

Memorandum

Non-Agenda Topics

December 1, 2023

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

INTRODUCTION

Staff is providing project updates on all active projects currently on the Board's technical agenda that will not be discussed at the December 2023 meeting.

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

- Intangible Assets Working Definition
- Land Implementation
- Leases
- Management's Discussion and Analysis
- Omnibus Concepts Amendments
- Public-Private Partnerships
- Software Technology – Cloud-service Arrangements

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 December. 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

December 1, 2023

Attachment 1

INTANGIBLE ASSETS WORKING DEFINITION

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

LAND IMPLEMENTATION

In cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), GAO released its audit guidance (GAO-24-106986) Thursday, November 16, 2023. The procedures in this guidance are in addition to those required by AU-C 730 and are designed to obtain additional information to (1) better understand the extent to which measurement and presentation of land information in RSI is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land in RSI, consistent with the intent of FASAB's Basis for Conclusion in SFFAS 59. Auditors are expected to provide this additional information to entity management and GAO. In turn, FASAB plans to consider actions necessary to address the identified challenges in preparation for the transition of RSI requirements to note disclosure requirements in fiscal year 2026.

LEASES

On November 30, 2023, the Board issued SFFAS 62, *Transitional Amendment to SFFAS 54*, following the completion of the 90-day sponsor review period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

On September 7, 2023, FASAB issued an Exposure Draft, Management's Discussion and Analysis, Rescinding and Replacing SFFAS 15. The proposed standards would update the

guidance for management's discussion and analysis (MD&A). This proposal would provide a comprehensive set of standards to guide management in how to present an MD&A that is balanced, integrated, concise, and understandable about the reporting entity's organization and mission; financial position and condition; operating performance, opportunities, and risks; and systems, internal controls, and compliance with applicable laws and regulations. The Board proposes these standards to provide a principle-based approach that would merge and update relevant content from SFFAC 3 and SFFAS 15 and is consistent with FASAB's reporting objectives for budgetary integrity, operating performance, stewardship, and systems and controls. Comments were requested by December 7, 2023. Staff will analyze the comments received and present recommendations to the Board at the February 2024 Board meeting.

OMNIBUS CONCEPTS AMENDMENTS

On August 25, 2023, FASAB issued an Exposure Draft, *Omnibus Concepts Amendments*. This proposal would identify a set of principles for the Board to use to reduce repetition and improve relevance, clarity, comparability, and consistency of note disclosures. This proposal would also consolidate guidance for the Board on developing management's discussion and analysis (MD&A) standards by rescinding SFFAC 3, *Management's Discussion and Analysis*, and amending paragraph 69 of SFFAC 2, *Entity and Display*. Comments were requested by November 27, 2023. Staff will analyze the comments received and present recommendations to the Board at the February 2024 Board meeting.

PUBLIC-PRIVATE PARTNERSHIPS

At the October Board presentation staff provided an overview of the in-process, preliminary task force results which include: (1) a decision flow diagram along with accompanying instructions to help bring consistency to preparer implementation and entity reporting formats and (2) sample questions and answers and (3) case study illustrations and related Note disclosures. In connection with board member input from that meeting, on November 16th staff provided an overview of the task force results to the Accounting and Auditing Policy Committee (AAPC) committee. AAPC committee members noted the following: (1) reviewing the most current P3 disclosures keeping cost/benefit considerations in mind, (2) considering materiality in connection with cost/benefit considerations, (3) ensuring that decisions concerning materiality are (a) not predicated on non-representative P3 reporting such as Energy Savings Performance Contracts and (b) are kept under preparer-auditor purview as per the Board's historical practice, (4) implementation guidance may need to be parsed between authoritative and non-authoritative to include amendments to not only SFFAS 49, but possibly to other standards as well, and (5) in identifying risks, SFFAS 49 Paragraphs 6-8 should be highlighted and possibly linked to the risk based characteristics at paragraphs 20 and 21.

Additional member comments included that materiality can be qualitatively important given a program's visibility such as Congressional interests and that some risks may be mitigated by contract (Federal Acquisition Regulation) clauses. A concluding comment was that a need for clarification and implementation guidance is in fact needed.

Staff next steps include (1) resuming task force finalization of the draft TR for AAPC and Board reviews with an anticipated April Board briefing and May 2024 AAPC briefing, and (2) attempt to distinguish authoritative/non-authoritative guidance as well as how best to communicate said guidance, for example, Level A, B or C.

In addition, during November staff provided assistance to the Department of Defense Comptroller DOD) and DoD Inspector General regarding the accounting for non-equity interests,

SOFTWARE TECHNOLOGY - CLOUD SERVICE ARRANGEMENTS

Staff is researching how federal entities implement cloud services, particularly scenarios in which federal entities invest in software or IT infrastructure to use cloud services. Staff will coordinate with the working group to propose financial statement recognition options for cloud-service implementation costs for the Board to deliberate at a future meeting.