

Memorandum

MD&A

July 29, 2022

To: Members of the Board
From: Robin M. Gilliam, Assistant Director
Thru: Monica R. Valentine, Executive Director

Subject: **MD&A Exposure Draft** (Topic A)

INTRODUCTION

Staff presents a draft exposure draft, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15, Management's Discussions and Analysis* as Attachment 3.

REQUEST FOR FEEDBACK BY August 12, 2022

Please review the draft exposure draft *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15, Management's Discussions and Analysis* prior to the Board's August meeting.

Staff requests responses to the ensuing questions by **August 12, 2022**. For efficiency and effectiveness purposes, please provide technical edits only according to the information requested in the Staff Analysis (Attachment 1). Given the significant progress towards a final proposal gained at the June 2022 meeting, staff would ask members to take into consideration those Board decisions previously made before suggesting technical edits that may not align with those Board decisions.

Please use the separate Word Attachment 4, Member Comment Form, to provide your responses.

For additional information, questions, or suggestions, please contact us as early as possible at gilliamr@fasab.gov with a cc to Monica Valentine at valentinem@fasab.gov. Staff is also available to meet individually with members to discuss any questions.

NEXT STEPS

Staff will continue to prepare the MD&A exposure draft for a comment period to begin in December 2022.

ATTACHMENTS

1. Staff Analysis
2. Draft Exposure Draft: *Management's Discussion and Analysis clean version*
3. Draft Exposure Draft: *Management's Discussion and Analysis track changes*
4. Member Comment Form

Staff Analysis

TOPIC A - MD&A

July 29, 2022

Attachment 1

CONTEXT

Staff presents the updated draft exposure draft for a technical review. The updated draft MD&A exposure draft includes revisions based on the Board decisions at the June 2022 meeting. During that meeting, members spent a significant amount of time clarifying the Board's vision for MD&A, how information should be presented, and what information is necessary to understand a reporting entities financial position and condition.

At the June 2022 meeting, members tentatively agreed to release the exposure draft for comment in December 2022. Therefore, to achieve this goal, please provide technical edits only.

Please use the member comment form (attachment 4) to provide your responses.

A. Presenting Information in MD&A

At the June 2022 meeting, the Board *decided that **Presenting Information in MD&A should define and explain*** four characteristics of a streamlined narrative: balanced, integrated, concise, and understandable as follows.

- To achieve a **balanced** MD&A, members agreed that management should include positive and negative events that caused a significant effect on the financial position and condition of the reporting entity. Performance achievements and challenges should be included as an example of positive and negative information.
- To achieve an **integrated** MD&A, members agreed that management should weave components of information into a whole, complete narrative. Members want management to present the interrelationship of financial and operating performance information with budgetary outcomes, based on the structure of the reporting entity as a whole and across its component's missions. Management should blend financial and non-financial, and qualitative and quantitative types of information to explain these relationships.
- To achieve a **concise** MD&A, members agreed that management should include the "vital few matters". Content from SFFAS 15, paragraph 6 will be incorporated

to explain what is expected by management when discussing and analyzing “vital few matters”.

- To achieve an **understandable** MD&A Members agreed that “citizens” are the appropriate audience for MD&A. Members agreed that plain language is an appropriate writing style without phrasing it as a requirement, and that a footnote to the plain writing act was sufficient. Members agreed that management may include charts, tables, or graphs to provide a visual representation of the narrative, and use appropriate headers to identify specific content for ease of understanding the MD&A.

Staff updated the draft MD&A exposure draft according to the decisions made at the June 2022 meeting.

Question #1 for the Board:

What technical edits do you propose for *Presenting Information in MD&A*?

B. INFORMATION DISCUSSED AND ANALYZED IN MD&A

The Board *decided that **Information Discussed and Analyzed in MD&A** should include organization and mission, financial and budget information, performance results, systems and controls and non-compliance and opportunities and risks as follows:*

- The amount of **content about Organization and mission** may be based on the size and complexity of the reporting entity. For example, a very large reporting entity with many different agencies could write a short paragraph, approximately 2 – 3 sentences, to explain each agency and what it is responsible to achieve. For a small agency, a paragraph for its mission and organization structure may be sufficient.
- **Financial information** should explain why the financial position and condition improved or deteriorated and where spending occurred. This will be accomplished by discussing significant changes from the prior reporting period and significant trends for financial statement balances, including costs and revenues. This paragraph should also include a discussion about balances related to business-type operations, social insurance statements, and statements of long-term fiscal projections of the financial report of the U.S. Government.
- **Performance results** should explain key performance results in relation to costs incurred and any significant impacts to budgetary and/or financing resources. It should be clear that reporting entities can

reference GPRA-MA instead of duplicating the GPRA-MA because the type and timing of reporting information is different from what is expected in the MD&A.

- **Systems, controls, and non-compliance should provide** management's assessments of its financial management systems only and controls, and plans to address significant weaknesses in internal control in systems, and/or non-compliance with applicable laws. Laws such as FMFIA, FFMIA, and FISMA may be referenced, but a review of the specific federal laws is not necessary.
- **Significant opportunities and risks** Management should discuss and analyze significant opportunities and risks and plans for mitigation in relation to key performance results.

Staff updated the draft MD&A exposure draft according to the decisions made at the June 2022 meeting.

Question #2 for the Board:

What technical edits do you propose for *Information Discussed and Analyzed in MD&A*?

C. EXECUTIVE SUMMARY:

The Board did not discuss the Executive Summary at the June 2022 meeting. However, staff made the following updates according to the decisions made for *Presenting Information in MD&A* and *Information Discussed and Analyzed in MD&A* and preliminary email comments received on the June 2022 draft MD&A exposure draft to explain what the Board is proposing and how the proposal improves MD&A and federal financial reporting:

- 1) Streamlined *What is the Board Proposing* to address the Board's vision for MD&A; and
- 2) Explained in *How Would This Proposal Improve Federal Financial Reporting And Contribute To Meeting The Federal Financial Reporting Objectives* how integrating relevant standards-based content from SFFAC 3 and standards from SFFAS 15 into a single Statement would improve federal financial reporting. Staff also explained how the Board used the reporting objectives in this proposal.

Question #3 for the Board:

What technical edits do you propose for the *Executive Summary*?

D. QUESTIONS FOR RESPONDENTS

The Board did not discuss *Questions for Respondents* at the June 2022 meeting. However, staff streamlined the questions according to the decisions made for *Presenting Information in MD&A* and *Information Discussed and Analyzed in MD&A*, and preliminary email comments received on the June 2022 draft MD&A exposure draft as follows:

- 1) Question 1 addresses the Board's vision;
- 2) Question 2 addresses preparer costs and burdens;
- 3) Question 3 addresses standards in Presenting Information in MD&A;
- 4) Question 4 addresses standards in Information Discussed and Analyzed in MD&A; and
- 5) Question 5 is an open question to gather information on any other aspects of the proposal that the respondent wishes to make comments on.

Question #4 for the Board:

What technical edits do you propose for the *Questions for Respondents*?

E. RESCISSION AND REPLACEMENT OF SFFAS 15

The Board did not discuss *Recession and Replacement of SFFAS 15* at the June 2022 meeting. However, staff made the following updates according to the decisions made for *Presenting Information in MD&A* and *Information Discussed and Analyzed in MD&A* and preliminary email comments received on the June 2022 draft MD&A exposure draft:

- 1) Only referenced information about rescinding and replacing SFFAS15; and
- 2) Moved information about SFFAC 3, the Omnibus Concepts Amendments 202X, and SFFAS 37 to a footnote

Question #5 for the Board:

What [technical edits](#) do you propose for the *Recession and Replacement of SFFAS 15*?

F. BASIS FOR CONCLUSIONS

At the June 2022 meeting, the Board requested that ***Basis for Conclusions*** include additional clarification to explain what standards-based language means; footnotes for references to more detailed information; reasoning behind the Board's agreed upon wording and expectations for each proposed standard; and an explanation for how key pilot feedback informed Board decisions for the proposed standards. Staff updated the basis for conclusions according to these Board requests.

Question #6 for the Board:

What [technical edits](#) do you propose for the *Basis for Conclusions*?



