

Memorandum

SIG 64.1

April 9, 2026

To: Members of the Board
From: Robin M. Gilliam, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: Staff Implementation Guidance 64.1, *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis* (Topic E)

INTRODUCTION

On September 27, 2024, FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 64, *Management's Discussion and Analysis*. Staff then began developing staff implementation guidance (SIG 64.1). From February through May 2025 staff provided implementation training for over 35 federal reporting entities and collected questions to draft the first proposed SIG 64.1

On September 4, 2025, staff held a public meeting to review the draft SIG 64.1. Approximately 150 people attended the public meeting from over 50 federal entities and organizations. Attendees provided feedback to 14 polling questions to advise staff on what needed to be updated for the exposure draft (ED). Staff released the ED SIG 64.1 on January 13, 2026, for a 60 day comment period. Staff reviewed 19 comment letters and analyzed recommendations to include updates in the final proposed SIG 64.1.

This agenda session reviews the proposed final SIG 64.1 - *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis* in preparation for the Board's 15 day review period. Members are encouraged to read the comment letters in their entirety - [Guidance for Implementing SFFAS 64: Management's Discussion and Analysis comment letters](#).

REQUEST FOR FEEDBACK BY APRIL 22, 2026

Prior to the April Board meeting, please review the briefing materials and respond to the staff questions no later than April 22, 2026.

NEXT STEPS

If a majority of the Board does not object by **May 15, 2026**, the Executive Director will issue Staff Implementation Guidance 64.1, *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis* through a listserv news release, Federal Register notice, and posting to the FASAB website. SIG 64.1 will also be included in the next update to the Handbook.

ATTACHMENTS

1. Staff Analysis
 - A. SIG Due Process & SIG 64.1 Development Timeline
 - B. Staff Analysis of Comment Letters & Recommendations
2. Proposed Final SIG 64.1
3. Draft SIG 64.1 with Tracked Changes

REFERENCE MATERIAL: [*SFFAS 64: Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15*](#)

Question for the Board – Does the proposed final SIG 64.1 provide adequate implementation guidance for SFFAS 64, *Management's Discussion and Analysis*?

Please provide your answer and comments in the Board Member Comment Form.

Staff Analysis

SIG 64.1

April 9, 2026

Topic E - Attachment 1.A

CONTEXT

At the February 2025 meeting, the Board approved the development of implementation guidance for SFFAS 64, *Management's Discussion and Analysis*. Staff reviewed four possible generally acceptable accounting principles (GAAP) pronouncement options with the Board: interpretations (level A in the GAAP hierarchy), Technical Bulletins (level B in the GAAP hierarchy), TRs (level C in the GAAP hierarchy), and staff implementation guidance (SIG) (level D in the GAAP hierarchy).

Members agreed that a SIG was the most appropriate pronouncement because the proposed MD&A implementation guidance was not intended to amend existing standards, promulgate new standards, or issue specific guidance on existing standards. A SIG provides a holistic view for implementing SFFAS 64. It was agreed that the SIG would include both question & answer guidance and generic examples to support the FY 2026 effective date of SFFAS 64.

A. SIG DUE PROCESS & SIG 64.1 DEVELOPMENT TIMELINE

Due process for developing a SIG is different from the due process for developing other FASAB pronouncements given that Board engagement generally does not occur until the proposed final SIG is ready for Board review. There are nine steps noted in the FASAB Staff Policy Manual to develop a SIG. Staff has completed six steps in accordance with these policies. This agenda item is step seven.

The following chart maps out the timeline for when staff completed each step in preparation for delivering the final SIG 64.1 to the Board.

STEP	FASAB Staff Policy Manual Description	DATE
1	Ensured that stakeholders had an opportunity to provide input on developing MD&A implementation guidance.	February – May 2025 Staff provided implementation training for over 35 federal reporting entities and collected questions to draft the first proposed SIG 64.1.

STEP	FASAB Staff Policy Manual Description	DATE
2 & 3	Developed first draft of proposed SIG and obtained review and concurrence from at least two project managers.	July-August 2025 Three project managers reviewed and concurred with draft SIG 64.1
4	Submit the draft SIG to the executive director and the chairperson for review and concurrence.	August 2025 executive director and chairperson reviewed and concurred with draft SIG 64.1.
5	Host a public meeting to discuss the draft SIG (the draft should be provided to attendees at or before the meeting). <ul style="list-style-type: none"> a. Announce the public meeting on the listserv. b. Post a notice in the Federal Register. c. As appropriate, staff may send messages to targeted groups and individuals that would have an interest in the topic. Ensure any targeted messages includes both the preparer and auditor 	September 4, 2025 Staff held a public meeting to review the draft SIG 64.1 which was sent out for review prior to the meeting. Approximately 150 people attended the public meeting from over 50 federal entities & organizations, as well as a few individual citizens. Attendees provided feedback to 14 polling questions.
Federal Government Shut Down		Oct 1 – Nov 12, 2026
6	Following the public meeting, revise the draft as needed based on information and feedback at the public meeting. Expose the draft Staff Implementation Guidance (SIG) to the website for <u>at least a fifteen day comment</u> period. <ul style="list-style-type: none"> a. Prepare a news release to announce the draft SIG b. Post a notice in the Federal Register and announce the news release on the Listserv. 	January 13, 2026 Staff used feedback from the public meeting held on September 4, 2025, to revise the draft SIG 64.1 and prepare the ED for comment. Staff released the SIG 64.1 ED for a <u>60 day comment period</u> on the website , sent out a listserv news release , and posted to the Federal Register. Staff analyzed 19 comment letters to determine recommendations in preparation for the final SIG 64.1.

STEP	FASAB Staff Policy Manual Description	DATE
		For the details, please see Attachment 1.B <i>Staff Analysis of Comment Letters and Recommendations</i> .
7	Provide the full Board with the draft SIG, all comments received, and the project manager's proposed final SIG for the 15 day review period.	April 30, 2026, Board Meeting Staff reviews with the Board the due process time line and proposed final SIG 64.1 to begin the 15 day Board review period.
8	15 day Board review period.	May 1 - 15, 2026
9	<p>If a majority of the Board does not object by May 15, 2026, the SIG will be issued by the executive director and posted to the FASAB website.</p> <ul style="list-style-type: none"> a. Prepare a news release to announce the Final SIG b. Post a notice of in the in the Federal Register and announce the news release on the listserv c. The project manager will add the SIG to the Handbook during the next update. 	<p>After May 16, 2026</p> <p>If a majority of the Board does not object by May 15, 2026, the Executive Director will publish Staff Implementation Guidance 64.1, <i>Guidance for Implementing SFFAS 64: Management's Discussion and Analysis</i> through a listserv news release, Federal Register notice, and posting to the FASAB website, and will be included in the next Handbook update.</p>

Question for the Board – Does the proposed final SIG 64.1 provide adequate implementation guidance for SFFAS 64, *Management's Discussion and Analysis*?

Please provide your answer and comments in the Board Member Comment Form.

B. STAFF ANALYSIS OF COMMENT LETTERS & RECOMMENDATIONS

Details of Staff Analysis and Recommendations (Step 6)

Staff thanks the 19 respondents that provided comments on draft SIG 64.1. The 19 respondents are from the following organization types.

Organization Type	Count	Percent
Individual	1	5%
Federal entity (Preparer)	11	59%
Federal entity (Other)	2	10%
Association	3	16%
Accounting Firm	2	10%
Totals	19	100%

Staff received comment letters in the order noted in the number column. Comment letters are posted on the FASAB website at [Guidance for Implementing SFFAS 64: Management’s Discussion and Analysis – fasab.gov](#) Staff encourages members to read the responses in their entirety.

Number	Respondent	Affiliation
1	Robyn S. Berkenbilt, CPA, CGFM	Individual
2	Department of Veterans Affairs (VA)	Federal Entity (other)
3	Library of Congress (LOC)	Federal Entity (preparer)
4	Social Security Administration (SSA)	Federal Entity (preparer)
5	AGA	Association

Attachment 1.B

Number	Respondent	Affiliation
6	Department of the Treasury (Treasury)	Federal Entity (preparer)
7	Environmental Protection Agency (EPA)	Federal Entity (preparer)
8	Virginia Society of CPAs (VSCPA)	Association
9	Defense Information Systems Agency (DISA)	Federal Entity (preparer)
10	Greater Washington Society of CPAs (GWSCPA)	Association
11	General Services Administration (GSA)	Federal Entity (preparer)
12	Department of Health and Human Services (HHS)	Federal Entity (preparer)
13	National Endowment for the Arts (NEA)	Federal Entity (preparer)
14	Department of Commerce (Commerce)	Federal Entity (preparer)
15	KPMG	Accounting Firm
16	Sikich	Accounting Firm
17	Department of Labor (Labor)	Federal Entity (preparer)
18	National Security Agency (NSA)	Federal Entity (preparer)
19	Department of War Education Activity (DOWEA)	Federal Entity (other)

Staff analyzed comments provided by the respondents on seven questions for respondents (QFR). The analysis for each QFR includes the proposal and question, and two tables. The first table—titled *QFR # Responses*—tracks the total responses for three categories agree, partially agree, or disagree with the proposal in the QFR. The response table includes the numbers and percentages for each response category.

Attachment 1.B

The second table—titled *QFR # – Staff Analysis & Recommendations*— includes the respondent’s number (#), respondent, response, QFR # comments, and staff recommendation. The following explains the content provided in each column.

- The # column identifies the order in which staff received the respondent’s comment letter.
- The Respondent column identifies the name of the individual or organization that responded.
- The Response column identifies whether the respondent agreed, partially agreed or disagreed with the QFR proposal. If respondents did not specifically state a response, then staff assigned partially agree.
- The QFR # Comments column includes the information copied from the [respondent’s comment letter](#).
 - However, if respondents chose to provide a letter instead of using the standard format provided in the [Word Version of Questions for Respondents](#) that was available for download, then staff determined which QFR # those responses best referred to and posted them there.
 - There were many comments requesting specific illustrated examples be added to the SIG. Staff analysis provides the following note to address these comments:

Note: The examples provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting (see [February 2025 Meeting Minutes](#), page 11, question 1).
- The Staff Recommendations column provides an analysis as to what staff recommends and why. For example,
 - Staff recommends updating specific paragraphs with a reference to view those updates in **Attachment 3, Updated Draft SIG 64.1 with Tracked Changes**.
 - In response to respondent comments, staff recommends updates to paragraphs 3, 4, 11, 15, 16, 20, 22.d, 25, 27, 32, 33, 35, 36, 40, 42-46, 48-53, 57, & 60.
 - Staff included comment boxes in the Draft SIG 64.1 Track Change document that indicates which respondents comments affected the updates; or
 - Staff does not recommend any updates because respondent agreed with information or agreed but did not provide any additional information; or

Attachment 1.B

- Staff notes that reporting entity's organizational policies and procedures should address the respondent's concerns.

Question for the Board – Does SIG 64.1 provide adequate implementation guidance for SFFAS 64, *Management's Discussion and Analysis*?

Please provide your answer and comments in the Board Member Comment Form.

I. Question for Respondents #1 (QFR#1)

QFR #1: The proposed SIG 64.1 provides information on how to achieve a balanced, concise, integrated, and understandable MD&A.

Do you agree or disagree that the proposed SIG 64.1 provides information to implement a balanced, concise, integrated, and understandable MD&A? Please provide the rationale for your answer.

Table 1: QFR #1 - Responses

Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
58%	11	42%	8	0%	0	19

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	Agree	Agree - The proposed SIG 64.1 provides good examples of how to integrate information in the MD&A and how agencies can present information in a balanced, concise, and understandable way.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
2	VA	Agree	The proposed SIG 64.1 provides clear and practical information to assist reporting entities in implementing a balanced, concise, integrated, and understandable MD&A, consistent with the principles outlined in paragraphs 8–11 of SFFAS 64. The guidance appropriately supports the standard’s principles based approach by offering practical examples without creating new requirements.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
3	LOC	Partially agree	<p>QFR1 Response: Generally agree, with suggested enhancements.</p> <p>The proposed SIG 64.1 provides useful principles for achieving a balanced and understandable MD&A. Additional clarity would assist preparers in determining the appropriate level of narrative aggregation.</p> <p>In practice, MD&A narratives can become overly granular, replicating office-level program descriptions that do not affect financial position or net cost at the enterprise level. This produces verbose year-over-year roll forward content that obscures key financial drivers without adding decision usefulness.</p> <p>A useful aggregation principle would be: narrative detail is warranted when it explains a cause of significant change in financial position, condition, or cost trends; detail that does not connect to such a cause may be omitted.</p> <p>Examples illustrating how this principle applies to enterprise-level versus program-level description would reduce variability in practice.</p>	Staff does not recommend any updates because the appropriate level of narrative aggregation should be determined by the organization’s policy and procedures.

