

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

2 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

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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.

For any federal technical accounting questions - please visit <https://fasab.gov/technical-inquiries-2/>

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**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



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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;

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THE BOARD'S DRAFT MD&A VISION FRAMEWORK (CONT.)

- 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.

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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.



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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



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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**



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

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



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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

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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

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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 you
risk appetite &
financial impact

Creating Your
Sample MD&A

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KEY FINANCIAL & PERFORMANCE RESULTS

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

PRO-TIP

Link to performance reporting instead

Creating Your
Sample MD&A

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KEY FINANCIAL & PERFORMANCE RESULTS (CONT.)

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

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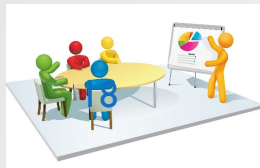
KEY FINANCIAL & PERFORMANCE RESULTS (CONT.)

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.

Creating Your
Sample MD&A

PRO-TIP
Focus on the
Investment



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.

Creating Your
Sample MD&A

PRO-TIP
Stay away from
Boiler Plate
language

19 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

20 QUESTIONS NOW OR LATER

Questions
about
training



Send an Email
- together we
can find a
solution -

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CONTACT INFORMATION

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