Clean Version
AUGUST 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESCINDING AND REPLACING SFFAS 15, MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [“Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”](#)
- [“Mission Statement: Federal Accounting Standards Advisory Board”](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) requests your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Management’s Discussion and Analysis: Rescinding and Replacing SFFAS 15, Management’s Discussions and Analysis*. Specific questions for your consideration appear on **page 6**, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your responses will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by **DUE DATE**.

All comments received by FASAB are considered public information. Those comments may be posted to FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to respond by email, please contact us at (202) 512-7350. We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at (202) 512-7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The Board is proposing an updated vision for MD&A. The Board's vision is for MD&A standards to guide reporting entity management in presenting a streamlined narrative that is balanced, integrated, concise, and understandable about the reporting entity and its financial position and condition.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

This proposal improves federal financial reporting by including all MD&A standards in a single Statement. This proposal adapts relevant standards-based content from Statement of Federal Financial Accounting Concepts (SFFAC) 3¹, *Management's Discussion and Analysis*, and standards from Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis* that aligns with the Board's vision. The Board considered all four reporting objectives 1) budgetary integrity, 2) operating performance, 3) stewardship, and 4) systems and controls to develop its vision for the MD&A and the proposed MD&A standards.

¹ "Standards-based content" is explained in the basis for conclusions along with why it was included in SFFAC 3.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding implementing this proposal.

The questions in this section are available for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please contact us at (202) 512-7350.

All responses are requested by **[insert date]**.

Q1. The Board adapted standard-based content from SFFAC 3 and standards from SFFAS 15 that aligns with its vision to provide standards that guide reporting entity management in presenting a streamlined narrative that is balanced, integrated, concise, and understandable about the reporting entity and its financial position and condition. Please refer paragraphs **6-7**.

Do you agree or disagree that the proposed standards will guide reporting entity management to present a streamlined narrative that is balanced, integrated, concise, and understandable about the reporting entity and its financial position and condition. Please provide the rationale for your answer.

Q2. The Board believes this proposal will reduce preparer costs and burden over the long-term.

Do you believe the proposed standards will add to or reduce preparer cost and burden over the long-term? Please provide the rationale for your answer.

Q3. The Board explains **how** information in MD&A should be presented in *Presenting Information in MD&A*. Please refer to paragraph **6**.

Do the proposed standards provide adequate guidance on how to present information in MD&A? Please provide the rationale for your answer.

Q4. The Board includes **what** information to include in MD&A in *Information Discussed and Analyzed in MD&A*. Please refer to paragraph **7**.

Do the proposed standards provide adequate guidance on what information to include in MD&A? Please provide the rationale for your answer.

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Q5. Are there any other aspects of this proposal that you wish to provide comments on? Please provide the rationale for your answer.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
2. A GPFFR in conformance with federal accounting principles should include a management's discussion and analysis (MD&A) of the financial statements and related information.
3. MD&A is required supplementary information (RSI).²

RESCISSION AND REPLACEMENT OF SFFAS 15

4. This Statement proposes to rescind SFFAS 15, Management's Discussions and Analysis.
5. This Statement proposes to replace SFFAS 15 with the proposed Management's Discussion and Analysis (MD&A) standards in this Statement.³

² See SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information required supplemental information (RSI)* paragraph 73 for concepts about RSI.

³ The Omnibus Concepts Amendments 202X proposes to rescind SFFAC 3 given that the relevant content from SFFAC 3 has been adapted in this proposal and only another SFFAC can rescind an existing SFFAC. In addition, this Statement does not eliminate or otherwise affect SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*.

PRESENTING INFORMATION IN MD&A

6. The purpose of the MD&A is to present a streamlined narrative that is balanced, integrated, concise, and understandable about the reporting entity's financial position and condition. To develop a streamlined narrative, *presenting information in MD&A* explains what is expected for a balanced, integrated, concise, and understandable MD&A.
- a. To achieve a **balanced**⁴ MD&A, management should include events that occurred during the reporting period that had a significant⁵ positive or negative effect on the financial position and condition. For example, management would discuss and analyze performance achievements that had a significant positive affect on financial position and condition; and performance challenges that had a significant negative affect on financial position and condition. A balanced MD&A should also discuss and analyze significant positive and negative trends.
 - b. To achieve an **integrated** MD&A, management should weave components of information into a complete narrative. For example, management would present the interrelationship of financial and operating performance information with budgetary outcomes, based on the structure of the reporting entity as a whole and across its component's missions. Management should blend financial and non-financial, and qualitative and quantitative types of information to explain these relationships. An integrated MD&A should also avoid boilerplate language, and duplicative and segmented reporting of information⁶. Therefore, reporting entities may provide references to other reports, websites, or areas of the agency financial report.
 - c. To achieve a **concise** MD&A, management should discuss and analyze the vital few matters that could affect the judgments and decisions of people who rely on the GPFFR for information. For example, management would include information that it believes could
 - i. lead to significant actions or proposals by top management of the reporting unit;
 - ii. be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or

⁴ A balanced MD&A focuses on inclusion of positive and negative information and not whether there is an equal amount of positive and negative information.

⁵ "Significant" for the purposes of MD&A, is information that is extremely important and relevant for a user to understand the reporting entity's financial position and condition.

⁶ *Information Presented in MD&A* (Paragraph 7) establishes the required content of MD&A and not where a particular piece of information should be placed in an entity's MD&A.

1 iii. significantly affect the judgment of citizens about the efficiency and
2 effectiveness of their Federal Government.

3
4 d. To achieve an MD&A that is **understandable** for citizens⁷, management should
5 write the narrative in plain language⁸ and provide non-narrative tools for ease
6 of understanding. For example, management would include a narrative to
7 explain in plain language a significant change in a financial statement line item.
8 Management may include charts, tables, or graphs to provide a visual
9 representation of the narrative, and use appropriate headers to identify specific
10 content for ease of understanding the MD&A.

11 12 INFORMATION DISCUSSED AND ANALYZED IN MD&A

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14 7. MD&A should discuss and analyze the following information⁹:

- 15 a. The organization and mission of the reporting entity as a whole and any
16 component agencies¹⁰;
- 17 b. Significant changes from the prior reporting period and significant trends¹¹ over
18 multiple reporting periods **for the following** to explain how the reporting
19 entity's financial position and condition improved or deteriorated during the
20 reporting period:
- 21 i. assets, liabilities, and net position; net cost and revenues, and budgetary
22 and financing resources;
- 23 ii. balances related to business-type operations;
- 24 iii. stewardship investments;
- 25 iv. social insurance statements; and
- 26 v. *Statements of Long-Term Fiscal Projections of the Financial Report of the*
27 *U.S. Government.*

⁷ SFFAC 1, *Objectives of Federal Financial Reporting*, paragraph 76 ...Citizens include the general news media and more specialized users, such as trade journals; public interest and other advocacy groups; state and local legislators and executives; and analysts from corporations, academe, and elsewhere.

⁸ <https://www.plainlanguage.gov/>

⁹ This information should be presented in accordance to the standards *Presenting Information in MD&A* (paragraph #)

¹⁰ Management should be flexible when determining how much information to include in the MD&A about the mission and organization of the reporting entity. For example, the volume of information could depend on the size and complexity—number of agencies—within the reporting entity.

¹¹ Management should use judgement to determine which trends have significantly contributed to improving or not improving the reporting entity's financial position and financial condition.

- 1 c. Key performance¹² results¹³ in relation to costs incurred, and any significant
2 impacts to budgetary and/or financing resources.
- 3 d. Management's assessment of its financial management systems, and what
4 plans¹⁴ are being implementing to correct significant weaknesses in internal
5 controls and/or non-compliance with applicable laws¹⁵.
- 6 e. Significant opportunities¹⁶ identified by management and the plans to mitigate
7 them to achieve key performance results; and
- 8 f. Significant risks¹⁷ identified by management and the plans to mitigate them to
9 avoid any potential negative effect on key performance results and related
10 budgetary and/or financing resources.

11 12 EFFECTIVE DATE

- 13
- 14 8. The requirements of this Statement are effective for reporting periods beginning after
15 **September 30, 202X**. Early implementation is permitted.

¹² Key "Performance results" refers to both performance accomplishments and performance challenges. Management uses judgement in identifying what performance results are **key** to the reporting entity.