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
4	SSA	Agree	SSA Response: We agree the proposed SIG 64.1 provides information to implement a balanced, concise, integrated, and understandable MD&A. The SIG includes clarifying information on defining the term “significant” as well as examples of types of information to disclose.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
5	AGA	Partially agree	<p>The examples in paragraph 16 appear to be limited to use of hyperlinks. We do not view hyperlinks to information located outside of the financial statements as an acceptable substitute for information that is required to be included within the financial statements. This is because information located outside the financial statements may not be presented using the same format, labels, context, or scope as the financial statements, and hyperlinks may break or reference content that changes over time. For these reasons, we suggest that guidance be expanded to explicitly state that hyperlinks should be used only to provide access to additional details or supplemental information that is not required to be presented within the financial statements. For example, consistent with SFFAS 64 paragraph 9.c, we believe that the MD&A must include the required summary information, while hyperlinks may only be used to refer to detailed supporting information.</p> <p>To support compliance with the requirement of paragraph 9.c to indicate “how that information can be obtained,” it would be helpful if the guidance could address appropriate hyperlink descriptions. Specifically, our view is that hyperlinks should not rely on generic phrases such as “click here.” Rather, the linked text should identify the type, source, and date (where applicable) of the referenced material. For example: “For details, see the agency’s Press Release on the project dated April 23, 2025.” Descriptive hyperlink text allows readers to understand the underlying source and facilitates retrieval of</p>	<p>Staff recommends updating paragraph 16 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i></p> <p>Staff updated minor typographical issues in paragraphs 22.d & 25 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i></p> <p>Staff recommends updating paragraph 25 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i></p> <p>Organizational policies and procedures should address how to reference detailed information found in other relevant sources outside of the GPFFR and indicate how that information can be obtained in accordance with SFFAS 64 standards.</p>

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
			<p>the information if the hyperlink is broken.</p> <p>In paragraph 25, we suggest adding guidance that acronyms should be spelled out upon first use or minimized. In addition, the guidance should clarify how plain language is to be applied in the context of a “reasonable user” (that is, a user who possesses appropriate knowledge and understanding of the federal financial reporting environment). Recognizing that MD&A may discuss inherently complex or technical matters, we suggest that the guidance acknowledge that plain language should be used only to the extent possible without making MD&A overly long or less precise. In other words, plain language considerations should generally be subordinate to considerations of accuracy and conciseness.</p> <p>Finally, we noticed minor typographical issues in paragraph 22.d (components) and paragraph 25 (“plain language” in different font).</p>	
6	Treasury	Agree	The Department of the Treasury agrees with the proposed guidance to implement a balanced, concise, integrated, and understandable MD&A, as it provides helpful information and examples for entities to consider when developing their MD&A content.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
7	EPA	Agree	We believe the SIG 64.1 provides the appropriate guidance for us to implement a balanced, concise, integrated, and understandable MD&A. The guidance allows us to emphasize any vital matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
8	VSCPA	Partially agree	<u>Response 1</u> . The VSCPA partially agrees that the proposed SIG 64.1 provides information to implement a balanced, concise,	Staff recommends updating paragraphs 15 & 16 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track</i>

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
			<p>integrated, and understandable MD&A.</p> <p>Paragraphs 15 and 16 in SIG 64.1 recommend that preparers include links to the entity’s website to make the content in MD&A more concise. However, SIG 64.1 does not address how preparers should keep linked content stable, versioned, and consistent from year to year, which may affect comparability and users’ access to cited information. We recommend that FASAB consider adding clarifying guidance on maintaining stable, versioned, and consistent linked content to better assist preparers.</p> <p>Additionally, given that SFFAS 64 does not recommend a maximum page length and the proposed SIG 64.1 does not address extraneous information (e.g., puffery, micro-level budgetary or performance details, entity trivia, historical anecdotes, and photographs or promotional images), achieving a balanced and concise MD&A may remain challenging in practice.</p> <p>We recommend that FASAB consider adding guidance that encourages limiting nonessential information to better align MD&A content with the objectives of balance, clarity, and conciseness.</p> <p>We further recommend that FASAB consider providing guidance that encourages referencing or linking relevant Inspector General (IG) reports where appropriate. For example, referencing IG reports — particularly the Top Management and Performance Challenges included in the Agency</p>	<p><i>Changes.</i></p> <p>Organizational policies and procedures should address how much and what detailed information to refer to in MD&A in accordance with SFFAS 64 standards.</p> <p>Organizational policies and procedures should address what is essential to include in MD&A in accordance with the word “relevant” in SFFAS 64.</p>
9	DISA	Agree	<p>Agree. MD&A is to summarize understandability and usefulness of a reporting entity’s business through management’s insights about its organization and mission; financial position and condition; operating performance, opportunities, and risks; and systems, internal controls, and compliance with applicable laws and regulations. That is a fair</p>	<p>Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.</p>

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
			representation.	
10	GWSCPA	Partially Agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by GWSCPA.
11	GSA	Agree	Agree, general information is provided about how to achieve the main objectives of SFFAS 64.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
12	HHS	Agree	Agree; HHS early implemented SFFAS 64 in FY 2025, to the extent possible and applicable to HHS.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.
13	NEA	Agree		Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #1.
14	Commerce	Partially agree	<p>Department of Commerce Response: Agree</p> <p>Yes, we are generally supportive of the proposed guidance as it includes helpful information for presenting a balanced, concise, integrated, and understandable MD&A.</p> <p>We respectfully propose the following language updates to paragraph 9 of SIG 64.1:</p> <p>As noted in paragraph 9 of SFFAS 64 and explained further in paragraph A26 in the basis for conclusions, management should summarize information that is sufficient to meet the needs of the users and may should emphasize the vital few matters, summarize and include only relevant information, limit duplicative content, and summarize and refer to provide links to relevant detailed information</p>	Staff does not recommend any updates because the respondent generally agrees with the proposal in QFR #1 and believes it includes helpful information.

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
			<p>to achieve a concise MD&A.</p> <p>As noted in paragraph 11 of SFFAS 64 and explained further in paragraph A29 in the basis for conclusions, management should provide an MD&A that all users, including those who are not experts in federal government financial matters, can easily understand.</p> <p>As noted in paragraph 12.f of SFFAS 64 and explained further in paragraph A35 in the basis for conclusions, management should explain what significant risks that have a potentially negative effect on key performance results, plans to mitigate such risks, the reporting entity is mitigating to reduce any negative effects on key performance and financial and budgetary results and how those plans could potentially affect financial and budgetary results.</p> <p>We do not have any additional questions.</p>	
15	KPMG	Partially agree	<p>2. Use of hyperlinks</p> <p>While we acknowledge the utility of hyperlinks for providing readers with access to supplemental data, we are concerned that the potential exists for preparers to use hyperlinks to fulfill MD&A requirements, which then undermines the integrity and completeness of the annual report (e.g., the Agency Financial Report).</p> <p>An annual report must be a self-contained document. Reliance on hyperlinks to external materials introduces significant risks, including risks of broken links, altered content, and no guarantee of future accessibility. Such issues could render a previously compliant report incomplete or non-compliant after its issuance.</p> <p>Therefore, we strongly recommend that the Board revise the Q&A to clarify that all information required by SFFAS 64 must be included within the boundaries of the annual report itself. The guidance should</p>	<p>Staff recommends updating paragraph 11 as noted in Attachment 3, Updated Draft SIG 64.1 with Track Changes.</p> <p>Staff recommends updating paragraph 16 as noted in Attachment 3, <i>Final Draft SIG 64.1 with Track Changes</i>.</p> <p>Staff recommends updating paragraph 20 as noted in Attachment 3, Updated Draft SIG 64.1 with Track Changes.</p> <p>Staff recommends updating paragraph</p>

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
			<p>explicitly state that while a reference to a website may be included for ancillary information, the Required Supplementary Information (RSI) must be complete and compliant on its own, without any reliance on or consideration of information located on a referenced website.</p> <p><i>Balanced MD&A</i></p> <p>Paragraph 11 of the ED provides examples in response to the question in paragraph 9, “How do reporting entities achieve a balanced MD&A?”. We are concerned that presenting a solely negative example (item a) and a solely positive one (item b) could be misinterpreted. To better illustrate the principle of balance, we recommend that Board revise these items so that each example contains a discussion of both positive and negative effects on the entity’s financial position and/or condition. Otherwise, we suggest clarifying paragraph 11 to state that the inclusion of <i>both</i> of the examples in item a and b may be necessary for management to achieve a balanced MD&A.</p> <p><i>Integrated M&DA</i></p> <p>Paragraph 20 states that preparers may integrate all of the information required by paragraph 12 of SFFAS 64 to be discussed and analyzed in MD&A. We believe this discussion in paragraph 20 is circular and does not provide actionable guidance in response to the question in paragraph 17, “How do reporting entities achieve an integrated MD&A?”.</p> <p><i>Understandable MD&A</i></p> <p>We believe the question and answers in paragraphs 23 through 27 of the ED are duplicative of paragraph 11 of SFFAS 64, which users would have already read. We recommend deleting such paragraphs</p>	<p>27 as noted in Attachment 3, Updated Draft SIG 64.1 with Track Changes</p> <p>Organizational policies and procedures should address what supportive detailed information to reference to in accordance with SFFAS 64.</p>

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
			of the ED.	
16	Sikich	Partially agree	<p>We agree that the proposed SIG 64.1 provides the information needed to enable agencies to understand how to present their data in a balanced, concise, and understandable manner. The guidance clearly outlines key principles and considerations that support effective presentation of the Management’s Discussion and Analysis (MD&A) section and provides examples, helping agencies communicate relevant financial and performance information in a way that is clear, focused, and meaningful to users.</p> <p>However, when discussing how agencies can present their data in an integrated manner, the guidance does not provide meaningful examples that cover a variety of different agencies. Because integration is one of the more difficult concepts the guidance discusses, adding more specific and widely applicable examples could be beneficial for users.</p>	Staff does not recommend including additional examples because the two examples provide flexibility for agencies to map to other types of agency organization.
17	DOL	Partially agree	Neither agree nor disagree.	Staff does not recommend any updates because the respondent did not provide any recommendations for QFR #1.
18	NSA	Agree	Q1. Yes, I agree that SIG 64.1 provides valuable information on how to effectively enhance the MD&A. The proposed guidance delves into greater detail regarding what should be discussed and offers ways to streamline information within the MD&A by including links to additional details that may be covered elsewhere in the AFR (Annual Financial Report). Furthermore, this new guidance helps establish that significant accomplishments and negative effects should be the primary focus of the MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.

Attachment 1.B

Table 2: QFR #1 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #1 Comments	Staff Recommendations
19	DoWEA	Agree	The proposed SIG 64.1 provides information in an easily understandable question and answer format. The answers point the reader back to the exact paragraph(s) in the SFFAS 64 for easier access and further research. Examples listed also help with understanding types of events helps with creating a balanced and concise MD&A. For these reasons, DoWEA agrees that the proposed SIG 64.1 provides information to implement a balanced, concise, integrated, and understandable MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #1.

II. Question for Respondents #2 (QFR #2)

QFR #2: The proposed SIG 64.1 provides information about how reporting entities may discuss mission and organization in MD&A.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss mission and organization in MD&A? Please provide the rationale for your answer.

Table 3: QFR #2 - Responses						
Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
79%	15	21%	4	0%	0	19

Table 4: QFR #2 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #2 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	Agree	The proposed SIG 64.1 includes adequate discussion of how agencies should present information on the mission and organization in the MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.

