

Memorandum Technical Agenda

August 10, 2022

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

INTRODUCTION

The Board annually reviews its technical agenda to determine priorities for the upcoming year. In addition to setting the Board's priorities in August, the Board will conduct a mid-year review of the technical agenda at the February meeting.

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

REQUEST FOR FEEDBACK BY AUGUST 18

Prior to the Board's August meeting, please review the attached project information, staff recommendations, and analyses and consider the ensuing questions. If members have any comments or questions prior to the meeting please contact to me at ValentineM@fasab.gov by August 18.

NEXT STEPS

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

ATTACHMENT

1. Staff Analysis
2. Project Timelines

Staff Analysis

TECHNICAL AGENDA

Attachment 1

CONTEXT

The Board currently has ten active projects on the technical agenda and one pre-research topic underway.

BACKGROUND

The current FASAB staff resources include three assistant directors, three senior analysts, one communications analyst, one executive assistant, and the executive director. We are looking to fill one junior analyst vacancy in fiscal year 2023.

It is important to note that staff has been successful in leveraging resources through its various task forces, as well as agency details, however such assistance is sporadic and normally short-term in nature. Our recent experiences have shown that additional resources provided by interns and detailees can be highly effective. For example, with the use of additional resources staff has been able to continue developing leases implementation guidance in a timely manner.

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

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

CURRENT TECHNICAL AGENDA PROJECTS

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

Current Technical Agenda Projects:

- Climate Related Financial Reporting
- Intangible Assets
- Land Implementation
- Leases Implementation
- Public-Private Partnerships (P3) Phase II – Recognition and Measurement
- Reexamination of Existing Standards
- Reporting Model – Concepts Omnibus
- Reporting Model – Budgetary Information
- Reporting Model – Management Discussion & Analysis
- Technical Release Conforming Amendments (AAPC)

Technical Agenda Project Summaries, Status, and Next Steps

I. Climate Related Financial Reporting

- a. Summary – The Board decided to address Climate-Related Financial Reporting in two phases. Phase I: develop a non-authoritative staff education paper to identify current guidance available for agencies to account for and report on climate-related impacts and risks; and Phase II: develop a framework for climate-related financial disclosures (CRFD).
- b. Status – The Board completed Phase I on May 17, 2022, when the climate staff paper titled [*Statements of Federal Financial Accounting Standards That May Be Relevant to Climate-Related Financial Reporting*](#), posted to the FASAB website.

Phase II began at the June 2022 Board Meeting. Members agreed to 1) analyze the Task Force for Climate-Related Financial Disclosures (TCFD) model as a starting point for developing the FASAB CRFD framework; and 2) activate a FASAB climate task force to help with research.

- c. Next Steps – The task force will deliver a number of education sessions to include: (1.) how other governments, such as California and Canada, have implemented TCFD reporting; (2.) how agencies are implementing and reporting on the many climate-related executive orders; and (3.) the common themes from the 10,000+ responses the SEC received on its climate-related proposed rules.

II. Intangible Assets – Software Technology

- a. Summary – This project began as a research topic in which staff worked with a task force to research the significance of intangible assets throughout federal reporting entities. During the research efforts, staff identified potential intangible assets to include patents, trademarks, data sets, and software-based resources.

The Board agreed that research indicated a need to update the software guidance. The Board also shared staff's concerns with recognition challenges associated with the other types of identified intangible assets. Research showed that these assets exist throughout federal reporting entities, but there are significant concerns with the practicality of measuring and recognizing their value.

In August 2021, the Board added the intangible assets project to its technical agenda with the following three objectives:

- i. Develop updates for software reporting guidance
- ii. Develop a working definition of intangible assets for the Board's internal use
- iii. Further assess the costs versus benefits of developing reporting guidance for intangible assets

The Board considered updating software guidance as most important because it would enable entities to meet the financial reporting needs of the current federal information technology environment. The Board also determined that caution and further deliberation is warranted before developing comprehensive reporting guidance for intangible assets. Therefore, members agreed to develop a non-authoritative working definition of intangible asset as a first step.

b. Status – Staff has collaborated with working groups for both the software guidance and working definition objectives. During the February 2022 meeting, the Board supported staff's proposed scope and project plan for developing updates for software guidance. The scope consists of four major categories of software resources that staff plans to address individually in the following order:

- i. Cloud service arrangements
- ii. Shared services
- iii. Internal use software updates
- iv. Other software technology

Also during the February 2022 meeting, the Board supported staff's proposed working definition of an intangible asset while providing thoughts and suggested edits that generally related to potential reporting requirement concerns. Staff has noted member comments for future deliberations if the Board ultimately approves a project to develop reporting guidance for intangible assets. In the meantime, staff continues to focus time and resources primarily on the software guidance project.