¹³ The Financial Report of the U.S. Government is not required to provide an analysis of consolidated governmentwide performance results, but may refer to the availability of performance information in agency financial reports.

¹⁴ Plans are actions the reporting entity expects to execute during the current reporting period (short-term) and into the future (long-term).

¹⁵ Applicable laws may include; Federal Managers Financial Integrity Act (FMFIA), Federal Financial Management Improvement Act (FFMIA), and Federal Information Security Management Act (FISMA).

¹⁶ "Significant opportunities" for the purposes of MD&A, is anything that may have a significant positive affect on a reporting entity's ability to achieve its performance results. Management should use judgement in determining significant opportunities.

¹⁷ "Significant risks" for the purposes of MD&A, is the effect of significant uncertainty on a reporting entity's ability to achieve its performance results. Management should use judgement in determining significant risks.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

- A1. **On June 8, 1999**, FASAB published SFFAC 3, *Management's Discussion and Analysis*. Although SFFAC 3 was a concept statement, it included standards-based content¹⁸ to guide reporting entities on what to report in MD&A, along with concepts to guide the Board on developing standards for MD&A. However, SFFACs are non-authoritative and therefore not required by GAAP. To require MD&A in the GPFFR, the Board needed authoritative guidance in an SFFAS.
- A2. **On August 12, 1999**, FASAB published SFFAS 15, *Management's Discussions and Analysis*, which was merely an outline of SFFAC 3 standard-based content, to require MD&A as part of the GPFFR. The expectation was that entities would use both SFFAC 3 and SFFAS 15 to prepare their MD&As. However, given that the concept statements are *non-authoritative other accounting information* as noted in the GAAP hierarchy¹⁹, agencies relied primarily on SFFAS 15 to prepare MD&As.
- A3. **During 2017 and 2018**, staff conducted roundtables for the *Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements* projects²⁰. Roundtable feedback informed the Board that financial statement users (users) found federal entity MD&A's to be dense, duplicative, and complex. Roundtable participants wanted to understand the financial performance in the context of the reporting entity's financial position and condition. The statistical

¹⁸ According to the Handbook *Forward*: ...concepts should be more general than statements and do not contain authoritative requirements for federal agencies. According to the Handbook *Preamble to Statements of Federal Financial Accounting Concepts*, concepts provide guiding principles for the Board to develop accounting standards. Many of the concepts in SFFAC 3 are standards-based because the language is not general and contains authoritative requirements for federal agencies, with wording such as: MD&A should address; MD&A should inform, and MD&A should concisely explain...

²⁰ Both the Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements projects received the same feedback while conducting their own roundtables in 2018.

information repeated from the GPRA-MA²¹ reporting did not provide the financial information about performance that users wanted.

A4. In June 2019, the Board added the MD&A project to its agenda to merge work completed by the *Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements* projects. The goals of the MD&A project are to

1. incorporate standards-based content from SFFAC 3 and standards from SFFAS 15 into one SFFAS for preparing the MD&A;
2. reduce preparer burden by streamlining the MD&A;
3. require information about a reporting entity's financial position and condition for a financial focus instead of a statistical focus based on GPRA-MA reporting; and
4. update guidance to discuss and analyze risk plans and mitigation to explain how the reporting entity will respond to opportunities and uncertainties.

DEVELOPMENT OF PROPOSED MD&A STANDARDS

A5. The Board's initial step in developing MD&A standards, was to develop MD&A objectives based on the four reporting objectives in SFFAC 1, *Objectives of Federal Financial Reporting*: (1) budgetary integrity²², (2) operating performance²³, (3) stewardship²⁴, and (4) systems and controls²⁵.

A6. The four SFFAC 1 reporting objectives were also the basis for the SFFAC 3 standards-based content.

A7. The Board adapted and applied the SFFAC 3 standards-based content from each SFFAC 1 reporting objective as follows:

²¹ Government Performance and Results Act of 1993 (GPRA) Modernization Act of 2010 (MA) (GPRA-MA)

²² For budgetary integrity, the Board reviewed and analyzed paragraphs 11, 13, 89, 91, 115, 116 and 118 from SFFAC 1; and paragraphs 28 and 29 from SFFAC 3.

²³ For operating performance, the Board reviewed and analyzed paragraphs 14, 126, and 128 from SFFAC 1; and paragraphs 43, 44, 45, 47, and 49 from SFFAC 3.

²⁴ For stewardship, the Board reviewed and analyzed paragraphs 11, 15, 16, 99, 100, 102, 135-141, and 143-145 from SFFAC 1; and paragraphs 14, 26, 27, 31, and 32 from SFFAC 3.

²⁵ For systems and controls, the Board reviewed and analyzed paragraphs 11, 17, 103, 149 and 150 from SFFAC 1; and paragraphs 15-17 and 41 from SFFAC 3.

- 1 1. **Budgetary integrity** - The Board believes that a user could best understand a
2 reporting entity's financial position and condition by including information about
3 significant changes in budgetary and financing resources during the reporting
4 period and over multiple reporting periods.
5
- 6 2. **Operating performance** - The Board believes that a user could best
7 understand a reporting entity's financial position and condition by including
8 information about significant costs and cost trends over multiple years that
9 contributed to its performance. The Board believes that the GPRA-MA reporting
10 information is not compatible with the MD&A due to timing concerns with
11 respect to when the information is reported; and because it focuses on
12 statistical information and not financial information. Therefore, the Board
13 believes that management should only reference GPRA-MA reporting in the
14 MD&A and not duplicate statistical details.
15
- 16 3. **Stewardship** - The Board believes that a user could best understand the nature
17 of the federal government's stewardship over taxpayer resources through the
18 effective and efficient reporting of a reporting entity's financial position and
19 condition. This includes information about significant changes in (1) assets,
20 liabilities, net position, and budgetary and financing resources, including those
21 attributable to business-type operations, from the prior reporting period and any
22 significant trends over multiple reporting periods; (2) social insurance
23 statements, and stewardship investments.
24
- 25 4. **Systems and controls** - The Board believes that a user should understand
26 how a reporting entity produced reliable financial information and what plans it
27 has to address any weaknesses or non-compliance in its financial management
28 system.

29 A8. The Board developed the following **draft MD&A vision framework** based on the
30 MD&A objectives²⁶. The framework summarized the duplicative language found in
31 some of the MD&A objectives:

- 32 • *MD&A should summarize information about the financial position and*
33 *condition of the reporting entity by discussing the entity's mission,*
34 *organization, and key financial and performance results to inform users*
35 *of its financial health and sustainability of major programs.*
- 36 • *Therefore, MD&A should be an objective, concise, and easily readable*
37 *summary analysis of*
 - 38 ○ *the essential few matters causing significant changes to the entity's*
39 *(1) financial statement amounts during the current reporting period*
40 *and (2) financial, budgetary and key performance trends over past*
41 *reporting periods;*

²⁶ Please see the April 2021 meeting information, Topic D, in the MD&A project page, Staff Analysis, pages 1-2 for more information about the MD&A objectives.

- *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*
- *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.*

A9. The Board requested a pilot to test the MD&A objectives and vision framework. The goals of the MD&A pilot were to: 1) learn if the framework helped prepares to develop a streamlined sample MD&A; 2) determine if the sample MD&A provides users with a better understand of the agency's financial position and condition; and 3) decide if the framework can be used to update and streamline the MD&A standards.

A10. Staff conducted the pilot from January through March 2021.

1. Seventeen pilot agencies created sample streamlined MD&As from the MD&A objectives and draft MD&A vision framework.
2. Sixteen users then reviewed four sample MD&As to determine if the MD&A objectives and MD&A vision framework could produce a streamlined MD&A that was easy to read and understand.

A11. The Board reviewed the pilot results in April 2021. Agency pilots and user reviewers recommended that a streamlined MD&A could be accomplished by

1. providing a comprehensive connection between performance, non-financial and financial information, and systems information while avoiding a silo effect of putting information in separate sections;
2. focusing on key drivers (like COVID-19) that impacted performance goals, significant changes in financial statement lines, and management's decisions during the reporting period;
3. providing concise and concrete examples about the magnitude of risks and current and planned actions to address them;
4. including high-level performance goals that support the current leadership agenda instead of low-level metrics;
5. including well labeled trend graphs that integrate performance, financial, and budgetary resource information, and written summaries; and
6. including more hyperlinks to detailed performance data and other important documents.

