

## Memorandum Reporting Entity Reorganizations

August 5, 2025

To: Members of the Board  
From: Ricky A. Perry, Jr., Assistant Director  
Thru: Monica R. Valentine, Executive Director  
Subject: **Reporting Entity Reorganizations – Research Update (Topic B)**

### OBJECTIVES

1. Discuss staff research and analysis of responses to staff's request for information and comment (RFI).
2. Discuss project plan and next steps.

### REQUEST FOR FEEDBACK BY AUGUST 14TH

**Prior to the Board's August meeting**, please review the attached staff analysis (attachment 1). Please respond to the ensuing questions by August 14.

### NEXT STEPS

**Pending Board feedback**, staff would continue (a) researching and monitoring this area and (b) develop a long-term project prospectus.

### ATTACHMENTS

1. Staff Analysis

### REFERENCE MATERIALS

1. [Requestion for Information and Comment: Reporting Entity Reorganizations](#)
2. Non-authoritative staff paper – working draft: See [June 2025, topic C, att. 2](#).

## Staff Analysis

### Reporting Entity Reorganizations

August 5, 2025  
Attachment 1

#### INTRODUCTION

The ensuing analysis summarizes feedback from the reorganizations working group and respondents to staff's recent request for information and comment (RFI).<sup>1 2</sup> It also summarizes planning considerations and suggested next steps for the Board to discuss.

#### Purpose

As noted at the June meeting, the initial objectives of the reporting entity reorganizations and abolishments project are to:

- a. evaluate reorganization and abolishment accounting principles and disclosures and related practice issues, and
- b. consider whether current federal accounting and disclosure standards and guidance applicable to reorganizations and abolishments are sufficient to meet practitioner and user information needs.

If additional standards and/or guidance are determined to be needed, another objective would be to consider the development of standards and/or guidance addressing reorganizations and abolishments.

#### Background

At the April 2025 Board meeting, the Board discussed a project proposal outline on reporting entity reorganizations and abolishments. The Board agreed to add the proposed project to its technical agenda. At that time, members generally agreed that the issue area could have important implications for fiscal year 2025. Relatedly, a few members suggested that a short- and long-term approach may be an appropriate method for addressing both more immediate needs in the interim with a long-term objective of addressing the issue area through a more comprehensive project. Members

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<sup>1</sup>For the purpose of this discussion, staff is using the statutory terms set out in the Reorganization Act, 5 U.S.C. § 901-912. However, note that this statute does not control all reorganizations or abolitions of federal entities.

<sup>2</sup>The term "reorganizations" under 5 U.S.C. should not be confused with the term as under FASB Accounting Standards Codification (ASC)® 852, *Reorganizations*, which provides guidance on financial reporting by entities that are expected to reorganize as going concerns under 11 U.S.C., Chapter 11.

also suggested that staff leverage a small working group as a means for identifying and assessing emerging issues in the short term. A few members suggested that a non-authoritative staff paper may be an interim option for addressing potential short-term needs.

On May 12th, staff released an RFI (ref. material, item 1) seeking practitioner input on reorganization and abolishment accounting issues. Responses were requested by July 15th.

At the June 2025 meeting, the Board agreed to consider a two-phased synergetic project approach. Members acknowledged that the Board should continue to carefully monitor for emerging issues. Members noted that this approach would position the Board to respond quickly, if needed, as more information becomes known. Given the uncertainties and, at the time, forthcoming RFI responses, the Board agreed to reassess and determine next steps at the August meeting. Members discussed potential short-term alternatives, including technical inquiries, and agreed that the short-term research would inform the Board's phase-two considerations.

### Summary of Analysis and Recommendations

The ensuing staff analysis recommends continued monitoring of emerging issues and forgoing development of a non-authoritative staff paper in the short term.

Overall, staff found that the feedback provided by the working group and RFI respondents was generally (a) provisional and uncertain in nature, (b) entity-specific, and/or (c) related to pending or ongoing activities that are tentative in nature and undergoing (or be subject to) further planning and evaluations by management, congressional reviews and proposals, and/or judicial review.

## **ANALYSIS**

### Working Group Feedback

On June 12, staff sent a questionnaire to the reorganizations working group. Staff advised working group members to consult with knowledgeable stakeholders in their organizations and to consider background material, including the working draft non-authoritative staff paper and the April Board meeting materials. The questionnaire included four questions.