The most recent Board meetings have focused on developing guidance for cloud service arrangements. During the April 2022 meeting, the Board supported staff's proposed characteristics of cloud-service arrangements and an asset guidance framework for which to apply the characteristics. Members noted that it was

important to continue to research and deliberate whether cloud-service arrangements could meet the essential characteristics of an asset from SFFAC 5, *Definition of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*.

During the June 2022 meeting, two panelists from a federal entity provided the Board an educational session that covered the characteristics, service models, and deployment models of cloud computing. The panelists also discussed ways that federal entities procure and pay for cloud services along with potential financial reporting needs and challenges. The educational session helped members to better understand cloud service arrangements in the federal government as they continue to deliberate financial reporting guidance possibilities.

- c. Next Steps – Staff continues to research and engage with the working group to understand how federal entities acquire, pay for, and utilize cloud services so that the Board can ultimately make an informed decision on whether cloud-service arrangements can represent assets for financial reporting purposes. At the August 2022 meeting, staff will present major categories of cloud service arrangements that exist throughout the federal government along with an analysis on whether each category could meet the essential characteristics of an asset from SFFAC 5. Additionally, staff will discuss some of the potential benefits and challenges of reporting cloud service arrangements as assets in financial reports.

For fiscal year 2023, staff will continue researching reporting guidance possibilities for cloud service arrangements and begin developing an exposure draft. Staff will then move on to researching and developing reporting guidance for shared services.

III. SFFAS 59, Land Implementation

- a. Summary - To ensure consistent accounting treatment and reporting for land holdings while considering user information needs, SFFAS 59 (1) requires reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset, (2) clarifies the definition for the stewardship land (SL) category, (3) requires the reporting of G-PP&E land and SL using three predominant use sub-categories: conservation and preservation land; operational land; and commercial use land, and (4) requires consistent and comparable disclosures of information for land (that is, reporting estimated acres of land, estimated acres of land held-for-disposal or exchange, and predominant land use).
- b. Status – SFFAS 59 was issued as final on July 30, 2021. Implementation activities will begin in the coming months.
- c. Next Steps - Given the potential implementation challenges related to SFFAS 59, the Board agreed to include a separate project on its technical agenda to monitor implementation challenges, and to assess the need, as appropriate, for actions to address those challenges prior to transition of the RSI requirements to the notes.

Consistent with Board principles and practice, such actions may include, among other things, staff guidance, AAPC guidance, interpretations, or additional standards, as determined appropriate based on Board deliberations. As appropriate, staff intends to establish working groups comprising stakeholders, including major landholding agencies and users to conduct these assessment and research activities.

For fiscal Years 2022 and 2023, staff will monitor implementation issues brought to the Board's attention concerning the presentation of total acreage and acreage by predominant use sub-categories as RSI.

Please note that GAO has met with the major federal land holding agencies and their auditors and is working towards developing and issuing audit guidance, in cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), for auditing total acreage and acreage by predominant use sub-categories. The Board agreed to complete its assessment of remaining implementation issues associated with preparation and audit of the RSI (both total acreage and predominant use sub-categories) in fiscal year 2025, and, as appropriate, take actions to address them, before the RSI requirements transition to the notes.

IV. SFFAS 54, Leases Implementation

- a. Summary - Since the issuance of SFFAS 54, *Leases*, in April 2018, the Board has undertaken numerous post-issuance activities. The objective is to support effective and timely implementation and understanding of SFFAS 54 through implementation guidance and the timely identification and issuance of conforming amendments, clarifications, and other guidance that may be necessary. SFFAS 54 becomes effective in fiscal year 2024.
- b. Status – The first phase of these post-issuance activities is complete, while the second phase is approaching completion late this calendar year. It includes omnibus amendments to existing level-A guidance and level-C implementation guidance.
 - i. SFFAS 60, *Omnibus Amendments 2021: Lease-Related Topics*, was issued on November 4, 2021.
 - ii. Technical Release (TR) 20, *Implementation Guidance for Leases*, was also issued on November 4, 2021.
 - iii. SFFAS XX, *Omnibus Amendments 202X: Leases-Related Topics II*, is in the finalization phase. Staff hopes to ballot the proposal this summer and issue a final Statement before the end of the calendar year.
 - iv. *Intragovernmental Leases-Related Reimbursable Work Agreements* is under development. Staff hopes to ballot an exposure draft this summer.