A12. The Board agreed that the MD&A pilot was successful in creating sample streamlined MD&As and that the objectives and MD&A draft vision framework were sufficient for developing the proposed amended MD&A standards.

MD&A STANDARDS

A13. The Board decided to distinguish the proposed standards for MD&A into two categories: 1) *Presenting Information in MD&A* and 2) *Information Discussed and Analyzed in MD&A*. *Presenting Information in MD&A* explains **how** the Board wants information presented. *Information Discussed and Analyzed in MD&A* identifies **what** information the Board believes is important to understand the reporting entity and its financial position and condition.

PRESENTING INFORMATION IN MD&A

A14. From the Board's work done to develop the MD&A objectives, draft vision framework, and pilot results, the Board decided that its vision for MD&A was to present a streamlined narrative that is balanced, integrated, concise, and understandable about the reporting entity's financial position and condition. The Board believes that this vision will **change preparers' behavior** for how to present information in MD&A.

A15. The Board provides a description and example of each of the four characteristics of a streamlined narrative—balanced, integrated, concise, and understandable—to help management understand **how** to present information in the MD&A, as follows:

1. **Balanced:** The Board wants the **balanced characteristic** to encourage management to include in MD&A a balance of information that explains what has had a significant positive and negative affect on the financial position and condition of the reporting entity. However, the Board wants to emphasize that management does not need to include an equal amount of positive and negative effects in the MD&A. For example, a reporting entity could have more positive impacts than negative impacts; or more negative impacts than positive impacts to report. The Board chose to include the performance achievements and challenges as a good example of what could be included as positive and negative impacts to financial position and condition for a balanced MD&A.
2. **Integrated:** The Board wants the **integrated characteristic** to encourage management to weave components of information into a complete narrative to show the interrelationship of financial and operating performance information with budgetary outcomes according to the reporting entity as a whole and across its component's missions. The Board wants management to include financial and non-financial, and qualitative and quantitative types of information for an integrated MD&A. The Board does not want boilerplate language or detailed information duplicated because references to other reports, websites,

or areas of the agency financial report would be sufficient for an integrated MD&A.

3. **Concise:** The Board wants the **concise characteristic** to encourage management to discuss and analyze the vital few matters that could affect the judgments and decisions of people who use the GPFFR as a source of information. The Board incorporated the principles in SFFAS 15, paragraph 6 to guide management on what information to include for a concise MD&A.
4. **Understandable:** The Board wants the **understandable characteristic** to encourage management to present information that is easy to understand by U.S. citizens. The Board believes that management should focus on writing in plain language and include non-narrative tools to provide an understandable MD&A.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

A16. The Board believes the following information is necessary to understand a reporting entity and its financial position and condition. The Board wants management to present this information as outlined in *Presenting Information in MD&A* standards.

1. The Board wants management to discuss the **organization and mission of the reporting entity** in the MD&A. The Board believes that management should explain the reporting entity as a whole and its component agencies in a concise narrative. The narrative should explain the reporting entity's overall mission, the mission for each agency, and what each is expected to achieve during the reporting period. The Board wants reporting entities to be flexible when determining how much information to include about the organization and mission in the MD&A. For example, the volume of information would depend on the size and complexity of the reporting entity. A large CFO reporting entity with many component agencies could provide a brief paragraph about the department as a whole, and each agency. Whereas, a small reporting entity could provide one paragraph about the entire reporting entity.
2. The Board wants management to discuss and analyze in the MD&A the significant changes that caused the reporting entity's **financial position and condition to improve or deteriorate** during the reporting period. The Board also wants management to discuss and analyze any significant trends that contributed to improvement or deterioration of the financial position and condition.
 - a. The Board believes that a discussion and analysis about significant changes in the balances of the reporting entity's assets, liabilities, and net position; net cost and revenues, and budgetary and financing resources from the prior to the current reporting period will provide information about

whether the **financial position** of the reporting entity improved or deteriorated. Financial position for commercial organizations only analyzes balance sheet accounts at a certain date. However, because federal reporting entities operate according to budgets and not for profit, the Board wanted to include the reporting entity's net cost and revenues, and budgetary and financing resource balances to understand which accounts may have significantly impacted the status of the reporting entity's financial position.

- b. The Board believes that a discussion and analysis about significant changes to the balances of business-type operations, stewardship investments, social insurance statements; and *Statements of Long-Term Fiscal Projections of the Financial Report of the U.S. Government* will provide information about whether the reporting entity's **financial condition** improved or deteriorated.

3. The Board wants management to discuss and analyze in the MD&A **key performance results**.

- a. This information should explain costs incurred and the significant impacts to budgetary and/or financing resources needed to produce key performance results. The Board believes that understanding significant achievements and challenges is important information about the reporting entity. The Board does not want information duplicated from the GPRA-MA reports because that information is statistical and not financial. GPRA-MA is also reported for a different time period than the agency financial report which adds a burden to agency reporting with time spent synchronize the information. However, the Board believes that a reference to the GPRA-MA reports would be useful.

- b. The Board considered the nature and extent of reporting performance information in the MD&A of the Financial Report of the U.S. Government. Paragraph 6 of SFFAC 4²⁷ recognizes that the Financial Report of the U.S. Government is a general purpose report that is aggregated from agency reports. As a result, the Financial Report of the U.S. Government explains that performance information is reported by component reporting entities. Users can find more information in aggregated and disaggregated formats, in resources such as individual agency reports, agency websites, or the President's Budget as indicated in an appendix to the Financial Report of the U.S. Government. The Board believes the current manner of discussing performance information in the Financial Report of the U.S. Government is appropriate. Therefore, the MD&A in the Financial Report of the U.S. Government should not be required to report performance information.

4. The Board wants management to provide an assessment only of its **financial management systems and significant weaknesses** in the MD&A. While there are other systems the reporting entity relies on, the Board believes that a

²⁷ SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*.

discussion and analysis of the financial management system is the most prevalent for the MD&A. The Board believes that information about the plans being implementing to correct significant weaknesses in internal controls and/or non-compliance issues with applicable laws, is useful information about how the reporting entity produces and protects the reliability of financial information.

5. The Board wants management to discuss and analyze in the MD&A significant opportunities and risks. The Board believes a discussion and analysis about how the reporting entity is mitigating significant opportunities and significant risks is important information to understand how it is achieving key performance results.

RESCISSION AND REPLACEMENT OF SFFAS 15

A17. The Board agreed to rescind SFFAS 15, as all relevant standards that align with the Board's vision have been adapted into these proposed MD&A standards.

A18. The Board is proposing to rescind SFFAC 3 in the *Omnibus Concepts Amendments 202X* proposal. All relevant standards-based content from SFFAC 3 has been adapted into this proposal to support the Board's vision.

A19. This proposal does not affect other statements that require information in MD&A, such as, SFFAS 37. The Board believes including the SFFAS 37 MD&A requirements in this proposal would cause duplication of information already required in MD&A.

APPENDIX B: ABBREVIATIONS

ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
MD&A	Management's Discussions and Analysis
OMB	Office of Management and Budget
RSI	Required Supplemental Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

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TRACK CHANGES VERSION

AUGUST 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

RESCINDING AND REPLACING SFFAS 15, MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- ["Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."](#)
- ["Mission Statement: Federal Accounting Standards Advisory Board"](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB's website at: www.fasab.gov.

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ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) requests your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Management’s Discussion and Analysis* ~~Amended~~: *Rescinding and Replacing SFFAS 15, Management’s Discussions and Analysis*. Specific questions for your consideration appear on **page 6**, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your responses will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by **DUE DATE**.