Table 4: QFR #2 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #2 Comments	Staff Recommendations
2	VA	Agree	<p>Agree</p> <p>The proposed SIG 64.1 provides practical and clear information on how reporting entities may discuss mission and organization in the MD&A, consistent with the requirements in paragraph 12.a of SFFAS 64. Development guidance in A31(a)(b) effectively supports the principles-based intent of the standard by clarifying expectations while allowing for management judgment.</p>	<p>Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.</p>
3	LOC	Partially agree	<p>QFR2 Response: Generally agree, with clarification requested regarding date consistency and cross-referencing.</p> <p>The proposed guidance appropriately supports concise discussion of mission and organization. However, the guidance's encouragement to cross-reference agency websites creates a reporting-date consistency problem that should be addressed directly.</p> <p>Agency websites reflect the most current organizational structure, not the structure as of September 30. Management-oriented annual reports may follow a different publication cycle. As written, the guidance could result in MD&A cross-referencing organizational information that post-dates the financial reporting period, creating a factual inconsistency within the audited financial report.</p> <p>Clarifying that cross-references to external materials do not represent audited assertions about the reporting entity's structure as of the financial statement date — and that preparers should note this limitation when linking to dynamic content — would preserve both conciseness and reporting-date integrity.</p>	<p>Staff recommends updating paragraphs 15 & 16 as noted in Attachment 3, Updated Draft SIG 64.1 with Track Changes.</p>
4	SSA	Agree	<p>SSA Response: We agree the proposed SIG 64.1 provides information for how to discuss mission and organization in MD&A. The SIG also includes examples of types of information to disclose.</p>	<p>Staff does not recommend any updates because the respondent agreed with the</p>

Attachment 1.B

Table 4: QFR #2 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #2 Comments	Staff Recommendations
				proposal in QFR #2.
5	AGA	Agree	No comments.	Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #2.
6	Treasury	Agree	The Department of the Treasury agrees with the proposed guidance for how to discuss mission and organization in MD&A and has noted that an organizational chart is not required.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
7	EPA	Agree	Agree. We believe the SIG 64.1 provides the appropriate guidance for us to discuss our mission and organization in the MD&A. The guidance allows us to emphasize any vital matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
8	VSCPA	Agree	<p><u>Response 2.</u> The VSCPA agrees with QFR2. Paragraph 29 of SIG 64.1 refers to SFFAS 64 A31, which clarifies that management has flexibility in determining how much information to include. Additionally, paragraph 30 of SIG 64.1 provides a list of items that are not required in MD&A by SFFAS 64.</p> <p>However, as in our response to QFR 4 below, we support the inclusion of language requiring the discussion of changes in administration or significant agency initiatives, particularly when such changes affect mission and organizational structure or strategic direction.</p>	Staff recommends updating paragraph 16a as noted in Attachment 3, Updated Draft SIG 64.1 with Track Changes.

Attachment 1.B

Table 4: QFR #2 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #2 Comments	Staff Recommendations
9	DISA	Agree	Agree. Mission and organization are to provide in context of the financial statements and what adds value. The discussion of opportunities and risk can provide an overall picture of the entity. However, this information should be general due to providing too much information for adversaries to use.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
10	GWSCPA	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by GWSCPA.
11	GSA	Agree	Agree, the explained change and example in paragraph 30 will be helpful to preparers.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
12	HHS	Agree	Agree; HHS significantly reduced mission and organizational (i.e., Operating Division and Staff Division) descriptions within the “About the Department” subsection to align with SFFAS 64 in FY 2025. HHS will continue to briefly discuss our mission and organization in FY 2026.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
13	NEA	Agree		Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #2.
14	Commerce	Agree	Department of Commerce Response: Yes, we are generally supportive of the proposed guidance as it provides helpful information for reporting entities to discuss their mission and organizational structure. We do not have any alternative solutions to propose or any additional questions.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.

Attachment 1.B

Table 4: QFR #2 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #2 Comments	Staff Recommendations
15	KPMG	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by KPMG.
16	Sikich	Agree	We agree that the proposed SIG 64.1 provides reporting entities with the necessary information to enable them to understand how to discuss their mission and organization in the MD&A. Specially, the guidance clarifies that management has flexibility in determining the level of detail to include regarding the entity’s mission(s) and organizational components, allowing agencies to tailor the discussion based on their size and complexity.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
17	DOL	Partially agree	Neither agree nor disagree.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
18	NSA	Agree	Q2. Yes, I believe that SIG 64.1 is helpful in guiding entities on how to discuss their mission and organization in the MD&A. The proposed guidance clarifies that it is not required to include an organization chart or map of facilities within the MD&A. Instead, entities have the option to provide a link within the AFR to their agency’s website where such information can be accessed. This approach ensures that the MD&A remains focused and concise, while still providing stakeholders with easy access to additional relevant information.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.
19	DoWEA	Agree	The proposed SIG 64.1 explains that in the MD&A, management can provide a brief description of the entity’s mission and organization to explain key components. Line 30 was helpful as it provides information on what is not required. DoWEA agrees that the proposed SIG 64.1 provides information for how to discuss mission and organization in MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #2.

III. Question for Respondents #3 (QFR #3):

QFR #3: The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze financial position and financial condition.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze financial position and condition in MD&A? Please provide the rationale for your answer.

Table 5: QFR #3 - Responses						
Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
63%	12	37%	7	0%	0	19

Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	Agree	Agree - The proposed SIG 64.1 adequately explains what FASAB means by financial position and financial condition.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
2	VA	Agree	The proposed SIG 64.1 provides clear and practical information on how reporting entities may discuss and analyze financial position and financial condition in the MD&A. The guidance appropriately interprets and supports the requirements in paragraphs 12.b and 12.c of SFFAS 64 and is consistent with the broader principles in paragraphs 8–11 of SFFAS 64.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
3	LOC	Partially agree	<p>QFR3 Response: Generally agree, with suggested clarification to reinforce analytical expectations.</p> <p>The proposed SIG 64.1 appropriately emphasizes analysis rather than description. Two clarifications would strengthen implementation.</p> <p>First, preparers may default to restating financial statement line items without identifying the underlying drivers of change. A statement that "net cost increased due to higher program expenses" remains descriptive unless it explains whether the increase reflects volume of services delivered, input cost changes, new statutory requirements, timing of obligations, or one-time events. Examples illustrating driver-based explanation — and distinguishing recurring trends from non-recurring events — would better operationalize the analytical intent of SFFAS 64.</p> <p>Second, in mission-driven entities, increases in net cost may reflect expanded service delivery or enhanced program execution rather than financial deterioration. The guidance would benefit from examples showing how preparers can explain cost increases in a way that distinguishes mission-consistent growth from adverse financial trends. Without such framing, preparers may understate</p>	<p>Staff does not recommend any updates to paragraphs 31-37 in the draft SIG 64.1 because the examples provide flexibility for agencies to map them to drivers specific to their operations.</p> <p>Organizational policies and procedures should address what information to provide to explain causes of significant changes and trends in financial position in accordance with SFFAS 64. This could also include highlighting mission-consistent growth.</p>

Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			programmatic accomplishments or readers may misinterpret cost growth as a negative indicator.	
4	SSA	Agree	SSA Response: We agree the proposed SIG 64.1 provides information for how to discuss and analyze financial position and condition in MD&A. The SIG also includes examples of types of information to disclose.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
5	AGA	Partially agree	<p>We found paragraphs 35 and 45 to be confusing for several reasons.</p> <p>First, paragraphs 35 and 45 appear to be duplicative, rather than clearly differentiating how financial position and condition are to be analyzed.</p> <p>Second, as written, paragraphs 35 and 45 suggest that analysis of significant changes and trends should be based on comparisons of current year beginning and ending balances. Such comparisons are limited to explaining changes in assets and liabilities but would not be applicable to revenues, expenses, or trend analysis. We believe MD&A analysis should generally compare current year ending balances and amounts with the prior year, regardless of whether comparative statements are presented. If guidance regarding comparative financial statements is intended, it should be stated directly and separately from guidance on analytical methodology. For example, “Discussion about significant changes is in reference to the prior year financial statements, regardless of whether comparative statements are presented. For a comparative presentation of FYE 2026 and 2025, MD&A requirements related to the current year would refer to FYE 2026 and the prior year would refer to FYE 2025, the same as if it was not a comparative presentation.”</p> <p>We suggest adding guidance in paragraph 39 on factors to consider when determining the number of years to present in MD&A. For</p>	<p>Organizational policies and procedures should address how to gather required information in accordance with SFFAS 64.</p> <p>Staff does not recommend updates to paragraph 39 because it provides flexibility for agencies to determine the number of years to present according to its own significant changes.</p> <p>Staff does not recommend any updates to the charts in paragraph 40 or 46 as they are examples that provide flexibility to agencies for how each could present individual trend information.</p> <p>Staff does recommend updating the content in paragraph 46 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p>

Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			<p>example, factors could include whether the years presented are sufficiently comparable to make for a meaningful discussion of trends and explanation of changes relevant to the current year. For example, if an agency had material one-time events in the prior year, presenting four or five years could show the trend before the one-time event and be relevant to explaining trend changes in the current year. However, if the material one-time events occurred three or four years ago, the agency may want to limit years to only those after the event, so that old variances do not distract from the discussion of changes and trends relevant to the current year.</p> <p>The chart in paragraph 46 is confusing due to the use of agency-specific terms “income, cost, and ending balances.” While these terms may be meaningful for the Social Security Administration, our group was having a hard time relating these terms to other federal agencies. We recommend that the Charts in paragraphs 40 and 46 be explicitly identified as illustrative and presented alongside the associated narrative explanation. Doing so would clarify the intent of the charts, provide necessary context, and help ensure they are understood as examples rather than prescriptive models. Or alternatively, different examples could be used that are more relevant to multiple agencies.</p> <p>We also suggest that this section be expanded to clarify that MD&A may need to discuss material estimates that are central to the presentation of the agency’s financial statements, even when <i>changes</i> in those estimates during the current year are not material. The significance of an estimate may arise from its size, complexity, or sensitivity to assumptions, rather than from current-year volatility alone. For instance, Credit Reform reporting entities may need to discuss key subsidy and cash flow estimates to provide meaningful context for the financial statements, even in years when related changes are minimal. Such discussion can enhance users’</p>	<p>Organizational policies and procedures should address how to determine significant changes to be noted in accordance with SFFAS 64.</p>

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Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			understanding of the agency financial statements and the factors that could affect future results.	
6	Treasury	Agree	The Department of the Treasury agrees with the proposed guidance for how to discuss and analyze financial position and condition in MD&A, as it provides helpful information for entities to consider when developing their MD&A content.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
7	EPA	Agree	We believe the SIG 64.1 provides the appropriate guidance for us to discuss and analyze financial position and condition in the MD&A. The guidance allows us to emphasize any vital matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
8	VSCPA	Agree	<u>Response 3.</u> The VSCPA agrees with QFR3. Paragraph 32 of SIG 64.1 refers to paragraph A32 in SFFAS 64, which provides additional context for analyzing financial position and financial condition. Further, paragraphs 33 through 37 of SIG 64.1 provide additional details and examples to assist management in preparing MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
9	DISA	Agree	Agree, financial position is as of a point in time, condition is prospective mission-related issues, challenges, and/or risks.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
10	GWSCPA	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by GWSCPA.
11	GSA	Agree	Agree, paragraph 43 helps distinguish financial position and financial	Staff does not recommend any updates because the respondent agreed with the

Attachment 1.B

Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			condition.	proposal in QFR #3.
12	HHS	Agree	Agree; the information provided assists agencies in explaining financial position and condition within the MD&A. HHS will continue to improve narratives explaining significant changes and trends.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
13	NEA	Agree		Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #3.
14	Commerce	Partially agree	<p>Department of Commerce Response:</p> <p>We observed that the ED provides additional clarity on the differences between discussing financial position vs. financial condition in the MD&A. However, we respectfully request that the guidance be added to clarify trend analysis.</p> <p>First, we suggest that the trend analysis flexibility be explained in the appropriate financial position and financial condition sections. We also request that consistency of trends (e.g. the same scope and duration) be emphasized in analyzing the reporting entity’s financial condition and financial position.</p> <p>Further, the guidance should encourage preparers to explain scope and duration differences in trends, where appropriate, to reduce potential confusion by the readers and users of MD&A.</p> <p>We do not have any additional questions.</p>	<p>Staff recommends updating paragraph 40 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p> <p>Organizational policies and procedures should address how to determine trend scope and duration for causes of significant changes for reporting in accordance with SFFAS 64.</p>
15	KPMG	Partially agree	<p>Financial position and financial condition</p> <p>We recommend revising the guidance in paragraph 35 of the ED concerning the analysis of significant changes and trends. The</p>	Staff recommends updating paragraphs 35, 36 & 45 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track</i>

Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			<p>current text of the ED instructs preparers to compare current year beginning balances with current year ending balances.</p> <p>This method is not appropriate for the analysis of "activity" accounts, such as revenues and expenses.</p> <p>By their nature, these accounts are closed to net position at year-end and thus have a \$0 beginning balance in the subsequent period.</p> <p>To ensure the guidance results in a more useful analysis, we recommend paragraph 35 be revised to direct preparers to analyze the changes or trends in ending balances on a year-over-year basis (i.e., comparing the current period's ending balance to the prior period's ending balance).</p> <p>We recommend similarly revising paragraph 45.</p>	<i>Changes.</i>
16	Sikich	Partially agree	<p>Although we agree that the proposed SIG 64.1 provides useful guidance regarding how to discuss and analyze financial position and financial condition in the MD&A, FASAB could enhance the proposed SIG 64.1 to provide additional clarity in this area.</p> <p>For example, paragraphs #35 and #45 use the same wording, although paragraph #35 discusses financial position (which relates to the reporting period only) and paragraph #45 discusses financial condition (which relates to forward-looking information beyond the reporting period).</p> <p>If financial condition is meant to be forward-looking and reflect long-term results, restricting the trend analysis to current-year balances appears to be contrary to that objective.</p>	Staff recommends updating paragraphs 35 & 45 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes.</i>

Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			<p>Additional guidance for agencies without business-type activities or social insurance programs could be helpful, given the similarity in the guidance related to financial position and financial condition.</p> <p>Further, the term “beginning balances” only applies to accounts such as balance sheet accounts that carry forward to the next fiscal year. It does not apply to accounts such as income statement accounts, which are period specific. Calculating a trend in an account with a zero-dollar beginning balance would result in an error, as the denominator would include a zero.</p>	
17	DOL	Partially agree	<p>Regarding paragraph 45, agencies should not be required to discuss/analyze beginning balances and ending balances related to financial position and financial condition unless comparative financial statements are required by OMB in Circular A-136. Furthermore, A-136 may require comparative financial statements, but OMB may authorize single-year financial statements for a specific agency; an agency should not be required to discuss/analyze beginning and ending balances under these circumstances. Presenting comparative discussion/analysis may conflict with the reasons for the single-year presentation.</p> <p>Similarly, agencies should not be required to discuss/analyze prior year activity and current year activity unless Circular A-136 requires comparative financial statements. Exceptions to the comparative discussion/analysis would be when OMB (1) requires single-year financial statements, (2) authorizes single-year financial statements for a specific agency, or (3) authorizes selected financial statements for a specific agency (e.g., Balance Sheet only or Statement of Budgetary Resources only). Presenting comparative discussion/analysis may conflict with the reasons for these types of</p>	Staff recommends updating paragraph 45 as noted in Attachment 3, Updated Draft SIG 64.1 with Track Changes.

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Table 6: QFR #3 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #3 Comments	Staff Recommendations
			presentations. The concepts in this response should apply to the entire SIG.	
18	NSA	Agree	Q3. Yes, I agree that the proposed SIG 64.1 offers valuable guidance on how agencies can effectively discuss and analyze their financial position and condition within the MD&A. This includes providing detailed instructions on how to discuss and analyze the causes of significant changes and trends in key financial elements such as assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources. The guidance emphasizes the importance of addressing both positive and negative impacts, which may be influenced by various factors including executive orders, operational changes, or regulatory shifts.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.
19	DoWEA	Agree	The proposed SIG 64.1 provides guidance on how an entity should discuss and analyze the causes of significant changes and trends in the various financial reports. Guidance is also provided on how events and conditions that a significant impact on the financial statement balances during the reporting period can have can be included for understandability and usefulness. DoWEA agrees to the statement.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #3.

IV. Question for Respondents #4: (QFR #4)

QFR #4: The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze key performance results and associated costs.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze key performance results and associated costs in MD&A? Please provide the rationale for your answer.

Table 7: QFR #4 – Responses						
Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
53%	10	37%	7	10%	2	19

Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	Disagree	<p>Disagree -</p> <p>SFFAS 64, paragraph 12.d states that key performance results could be organized based on responsibility segments as reported on the reporting entity’s statement of net cost.</p> <p>However, neither the appendix to SFFAS 64 nor the proposed SIG 64.1 includes an example of how an agency could organize its key performance results based on the statement of net cost.</p> <p>Without a specific example, agencies would be speculating on what FASAB has in mind. The examples presented in proposed SIG 64.1 are organized based on key performance results and not responsibility segments on the statement of net cost.</p>	<p>Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p> <p>Note: examples provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting (see February 2025 Meeting Minutes, page11, question 1).</p>
2	VA	Agree	<p>The proposed SIG 64.1 provides practical and effective implementation guidance that aligns with SFFAS 64’s requirements for discussing and analyzing key performance results and associated costs and will support more transparent, consistent, and informative MD&A reporting across federal entities.</p> <p>Supports SFFAS 64 paragraph 12.d Clarifies expectations for associated costs Consistent with SFFAS 64’s principles-based framework Links performance to the statement of net cost</p>	<p>Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.</p>
3	LOC	Partially agree	<p>QFR4 Response: Partially agree; further implementation clarification would enhance consistency.</p> <p>Linking cost information to performance outcomes remains one of the more challenging aspects of MD&A preparation. The guidance could be strengthened in two respects.</p>	<p>Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p>

Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
			<p>First, cost and performance discussion is often presented in separate sections, producing narratives that describe financial results and mission results independently rather than explaining the relationship between them.</p> <p>Second, the Statement of Net Cost is organized by program or responsibility segment, while strategic mission outcomes frequently draw costs from multiple segments. The SIG's suggestion to use the Statement of Net Cost as a starting point may therefore produce a financial presentation that does not correspond to the agency's mission architecture. In such cases, program-line analysis may obscure rather than illuminate the mission story.</p> <p>A useful implementation principle would be: when key performance results cut across multiple cost segments, preparers may aggregate costs to the outcome level and explain the basis for aggregation.</p> <p>Illustrative examples showing multi-year net cost trends organized by strategic outcome — with explanation of how those costs relate to program lines — would promote analytical linkage without prescribing a single format.</p>	
4	SSA	Agree	<p>SSA Response: We agree the proposed SIG 64.1 provides information for how to discuss and analyze key performance results and associated costs in MD&A.</p> <p>The SIG also includes examples of types of information to disclose.</p>	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.
5	AGA	Agree	No comments.	Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #4.

Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
6	Treasury	Agree	The Department of the Treasury agrees with the proposed guidance to discuss and analyze financial position and condition in MD&A, as it provides helpful information and examples for entities to consider when developing their MD&A content.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.
7	EPA	Agree	We believe the SIG 64.1 provides the appropriate guidance for us to discuss and analyze key performance results and associated costs in the MD&A. The guidance allows us to emphasize any vital matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.
8	VSCPA	Partially Agree	<u>Response 4.</u> The VSCPA agrees with QFR4. Paragraphs 48 through 53 of SIG 64.1 provide additional context and examples to assist preparers in discussing and analyzing key performance results and associated costs in the MD&A. Furthermore, paragraph 49 permits management flexibility in identifying what performance results are key to the reporting entity and its key organizations. We support including language that encourages discussion of changes in administration or significant agency initiatives, specifically as they relate to Key Performance Indicators (KPIs). Doing so may provide readers with additional insight when reviewing an entity’s statement of net cost, support the objectivity and usefulness of MD&A consistent with the accountability principles in Chapter 3 of SFFAC 1, and enhance comparability across reporting periods.	Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes.</i>
9	DISA	Agree	Agree that performance results and associated costs may provide a snapshot of information for understanding by bringing together	Staff does not recommend any updates because the respondent agreed with

Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
			<p>mission requirements and its associated results.</p> <p>We do not agree that the document should contain hyperlinks and other links to other data for additional information. This is primarily due to if there are updates to those spaces and links, the linked data becomes inaccessible and serves no purpose. Linked data may be moved to other spaces/storage, and it would make that portion of the report inaccurate. In addition, when a report is saved pdf, the links are not accessible.</p>	the proposal in QFR #4.
10	GWSCPA	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by GWSCPA.
11	GSA	Agree	Agree, paragraphs 51 and 52 provide general information about how to tie costs to performance indicators.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.
12	HHS	Disagree	<p>HHS’s reporting on performance is complex and unique in nature (HHS’s performance measures do not align one-to-one with budget items or single PPAs). HHS presents the consolidated Statement of Net Cost by segments (e.g. CMS, FDA, etc.), not by GPRA.</p> <p>For example, a performance measure about mental health (featured in HHS’s FY2025 AFR) reflects the efforts of multiple workstreams across the Department (e.g., at least SAMHSA, HRSA, CDC, and CMS). Calculating costs associated with that performance measure would be misleading and would result in an approximation that is inaccurate. Conversely, some measures report on a small subset of activities within a larger budget item - for example, the number of primary care appointments is a measure that is dependent on funding for health centers. It is usually not possible to disaggregate the amount of</p>	<p>Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p> <p>The Board’s concern about referencing information outside the financial statement is whether the information has been audited.</p>

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Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
			<p>funding for primary care appointments specifically within the much larger budget for all health center activities.</p> <p>HHS recommends an alternative approach in connecting performance results with “associated cost”. Instead of linking to statement of net cost, HHS recommends referencing obligations, reported to USAspending.gov or HHS Budget-in-Brief, or allow HHS to share estimated budget proposed amount at a high level.</p>	
13	NEA	Agree		Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #4.
14	Commerce	Partially agree	<p>Department of Commerce Response:</p> <p>Yes, we are generally supportive of the proposed guidance as it provides helpful information for identifying and discussing key performance results and reporting the associated costs for achieving those results.</p> <p>We respectfully request that the term “vital” be further defined in the context of identifying and discussing key performance results in the MD&A.</p> <p>We do not have any additional questions.</p>	Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i> .
15	KPMG	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by KPMG.
16	Sikich	Partially Agree	We agree that the proposed SIG 64.1 provides guidance on how to discuss and analyze key performance results and the associated costs in the MD&A. The guidance emphasizes the importance of agencies clearly presenting key performance results and explaining	Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track</i>

Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
			<p>how those results relate to the agency’s costs incurred or other budgetary and financing resources.</p> <p>During one of our fiscal year (FY) 2025 audits, we issued a management letter comment noting that the agency’s MD&A did not include key performance results, as required by SFFAS 64. Based on the guidance provided in the proposed SIG 64.1, we are comfortable directing a cost-heavy agency to SIG 64.1 as a resource in this area, as SIG 64.1 provides the information needed to enable agencies to understand the MD&A requirements and effectively present key performance results.</p> <p>However, the guidance in SIG 64.1, paragraph #51, is geared toward cost-heavy agencies.</p> <p>We acknowledge that SFFAS 64 suggests that entities can organize key performance results based on the responsibility segments reported in their statements of net cost; however, we recommend that FASAB add guidance and examples for asset-heavy agencies, such as loan-making agencies, where balance sheet activity dwarfs statement of net cost activity. For example, the number of new loans executed during the reporting period could be a key performance result even if the estimated cost (or revenue) is not material.</p> <p>We also believe that it would be useful to add an example challenge to paragraph #53 related to the cost of inaction. For example, some federal agencies are having difficulty in collecting receivables due to staff shortages. Although the collection of receivables may not be viewed as a key performance result, an agency’s inability to effectively collect receivables could be reported as a challenge.</p>	<p><i>Changes.</i></p> <p>Note: examples provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting (see February 2025 Meeting Minutes, page11, question 1).</p>

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Table 8: QFR #4 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #4 Comments	Staff Recommendations
17	DOL	Partially Agree	Refer to response for QFR 3.	Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #4.
18	NSA	Agree	<p>Q4. Yes, I agree that the proposed SIG 64.1 provides valuable guidance for discussing and analyzing key performance results and associated costs in the MD&A (Management's Discussion and Analysis). The guidance suggests that management can use the Statement of Net Cost as a starting point to identify the actual costs incurred. It further advises tying these costs to specific accomplishments or risks that the agency is mitigating, thereby providing a clear link between expenditures and outcomes.</p> <p>SIG 64.1 also specifies that the costs to be discussed are those incurred during the current reporting period. If actual costs are not available, the guidance allows management to discuss obligations incurred or associated outlays. This approach helps stakeholders understand the resources needed during the reporting period, ensuring a comprehensive and transparent analysis.</p>	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.
19	DoWEA	Agree	DoWEA agrees since this would give users knowledge on the accomplishments, challenges, and costs in connection with these performance results. In addition, explanations on causes of the performance results would be insightful to users.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #4.