- v. In November 2022 or February 2023, the AAPC will develop conforming amendments and updates to TR 20. Staff hopes to issue these conforming amendments in 2023.
- vi. Staff is providing technical assistance to OMB (in consultation with a small working group, including Treasury, GAO, and GSA), to develop tracked leases-related Circular A -136 revisions to circulate to the community later in 2022.
- c. Next Steps – Staff will continue to work on the above-summarized projects. Staff will continue to monitor and update the Board on implementation activities and elevate any technical inquiries that might require Board action. Although staff expects the volume of technical inquiries to increase in 2023, staff expects the volume of such inquiries to be significantly reduced because of the Board's above-summarized post-issuance technical activities—especially TR 20.

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

- a. Summary – The P3 project is meant to address federal agencies increasing use of P3s to accomplish program goals. The overall objective of the project is to make the full costs of such partnerships transparent.
- b. Status – The issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, on April 27, 2016, effectively concluded the first phase of the Board's two-phased project on public-private partnerships. Although the second phase of the project is expected to address measurement and recognition, some of which is directly related to the disclosures required by SFFAS 49, staff has been asked to address Phase I implementation issues prior to commencing Phase II. As such, staff continues to train and conduct outreach efforts with a focus towards gathering information to assist improving implementation. As of May 31, staff has held nine training venues attended by ~445 agency personnel representing 26 agencies/bureaus. Staff has also held meetings with federal preparer, inspector general, and financial policy representatives, as well as IPA representatives. Staff is attempting to identify implementation challenges and possible solutions from these diverse perspectives among the financial management community, that is, preparer, business-area (operational), auditor, and policy expert views.
- c. Next Steps – As requested by members, staff has created an *Issues Log* that captures and retains for future use potential measurement and recognition issues, as well as balance sheet recognition approaches/options. Staff expects to convene a task force to address measurement and recognition after the Board's review of the Phase 1 implementation issues.

VI. Reexamination of Existing Standards

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

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

- b. Status – At the August 2021 meeting, members approved moving the reexamination project from the Board's research agenda to an active technical project. The Board agreed that gaining widespread feedback on potential approaches through an invitation to comment (ITC) would be integral to the project's success. Staff provided the Board with a suggested framework/organization of the ITC along three areas: FASAB GAAP hierarchy, Reexamination of FASAB standards, and Codification of FASAB standards and/or Handbook improvement.
- c. Next Steps – Staff anticipates providing a draft ITC to target groups for comment by late summer (such as the CFO Council and Financial Statement Audit Network) to ensure the ITC is clear and focused. Most importantly, it would help ensure the ITC does not overlook key questions that may assist stakeholders in providing the information the Board is requesting for the reexamination project. The Board should anticipate reviewing a draft ITC in the fall 2022.

VII. Reporting Model – Concepts Omnibus

- a. Summary - The objective of the concepts omnibus project is to amend existing concepts for note disclosures and management's discussion and analysis (MD&A) in SFFAC 2, *Entity and Display*.
- b. Status – The Board has deliberated an exposure draft and it is ready for comment. The Board requested that it be released for comment in conjunction with the comment period for MD&A.
- c. Next Steps – FASAB will release the exposure draft for comment at the same time as the MD&A exposure draft.

VIII. Reporting Model – Budgetary Information

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

- b. Status – This project was put on hold in mid fiscal year 2021 while OMB and GAO consider other efforts on this topic. OMB is considering proposed updates to A-136 encouraging entities to explain applicable federal budget terms and concepts such as budgetary resources, appropriations, gross and net outlays, budgetary and non-budgetary, and distributed offsetting receipts.
- c. Next Steps – Staff will continue to monitor the OMB/GAO work and will assess whether any additional efforts are needed by FASAB.

IX. Reporting Model – Management Discussion & Analysis

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

X. AAPC Work

a. Conforming Amendments Technical Releases

- i. Summary – The Board issued several pronouncements in recent years that required assessing and updating implementation guidance issued by the AAPC. In July 2022, the AAPC approved proposed TR 21, *Omnibus Technical Release Amendments 2022: Conforming Amendments*. TR 21 provides conforming amendments to previously issued TRs to ensure GAAP guidance is consistent.
- ii. Status – On July 20, 2022, TR 21 was submitted to the Board with a 45-day review period to gain negative assurance from a majority of the Board before it is issued.

