

Memorandum Technical Agenda

July 30, 2024

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

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 and research topic.

REQUEST FOR FEEDBACK BY AUGUST 14

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 14.

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 research topic underway.

BACKGROUND

The current FASAB staff resources include four assistant directors, two senior analysts, one analyst, one senior communications analyst, one executive assistant, and the executive director.

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 past experiences have shown that additional resources provided by interns and detailees can be highly effective.

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 foreseen 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:

1. Climate Related Financial Reporting
2. Land Post-issuance
3. Leases Post-issuance
4. MD&A Post-issuance
5. Public-Private Partnerships (P3)
6. Reexamination of Existing Standards
7. Software Technology
8. Technical Clarifications of Existing Standards
9. AAPC – Leases Implementation Guidance Updates
10. AAPC – P3 Implementation Guidance

Technical Agenda Project Summaries, Status, and Next Steps

1. 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 reporting.
- 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 with research for developing the federal climate-related financial reporting framework. Staff recruited 65+ members to the FASAB climate task force.

Staff presented education sessions about how Canadian cities were implementing the Task Force for Climate-Related Financial Disclosures (TCFD) into financial reporting; how agencies were implementing and reporting on the many climate-related executive orders; the common themes from the 10,000+ responses the SEC received on its climate-related proposed rules: GAO's report on *Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks*, and an overview of the US Global Change Research Program's (USGCRP) Fifth National Climate Assessment—a Congress mandated report “to assist the Nation and the world to understand, assess, predict, and respond to human-induced and natural processes of global change.

At the August 2023 meeting, the Board agreed to begin developing the framework using the International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards (IFRS) S2, *Climate*

Related Disclosures (S2). However, members were concerned that S2 is an extensive list of requirements many of which are non-financial and may not support FASAB's mission and concepts.

At the December 2023 meeting, the Board identified the vision for the framework as:

The vision for climate-related financial reporting is to provide users relevant information on the current and potential impact of climate-related events and risks on a federal reporting entity's financial position, condition, and key performance results.

At the June 2024 meeting, the Board reviewed the S2 climate disclosures to determine which may be relevant for federal financial reporting.

- c. Next Steps – Develop the climate-related financial reporting framework in multiple phases.

2. SFFAS 59, Land Post-issuance

- 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. Post-issuance activities have begun with staff assisting reporting entities with technical matters and coordinating with GAO and on an as-required basis.
- 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.

Beginning with fiscal Year 2022 to present, staff monitors implementation issues brought to its attention and provides technical assistance when requested.

In cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), GAO met with the major federal land holding agencies and their auditors and issued audit guidance on November 16, 2023. The procedures in the GAO guidance are designed to obtain information for fiscal years 2024 and 2025 to (1) better understand the extent to which measurement and presentation of land information is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land. . 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.

3. SFFAS 54, Leases Post-issuance

- a. Summary - Since the issuance of SFFAS 54, *Leases*, the Board has completed numerous post-issuance activities. The objective of these activities was 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. SFFAS 54 became effective in fiscal year 2024.
- b. Status
 - i. SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases*, was issued on June 19, 2020.
 - ii. SFFAS 60, *Omnibus Amendments 2021: Lease-Related Topics*, was issued on November 4, 2021.
 - iii. Technical Bulletin 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements*, was issued on March 17, 2023.
 - iv. SFFAS 61, *Omnibus Amendments 2023: Leases-Related Topics II*, was issued on April 7, 2023.
 - v. SFFAS 62, *Transitional Amendment to SFFAS 54*, was issued on November 30, 2023.
- c. Next Steps –Staff will continue to monitor and update the Board on first-year implementation results following the issuance of fiscal year 2024 agency financial reports. Staff will keep the Board apprised of AAPC activities (see item 9 below) and elevate any issues that might require Board action.

4. MD&A Post-issuance

- a. Summary - The Board voted to approve the release of proposed SFFAS 64: *Management's Discussion and Analysis, Rescinding and Replacing SFFAS 15*. The proposed SFFAS 64 was sent to sponsors for review on June 28, 2024.

- b. Status - If no objection is received from sponsors by September 26, 2024, SFFAS 64 will be issued on September 27, 2024.
- c. Next Steps - Staff will develop implementation training for delivery in fiscal year 2025. Staff will also analyze and recommend whether additional guidance is needed and what level of GAAP would be most appropriate.

5. **Public-Private Partnerships (P3)**

- 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.

At the June 2023 meeting members agreed to move to ballot the Omnibus Amendments ED that includes the task force recommendation to amend language in SFFAS 49 at paragraph 24d to help achieve the intent of the guidance.