All comments received by FASAB are considered public information. Those comments may be posted to FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to respond by email, please contact us at (202) 512-7350. We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at (202) 512-7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The Board is proposing ~~new standards that adapt content from Statement of Federal Financial Accounting Concepts (SFFAC) 3, Management's Discussion and Analysis and Federal Financial Accounting Standards (SFFAS) 15, Management's Discussions and Analysis, to support the~~an updated vision for MD&A. The Board's vision ~~for is~~ for MD&A standards to guide reporting entity management to provide in presenting a streamlined narrative that is balanced, integrated, and concise¹. ~~This proposal will allow flexibility in how reporting entities include information, and understandable~~ about the entity's mission, organization, key performance results², reporting entity and its financial position, and ~~financial~~ condition.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

This proposal ~~will improve~~improves federal financial reporting by ~~providing management including all MD&A standards in a single Statement. This proposal adapts relevant standards-based content from Statement of Federal Financial Accounting Concepts (SFFAC) 3³, Management's Discussion and Analysis, and standards from Federal Financial Accounting Standards (SFFAS) 15, Management's Discussions and Analysis that aligns with a flexible framework to discuss and analyze the Board's vision. The Board considered all four reporting objectives: 1) budgetary integrity, 2) operating performance, 3) stewardship, and 4) systems and controls within the context of their mission(s) and organizations, and performance results⁴. As a result, management will present information in a simple, easy to read manner to develop its vision for users to understand a reporting entity's financial position the MD&A and condition. the proposed MD&A standards.~~

¹ See *Presenting Information in MD&A*, (page #) for a full discussion of the Board's intent for this vision.

² This proposal adapts relevant content from SFFAS 15, Statement of Federal Financial Accounting Concepts (SFFAC 3), Management's Discussion and Analysis and lessons learned from the pilot testing.

³ "Standards-based content" is explained in the basis for conclusions along with why it was included in SFFAC 3.

⁴ See the *Basis for Conclusions* (page #) for a full discussion about the Board's analysis of the four reporting objectives, and information utilized from SFFAC 3 in developing this proposal.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding implementing this proposal.

The questions in this section are available for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please contact us at (202) 512-7350.

All responses are requested by [insert date].

Q1. The Board ~~merged~~adapted standard-based content from SFFAC 3 and standards from SFFAS 15 that aligns with its vision to provide standards that guide reporting entity management with the flexibility to provide in presenting a streamlined narrative that is balanced, integrated, ~~and concise,~~ and understandable about the reporting entity and its financial position and condition. Please refer ~~to the proposed standards in~~ paragraphs ~~4-96-7.~~ 4

Do you agree or disagree that the proposed standards will provide guide reporting entity management the flexibility to communicate financial position, financial condition, and key performance results through to present a streamlined narrative that is balanced, integrated, ~~and concise?~~ and understandable about the reporting entity and its financial position and condition. Please provide the rationale for your answer.

Q2. The Board believes this proposal will reduce preparer costs and burden over the long-term.

Do you believe the proposed standards will add to or reduce preparer cost and burden over the long-term? Please provide the rationale for your answer.

Q2-Q3. The Board explains its intent for achieving a streamlined narrative that is balanced, integrated, and concise how information in MD&A should be presented in Presenting Information in MD&A. Please refer to paragraph ~~8-6.~~ 8-6.

Do the ~~these~~ the proposed standards adequately explain the Board's intent? Please provide the rationale for your answer.

1 provide adequate guidance on how to present information in MD&A? Please
2 provide the rationale for your answer.

3
4 ~~Q3. Q4.~~ The Board includes ~~required~~what information to include in MD&A in *Information*
5 *Discussed and Analyzed in MD&A* ~~for users to understand an entity's financial position~~
6 ~~and condition through significant changes in 1) financial statement balances, 2) key~~
7 ~~performance results, 3) social insurance programs, business-like operations, and~~
8 ~~stewardship investments. This requirement also addresses any issues or non-~~
9 ~~compliance related to the entity's systems and controls.~~ Please refer to paragraph 97.

10 Do the proposed standards provide adequate guidance on ~~the required~~what
11 information to include in MD&A? Please provide the rationale for your answer.

12
13
14 ~~Q4. Q5.~~ ~~Do you believe there is any other guidance not addressed in Q1-3 that is~~
15 ~~missing from this proposal and would assist an entity with developing a~~
16 ~~streamlined narrative that is balanced, integrated, and concise?~~ Are there any
17 other aspects of this proposal that you wish to provide comments on? Please
18 provide the rationale for your answer.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
2. A GPFFR in conformance with federal accounting principles should include a management's discussion and analysis (MD&A) of the financial statements and related information.
3. MD&A is required supplementary information (RSI).⁵

RESCISSION AND REPLACEMENT OF SFFAS 15

4. This ~~paragraph~~Statement proposes to rescind SFFAS 15, Management's Discussions and Analysis.
 5. This Statement proposes to replace SFFAS 15 with the proposed Management's Discussion and Analysis (MD&A) standards in this Statement.⁶
 - ~~1. The Omnibus Concepts Amendments 202X proposes to rescind SFFAC 3 given that the relevant content from SFFAC 3 has been adapted in this proposal.⁷~~
- ~~This Statement does not eliminate or otherwise affect SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*.~~

⁵ See SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information required supplemental information (RSI)* paragraph 73 for concepts about RSI.

⁶ The Omnibus Concepts Amendments 202X proposes to rescind SFFAC 3 given that the relevant content from SFFAC 3 has been adapted in this proposal and only another SFFAC can rescind an existing SFFAC. In addition, this Statement does not eliminate or otherwise affect SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*.

⁷ ~~See the Basis for Conclusions to learn how and why SFFAC 3 was adapted into this proposal. A SFFAS cannot rescind a SFFAC, only another SFFAC can rescind an existing SFFAC.~~

PRESENTING INFORMATION IN MD&A

2.—The purpose of the MD&A should~~is to~~ present a streamlined narrative that is balanced, integrated, and concise, and understandable about the reporting entity's ~~mission, organization, and key performance results~~⁸ ~~to assist users in assessing whether the reporting entity's financial position and condition has improved or deteriorated during the reporting period.~~

6. To achieve~~develop~~ a streamlined narrative, ~~management should provide efficient~~presenting information in MD&A. ~~Efficient information is minimal in quantity and provides a simple analysis in plain language⁹ of the detailed technical information found in the financial statements and note disclosures. Other tools that could help to streamline the~~ explains what is expected for a balanced, integrated, concise, and understandable MD&A narrative include charts, tables, graphs; and/or references to other reports, websites, or areas of the agency financial report. In addition, a streamlined narrative, ~~should avoid boilerplate content and responses.~~

- a. To achieve a **balanced**¹⁰ MD&A, management should include ~~information~~events that is both (1) positive and negative, (2) financial and non-financial, (3) qualitative and quantitative, and (4) performance achievement-based and challenge-based. A balanced MD&A should also explain (1) significant¹¹ ~~changes from both~~occurred during the prior reporting period and that had a significant¹² positive or negative effect on the financial position and condition. For example, management would discuss and analyze performance achievements that had a significant positive affect on financial position and condition; and performance challenges that had a significant negative affect on financial position and condition. A balanced MD&A should also discuss and analyze significant positive and negative trends¹³ ~~over multiple reporting~~

⁸ ~~Key "Performance results" refers to both performance accomplishments and performance challenges. Management uses judgement in identifying what performance results are key.~~

⁹ ~~<https://www.plainlanguage.gov/>~~

¹⁰ ~~A balanced MD&A focuses on inclusion of positive and negative information and not whether there is an equal amount of positive and negative information.~~

¹¹ ~~"Significant" for the purposes of MD&A, is information that is extremely important and relevant for a user to understand the reporting entity's financial statements and report.~~

¹² ~~"Significant" for the purposes of MD&A, is information that is extremely important and relevant for a user to understand the reporting entity's financial position and condition.~~

¹³ ~~Management should use judgement to determine if any trends over multiple reporting periods have significantly contributed to improving or not improving the reporting entity's financial position and financial condition.~~

periods; and (2) both short and long term plans to support opportunities¹⁴,
mitigate risks¹⁵, or correct any problems or issues.

- b. To achieve an **integrated** MD&A, management should ~~strive to unify and consolidate information by avoiding the duplication~~weave components of information and by refraining from using distinct sections into a complete narrative. For example, management would present the interrelationship of financial and operating performance information with budgetary outcomes, based on the structure of the reporting entity as a whole and across its component's missions. Management should blend financial and non-financial, and qualitative and quantitative types of information to explain these relationships. An integrated MD&A should also avoid boilerplate language, and duplicative and segmented reporting of information¹⁶. Therefore, reporting entities may provide references to other reports, websites, or areas of the agency financial report.
- c. To achieve a **concise** MD&A, management should ~~explain~~discuss and analyze the vital few matters that could affect the judgments and decisions of people who rely on the GPFFR for information. For example, management would include information that it believes could
- i. lead to significant actions or proposals by top management of the reporting unit;
 - ii. be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or
 - iii. significantly affected changes in the entity's financial report. Management should explain these vital few matters in a affect the judgment of citizens about the efficiency and effectiveness of their Federal Government.
- e.d. To achieve an MD&A that is **understandable** for citizens¹⁷, management should write the narrative in plain language¹⁸ and provide ~~non-technical simplified manner~~narrative tools for ease of understanding. For example,

¹⁴ "Opportunities" for the purposes of MD&A, is anything that may positively affect a reporting entity's ability to achieve its objectives.