Next Steps – If a majority of the Board or a federal member does not object to TR 21 by September 3, 2022, it will be released as final on September 6, 2022.

A. RECOMMENDATION

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

Reporting Model – Budgetary Information project be reclassified as a research project to allow staff time to work with OMB and GAO on approach options.

ANALYSIS

These ten projects currently on the Board's technical agenda, as well as the AAPC projects, are assigned to five of the six FASAB project managers. Please note that some project managers are managing two projects under the current technical agenda. Only the AAPC Conforming Amendments project is expected to be completed by the end of the calendar year.

As noted in the attached project timeline [Attachment 2], these projects are expected to continue into fiscal years 2023 - 2026.

Question #1 for the Board:

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

Question #2 for the Board:

Does the Board agree to reclassify the Reporting Model – Budgetary Information project as a research project to allow staff time to work with OMB and GAO on approach options?

CURRENT RESEARCH TOPICS

The Board currently has one pre-research topic. Below is the summary, research status, and recommended next steps for the research topic.

Current Pre-Research Topic:

- SFFAS 38, *Accounting for Federal Oil and Gas Resources*, Requirements Review

Research Topic Summaries, Status, and Next Steps

XI. SFFAS 38 Requirements Review

- a. Summary – The objective of the research topic is to provide the information needed to facilitate the Board in determining whether to transition the requirements in SFFAS 38 from RSI to basic information.
- b. Status – Staff has completed its initial research on the SFFAS 38 requirements and will present the information to the Board in the August meeting.
- c. Next Steps – Staff will continue its research on the topic based on the discussion at the August meeting.

B. RECOMMENDATION

Pending the outcome of the project discussion on the review of the SFFAS 38 requirements, the Board may consider adding this topic to its research agenda. The research is intended to address the open issue of whether the information required in SFFAS 38 and TB 2011-1 should transition to basic information as financial statement recognition or note disclosure or if the requirements should remain as RSI.

ANALYSIS

The requirements of SFFAS 38 currently remain an open issue for the Board. In order to resolve the open issue, the Board will need to gain an understanding of the previous Board's conclusions, review any new information related to the information currently reported, and make an assessment of what is the best financial reporting requirement going forward.

Question #3 for the Board:

Do members believe that a research project to review the existing reporting requirements of SFFAS 38 is appropriate?

TOPIC C: TECHNICAL AGENDA REVIEW
PROPOSED FY 2023 FASAB PROJECT SCHEDULE
ATTACHMENT 2

Proposed FY 2023 FASAB Project Schedule																
Project	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
Climate Related Financial Disclosures	RE	RE	RE	DE	DE	DE	FI	FI	IS							
Intangible Assets - Software Technology	DE	DE	DE	DE	DE	DE	DE	DE	FI	FI	FI	IS				
Land Implementation	RE	RE	RE	RE	RE	RE	RE	RE	RE	RE	RE	RE	RE	DE	DE	DE
Leases Omnibus	FI	IS				*										
Intragov. Leases-Related Reimbursable Work	DE	DE	FI	FI	IS	*										
P3 - Phase II	RE	RE	RE	RE	RE	DE	DE	DE	DE	FI	FI	FI	FI	IS		
Reexamination of Existing Standards	RE	RE	RE	RE	**											
RM - Concepts Omnibus	DE	FI	FI	IS												
RM - MD&A Standards	DE	FI	FI	IS												
AAPC - Omnibus TR Conforming Amendments	FI															
AAPC - Updates to TR 20	RE	DE	DE	DE	FI	IS	*									
* SFFAS 54 effective																
**Separate projects are expected to evolve																
Research Projects																
SFFAS 38 Requirements Review	RE	RE	RE													
Reporting Model – Budgetary Information	RE	RE	RE	RE	RE											

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

MEMBER COMMENT FORM
TOPIC C – Technical Agenda Review
August 2022 Board Meeting

Member Name:

For each question, please include your name and provide your comments/edits.

Question #1 for the Board:

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

Member Name:

Comment:

Question #2 for the Board:

Does the Board agree to reclassify the Reporting Model – Budgetary Information project as a research project to allow staff time to work with OMB and GAO on approach options?

Member Name:

Comment:

MEMBER COMMENT FORM
TOPIC C – Technical Agenda Review
August 2022 Board Meeting

Question #3 for the Board:

Do members believe that a research project to review the existing reporting requirements of SFFAS 38 is appropriate?

Member Name:

Comment: