

Memorandum

Non-Agenda Topics

June 10, 2022

To: Members of the Board
From: Monica R. Valentine, Executive Director
Subject: **Non-Agenda Project Updates** (Topic E)

INTRODUCTION

Staff is providing project updates on all active projects currently on the Board's technical agenda that will not be discussed at the June 2022 meeting.

Attachment 1 of this memo includes brief project updates on the following topics.

- Intangible Assets Working Definition
- Land Implementation
- Leases Omnibus
- Intragovernmental Leases-related Reimbursable Work Agreements
- Public-Private Partnerships
- Reexamination of Existing Standards
- Reporting Model – Budgetary Information
- Reporting Model – Concepts Omnibus
- Accounting and Auditing Policy Committee

REQUEST FOR FEEDBACK

These topics do not include any questions for the Board or requests for member feedback. These topics will not be on the Board's discussion agenda for June. Members may provide input and submit follow-up questions on any of these projects to the related staff member at any time.

ATTACHMENTS

1. Project updates

Project Updates

Non-Agenda Topics

June 10, 2022

Attachment 1

INTANGIBLE ASSETS WORKING DEFINITION

At the February 2022 meeting, staff proposed a non-authoritative definition of intangible assets for the Board's internal use. The Board overwhelmingly supported the proposed definition while providing thoughts and suggested edits that generally related to potential reporting requirement concerns. Staff has noted member comments for future deliberations if the Board ultimately approves a project to develop reporting guidance for intangible assets. At this time, staff considers this objective complete and plans to continue focusing time and resources on the software technology project.

LAND IMPLEMENTATION

On May 10, 2022, we were notified by the USDA's OCFO that the Forest Service noted significant discrepancies between two of their systems of record for land acreage. They asked the OCFO if they could defer reporting acreage until the next fiscal year (2023) so that a reconciliation of the data could be performed. In lieu of reporting acreage, the Forest Service proposed disclosing their efforts to report this information. Consistent with SFFAS 59, the OCFO advised them to determine its best fiscal year 2022 estimate from the information available and then refine the information over the RSI period, which runs through 2025. GAO reached out to the USDA and offered to meet with the Forest Service to understand their concerns, however, the OCFO indicated a preference to first address this matter internally. The OCFO believes that it may be best to give the Forest Service additional time (waiving its internal 3rd quarter reporting dates) to complete their reconciliation and report on their progress at its next internal meeting scheduled for August 5. If at that time, the Forest Service is still experiencing challenges, the OCFO plans on scheduling a meeting with the GAO. The OCFO's expectation is that the Forest Service will report estimated acres this fiscal year-end.

LEASES OMNIBUS

On May 9, 2022, the Board released exposure draft (ED) Statement of Federal Financial Accounting Standards (SFFAS) titled *Omnibus Amendments: Technical Clarifications Addressing Lessee and Lessor Discount Rates and Sale-leasebacks*.

The ED proposes targeted omnibus amendments to SFFAS 54, *Leases*. The proposed amendments are intended to clarify the application of lessee and lessor discounting requirements and the application of sale-leasebacks guidance to intragovernmental sale-leasebacks and the disclosure requirements applicable to them.

Comments are requested on the ED by July 8, 2022.

LEASES – INTRAGOVERNMENTAL LEASES-RELATED REIMBURSABLE WORK AGREEMENTS

Staff met individually with members in early May to obtain additional feedback and address any outstanding questions or concerns on the draft proposal under development. The feedback received, along with any resulting edits and analysis, will be discussed at the August meeting.

Due to the volume of ongoing leases-related inquiries, extensive outreach and educational activities, and ongoing technical assistance with leases implementation, additional staff time is needed to complete briefing materials for the August Board discussion on reimbursable work agreements.

PUBLIC-PRIVATE PARTNERSHIPS

Staff continues to train and conduct outreach efforts with a focus towards gathering information to assist improving implementation. As of May 31, staff has held nine training venues attended by ~445 agency personnel representing 26 agencies/bureaus. In addition to meetings with the DoD, DoL, and NASA Inspectors General and an outside audit firm, staff has held several conversations with two agency financial policy experts. Staff is attempting to identify implementation challenges and possible solutions from these diverse perspectives among the financial management community; that is, preparer, business-area (operational), auditor, and policy expert views.