¹⁵ "Risks" for the purposes of MD&A, is the effect of uncertainty on a reporting entity's ability to achieve its objectives.

¹⁶ *Information Presented in MD&A* (Paragraph 7) establishes the required content of MD&A and not where a particular piece of information should be placed in an entity's MD&A.

¹⁷ SFFAC 1, *Objectives of Federal Financial Reporting*, paragraph 76 ...Citizens include the general news media and more specialized users, such as trade journals; public interest and other advocacy groups; state and local legislators and executives; and analysts from corporations, academe, and elsewhere.

¹⁸ <https://www.plainlanguage.gov/>

management would include a narrative to explain in plain language a significant change in a financial statement line item. Management may include charts, tables, or graphs to assist users understand complex information presented in the financial statements and note disclosures. provide a visual representation of the narrative, and use appropriate headers to identify specific content for ease of understanding the MD&A.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

7. MD&A should discuss and analyze the following information ~~to help users understand the financial position and condition for all reporting entities, unless stated otherwise~~¹⁹:

a. ~~MD&A should explain causes~~The organization and mission of the reporting entity as a whole and any component agencies²⁰;

b. Significant changes from the prior reporting period and significant changes in trends²¹ over multiple reporting periods **for the following** to explain how the reporting entity's financial position and condition improved or deteriorated during the reporting period:

i. assets, liabilities, and net position; net cost and revenues, and budgetary and financing resources;

ii. ~~MD&A should explain key performance results in relation to the financial and budgetary resources used. MD&A should explain what significant challenges, if any, occurred while trying to achieve performance results and how budgetary or financial resources needs were affected. This analysis should explain why significant costs reported in the financial balances related to business-type operations;~~

d. ~~stewardship investments; statements were incurred and how they were used to achieve performance results in relation to what the reporting entity expected to achieve~~²²;

iii. An analysis

¹⁹ This information should be presented in accordance to the standards *Presenting Information in MD&A* (paragraph #)

²⁰ Management should be flexible when determining how much information to include in the MD&A about the mission and organization of the reporting entity. For example, the volume of information could depend on the size and complexity—number of agencies—within the reporting entity.

²¹ Management should use judgement to determine which trends have significantly contributed to improving or not improving the reporting entity's financial position and financial condition.

²² ~~Government Performance and Results Act Modernization Act (GPRA MA) reporting may be referenced, but detailed GPRA MA information should not be the focus of how management analyzes performance results in the MD&A.~~

iv. social insurance statements; and

i. ~~Statements of performance results in MD&A is required for component reporting entities.~~

ii. v. An analysis of performance results in MD&A is not required in *Long-Term Fiscal Projections of the Financial Report of the U.S. Government*.

a. ~~MD&A should explain what caused~~ Key performance²³ results²⁴ in relation to costs incurred, and any significant changes in social insurance programs, business-type operations, and ~~stewardship investments; and~~

c. ~~MD&A should explain what systems, internal controls, impacts to budgetary and/or compliance with federal laws and regulations the reporting entity relies on to produce reliable~~ financing resources.

d. Management's assessment of its financial information; management systems, and what plans the reporting entity has to address any²⁵ are being implementing to correct significant weaknesses in internal controls and/or non-compliance ~~issues~~ with applicable laws²⁶.

e. Significant opportunities²⁷ identified by management and the plans to mitigate them to achieve key performance results; and

~~b.~~ f. Significant risks²⁸ identified by management and the plans to mitigate them to avoid any potential negative effect on key performance results and related budgetary and/or financing resources.

²³ Key "Performance results" refers to both performance accomplishments and performance challenges. Management uses judgement in identifying what performance results are **key** to the reporting entity.

²⁴ The Financial Report of the U.S. Government is not required to provide an analysis of consolidated governmentwide performance results, but may refer to the availability of performance information in agency financial reports.

²⁵ Plans are actions the reporting entity expects to execute during the current reporting period (short-term) and into the future (long-term).

²⁶ Applicable laws may include: Federal Managers Financial Integrity Act (FMFIA), Federal Financial Management Improvement Act (FFMIA), and Federal Information Security Management Act (FISMA).

²⁷ "Significant opportunities" for the purposes of MD&A, is anything that may have a significant positive affect on a reporting entity's ability to achieve its performance results. Management should use judgement in determining significant opportunities.

²⁸ "Significant risks" for the purposes of MD&A, is the effect of significant uncertainty on a reporting entity's ability to achieve its performance results. Management should use judgement in determining significant risks.

1 EFFECTIVE DATE

2

3 8. The requirements of this Statement are effective for reporting periods beginning after
4 September 30, ~~2023~~ 202X. Early implementation is permitted.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

A1. On June 8, 1999, FASAB published SFFAC 3, ~~an MD&A conceptual framework written with *Management's Discussion and Analysis*. Although SFFAC 3 was a concept statement, it included~~ standards-based language. ~~content²⁹ to guide reporting entities on what to report in MD&A, along with concepts to guide the Board on developing standards for MD&A. However, SFFACs are non-authoritative and therefore not required by GAAP. To require MD&A in the GPFFR, the Board needed authoritative guidance in an SFFAS.~~

A1.A2. On August 12, 1999, FASAB published SFFAS 15, *Management's Discussions and Analysis*, which was merely an outline of SFFAC 3 standard-based content, to require MD&A as part of the GPFFR. ~~Research revealed~~The expectation was that ~~SFFAS 15 was merely an outline of SFFAC 3, whereas the details behind the standards reside as concepts in SFFAC 3. The Board expected entities to~~entities ~~would~~ use both SFFAC 3 and SFFAS 15 to prepare their MD&As. However, given that the concept statements are *non-authoritative other accounting information* as noted in the GAAP hierarchy³⁰, agencies relied primarily on SFFAS 15 to prepare MD&As.

²⁹ According to the Handbook *Forward*: ...concepts should be more general than statements and do not contain authoritative requirements for federal agencies. According to the Handbook *Preamble to Statements of Federal Financial Accounting Concepts*, concepts provide guiding principles for the Board to develop accounting standards. Many of the concepts in SFFAC 3 are standards-based because the language is not general and contains authoritative requirements for federal agencies, with wording such as: MD&A should address; MD&A should inform, and MD&A should concisely explain...

³⁰ ~~According to SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, concepts are non-authoritative.~~

~~A2. The Board began researching issues surrounding MD&A in 2018 after~~**During 2017 and 2018, staff conducted roundtables for** the *Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements* projects ~~noted MD&A-related feedback from roundtables³⁴ and research.~~

A3. ³² Roundtable feedback informed the Board that financial statement users (users found federal entity MD&A's to be dense, duplicative, and complex. ~~Users~~**Roundtable participants** wanted to understand the financial performance ~~of reporting entities without sifting through detailed strategic performance information duplicated in the financial reports from the required performance reporting. Users also wanted to understand a context of the~~ reporting entity's financial position and condition ~~in a concise and integrated MD&A. The statistical information repeated from the GPRA-MA³³ reporting did not provide the financial information about performance that users wanted.~~

The

A4. **In June 2019, the** Board added the MD&A project to its agenda ~~in June 2019~~ to merge work completed by the *Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements* projects. The goals of the MD&A project ~~were to streamline the MD&A, reduce preparer burden, and provide users with easy to understand information about a reporting entity's financial position and condition. are to~~

1. incorporate standards-based content from SFFAC 3 and standards from SFFAS 15 into one SFFAS for preparing the MD&A;

2. reduce preparer burden by streamlining the MD&A;

3. require information about a reporting entity's financial position and condition for a financial focus instead of a statistical focus based on GPRA-MA reporting; and

4. update guidance to discuss and analyze risk plans and mitigation to explain how the reporting entity will respond to opportunities and uncertainties.