Staff received responses from about half of the working group members. Responding organizations included members from independent public accounting (IPA) firms and a CFO Act agency (some of the responding organizations had more than one member participate).<sup>3</sup>

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<sup>3</sup>Other working group members did not respond to the questionnaire. Some non-responses were expected, as certain working group members from central agencies participated in the capacity of observers or to address specific issues.

WGQ Q1: *Is there an immediate need for a non-authoritative staff paper? Specifically, are accounting and/or disclosure questions or other issues related to reporting entity reorganizations emerging that need to be addressed in a staff paper to help clarify extant guidance?*

Working group member respondents generally agreed that a non-authoritative staff paper could be helpful to practitioners significantly affected by reorganizations in the near term.

WGQ Q2: *Are material transfers of functions, assets, and liabilities occurring among certain federal reporting entities during fiscal year 2025? If so, please briefly describe.*

One member respondent reported *tentative* (emphasis added) information related to the Department of State (DOS), including:

- In fiscal year 2025, DOS will be acting as the accounting and reporting service provider for United States Agency for International Development (AID), but AID will continue to report balances to Treasury for inclusion in the consolidated financial report of the U.S. Government (CFR).
- In fiscal year 2026, certain programs formerly managed by AID may be aligned to the DOS reporting entity. This reorganization activity may bring about accounting and reporting questions for DOS and AID that are not directly addressed by FASAB standards and guidance, given the novel situation and method with which this reorganization is being implemented. These issues remain under evaluation. DOS may reach out to staff with particular questions at a later time. No inquiries have been submitted to-date.
- DOS may absorb other smaller reporting entities.<sup>4</sup>

WGQ Q3: *Would practitioners benefit from a non-authoritative staff paper that addresses questions and issues under this topic? And, if so, would it be beneficial to issue a non-authoritative staff paper prior to the fiscal year 2025 reporting date? Please explain your basis.*

The two independent public accounting firm member respondents agreed that a non-authoritative staff paper could be helpful for fiscal year 2025 reporting.

WGQ Q4: *What additional questions or issues should be addressed in a non-authoritative staff paper to assist practitioners with accounting and disclosures in fiscal year 2025, if any?*

Working group member respondents did not have specific suggestions for additional questions or issues that would be broadly applicable other than those that were already addressed in the working draft paper. One respondent suggested including an analysis

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<sup>4</sup>Public information suggests that reorganization and/or abolishment activities may be forthcoming. For example, see USAGM [press release](#) dated Mar. 15, 2025.

of potential disclosures of subsequent events for fiscal year 2025; however, staff cannot provide guidance on specific subsequent event scenarios before they occur (see staff analysis on similar RFI feedback under RFI Q4 below).

Responding working group members also expressed an openness to alternative approaches for addressing reorganization accounting and reporting issues in the short term, such as technical inquiries.

#### Staff analysis of working group questionnaire responses:

Working group member feedback was supportive of the project and potential further development of the non-authoritative staff paper. However, the prevailing context of this feedback is also important to consider. For example, working group questionnaire responses were characterized by uncertainties and provided information that was highly tentative in nature, making the limited number of issues raised unsuitable or hazardous to address in a non-authoritative staff paper until more becomes known. To the extent that specific potential issues were described, those issues may also be better suited for addressing in Board pronouncements or by means other than a non-authoritative staff paper.

Forthcoming reorganization plans, congressional approvals or actions, and judicial reviews may also add additional uncertainties that would likely compromise the ultimate relevance of any scenarios, questions, and answers addressed in a staff paper.

#### RFI Responses

On May 12, staff released *Request for Information and Comment: Reporting Entity Reorganizations* (ref. material, item 1). Responses were requested by July 15, 2025. Practitioners were encouraged to respond to four questions and provide any other information to facilitate the identification and analysis of emerging issues.

Staff received ten responses to the RFI, including:

- one response from the CFO Council (CFOC or R10),
- seven responses from five CFO Act agencies (R1, R2/3/5, R6, R7, and R9),<sup>5</sup>
- one association (R4), and
- one IPA firm (R8).

**RFI Q1:** *Have any recent or ongoing reorganization activities or events affected the scope of functions, assets, liabilities, net position, revenues, and expenses assigned to your reporting entity (or, for auditors, your auditees)? If so, please describe.*

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<sup>5</sup>One CFO Act agency, "R2/3/5," submitted three responses, including one department-wide response and two sub-component responses.