V. Question for Respondents #5: (QFR #5)

QFR #5: The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze significant opportunities and risks in MD&A.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze significant opportunities and risks? Please provide the rationale for your answer.

Table 9: QFR#5 – Responses						
Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
58%	11	42%	8	0%	0	19

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	Agree	Agree on the discussion of opportunities and risks. With regard to the word “significant”, neither SFFAS 64 nor the proposed SIG 64.1 does a good job of explaining what FASAB	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
			means by “significant”. The description of what is significant is somewhat subjective. However, OMB Circular A-136 provides a more precise definition of “significant” for the MD&A, so there is no need to amend the proposed SIG 64.1 to include further guidance on what FASAB means by significant.	
2	VA	Agree	The proposed SIG 64.1 provides clear and practical information on how reporting entities may discuss and analyze significant opportunities and significant risks in the MD&A. The guidance appropriately supports and interprets the requirements in paragraphs 12.e and 12.f of SFFAS 64 and aligns with the principles in paragraphs 8–11 of SFFAS 64.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.
3	LOC	Partially agree	<p>QFR5 Response: Generally agree, with suggested clarification regarding financial statement relevance and forward-looking constraints.</p> <p>The proposed guidance appropriately encourages discussion of significant opportunities and risks. Two clarifications would improve consistency in application.</p> <p>First, preparers may include broad operational or strategic risks without explaining their expected financial implications. For example, a narrative may describe workforce challenges in detail without indicating whether those risks are expected to result in increased personnel costs, service reductions, or impacts on budget execution. Risk and opportunity discussion that does not connect to financial position, net cost, or resource sustainability does not serve the financial reporting purpose of MD&A.</p> <p>Second, forward-looking discussion in mission-driven entities is constrained by appropriations uncertainty. Because future financial</p>	<p>Organizational policies and procedures should address what information to present in MD&A for significant opportunities and risks that are in accordance with SFFAS 64.</p> <p>Organizational policies and procedures should address what information to present for the risk of appropriation uncertainty in accordance with SFFAS 64.</p>

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
			<p>outcomes depend substantially on Congressional funding decisions, preparers face a genuine difficulty in framing financial implications that are contingent on future appropriations actions. Clarification that preparers may describe reasonably foreseeable financial implications under current funding assumptions, while acknowledging appropriations contingency, would provide useful operating guidance.</p> <p>Taken together, these clarifications would focus MD&A opportunities and risks discussion on content that is both financially grounded and operationally realistic for federal preparers.</p>	
4	SSA	Agree	<p>SSA Response: We agree the proposed SIG 64.1 provides information for how to discuss and analyze significant opportunities and risks. The SIG also includes examples of types of information to disclose.</p>	<p>Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.</p>
5	AGA	Partially agree	<p>Guidance might benefit from addition of examples addressing risks arising from constraints.</p> <p>In some cases, agencies may experience performance challenges due to resource constraints like staffing reductions or system limitations.</p> <p>In other cases, the administration may request agencies to delay certain actions, such as collection of receivables. While these situations may not result in an immediate or directly measurable cost, the forgone outcomes or increased risk may be relevant to understanding performance and financial results.</p> <p>Including an example would help clarify that MD&A may discuss such opportunity costs and risks even when no actual cost impact is recorded. For example, management may explain how staffing reductions affected the timeliness or completeness of due process</p>	<p>Staff recommends updating the examples that exist in paragraphs 57 and 60, as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p>

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
			activities related to the collection of receivables, the resulting delays in recoveries, increased receivable balances and risk of uncollectibility, and lost opportunities to improve financial outcomes.	
6	Treasury	Agree	The Department of the Treasury agrees with the proposed guidance on discussing and analyzing significant opportunities and risks in MD&A, as it provides clear direction and examples for presenting the potential positive effects of significant opportunities and for explaining plans to mitigate the potential negative effects of significant risks on key performance results.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.
7	EPA	Agree	Agree. We believe the SIG 64.1 provides the appropriate guidance for us to discuss and analyze significant opportunities and risks in the MD&A. The guidance allows us to emphasize any vital matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.
8	VSCPA	Partially agrees	<p><u>Response 5.</u> The VSCPA partially agrees with QFR5. Paragraphs 56 through 60 in SIG 64.1 expand the guidance for implementing SFFAS 64; however, we recommend that FASAB further clarify the definitions of significant opportunities and risks in footnotes 7 and 9 of SFFAS 64 by adding more concrete examples of what these types of opportunities and risks may look like. Such examples could include cyber incidents, lapses in appropriations, acquisition delays, and improper payment risk.</p> <p>Furthermore, in discussing risks, SIG 64.1 does not address the concentration of risks. We recommend that FASAB consider providing guidance on disclosing risk concentrations (e.g., public-private partnerships and credit programs) in MD&A. Including such guidance may provide a reader with a clearer understanding of</p>	<p>A SIG is not intended to amend existing standards.</p> <p>Organizational policies and procedures should address what information to present in MD&A for significant opportunities and risks that are in accordance with SFFAS 64.</p>

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
			vulnerabilities and serve as a “risk alert” or stress test, moving beyond past performance reporting to evaluating current financial position and condition as well as future funding and budgetary stability. By disclosing these vulnerabilities, MD&A would assist readers in assessing how sensitive the government’s financial condition is to external shocks such as a change in federal policy. Finally, this inclusion would be consistent and complementary to the requirements in SFFAS 64 paragraph 12f.	
9	DISA	Agree	Agree. Financial information for public review for opportunities and risks can provide insight into the entity’s business, functions and challenges.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.
10	GWSCPA	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by GWSCPA
11	GSA	Agree	Agree, the elimination of the forward-looking section described in paragraph 54 as well as the examples in paragraphs 57 and 60 are helpful.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5
12	HHS	Agree	Agree; the HHS MD&A discusses major initiatives throughout the Department to align with the HHS Strategic Plan, providing transparency and ensuring consistency. HHS will continue to provide updates in MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5
13	NEA	Agree		Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #5.

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
14	Commerce	Partially agree	<p>Department of Commerce Response:</p> <p>Yes, we are generally supportive of the proposed guidance as it provides additional context for consideration in the discussion of significant opportunities and risks in the MD&A and their impacts on key performance measures and strategic decision making.</p> <p>We do not have any alternative solutions to propose or any additional questions.</p>	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5
15	KPMG	Partially agree	<p><i>Significant opportunities and risks</i></p> <p>We agree with the intent of paragraphs 57 and 60 to provide examples of how entities might discuss significant opportunities and risks.</p> <p>However, we found that the effectiveness of these examples is diminished because they largely restate the requirements from paragraphs 12(e) and 12(f) of SFFAS 64, rather than providing a practical illustration of their application.</p> <p>Providing examples consistent with the approach taken for other sections within the ED would promote more uniform application.</p>	Staff recommends updating the examples that exist in paragraphs 57 and 60, as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i> .

Table 10: QFR #5 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #5 Comments	Staff Recommendations
16	Sikich	Partially agree	<p>We agree that the proposed SIG 64.1 provides guidance regarding how reporting entities should discuss and analyze significant opportunities and risks in their MD&A. The guidance clearly indicates that agencies should present significant opportunities and risks as they relate to key performance, financial, and budgetary results and explains that reporting entities should also disclose mitigation plans to address the identified risks.</p> <p>However, we believe that this area of the proposed SIG 64.1 would benefit from including illustrative examples of discussions related to opportunities and risks.</p>	Staff recommends updating the examples that exist in paragraphs 57 and 60, as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i> .
17	DOL	Partially agree	Neither agree nor disagree.	Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #5.
18	NSA	Agree	Q5. Yes, I agree that the proposed SIG 64.1 provides guidance on how to discuss significant opportunities and risks within the agency. For opportunities, the guidance advises that the agency should state how these opportunities will have positive impacts on the financial position. For risks, the guidance suggests agencies discuss the potential negative impacts on the financial statements and the overall financial condition. Additionally, the proposed SIG 64.1 includes an example to illustrate these points, which helps in providing clear and practical direction.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.
19	DoWEA	Agree	DoWEA agrees since this would help management discuss significant opportunities that could enhance performance results and discuss how a reporting entity is mitigating risks to lessen negative effects on performance results.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #5.

VI. Question for Respondents #6: (QFR #6)

QFR #6: The proposed SIG 64.1 provides information about how reporting entities may discuss and analyze management’s assessment of the reliability of the reporting entity’s financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws.

Do you agree or disagree that the proposed SIG 64.1 provides information for how to discuss and analyze management’s assessment of the reliability of the reporting entity’s financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws? Please provide the rationale for your answer.

Table 11: QFR#6 – Responses						
Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
53%	10	47%	9	0%	0	19

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	Agree	This requirement is outlined in greater detail in OMB Circular A-123, so further details on reporting requirements are not required in SFFAS 64 or the proposed SIG 64.1.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
2	VA	Agree	The proposed SIG 64.1 provides clear and practical information on how reporting entities may discuss and analyze management’s assessment of the reliability of the reporting entity’s financial information, including explanations of significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws. The guidance directly supports and interprets the requirements in paragraph 13 of SFFAS 64 and aligns with the principles outlined in paragraphs 8–11 of SFFAS 64.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
3	LOC	Partially agree	<p><i>QFR6 Response: Generally agree, with suggested clarification regarding alignment and reporting cycle sequencing.</i></p> <p>The proposed guidance provides useful direction on discussing significant weaknesses and internal control matters. Two clarifications would strengthen implementation.</p> <p>First, MD&A sections may restate the detailed language of audit findings rather than explaining their implications for financial reporting reliability. For example, a narrative may repeat technical descriptions of control deficiencies without clarifying whether the weakness affected reported balances, required significant audit adjustments, or posed risk primarily to operational processes rather than financial statement accuracy.</p> <p>Second, MD&A drafting typically occurs before the audit report is finalized. A preparer who drafts in August may describe a condition that the November audit report characterizes differently — or more severely — creating an inconsistency within the same annual financial report. Guidance acknowledging this sequencing constraint</p>	<p>The Board’s intent is for management to perform their own summary assessment outside of the audit and report on that assessment.</p> <p>Organizational policies and procedures should address how to report on its assessment in accordance with SFFAS 64.</p>

Attachment 1.B

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
			<p>and advising how preparers should handle the gap between draft and final audit findings would address a recurring operational challenge.</p> <p>Illustrative examples showing how to summarize material weaknesses by their effect on financial reporting reliability — rather than by their technical description — would reduce duplication and improve alignment across reporting documents.</p>	
4	SSA	Agree	<p>SSA Response: We agree the proposed SIG 64.1 provides information for how to discuss and analyze management’s assessment of the reliability of the reporting entity’s financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws. The SIG also includes examples of types of information to disclose.</p>	<p>Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.</p>
5	AGA	Partially agree	<p>Paragraph 64 appears to suggest a boilerplate assertion. If this paragraph is meant to describe the scope of control deficiencies or instances of noncompliance that management should consider relevant to financial reporting for purposes of the MD&A, the guidance should be clearer.</p> <p>The guidance would be more helpful if it included illustrative narratives for situations in which there are no significant weaknesses in controls or instances of noncompliance to discuss, as well as situations in which such matters exist and warrant discussion.</p> <p>In addition, it would be helpful to include guidance on whether and how management’s consideration of the significance of control weaknesses or instances of noncompliance for purposes of MD&A would relate to audit findings addressing these topics.</p>	<p>Note: examples that are provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting to avoid boilerplate content. (see February 2025 Meeting Minutes, page11, question 1).</p> <p>The Board’s intent is for management to perform their own summary assessment outside of the audit and report on that assessment.</p> <p>Organizational policies and procedures should address how to report on its assessment in accordance with SFFAS</p>

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
			Finally, we suggest that the guidance be enhanced by providing illustrative example language that management may use when discussion of planned initiatives or desired improvements is contingent on the availability of future funding.	64.
6	Treasury	Agree	The Department of the Treasury agrees with the proposed guidance for discussing and analyzing management’s assessment of the reliability of the reporting entity’s financial information in MD&A. Although a separate systems, controls, and legal compliance section is not required by SFFAS 64, entities should continue to explain significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
7	EPA	Agree	Agree. We believe the SIG 64.1 provides the appropriate guidance for us to discuss and analyze management’s assessment of the reliability of the reporting entity’s financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with laws. The guidance allows us to emphasize any vital matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
8	VSCPA	Partially agrees	<u>Response 6.</u> The VSCPA partially agrees that SIG 64.1 provides sufficient information for discussing management’s assessment of the reliability of the reporting entity’s financial information. Paragraphs 62 to 66 of SIG 64.1 provide additional details to assist management in addressing significant weaknesses in the financial management system, related systems, internal controls, or noncompliance with applicable laws and regulations. However, as noted in our response to QFR1, we recommend that	Organizational policies and procedures should address how much and what information to include in MD&A in accordance with SFFAS 64 standards.

