

Memorandum

Non-Agenda Topics

February 5, 2024

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

INTRODUCTION

Staff is providing project updates on all active projects currently on the Board's technical agenda that will not be discussed at the February 2024 meeting.

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

- Climate-Related Financial Reporting
- Intangible Assets Guidance
- Land Implementation
- Leases
- Public-Private Partnerships
- Reexamination of Existing Standards
- 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 February. 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

February 5, 2024

Attachment 1

CLIMATE-RELATED FINANCIAL REPORTING

At the June 2022 meeting, the Board agreed that the Task Force for Climate-Related Financial Disclosure (TCFD) recommendations was a good starting point for developing the federal climate-related financial reporting framework (framework). TCFD recommended four pillars of climate-related disclosures governance, strategy, risk management and metrics and targets.

In July 2023, International Financial Reporting Standards (IFRS) incorporated TCFD into its climate standard S2 – *Climate Related Disclosures*. At the August 2023 Board meeting, members agreed to use S2 (TCFD) to begin developing the federal framework.

On January 12, 2024, staff launched the [Survey to Assist FASAB in Developing the Federal Climate-related Financial Reporting Framework](#). The purpose of this survey is to gain information from reporting entity preparers and providers on the level of effort needed to include TCFD information in FY 23 agency financial reports. Survey questions are based on OMB Circular A-136, section II.4.10.3, titled Optional Governance, Strategy, Risk Management, and Metrics Information. Staff anticipates Board briefings beginning in April 2024 with the survey results and recommendations on what to include from TCFD (IFRS S2) in federal framework.

INTANGIBLE ASSETS GUIDANCE

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 is currently researching cost and benefit options for an intangible asset guidance framework for the Board to consider at a future meeting.

LAND IMPLEMENTATION

As previously reported, 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

In January, staff provided technical comments to OMB on draft Circular A-136 requirements related to leases. Staff will continue to provide technical assistance to OMB during the development of the fiscal year 2024 circular, if requested.

As of January 26, 2024, staff has not yet received any formal technical inquiries on leases during this fiscal year. The volume of technical inquiries is expected to increase as auditors begin interim testing later in the second quarter and third quarter of the fiscal year. The Board's post-issuance activities and pronouncements appear to be addressing many of the anticipated implementation topics that may have otherwise resulted in additional technical inquiry activities.

PUBLIC-PRIVATE PARTNERSHIPS

Staff is currently reviewing draft Technical Release Questions and Answers (Q&A). The draft Q&As were developed by the task force reflecting matters preparers have expressed concerns with; that is, SFFAS 49 integration with SFFAS 47 (reporting entity) and SFFAS 54 (leases). Once the internal review is completed, the next steps will include (1) resuming task force finalization of the draft TR for both AAPC and Board reviews.

REEXAMINATION OF EXISTING STANDARDS

At the December 2023 Board meeting, the Board considered the comment letters, staff's initial analysis, and staff's recommendations based on the responses to the Invitation to Comment (ITC), *Reexamination of Existing Standards*. The majority of the Board agreed the priority topics are SFFAS 5, SFFAS 7, and SFFAS 34.

Staff is currently researching the comments presented in these topics so the Board may have a better understanding of the underlying issues and how to prioritize them. Staff also plans to reach out to credit reform agencies for feedback on SFFAS 2. Research and outreach into other areas identified by individual members, which would include all topics on the top tier and second tier, will be done after research into SFFAS 5, SFFAS 7, and SFFAS 34 is complete. The additional information gained through staff research on the issues will help with further reexamination prioritization.

SOFTWARE TECHNOLOGY - CLOUD SERVICE ARRANGEMENTS

Staff is researching how federal entities implement cloud services, particularly scenarios in which federal entities incur upfront costs to configure and customize 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.