RFI responses to this question confirmed the pending and uncertain nature of the feedback from the working group. Some respondents indicated that *internal* reorganizations were occurring within their component reporting entity, such as consolidations of offices and eliminations or transfers of certain functions or activities (R6, R7, R9). Some responses signaled that the potential accounting issues that may stem from ongoing or pending reorganization activities remained under internal evaluation (R1, R7, R9).

One respondent (R10) reported that “CFOC agencies report that recent or ongoing reorganization activities or events have not affected the scope of functions, assets, liabilities, net position, revenues, and expenses assigned to their reporting entities, auditors or auditees.”

RFI Q2: *What accounting issues have you (or your auditees) encountered (or do you anticipate) in connection with recent or potential reorganization activities and events?*

Overall, the accounting issues identified by RFI respondents in response to this question were limited or of a general nature. Some respondents provided feedback regarding capacity and implementation burdens, but not directly related to reorganization accounting and disclosures (R6, R7).

One RFI respondent reported general information regarding DOS and AID that may be resolvable by central agencies and/or, if determined necessary, through technical inquiries to FASAB staff.

One RFI respondent (R10) reported that “CFOC agencies report that neither they nor their auditing entities encountered accounting issues or anticipate encountering accounting issues in connection with recent or potential reorganization activities and events.”

RFI Q3: *Please describe the sources of standards and guidance that you (or your auditees) are applying to recent, ongoing, or pending reorganization activities and events.*

Overall, RFI respondents reported sources of standards and guidance that are consistent with generally accepted accounting principles and sources identified in the working draft non-authoritative staff paper.

One RFI respondent (R9) identified SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, paragraph 104, which includes one paragraph on non-production costs. The paragraph provides that reorganization costs are a type of non-production cost. The paragraph highlights that assigning non-production costs to goods and services produced in the period would distort the production costs.

RFI Q4: *Have you experienced any difficulties or identified gaps in the accounting and disclosure standards for reorganization activities and events? What potential improvements would you recommend, if any?*

A few responses (R1, R8) reiterated that the specific accounting and reporting issues were pending or under management evaluation.

Several RFI respondents (R2/3/5, R4, R10) indicated that there were no difficulties or gaps identified. One respondent (R10) noted that “CFOC reporting entities and their auditees haven’t reported any difficulties or identified gaps in the accounting and disclosure standards for reorganization activities and events.”

One respondent expressed that comparative presentations and disclosures would assist users of general purpose federal financial reports in the context of reorganizations. The respondent noted that “removal of prior year data ... will make context and comparison difficult” and “become onerous for readers of the AFR to understand.”

### **Staff analysis of RFI responses:**

As with the working group feedback, the prevailing context of the RFI responses is similar. To the extent that specific potential issues were described, those issues seem to be better suited for addressing in Board pronouncements or by means other than a non-authoritative staff paper.

Forthcoming reorganization plans, congressional approvals or actions, and judicial reviews may also add additional uncertainties that would likely compromise the relevance of any scenarios, questions, and answers addressed in a staff paper.

### **Next steps:**

The Board has identified a number of potential issues associated with changes in the reporting entity, including but not limited to reorganizations and abolishments and changes in classification. Members have also expressed an interest in performing a literature review of other analogous or similar standards and analyzing the potential applicability (or usefulness of or need for) developing similar standards in the federal environment.

Staff believes moving the project to the research agenda would be an appropriate next step. Moving the project to the research agenda would allow staff to develop a project prospectus.

A project prospectus could recap (1) the objectives of the proposed project, (2) the reasons for the proposed project and why it should be added to the active technical agenda, (3) summary of relevant literature and research to inform the summary of issues and alternatives (including concepts and other standards), (4) a list of major issues and alternatives likely to be discussed during the active project phase, (5) a staff recommendation on whether to add the research topic to the active projects technical agenda (or not), and (6) an initial project plan summarizing additional research, expected timelines, and resource requirements. This information could be considered alongside other potential projects or paused research projects, including revenue reexamination, at a later time, and evaluated in accordance with the Board’s project prioritization criteria.

In the near term, staff would keep the Board apprised of emerging issues and any reorganization-related technical inquiries that may warrant Board attention.

Staff recommendation:

Staff recommends forgoing further development of a non-authoritative staff paper and moving this project into the second phase and to the research agenda.

**Questions for the Board:**

1. Do members have any questions or wish to discuss any specific matters related to the reorganizations research, including RFI responses or other emerging issues related to this area?
2. Do members agree with staff's analysis and recommended next steps?