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
			FASAB consider adding guidance for preparers to reference relevant IG reports, particularly the Top Management and Performance Challenges, to provide additional balance and an independent perspective where significant weaknesses are discussed.	
9	DISA	Partially agree	Partly agree. While discussion of reliability of financial information can help the reader’s understanding, discussion of significant weaknesses, and internal control deficiencies, especially operational, can be used by our adversaries.	Organizational policies and procedures should address how much and what information to include in MD&A in accordance with SFFAS 64 standards.
10	GWSCPA	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by GWSCPA
11	GSA	Agree	Agree. The explanation that this section is no longer necessary (as stated in paragraph 62) is useful, particularly in conjunction with the description of information that should be included beyond what is included in paragraph 13 of SFFAS 64.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
12	HHS	Agree	Agree; HHS has practiced this principal in prior years within the “Systems, Legal Compliance and Internal Controls” subsection of the MD&A. Narratives have been drafted in accordance with OMB A-136 and OMB A-123, and HHS will continue to improve narratives within this subsection.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
13	NEA	Agree	Agree.	Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #6.

Attachment 1.B

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
14	Commerce	Partially agree	<p>Department of Commerce Response:</p> <p>We recognize the proposed guidance confirms the inclusion of management’s assessment of the reliability of the reporting entity’s financial reporting in MD&A. The inclusion is consistent with OMB A-123 (Section VI., A.), which requires the assurance statement and information on the reporting entity’s compliance with laws and regulations and its internal controls over financial reporting. However, OMB A-136 (section II.2.4) specifically requires a section in the MD&A entitled “Analysis of Systems, Controls and Legal Guidance,” that contains the information required by OMB A-123.</p> <p>It should be noted that paragraph 64 of the ED does not contain the specific section requirement in OMB A-136. Additionally, SFFAS 64 does not include the OMB A-136 section requirement. Accordingly, we respectfully requests that paragraph 64 of the SIG be updated to reflect the section requirement from OMB A-136 and the FASAB consider modifying SFFAS 64 to reflect the OMB A-136 section requirement.</p> <p>We do not have any additional questions.</p>	Organizational policies and procedures should address how much and what information to include in MD&A in accordance with SFFAS 64 standards.
15	KPMG	Partially agree	See QFR #7	Staff reviewed and analyzed QFR #7 for any updates requested by KPMG.
16	Sikich	Partially agree	<p>We agree that the proposed SIG 64.1 provides guidance regarding how to discuss management’s assessment of the reliability of financial information in the MD&A. The guidance clearly indicates that reporting entities should summarize significant internal control weaknesses, system deficiencies, and instances of non-compliance and disclose management’s plans to address these issues.</p> <p>However, given that many federal agencies continue to use</p>	<p>Note: examples that are provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting to avoid boilerplate content. (see February 2025 Meeting Minutes, page 11, question 1).</p> <p>The Board’s intent is for management to</p>

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
			antiquated systems despite plans to execute system modernizations, we believe that some illustrative language regarding this topic would be useful to preparers.	perform their own summary assessment outside of the audit and report on that assessment. Organizational policies and procedures should address how to report on its assessment in accordance with SFFAS 64.
17	DOL	Partially agree	Neither agree nor disagree.	Staff does not recommend any updates because the respondent did not provide any recommendations for the proposal in QFR #6.
18	NSA	Agree	Q6. Yes, I agree that SIG 64.1 provides guidance on how to discuss and analyze management's assessment of the reliability of the reporting entity's financial information. The guidance advises that the agency should discuss whether its transactions were recorded in compliance with financial, budgetary, and federal financial accounting standards when preparing the Annual Financial Report (AFR). Additionally, SIG 64.1 emphasizes the importance of reporting any plans to correct significant weaknesses in the financial management system, internal controls, or instances of non-compliance with applicable laws and regulations. This approach ensures transparency and accountability, providing stakeholders with a clear understanding of the agency's efforts to maintain the integrity of its financial reporting.	Staff does not recommend any updates because the respondent agreed with the proposal in QFR #6.
19	DoWEA	Agree	The proposed SIG 64.1 provides relevant information on how to discuss and analyze the assessment of reliability by explaining significant weaknesses in the financial management systems.	Staff does not recommend any updates because the respondent agreed with the

Attachment 1.B

Table 12: QFR #6 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #6 Comments	Staff Recommendations
			Guidance is given to management to explain plans to address the significant weaknesses to maintain integrity and reliability of the financial statements. DoWEA agrees to the statement.	proposal in QFR #6.

VII. Question for Respondents #7: (QFR #7)

QFR #7: Do you wish to comment on any other aspects of this proposal?

Table 13: QFR #7 – Responses				
Yes		No		All
%	Number of Respondents	%	Number of Respondents	Total Respondents
53%	10	47%	9	19

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
1	Robyn S. Berkenbilt, CPA, CGFM	No	No additional comments.	Staff does not recommend any updates because the respondent did not provide any additional recommendations for QFR #7.
2	VA	Yes	<p>VA offers one additional comment.</p> <p>One area where additional clarification could be helpful is in describing how reporting entities should approach linking to information outside the AFR. Clarifying expectations around link stability and accessibility could promote consistency across reporting entities.</p>	<p>Staff recommends updating paragraph 16 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p> <p>Organizational policies and procedures should address how to reference relevant information outside of the AFR in accordance with SFFAS 64.</p>
3	LOC	Yes	<p>Two items merit attention beyond the specific QFRs above.</p> <p>First, the guidance would benefit from a non-mandatory illustrative format demonstrating cost-performance linkage for entities whose strategic outcomes span multiple program cost segments. Such a format — showing multi-year net cost trends organized by outcome with a brief narrative explanation of cost directionality — would be widely applicable and reduce implementation variability without being prescriptive.</p> <p>Second, as agencies increasingly cross-reference web-based materials, implementation guidance should explicitly acknowledge that such materials are dynamic and do not constitute components of the audited financial reporting package. This clarification directly supports the reporting-date integrity concern raised in QFR2 and would benefit preparers across all reporting entities.</p>	<p>Staff recommends updating paragraphs 48-53 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p> <p>Organizational policies and procedures should address how to reference relevant information outside of the AFR in accordance with SFFAS 64.</p>

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
4	SSA	Yes	<p>SSA Response: While SIG 64.1 provides some minor clarifications and general examples of what/how to report based on SFFAS 64, it does not provide much additional information beyond what’s included in SFFAS 64 itself. Additional information on transitioning from SFFAS 15 to SFFAS 64 would be helpful. Agencies have reported using a somewhat defined structure based on SFFAS 15 for many years. Including an example MD&A framework that explains/crosswalks how agencies can transition reporting information based on SFFAS 15 to SFFAS 64 would be helpful. An example framework would also help agencies ensure they don’t leave out important areas of information.</p>	<p>2025 SFFAS 64 MD&A Agency Training Slides provide a roadmap for transitioning MD&A reporting from SFFAS 15 with SFFAS 64.</p>
5	AGA	Yes	<p>Overall, we found that information in the proposed SIG 64.1 was of limited usefulness, since it did not seem to add much to the standard itself.</p> <p>Regarding paragraphs 1-5, we appreciate that the guidance addresses the definition of “significant” and agree that it is a matter of professional judgment. However, we would like further clarification, particularly with respect to how significance relates to the existing concept of materiality.</p> <p>For example, we found recent FASAB training to present clearer and more helpful guidance than the exposure draft (see Transitioning MD&A from SFFAS 15 to SFFAS 64, slide 11).</p> <p>In our view, significance is evaluated within the context in which it is being considered (that is, in relation to a specific requirement of standards), is an individual consideration, and is based on the importance of information to users.</p> <p>This is distinct from materiality, which is evaluated in relation to the reporting entity as a whole, is considered both individually and in the aggregate, and is based on the effect information may have on users’</p>	<p>Organizational policies and procedures should address what is significant in accordance with SFFAS 64.</p>

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
			<p>judgments.</p> <p>Accordingly, we believe “significant” represents a different type of evaluation, rather than a different level of severity that is more or less than “material.” We also believe that the guidance should describe that judgments about significance should consider both quantitative and qualitative factors. This is especially important in the context of MD&A, where information may be non-financial in nature.</p> <p>Finally, we found the examples in paragraph 5 to be unhelpful because they label information as “significant” without explaining or modeling the factors that make the information significant. For example, management may decide that information about a natural disaster is significant because it was important to management’s analysis of financial position and operating performance, or because management believes the matter warrants the attention of report users.</p>	
6	Treasury	No	The Department of the Treasury has no additional comments to provide.	Staff does not recommend any updates because the respondent did not provide any additional recommendations for QFR #7.
7	EPA	No	None at this time.	Staff does not recommend any updates because the respondent did not provide any additional recommendations for QFR #7.
8	VSCPA	Yes	<p><u>Response 7.</u> The VSCPA would like FASAB to consider the following four points:</p> <p>1.SFFAS 64 paragraphs 11 and A29 state that management should present content to enhance understanding for all users, including</p>	SFFAS 64 is a principle based statement. SIG 64.1 cannot create new standards such as the rule based suggestions requested in this comment.

Table 14: QFR #7 – Staff Analysis & Recommendations

#	Respondent	Response	QFR #7 Comments	Staff Recommendations
			<p>those who are not experts in federal government financial matters. Although SIG 64.1 provides guidance on how to achieve a balanced, concise, and integrated MD&A, it does not include any additional guidance on writing content for a non-federal finance expert, particularly taxpayers, who are the ultimate stakeholders.</p> <p>We recommend that FASAB consider adding clarifying paragraphs in SIG 64.1 to assist management in preparing MD&A with the non-expert users in mind, beyond referencing the plain language external link. For example, FASAB could consider adding a short checklist (e.g., define acronyms, avoid internal names without explanation) and encouraging a structured format such as “what happened, why it happened, why it matters, and what’s next” to better explain complex matters to non-expert users.</p> <p>2. Paragraphs 38 through 40 in SIG 64.1 state that SFFAS 64 does not require a specific number of years for reporting trends and allows management the flexibility to determine the number of past years to present. We recommend that FASAB consider adding a practical decision rule (e.g., five-year default) and/or additional examples to show preparers when a shorter trend is sufficient versus when a longer trend is more appropriate.</p> <p>3. SIG 64.1 paragraph 54 states that there is no requirement for a forward-looking section. However, paragraphs 12e and 12f in SFFAS 64 require analysis of significant opportunities and risks, which may inherently involve forward-looking considerations. We recommend that FASAB consider providing additional guidance or guardrails on how to present opportunities and risks in a manner that avoids unnecessary speculation or forecasting while still meeting the objectives of SFFAS 64.</p> <p>4. As reported over the years by several respondents to FASAB’s Annual Report and Three-Year Plan requests for comments, the</p>	<ol style="list-style-type: none"> 1. Organizational policies and procedures should address how to adapt plain language for preparing MD&A in accordance with SFFAS 64. 2. Organizational policies and procedures should address the length of time for presenting trends that best represent the information to include in MD&A in accordance with SFFAS 64. 3. Paragraphs 56 and 59 include “could potentially” as guardrails for discussing significant opportunities and risks in accordance with SFFAS 64. 4. The Board’s intent for SFFAS 64 is for management to present a balanced, concise, integrated and understandable MD&A. <p>Organizational policies and procedures should address how management should respond to “divergent reporting standards”.</p>

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
			current misalignment between divergent reporting standards and the SFFAS 64 mandate for conciseness has created a reporting burden. While certain oversight and award-based incentives currently push for exhaustive and/or granular data, this volume directly contradicts MD&A requirements for an integrated, high-level narrative focused only on vital information. To rectify this, we suggest that FASAB and its Sponsors adopt an “MD&A Compliance through Integration Strategy” as previously suggested by various respondents. This could include relocating technical data to supplemental sections to ensure MD&A remains a clear, mission-focused “single source of truth” rather than a repository attempting to satisfy several different reporting requirements.	
9	DISA	No	None.	Staff does not recommend any updates because the respondent did not provide any additional recommendations for QFR #7.
10	GWSCPA	Yes – all comments recorded here	<p>We support the Board's efforts to provide this implementation guidance to assist Federal reporting entities in preparing MD&A information that meets the requirements of Statement of Federal Financial Accounting Standards 64, Management's Discussion and Analysis (SFFAS 64) and the needs of the Federal financial reports' users. The FISC provides the following recommendations:</p> <ul style="list-style-type: none"> The objective of the information presented in paragraphs 1-5 is to provide preparers with guidance on what the term "significant" means when presenting information in the MD&A. Although paragraph 5 provides an example of an impaired asset, the information included does not provide example criteria applied in this scenario that led management to discuss the impaired asset in the MD&A. For example, 	Organizational policies and procedures should address what is significant in accordance with SFFAS 64.

