

Memorandum

Non-Agenda Topics

August 11, 2022

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

INTRODUCTION

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

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

- Climate Related Financial Disclosures
- Intangible Assets Working Definition
- Land Implementation
- Public-Private Partnerships
- Reexamination of Existing Standards
- Reporting Model – Budgetary Information
- Reporting Model – Concepts Omnibus

REQUEST FOR FEEDBACK

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

ATTACHMENTS

1. Project updates

Project Updates

Non-Agenda Topics

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Attachment 1

CLIMATE RELATED FINANCIAL DISCLOSURES

On July 21, 2022, staff sent a news release calling for task force (TF) members to help develop the climate-related financial disclosure framework. Staff has received approximately 40 requests to join the TF and is mapping each participant's area of expertise to working groups. Working groups will provide education sessions about 1) common themes from the 10,000+ response letters SEC received on the proposed climate-related disclosure rules; 2) what agencies are doing and reporting on in relation to climate-related executive orders; and 3) other government's [i.e., Canada and California] experience and lessons learned on implementing TCFD for reporting climate-related disclosures in their financial statements.

INTANGIBLE ASSETS WORKING DEFINITION

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

LAND IMPLEMENTATION

As part of our monitoring, staff was notified by a reporting entity that one of their components noted significant discrepancies between two of their systems of record for land acreage and therefore, would like to defer reporting acreage until the next fiscal year (2023) so that a reconciliation of the data could be performed. Nevertheless, the expectation is that the component entity will report estimated acres this fiscal year-end.

Additionally, staff continues to answer questions and provide technical advice to reporting entities such as the most recent inquiry from the Architect of the Capitol (AOC). To date, staff has met with the following reporting entities: USDA, Forest Service, Interior, Justice (FBI), and the AOC.

PUBLIC-PRIVATE PARTNERSHIPS

Staff continues to train and conduct outreach efforts with a focus towards gathering information to assist improving implementation. To date, staff has held nine training venues attended by ~445 agency personnel representing 26 agencies/bureaus. The remaining training venues on the calendar include: Commerce (late July), HUD (mid-August) and DHS/TSA (late-August). In

addition to meetings with the DoD, DoL, and NASA Inspectors General and an outside audit firm, staff has held several conversations with two agency financial policy experts. Staff is attempting to identify implementation challenges and possible solutions from these diverse perspectives among the financial management community; that is, preparer, business-area (operational), auditor, and policy expert views.

Implementation challenges raised by some attendees include:

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

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

REEXAMINATION OF EXISTING STANDARDS

Staff continues work on the Reexamination of Existing Standards project as time permits with drafting the Invitation to Comment (ITC). Staff plans to gain preliminary feedback on the ITC by conducting outreach to targeted organizations, such as the CFO Council and Financial Statement Audit Network, to help ensure the ITC is clear, focused and does not overlook key questions that may assist the Board with the project.

REPORTING MODEL – BUDGETARY INFORMATION

The budgetary information project addresses certain issues related to accounting and financial reporting of government-wide and component reporting entity budgetary information. The project will consider improvements to existing guidance related to 1) the usefulness of the required U.S.

budget surplus/deficit presentations and 2) the understandability of the required presentation for component reporting entity budgetary resources.

This project was put on hold in mid fiscal year 2021 while OMB and GAO are considering other efforts on this topic. 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.

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

REPORTING MODEL – OMNIBUS CONCEPTS

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

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