Additionally, approximately a dozen meetings have been conducted with the following three different Task Force working teams: Team 1 – SFFAS 47 Reporting Entity; Team 2 – SFFAS 54 Leases; and Team 3 – Case Study Illustrations and Sample Note Disclosures. Draft implementation guidance is being finalized by Teams 1 and 2 demonstrating how SFFAS 49 serves as a “safety-net” to the Reporting Entity and Leases standards. The primary objective is to ensure that the SFFAS 49 disclosures do not repeat information and complement disclosures required by the overarching standards. Team 3 is working on five sample case studies from simple to complex that address the SFFAS 49 paragraph 24 disclosure requirements.

At the April 2024 Board meeting, the majority of members agreed with the task force’s direction, scope, and proposed plan to develop implementation guidance to assist preparers and auditors with complying with the SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*. Specifically, the majority of members decided to expose a proposed Technical Release comprising sample Q&As and a flowchart. Staff began coordinating the draft Technical Release with the AAPC at its May meeting with a follow-up AAPC meeting scheduled for August (see item 10 below).

- c. Next Steps –Staff expects to present a final draft Technical Release for review to both the Board and the AAPC in October 2024.

6. Reexamination of Existing Standards

- a. Summary – The objective of the reexamination project is to improve the standards and ensure that they are effective in providing financial information that supports public accountability and meets user needs. The project includes assessing most existing standards for current relevance and identifying opportunities to clarify, update, and streamline authoritative guidance. The Board is aware that identifying issues and an optimal approach is essential to the success of the project. The Board agreed that gaining widespread feedback through an invitation to comment (ITC) would be integral to the project's success.

The Board gained widespread feedback from stakeholders through issuing an Invitation to Comment (ITC), *Reexamination of Existing Standards*, in 2023. The ITC invited stakeholder input on FASAB's hierarchy of generally accepted accounting principles (GAAP) and FASAB standards that have been implemented.

The ITC was an excellent tool to accumulate an inventory of the specific issues for reexamination. The insights gained through the ITC and preliminary research helped the Board identify issue areas that the stakeholders believe are most in need of reexamination. The Board determined that a priority approach would provide the greatest benefits to stakeholders. While all issue areas will be addressed, the prioritization is for the order in which the projects will be addressed.

- b. Status –The Board plans to prioritize the reexamination issue areas at the August 2024 Board meeting. The prioritization will be based on considering the following four factors:
- Clarifying the standards (including addressing gaps in standards.)
 - Critical nature of the issue.
 - Pervasiveness.
 - Streamlining and burden reduction.
- c. Next Steps – Separate Reexamination Projects will begin based on the Board's prioritization at the August 2024 Board meeting. Based on the prioritization results, some projects may begin immediately while others may be added as a research project. The number of reexamination projects added to the active agenda will be based upon technical agenda setting discussions also occurring at the August 2024 meeting.

7. Software Technology

- a. Summary – In 2022, the Board approved a scope for developing updates for software guidance. The scope consists of four major categories of software resources:

- Cloud-service arrangements
- Shared services
- Internal use software updates
- Other software technology

Members supported addressing each scope category separately but noted that the categories would likely overlap and relate to one another. The “other software technology” category could potentially include Board deliberations on significant software technology topics, such as artificial intelligence, digital assets, and cybersecurity.

- b. Status – During the October 2023 meeting, the Board deliberated financial statement recognition and note disclosure requirements for cloud-service arrangements. The Board agreed that recognition guidance should establish that reporting entities should apply existing liability and prepaid asset guidance to cloud-service arrangements and expense payments for cloud services as incurred. Members had mixed opinions about whether guidance should require reporting entities to disclose information on cloud-service arrangements. After the Board feedback, staff decided to defer disclosure guidance proposals and focus on recognition guidance needs for the software-technology project topics.

During the April 2024 meeting, the Board deliberated accounting options for implementation costs associated with cloud-service arrangements. The majority of members agreed that reporting entities should not capitalize implementation costs for cloud-service arrangements unless the implementation activities result in a distinct internal use software asset, in accordance with SFFAS 10, *Accounting for Internal Use Software*, independent of the associated cloud-service arrangement.

During the August 2024 meeting, the Board will deliberate definition and scope parameters for software license guidance updates.

- c. Next Steps – Staff will continue coordinating with a working group and other stakeholders to present financial statement recognition options on software licenses for the Board’s consideration at a future meeting. Staff also plans to research and recommend updates to existing guidance in SFFAS 10, such as recognition requirements for internally developed software if research indicates a need.