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
			<p>does the building have particular importance to the reporting entity's financial statements or operation? The FISC recommends that the Board staff revise these paragraphs to provide example criteria, both quantitative and qualitative, that preparers would consider when determining whether the event is significant and should be disclosed in the MD&A.</p> <ul style="list-style-type: none"> While the implementation guidance provides the preparers of Federal financial reports with additional information to support the implementation of SFFAS 64, the majority of the information provided is a repeat of the requirements and discussions in SFFAS 64 and does not provide specific examples to assist preparers with the application of such requirements. For example, in providing guidance on how reporting entities can achieve an integrated MD&A, paragraphs 17-22 are repeating most of the contents in paragraphs 10, 12, and 13 of SFFAS 64. The FISC recommends that the Board staff revise the implementation guidance to provide specific examples beyond what is in SFFAS 64. For example, in providing guidance on how an integrated MD&A can be achieved when addressing the operating performance of a reporting entity's significant program, the guidance can include example narrative of MD&A discussion section or elements that incorporate both nonfinancial performance information, including program's activities and outcome, and the program's financial results. 	<p>Staff recommends updating paragraphs 3-4 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i>.</p> <p>Note: examples provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting (see February 2025 Meeting Minutes, page 11, question 1).</p>
11	GSA	No		Staff does not recommend any updates because the respondent did not provide any additional recommendations for QFR #7.

Attachment 1.B

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
12	HHS	No		Staff does not recommend any updates because the respondent did not provide any additional recommendations for QFR #7.
13	NEA	Yes	It would be helpful if guidance can be provided on from whose perspective management should make judgements regarding significant matters. For example, matters that are significant from management operational perspective, or from the users of the financial reports. Normally our external reporting judgement is based on impact on the readers/users of the financial reports.	Staff recommends updating paragraphs 3-4 as noted in Attachment 3, <i>Updated Draft SIG 64.1 with Track Changes</i> . Organizational policies and procedures should address what is significant in accordance with SFFAS 64.
14	Commerce	Yes	We respectfully request the structure of SIG 64.1 be clarified to improve readability and the ability to cite the guidance. Currently, certain subsections and major sections use the same format/numbering schema; which makes it challenging to follow the guidance and to reference and notate the SIG for financial reporting purposes.	EMAIL to commerce 4/1/26 to clarify
15	KPMG	Yes	We appreciate the opportunity to respond to the proposed Staff Implementation Guidance, Guidance for Implementing SFFAS 64: Management’s Discussion and Analysis (the exposure draft, or ED). We commend the Board’s initiative to provide implementation guidance for SFFAS 64, Management’s Discussion and Analysis (SFFAS 64), which is effective for this fiscal year’s reporting period. While a helpful starting point, we believe the guidance in the ED would be more impactful without the reiteration of the principles already present in SFFAS 64. Also, including more robust and comprehensive illustrative examples to showcase what good looks like would provide the practical application that users seek.	Note: examples provided in SIG 64.1 are generic as requested by the Board during the MD&A session at the February 2025 Board meeting (see February 2025 Meeting Minutes , page11, question 1). Organizational policies and procedures should address what is significant in accordance with SFFAS 64.

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
			<p>In addition, we are concerned that the guidance on using hyperlinks within MD&A may have an unintended consequence. Preparers might interpret this as an opportunity to link to information externally, in lieu of including all information required by SFFAS 64 directly within the body of the report.</p> <p>We provide the following comments and recommendations for the Board’s consideration.</p> <p>1.Structural nature of the Q&A Guidance</p> <p>The questions within the ED are phrased to solicit a directive response (e.g., "How do..."), while the answers provide illustrative examples or flexible considerations (e.g., "An entity may..."). We recommend rephrasing the questions to better signal that the response will be a consideration or an example, rather than a directive.</p> <p>Also, many answers begin by repeating the content in SFFAS 64. We believe the ED provides the most value when it offers supplemental, illustrative examples of practical application. We recommend removing references to SFFAS 64 from the answers in the ED to make the guidance more direct and avoid redundancy.</p> <p>3. Other matters</p> <p><i>Meaning of ‘significant’</i></p> <p>Paragraph 5 of the ED provides illustrative examples of how management may include a discussion of events and opportunities or risks that led, or could lead, to a significant effect on the reporting entity’s financial position or ability to achieve its key performance results in MD&A. However, these examples do not explain why the information in the examples is considered significant. We suggest the Board expand the examples to address this point.</p>	

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
			<p>Notes:</p> <ul style="list-style-type: none"> • See QFR #1 for KPMG comments on Use of Hyperlinks. • See QFR #1 for KPMG comments on Balanced MD&A, Integrated MD&A, and Understandable MD&A • See QFR #3 for KPMG comments on financial position and condition. • See QFR #5 for KPMG comments on significant opportunities and risks. 	

Attachment 1.B

Table 14: QFR #7 – Staff Analysis & Recommendations				
#	Respondent	Response	QFR #7 Comments	Staff Recommendations
16	Sikich	Yes	<p>Overall, we believe that the proposed guidance is clear and provides helpful examples that support both auditors’ and reporting entities’ understanding of the MD&A requirements. Where we had suggestions for improving the guidance, we noted these suggestions above in the answers to QFRs 1 through 6.</p> <p>Sikich participated in the FASAB Public Meeting on the Review Draft of SIG 64.1 on September 4, 2025. This meeting was informative and addressed several questions raised during the session, including how agencies should determine what is “significant” for inclusion in the MD&A and how to present trend analyses when financial statements are no longer comparative. The exposure draft appropriately clarifies that the determination of significant matters is subject to professional judgment and that, regardless of comparative presentation, reporting entities should discuss and analyze their financial position in the MD&A based on trend analyses that compare period beginning balances to period ending balances. However, in QFR 3 above, we noted that additional clarity regarding financial condition and how to calculate it could be useful, particularly for entities without business-type activities or social insurance programs.</p>	See QFRs 1 – 6 for staff analysis on recommended updates.
17	DOL	No	Not applicable.	
18	NSA	No	Q7. No Additional Questions.	
19	DoWEA	No	There are no additional comments at this time.	

Question for the Board – Does the proposed final SIG 64.1 provide adequate implementation guidance for SFFAS 64, *Management’s Discussion and Analysis*?

Please provide your answer and comments in the Board Member Comment Form.

ATTACHMENT 2

PROPOSED FINAL SIG 64.1

APRIL 2026

TOPIC E

GUIDANCE FOR IMPLEMENTING SFFAS 64:
MANAGEMENT'S DISCUSSION AND ANALYSIS

Proposed Final

Staff Implementation Guidance 64.1

April 9, 2026

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guides the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

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SUMMARY

On September 27, 2024, the Federal Accounting Standards Advisory Board issued Statement of Federal Financial Accounting Standards (SFFAS) 64, *Management's Discussion and Analysis*. SFFAS 64 updates the guidance for management's discussion and analysis (MD&A), providing a principle-based approach that merges and updates relevant content from SFFAC 3, *Management's Discussion and Analysis*, and SFFAS 15, *Management's Discussions and Analysis*.

After the issuance of SFFAS 64, staff provided training to over 35 federal reporting entities between February and May 2025 and collected implementation questions from those reporting entities.

This proposed Staff Implementation Guidance includes those questions, answers, and examples to assist with the implementation of SFFAS 64.

On September 4, 2025, staff held a public meeting to introduce the draft SIG and receive feedback to prepare SIG 64.1 for an exposure draft. Approximately 150 people attended the public meeting from over 50 reporting entities and the public. Attendees provided feedback to 14 polling questions. Staff updated the SIG with additional implementation guidance per the responses received from the public meeting.

This SIG does not establish new requirements; rather, it is intended to assist preparers with the implementation of SFFAS 64.

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PROPOSED STAFF IMPLEMENTATION GUIDANCE

1. **What does *significant* mean when presenting information in management's discussion and analysis (MD&A)?**
2. The term significant is used throughout Statement of Federal Financial Accounting Standards (SFFAS) 64, *Management's Discussion and Analysis*. For example, significant is used in paragraphs 8, 12.b, c, e and f.
3. Management uses judgment to determine what is significant.
4. The intent of SFFAS 64 is for management to include information it believes is important for users to understand what factors (events, conditions, and/or trends) affected the financial position, financial condition, or key performance results of the reporting entity.
5. The following are examples of how management may discuss and analyze information that is considered significant in MD&A:
 - a. The balance in the impaired asset account increased due to a natural disaster that damaged a building. Management explains how the natural disaster had a significant negative effect on the reporting entity's financial position and operating performance.
 - b. Management also discusses and analyzes any significant opportunities or risks related to replacing or removing the impaired asset and how each could potentially affect the reporting entity's ability to achieve its key performance results going forward.

PRESENTING INFORMATION IN MD&A

6. **What is the recommended maximum number of pages or an anticipated page reduction for MD&A?**
7. SFFAS 64 does not recommend a maximum number of pages or anticipated page reduction for MD&As as a result of SFFAS 64.
8. SFFAS 64 is intended to guide management in streamlining its MD&A by applying the broad, principle-based standards of balanced, concise, integrated, and understandable found in *Presenting Information in MD&A* in paragraphs 8-11 of SFFAS 64. As reporting entities gain experience in preparing MD&As based on these principle-based standards, their MD&As will become streamlined. This will likely lead to fewer pages and reduced burden for preparers.
9. **How do reporting entities achieve a balanced MD&A?**
10. As noted in paragraph 8 of SFFAS 64 and explained further in paragraph A25 in the basis for conclusions, management should explain both significant positive and negative effects of events, conditions, and trends on the reporting entity's financial position, financial condition, and key performance results.

11. The following are examples of what management could include to achieve a balanced MD&A:
 - a. Management explains that a supply chain delay postponed a rocket launch during the reporting period, which had a significant negative effect on the reporting entity's financial position.
 - b. Management explains why placing a nuclear reactor on the moon could save significant costs in the future and what significant positive effect that could have on the reporting entity's financial condition.

12. **How do reporting entities achieve a concise MD&A?**
13. As noted in paragraph 9 of SFFAS 64 and explained further in paragraph A26 in the basis for conclusions, management should emphasize the vital few matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.
14. To limit duplicative content, management should consider including content once in the MD&A instead of repeating it in multiple places in the MD&A.
15. When summarizing vital few matters in the MD&A, management may reference other areas of the agency financial report (AFR) that provides supporting details about each vital matter.
16. The following are examples of how management may achieve a concise MD&A:
 - a. Management summarizes the organization and mission, such as an organizational or mission change resulting from a new administration.
 - b. Management summarizes the key performance results and associated costs and provides a reference to relevant details in other areas of the financial statements, such as the reporting entity's statement of net cost.
 - c. Management summarizes relevant information about the causes of significant changes and trends in assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources with a reference to the supportive details within the GPFRR, such as to a specific the note in the AFR.

