

**ISSUES:**
- based on statistics and not cost.
- GPRAMA timing different than financial statements (trying to compare apples to oranges)

**HOWEVER:**
- Users want to know if your “major programs” are financially healthy and sustainable.
- Tax payers want to know how their money is being invested & the results.

**You can do it!**
- Your team will learn to talk about how your “major programs” are doing financially

**Tell us about your “major programs”**
- Why does each exist?
- What was accomplished/not accomplished re Net Cost

**PRO-TIP**
Use your Statement of Net Cost as a road map to discuss your “major program” breakout & financial results

Creating Your Sample MD&A
Tell us about your “major programs”

• Explain the essential few matters that caused significant changes to what you were trying to accomplish (successes or challenges) in relation to net cost of operations.

• Explain current and future plans to address the essential few opportunities, challenges, and risks that could significantly affect key financial & performance results.

CURRENT & PLANNED ACTIONS

• Tell us what you are doing now to address the essential few opportunities, challenges, and risks to protect your financial position/condition & key performance results, AND

• Tell us what you plan to do in the future to address the essential few opportunities, challenges, and risks to protect your financial position/condition & key performance results.

PRO-TIP
Focus on the Investment

PRO-TIP
Stay away from Boiler Plate language
RELIABLE FINANCIAL STATEMENTS

Tell us briefly the **essential few conditions** related to systems and controls that have or could affect your ability to produce reliable financial information.

**PRO-TIP**
Stay away from Laundry Lists

Creating Your Sample MD&A

QUESTIONS NOW OR LATER

**Questions about training**

Send an Email - together we can find a solution -
21 CONTACT INFORMATION

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