DEVELOPMENT OF PROPOSED MD&A STANDARDS

A5. The Board's initial step in developing MD&A standards, was to develop ~~the~~ MD&A objectives. ~~The Board used based on~~ the four reporting objectives in SFFAC 1,

³⁴ ~~Both the Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements projects received the same feedback while conducting their own roundtables in 2018.~~

³² Both the Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements projects received the same feedback while conducting their own roundtables in 2018.

³³ Government Performance and Results Act of 1993 (GPRA) Modernization Act of 2010 (MA) (GPRA-MA)

Objectives of Federal Financial Reporting: (1) budgetary integrity³⁴, (2) operating performance³⁵, (3) stewardship³⁶, and (4) systems and controls³⁷ ~~to build a good foundation to create the MD&A objectives. The SFFAC 1 reporting objectives were also the basis for the SFFAC 3 concepts. Therefore, the Board analyzed the SFFAC 1 reporting objectives along with the related SFFAC 3 concepts to formulate the MD&A objectives.~~

A6. The four SFFAC 1 reporting objectives were also the basis for the SFFAC 3 standards-based content.

A6-A7. The Board ~~decided that~~adapted and applied the SFFAC 3 ~~concepts for~~standards-based content from each SFFAC 1 reporting objective ~~could be adapted to develop the proposed standards~~ as follows:

1. **Budgetary integrity** - The Board believes that a user could best understand a reporting entity's financial position and condition by including information about significant changes in budgetary and financing resources during the reporting period and over multiple reporting periods.
2. **Operating performance** - The Board believes that a user could best understand a reporting entity's financial position and condition by including information about significant costs and cost trends over multiple years that contributed to its performance. The Board believes that the ~~detailed~~ GPRA-MA reporting information is not relevant incompatible with the MD&A ~~because there is due to~~ timing ~~issue for~~concerns with respect to when the information is reported; and because it focuses on statistical information and not financial information. Therefore, the Board believes that management should only reference GPRA-MA ~~required~~ reporting in the MD&A and not duplicate statistical details.
3. **Stewardship** - The Board believes that a user could best understand the nature of the federal government's stewardship over taxpayer resources through the effective and efficient reporting of a reporting entity's financial position and condition ~~by including. This includes~~ information about significant changes in (1) assets, liabilities, net position, and budgetary and financing resources, including those attributable to business-type operations, from the prior reporting period

³⁴ For budgetary integrity, the Board reviewed and analyzed paragraphs 11, 13, 89, 91, 115, 116 and 118 from SFFAC 1; and paragraphs 28 and 29 from SFFAC 3.

³⁵ For operating performance, the Board reviewed and analyzed paragraphs 14, 126, and 128 from SFFAC 1; and paragraphs 43, 44, 45, 47, and 49 from SFFAC 3.

³⁶ For stewardship, the Board reviewed and analyzed paragraphs 11, 15, 16, 99, 100, 102, 135-141, and 143-145 from SFFAC 1; and paragraphs 14, 26, 27, 31, and 32 from SFFAC 3.

³⁷ For systems and controls, the Board reviewed and analyzed paragraphs 11, 17, 103, 149 and 150 from SFFAC 1; and paragraphs 15 -17 and 41 from SFFAC 3.

and any significant trends ~~and over~~ multiple reporting periods; ~~and~~ (2) social insurance ~~programs, business type operations; statements,~~ and stewardship investments.

4. **Systems and controls** - The Board believes that a user should understand how a reporting entity produced reliable financial information and what plans it has to address any weaknesses or non-compliance in its financial management system.

~~A7-A8.~~ The Board ~~then~~ developed at the following draft MD&A vision framework³⁸ based on the MD&A objectives³⁹. The framework ~~was in response to members' request to develop a cohesive vision of the MD&A without~~ summarized the duplicative language found in some of the MD&A objectives--:

- 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
 - 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;
 - 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
 - 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.

A9. The Board ~~decided to conduct~~ requested a pilot⁴⁰ to test the MD&A objectives and ~~draft vision framework.~~ vision framework. The goals of the MD&A pilot were to: 1)

³⁸ ~~Please see the April 2021 meeting information, Topic D, in the MD&A project page for more information about the draft MD&A vision framework.~~

³⁹ ~~Please see the April 2021 meeting information, Topic D, in the MD&A project page, Staff Analysis, pages 1-2 for more information about the MD&A objectives.~~

⁴⁰ ~~Please see the April 2021 meeting information, Topic D, in the MD&A project page for more information about the pilot activity.~~

1 learn if the framework helped prepares to develop a streamlined sample MD&A; 2)
2 determine if the sample MD&A provides users with a better understand of the
3 agency's financial position and condition; and 3) decide if the framework can be
4 used to update and streamline the MD&A standards.

5
6 A10. Staff conducted the pilot from January through March 2021, ~~with 17 federal~~
7 reporting entities and 16.

8 1. Seventeen pilot agencies created sample streamlined MD&As from the MD&A
9 objectives and draft MD&A vision framework.

10 2. Sixteen users then reviewed four sample MD&As to determine if the MD&A
11 objectives and MD&A vision framework could produce a streamlined MD&A that
12 was easy to read and understand.

13 A11. The Board reviewed the pilot results in April 2021. Agency pilots and user
14 reviewers. Some of the feedback showed that the MD&A objectives &
15 recommended that a streamlined MD&A could be accomplished by

16 1. providing a comprehensive connection between performance, non-financial and
17 financial information, and systems information while avoiding a silo effect of
18 putting information in separate sections;

19 2. focusing on key drivers (like COVID-19) that impacted performance goals,
20 significant changes in financial statement lines, and management's decisions
21 during the reporting period;

22 3. providing concise and concrete examples about the magnitude of risks and
23 current and planned actions to address them;

24 4. including high-level performance goals that support the current leadership
25 agenda instead of low-level metrics;

26 5. including well labeled trend graphs that integrate performance, financial, and
27 budgetary resource information, and written summaries; and

28 6. including more hyperlinks to detailed performance data and other important
29 documents.

30 A12. The Board agreed that the MD&A pilot was successful in creating sample
31 streamlined MD&As and that the objectives and MD&A draft vision framework (4)
32 helped preparers were sufficient for developing the proposed amended MD&A
33 standards.

34 35 MD&A STANDARDS

36
37 A13. The Board decided to distinguish the proposed standards for MD&A into two
38 categories: 1) *Presenting Information in MD&A* and 2) *Information Discussed and*
39 *Analyzed in MD&A*. *Presenting Information in MD&A* explains **how** the Board wants
40 information presented. *Information Discussed and Analyzed in MD&A* identifies

what information the Board believes is important to understand the reporting entity and its financial position and condition.

PRESENTING INFORMATION IN MD&A

~~A8.—From the Board’s work done to develop a streamlined sample MD&A; (2) provided users with a better understanding of the agency’s financial position and condition; and 3) could be used by the Board finalize its vision and update the MD&A standards.~~

~~A9:A14. The Board concluded that the finalthe MD&A objectives, draft vision for the MD&A is framework, and pilot results, the Board decided that its vision for MD&A was to present a streamlined narrative that is balanced, integrated, *and* ~~concise~~concise, and understandable about the reporting entity’s financial position and condition. The Board believes that this vision will **change preparers’ behavior** ~~onfor~~ how to present information in MD&A. ~~Therefore, the Board took particular care in explaining what each of these characteristics means to help preparers to produce a new and improved MD&A, because the Board believes that~~~~

~~A15. The Board provides a description and example of each of the four characteristics of a streamlined narrative should—balanced, integrated, concise, and understandable—to help management understand **how** to present information in the MD&A, as follows:~~

- ~~1. **Balanced:** The Board wants the **balanced characteristic** to encourage preparers to provide~~management to include in MD&A a balance of information that will assist a user in understanding~~explains what has had a significant positive and negative affect on~~ the financial position and condition of the reporting entity~~;~~. However, the Board wants to emphasize that management does not need to include an equal amount of positive and negative effects in the MD&A. For example, a reporting entity could have more positive impacts than negative impacts; or more negative impacts than positive impacts to report. The Board chose to include the performance achievements and challenges as a good example of what could be included as positive and negative impacts to financial position and condition for a balanced MD&A.
- ~~2.—a **balanced MD&A** should encourage preparers to provide information that is both positive and negative, financial and non-financial, and quantitative and qualitative. A balanced MD&A should also encourage preparers to include visual tools, such as charts and graphs, along with a narrative to provide a variety of ways for a user to understand complicated financial information;~~
- ~~3.—an **integrated MD&A** should encourage preparers to be flexible in how to present information without duplication; and~~
- ~~2. a **Integrated:** The Board wants the **integrated characteristic** to encourage management to weave components of information into a complete narrative to show the interrelationship of financial and operating performance information with budgetary outcomes according to the reporting entity as a whole and~~

across its component's missions. The Board wants management to include financial and non-financial, and qualitative and quantitative types of information for an integrated MD&A. The Board does not want boilerplate language or detailed information duplicated because references to other reports, websites, or areas of the agency financial report would be sufficient for an integrated MD&A.