8. Technical Clarifications of Existing Standards

The Technical Clarifications of Existing Standards project addresses specific requests for clarifications to existing standards that may be needed. Ongoing efforts may include providing additional forums for preparers, auditors, and users to identify requirements they believe are unnecessary and where clarification may be needed (this can be accomplished through an open-ended written request for input or round table discussions). The Board will assess requests against the federal financial reporting objectives. The Board may address these requests through the appropriate level of GAAP guidance.

FASAB staff will research requests as they are presented by the federal financial management community or identified through other projects. The Board has addressed several topics in the past and believes there is benefit to keeping this as an open project for critical requests. This project also includes FASAB liaison with DoD.

Technical Bulletin 2024-1, *Seized and Forfeited Digital Assets*, was issued on June 21, 2024.

9. AAPC – Leases Implementation Guidance Updates

- a. Summary - Since the issuance of SFFAS 54, *Leases*, in April 2018, the AAPC has completed numerous post-issuance activities. The objective of these activities has been to support effective and timely implementation and understanding of SFFAS 54 through implementation guidance. SFFAS 54 becomes effective in fiscal year 2024.
- b. Status
 - i. Technical Release (TR) 20, *Implementation Guidance for Leases*, was issued on November 4, 2021.
 - ii. TR 22, *Leases Implementation Guidance Updates*, was issued on October 12, 2023.
 - iii. Staff has begun to develop guidance proposals for potential inclusion in a second implementation guidance update and continues to monitor issues.
- c. Next steps – Staff will continue to monitor and identify implementation guidance candidates based on technical inquiries and outreach. Implementation guidance updates will be proposed to the AAPC if sufficient need exists to update or expand the existing guidance.

10. AAPC – P3 Implementation Guidance Updates

- a. Summary – The AAPC at its May meeting addressed several key matters some of which follow: overall project approach, assessing materiality, clarifying

flowchart alignment with SFFAS 47, reviewing entity disclosures, program personnel are dealing with private partnerships that the financial personnel are unaware exist, P3 risks are not limited to financial risks, usefulness of current disclosures and potential for reporting in RSI, ascertaining if any of the SFFAS 49 reporting requirements could be treated as a contingent liability, and task force members belief that the draft guidance as written will assist preparers in identifying the types of agreements that meet the SFFAS 49 criteria.

- b. Status – Staff will work with the AAPC to (1) further develop and explain the flowchart instructions (for example, adopting a waterfall approach); (2) include additional Q&As concerning what is meant by harmonization; (3) consider an exposure draft question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49.
- c. Next Steps – Present an updated draft Technical Release to the AAPC at its August 2024 meeting.

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, where appropriate.

ANALYSIS

These ten projects currently on the Board's technical agenda, including the AAPC projects, are assigned to the six FASAB project managers. Please note that several project managers are managing two or three projects under the current technical agenda.

See the attached project timeline [**Attachment 2**], for projects expected to continue into fiscal years 2025 - 2028.

Question #1 for the Board:

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

CURRENT RESEARCH TOPICS

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

Current Research Topic:

- Commitments

Research Topic Summaries, Status, and Next Steps

Commitments

- a. Summary – The objective of the research topic is to provide the information needed to facilitate the Board in determining whether to consider commitments as a technical agenda project.
- b. Status – Staff has completed its initial research on commitments and will present the information to the Board in the August meeting.

Next Steps – Pending the outcome of the Reexamination project discussion, the Board may consider adding this research topic to the liabilities (SFFAS 5) reexamination project. The research is intended to address the current void in the accounting standards on federal commitments.

B. RECOMMENDATION

Pending the outcome of the Reexamination project discussion, the Board may consider adding topics to its research agenda.

Question #2 for the Board:

Does the Board agree to add the recommended reexamination projects to the research agenda?

Proposed FY 2025 FASAB Project Schedule																
Projects	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28
Climate Related Financial Reporting	RE	RE	RE	DE	DE	FI	FI	IS								
Land Post-issuance	RE	RE	DE	FI	IS											
Leases Post-issuance	RE	RE	RE	RE	RE											
MD&A Post-issuance	RE	RE	RE	RE	RE											
Public-Private Partnerships	RE	RE	RE	RE	RE	RE										
Reexamination of Existing Standards	RE	*														
Software Technology	DE	DE	DE	DE	FI	FI	IS									
Technical Clarifications of Existing Standards	RE															

AAPC Projects	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28
Leases Implementation Guidance	RE	RE	RE													
P3 Implementation Guidance	DE	DE	DE	FI	IS											

Research Projects	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28
Reexamination Projects	*															
Commitments	RE	RE	RE													

* Separate reexamination projects would begin based on the Board's prioritization at the August 2024 Board meeting. Based on the results, some projects may begin immediately while others may be added as a research project.

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