Implementation challenges raised by some attendees include:

- (1) January 25 and March 10 – lack of CFO relationships or understanding with/of program area operations.
- (2) February 17 and March 3 – failure in identifying overall P3 risk.
- (3) March 3 – potential P3 analysis requires access to numerous contracts and arrangements contained in different agency/departamental data sets; and only focusing on entity P3 risk (see related comment 2 above); and applying measurement and recognition guidance using SFFAS 5 for disclosing remote risks.
- (4) April 5 – Misinterpreting that because debt arrangements may pose less risk than equity arrangements, SFFAS 49 risk-sharing is non-existent; subjective assessments of risk make it difficult to conclude that SFFAS 49 risk exists; and lack of agency expertise and resources creates an inordinate amount of preparer burden.
- (5) April 7 – Database “flags” to identify P3s are absent; and conflating contract periods as expected life indicators.
- (6) April 14 – CFO personnel are not involved from the beginning of the P3 award creating a lack of awareness/knowledge and inadequate (sub) contractor access to records.
- (7) May 3 – Need for additional agency-wide training beyond finance and accounting personnel.

Lastly, as requested by members, staff has created an *Issues Log* that captures and retains for future use potential measurement and recognition issues as well as balance sheet recognition approaches/options.

REEXAMINATION OF EXISTING STANDARDS

Staff continues work on the Reexamination of Existing Standards project as time permits with drafting the Invitation to Comment (ITC). Staff plans to gain preliminary feedback on the ITC by conducting outreach to targeted organizations, such as the CFO Council and Financial Statement Audit Network, to help ensure the ITC is clear, focused and does not overlook key questions that may assist the Board with the project. Staff is also focused on drafting a brief “Q & A” to provide the respondents with an understanding of ITCs and how the Board would use the information.

REPORTING MODEL – BUDGETARY INFORMATION

The budgetary information project addresses certain issues related to accounting and financial reporting of government-wide and component reporting entity budgetary information. The project will consider improvements to existing guidance related to 1) the usefulness of the required U.S. budget surplus/deficit presentations and 2) the understandability of the required presentation for component reporting entity budgetary resources.

This project was put on hold in mid fiscal year 2021 while OMB and GAO are considering other efforts on this topic. Currently, OMB is proposing updates to A-136 encouraging entities to explain applicable Federal budget terms and concepts such as budgetary resources, appropriations, gross and net outlays, budgetary and non-budgetary, and distributed offsetting receipts.

FASAB will continue to monitor this work and will assess whether any additional efforts are needed by FASAB.

REPORTING MODEL – OMNIBUS CONCEPTS

The Board last reviewed the draft *Omnibus Concepts Amendments* exposure draft (ED) at the December 2021 meeting. The draft ED proposes to amend the note disclosure and MD&A concepts in paragraphs 68 and 69 in SFFAC 2 and rescind SFFAC 3 in its entirety. Several member suggested edits were incorporated into the draft based on the December meeting discussion.

The Omnibus Concepts proposal has been drafted in conjunction with the Management’s Discussion & Analysis proposal, and therefore the Board agreed to expose both proposals together. Staff will present an Omnibus Concepts pre-ballot draft ED to the Board to review once the MD&A standards draft ED is also ready for pre-balloting.

ACCOUNTING AND AUDITING POLICY COMMITTEE (AAPC)

As indicated FASAB’s *FY 2021 Annual Report for Technical Activities & Three-Year Plan for the Technical Agenda* 2021 Annual Report, the Board issued several pronouncements in recent

years that require assessing and updating related lower-level GAAP. Listed below are FASAB pronouncements that require updates to Technical Releases (TRs):

- SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes*
- SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
- SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*
- SFFAS 54, *Leases*
- SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics*
- Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*
- Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*

The AAPC approved the project in the fall of last year and staff performed an analysis of the existing technical releases and drafted an exposure draft. The ED provided conforming amendments to previously issued TRs to ensure the TRs are consistent with the aforementioned pronouncements. Specifically, it provides conforming amendments to the following:

- TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*
- TR 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*
- TR 20, *Implementation Guidance for Leases*

The AAPC issued the exposure draft, *Omnibus Technical Release Amendments 2022: Conforming Amendments*, on March 30, 2022, with comments requested by May 31, 2022. The AAPC plans to discuss the comment letters at the June meeting. Thus far, comments have been supportive. Because the project's objective is to conform the existing TR guidance to GAAP and ensure consistency in FASAB pronouncements, no major issues are anticipated. Once approved by the AAPC, the next step is to provide the Board with a 45-day review period to gain negative assurance from a majority of the Board before it is issued.