3. **Concise:** The Board wants the **concise MD&A** should **characteristic** to encourage ~~preparers~~ management to include only discuss and analyze the vital few matters that significantly impacted the could affect the judgments and decisions of people who use the GPFFR as a source of information. The Board incorporated the principles in SFFAS 15, paragraph 6 to guide management on what information to include for a concise MD&A.

4. **Understandable:** The Board wants the **understandable characteristic** to encourage management to present information that is easy to understand by U.S. citizens. The Board believes that management should focus on writing in plain language and include non-narrative tools to provide an understandable MD&A.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

A10-A16. The Board believes the following information is necessary to understand a reporting entity and its financial position and condition. The Board wants management to present this information as outlined in *Presenting Information in MD&A* standards.

1. The Board wants management to discuss the **organization and mission of the reporting entity** in the MD&A. The Board believes that management should explain the reporting entity as a whole and its component agencies in a concise narrative. The narrative should explain the reporting entity's overall mission, the mission for each agency, and what each is expected to achieve during the reporting period. The Board wants reporting entities to be flexible when determining how much information to include about the organization and mission in the MD&A. For example, the volume of information would depend on the size and complexity of the reporting entity. A large CFO reporting entity with many component agencies could provide a brief paragraph about the department as a whole, and each agency. Whereas, a small reporting entity could provide one paragraph about the entire reporting entity.

2. The Board wants management to discuss and analyze in the MD&A the significant changes that caused the reporting entity's **financial position and condition to improve or deteriorate** during the reporting period. The Board also wants management to discuss and analyze any significant trends that contributed to improvement or deterioration of the financial position and condition.

1 a. The Board believes that a discussion and analysis about significant
2 changes in the balances of the reporting entity's assets, liabilities, and net
3 position; net cost and revenues, and budgetary and financing resources
4 from the prior to the current reporting period will provide information about
5 whether the **financial position** of the reporting entity improved or
6 deteriorated. Financial position for commercial organizations only analyzes
7 balance sheet accounts at a certain date. However, because federal
8 reporting entities operate according to budgets and not for profit, the Board
9 wanted to include the reporting entity's net cost and revenues, and
10 budgetary and financing resource balances to understand which accounts
11 may have significantly impacted the status of the reporting entity's financial
12 position.

13 b. The Board believes that a discussion and analysis about significant
14 changes to the balances of business-type operations, stewardship
15 investments, social insurance statements; and *Statements of Long-Term*
16 *Fiscal Projections of the Financial Report of the U.S. Government* will
17 provide information about whether the reporting entity's **financial**
18 **condition** improved or deteriorated.

19 3. The Board wants management to discuss and analyze in the MD&A **key**
20 **performance results.**

21 a. This information should explain costs incurred and the significant impacts
22 to budgetary and/or financing resources needed to produce key
23 performance results. The Board believes that understanding significant
24 achievements and challenges is important information about the reporting
25 entity. The Board does not want information duplicated from the GPRA-MA
26 reports because that information is statistical and not financial. GPRA-MA
27 is also reported for a different time period than the agency financial report
28 which adds a burden to agency reporting with time spent synchronize the
29 information. However, the Board believes that a reference to the GPRA-
30 MA reports would be useful.

31 b. The Board considered the nature and extent of reporting performance
32 information in the MD&A of the Financial Report of the U.S. Government.
33 Paragraph 6 of SFFAC 4⁴¹ recognizes that the Financial Report of the U.S.
34 Government is a general purpose report that is aggregated from agency
35 reports. As a result, the Financial Report of the U.S. Government explains
36 that performance information is reported by component reporting entities.
37 Users can find more information in aggregated and disaggregated formats,
38 in resources such as individual agency reports, agency websites, or the
39 President's Budget as indicated in an appendix to the Financial Report of
40 the U.S. Government. The Board believes the current manner of
41 discussing performance information in the Financial Report of the U.S.
42 Government is appropriate. Therefore, the MD&A in the Financial Report
43 of the U.S. Government should not be required to report performance
44 information.

⁴¹ SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government.*

- 1 4. The Board wants management to provide an assessment only of its **financial**
2 **management systems and significant weaknesses** in the MD&A. While
3 there are other systems the reporting entity relies on, the Board believes that a
4 discussion and analysis of the financial management system is the most
5 prevalent for the MD&A. The Board believes that information about the plans
6 being implementing to correct significant weaknesses in internal controls and/or
7 non-compliance issues with applicable laws, is useful information about how
8 the reporting entity produces and protects the reliability of financial information.
- 9 5. The Board wants management to discuss and analyze in the MD&A significant
10 opportunities and risks. The Board believes a discussion and analysis about
11 how the reporting entity is mitigating significant opportunities and significant
12 risks is important information to understand how it is achieving key
13 performance results.

18 RESCISSION AND REPLACEMENT OF SFFAS 15

- 20 ~~A11-A17.~~ The Board agreed to rescind SFFAS 15, as ~~this proposal would entirely~~
21 ~~replace SFFAS 15.~~ all relevant standards that align with the Board's vision have
22 been adapted into these proposed MD&A standards.
- 24 ~~A12-A18.~~ The Board is proposing to rescind SFFAC 3 in the *Omnibus Concepts*
25 *Amendments 202X* proposal. All relevant standards-based content from SFFAC 3
26 has been adapted into this proposal- to support the Board's vision.
- 28 ~~A13-A19.~~ This proposal does not affect other statements that require information in
29 MD&A, such as, SFFAS 37. The Board believes including the SFFAS 37 MD&A
30 requirements in this proposal would cause duplication of information already
31 required in MD&A.

APPENDIX B: ABBREVIATIONS

ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
MD&A	Management's Discussions and Analysis
OMB	Office of Management and Budget
RSI	Required Supplemental Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

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MEMBER COMMENT FORM
TOPIC A – MD&A: ATTACHMENT 4
August 2022

Member Instructions:

Please provide your technical edits below noting your initials, and page and line number from the draft proposal for each proposed technical edit.

Question #1 for the Board:

What technical edits do you propose for *Presenting Information in MD&A*?

Question 1 – *Presenting Information in MD&A*

Member Initials	Page #	Line #	Comment / Edit

Question #2 for the Board:

What technical edits do you propose for *Information Discussed and Analyzed in MD&A*?

Question 2 – *Information Discussed and Analyzed in MD&A*

Member Initials	Page #	Line #	Comment / Edit

MEMBER COMMENT FORM
TOPIC A – MD&A: ATTACHMENT 4
August 2022

Question #3 for the Board:

What technical edits do you propose for the *Executive Summary*?

Question 3 – *Executive Summary*

Member Initials	Page #	Line #	Comment / Edit

Question #4 for the Board:

What technical edits do you propose for the *Questions for Respondents*?

Question 4 – *Questions for Respondents*

Member Initials	Page #	Line #	Comment / Edit

MEMBER COMMENT FORM
TOPIC A – MD&A: ATTACHMENT 4
August 2022

Question #5 for the Board:

What technical edits do you propose for the *Recession and Replacement of SFFAS 15*?

Question 5 – Recession and Replacement of SFFAS 15

Member Initials	Page #	Line #	Comment / Edit

Question #6 for the Board:

What technical edits do you propose for the *Basis for Conclusions*?

Question 6 – Basis for Conclusions

Member Initials	Page #	Line #	Comment / Edit