17. **How do reporting entities achieve an integrated MD&A?**
18. As noted in paragraph 10 of SFFAS 64 and explained further in paragraphs A27 and A28 in the basis for conclusions, management should combine financial, nonfinancial, qualitative and quantitative information to present a comprehensive and unified MD&A for a meaningful, transparent, and cohesive story.

19. The structure of a reporting entity, such as whether there are key organizational components¹ or not, may determine how information is integrated in MD&A.
20. **A reporting entity that operates as one main entity without key organizational components** may integrate information about its organization and mission; cause(s) of significant changes and trends to financial position and condition; and significant opportunities and risks, and key performance results and associated costs for the entire reporting entity.
21. This reporting entity MD&A should assess the effectiveness of its internal controls and financial management systems. The MD&A should also summarize compliance with applicable laws, regulations, contracts, and grant agreements that are relevant to financial reporting.
22. **A reporting entity with many key organizational components** may integrate information at both the reporting entity level and for each key organizational component as follows:
 - a. For the reporting entity level, the MD&A may address organization and mission, cause(s) of significant changes and trends to financial position and condition, and significant opportunities and risks that affect the entire reporting entity.
 - b. For the reporting entity level, MD&A may discuss key performance results and associated costs that affect the entire reporting entity. Management may discuss and analyze which key organizations contributed to the key performance result and what each key organization contributed in terms of associated costs to the key performance result.
 - c. For the reporting entity level, MD&A should assess the effectiveness of the reporting entity's internal controls and financial management systems. At the reporting entity level MD&A should also summarize compliance with applicable laws, regulations, contracts, and grant agreements that are relevant to financial reporting.
 - d. For each key organizational components, MD&A may also integrate information about its mission; event(s) that caused a significant change (positive or negative) to the reporting entity's financial position and condition; key performance results and associated costs; any cost savings; and significant opportunities and risks related to each key organizational component.
23. **How do reporting entities achieve an understandable MD&A?**

¹ Reporting entities may define key organizational components by a different name, such as responsibility segments or major programs.

24. As noted in paragraph 11 of SFFAS 64 and explained further in paragraph A29 in the basis for conclusions, management should provide an MD&A that all users, including those who are not experts in federal government financial matters, can easily understand.
25. Management should present MD&A content in plain language, for example, acronyms should be spelled out when first used.
26. Management has the flexibility to combine different methods of presenting information that appeal to a variety of users.
27. For example,
 - a. related content could be organized by headers, sub-headers, and bullet points, and
 - b. charts, tables, and graphs could explain quantitative information.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

28. What information should reporting entities discuss about mission and organization in MD&A?

29. As noted in paragraph 12.a of SFFAS 64 and explained further in paragraph A31 in the basis for conclusions, management provides a brief description of the reporting entity's organization and mission to explain key organizational components.
30. SFFAS 64 does not require an organizational chart, list, or map of all the reporting entity's facilities.

For example, management may provide a brief description about the reporting entity and each key organization's mission with reference to relevant details in the reporting entity's webpage.

31. What information should reporting entities discuss and analyze about financial position in the MD&A?

32. As noted in paragraph 12.b of SFFAS 64 and explained further in paragraph A32 in the basis for conclusions, management should discuss and analyze the causes of significant changes and trends in assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources to help users understand the financial position of the reporting entity.
33. To increase understanding of the reporting entity's financial position, management includes information about events and conditions that had a significant positive or negative effect on financial statement balances during the reporting period to increase the understandability and usefulness of the MD&A.
34. For example, an increase or decrease in funding or financing sources, new laws or executive orders, infrastructure damage, regulatory shifts, or operational

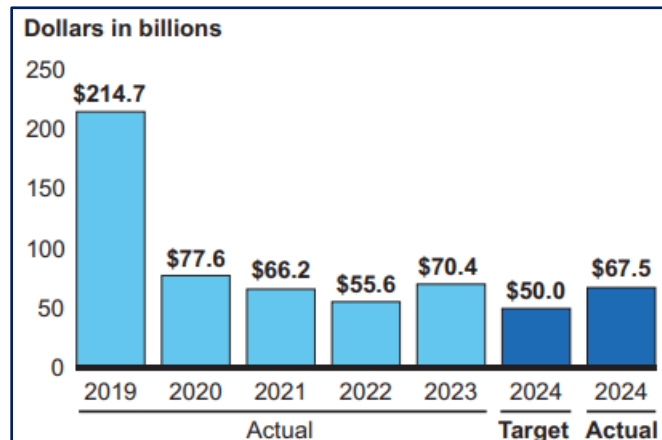
changes could cause a significant positive or negative effect on financial statement balances.

- 35. When analyzing causes of significant changes and trends in financial position, reporting entities compare current year ending balances to prior year ending balances regardless of whether comparative statements are required in AFRs.
- 36. Management may include information about these significant causes through quantitative and qualitative information in accordance with the principle on integration found in paragraph 10 of SFFAS 64, and charts, graphs, or tables in accordance with the principle on understandability found in paragraph 11 of SFFAS 64.
- 37. The following are examples of how management may explain the cause of a significant change to financial position:
 - a. Support of pandemic-related efforts led to a significant decrease of stockpile materials of vaccines by \$\$\$.
 - b. Disaster recovery efforts from a natural disaster in X area of the country during 20XX significantly increased the cost of X by \$\$\$.

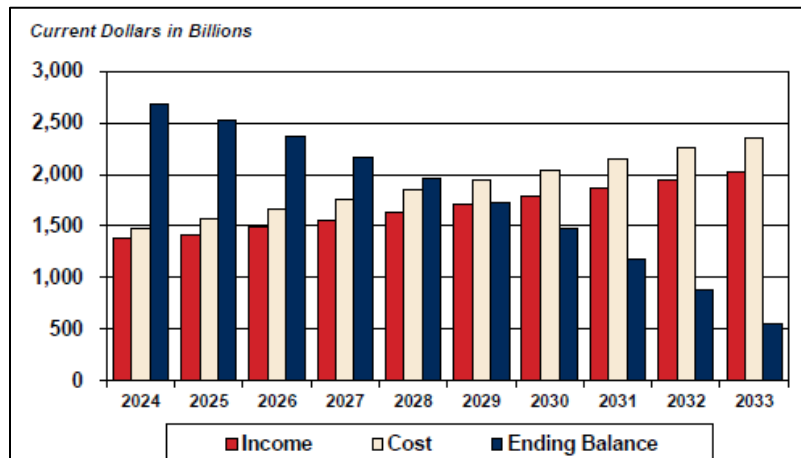
38. **Does SFFAS 64 require a specific number of years for reporting trends?**

39. No, SFFAS 64 does not require a specific number of years for reporting trends. However, management has the flexibility to determine how many past years to report for a trend to best explain when a significant change occurred and why.

40. For example, management may provide a chart, as shown below, with trend information over multiple past reporting periods to help users understand positive or negative effects on amounts reported in the financial statements. Management would include a summary discussion to explain why the number of years were selected to show when and why significant changes affected the agency’s financial position.



41. **What information should reporting entities discuss and analyze about financial condition in the MD&A?**
42. As noted in paragraph 12.c of SFFAS 64 and explained further in paragraph A32.b in the basis for conclusions, financial condition is broader and more forward-looking than financial position, which is only concerned with the reporting period. Users will best understand the financial condition of reporting entities through management's explanation about potential significant changes beyond the reporting period for business-type activity, social insurance, long-term projections, and required supplementary information (RSI).
43. When analyzing potential causes of significant changes and trends in financial condition, reporting entities could compare current year ending balances to prior year ending balances regardless of whether comparative statements are required in AFRs.
44. Management may provide a chart as shown below, or another data visualization tool, for example a graph or table, to illustrate the potential future effects on financial resources such as income, cost, or ending balances for business-type activity. Management could also include a summary discussion to explain the number of years and the intent of the data to help users understand what could cause significant changes in the agency's financial resources going forward.



45. **What are key performance results, associated costs, and how do reporting entities discuss and analyze them in MD&A?**
46. As noted in footnote 4 of paragraph 12.d in SFFAS 64 and explained further in paragraph A33 in the basis for conclusions, key performance results are both accomplishments and challenges.
 - a. Accomplishments may be achieved during the reporting period.

- b. Challenges may be events that occurred during the reporting period that may have caused issues with accomplishing a key performance result in the original time frame or within budget, such as scheduling issues due to supply chain problems, reduction in funding, or a change in a law or regulation.
- 47. Management uses judgment to identify what performance results are key to the reporting entity and its key organizations. This could include a discussion and analysis about how changes in the administration or significant agency initiatives impacted key performance results for the current reporting period.
- 48. When discussing a key performance result, management should emphasize the vital few matters, such as the most important factors that contributed to the accomplishment or challenge.
- 49. The reporting entity's statement of net cost might be a good starting point for management to determine what are key performance results and associated costs.
 - a. As noted in paragraph 12.d of SFFAS 64 and explained further in paragraph A33.a in the basis for conclusions, management may organize key performance results based on the reporting entity's statement of net cost, such as by responsibility segment, major program, mission, or component agencies.
 - b. If a key performance result includes the efforts of multiple areas within the reporting entity, then management should explain the basis of this cost aggregation in the MD&A.
 - c. If a key performance result includes the efforts of multiple areas of an organization, then management explains the basis for this aggregation in the MD&A.
- 50. As noted in paragraph 12.d.ii of SFFAS 64 and explained further in paragraph A33.b in the basis for conclusions, management should explain what actual costs were incurred by the reporting entity to accomplish key performance results during the current reporting period.
 - a. If actual costs are not available, management may explain using obligations incurred or associated outlays to provide an understanding of the affected budgetary or financing resources needed during the reporting period.
 - b. If management references other relevant sources of information found outside the GPFRR and explains in MD&A how this information can be obtained and why it is relevant.
- 51. The following scenarios are examples of accomplishments or challenges that could have occurred within, for example, a responsibility segment, major program, or across multiple areas of an organization:

- a. Management discusses and analyzes what was accomplished for key performance Y during the reporting period and the associated costs.
- b. Management discusses and analyzes what was accomplished during the reporting period for key performance result Z, the associated costs, and how much money this accomplishment might save in the future and why.
- c. Management discusses and analyzes what and why there were challenges with key performance result ABC, the associated costs, and whether it went over budget and why. The explanation includes how management is mitigating this challenge to get key performance results back on track.

52. Does SFFAS 64 require a forward-looking section?

SFFAS 64 does not require a forward-looking section. Paragraphs 12.e and f of SFFAS 64 require a discussion and analysis about significant opportunities and risks and their potential effect on key performance results and financial and budgetary results. Information on significant opportunities and risks could be similar to those reported in a previous AFR that did have a forward-looking section.

53. What information should reporting entities discuss and analyze about significant opportunities in MD&A?

54. As noted in paragraph 12.e. of SFFAS 64 and explained further in paragraph A34 in the basis for conclusions, management should explain what significant opportunities the reporting entity is managing to enhance key performance results and how those plans could potentially have a positive effect on the financial position/condition and budgetary results.

55. For example, management discusses and analyzes significant opportunities, such as a reduction in the cost of supplies, and how it could enhance key performance result Y. Management explains how it is leveraging this significant opportunity and what the positive effect on financial and budgetary results could be.

56. What information should reporting entities discuss and analyze about significant risks in MD&A?

57. As noted in paragraph 12.f of SFFAS 64 and explained further in paragraph A35 in the basis for conclusions, management should explain what significant risks the reporting entity is mitigating to reduce any negative effects on key performance and financial and budgetary results and how those plans could potentially affect financial and budgetary results.

58. For example, management discusses and analyzes a significant risk, such as the reduction in staffing, and how it could have a negative impact on key

performance result Z. Management explains how it plans to mitigate this risk and the potential negative effect on the financial position/condition and budgetary results if it is not mitigated.

59. **Does SFFAS 64 require a systems, controls, and legal compliance section?**

60. No, SFFAS 64 does not require a systems, controls, and legal compliance section.

61. However, as noted in paragraph 13 of SFFAS 64 and explained further in paragraph 36 in the basis for conclusions, MD&A should provide a discussion and analysis about management's assessment of the reliability of the reporting entity's financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws.

62. Management should explain if the reporting entity executed and recorded transactions in accordance with budgetary laws, financial laws, and federal accounting standards to prepare the AFR.

63. Management should explain how it plans to address significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws, regulations, contracts, and grant agreements to maintain integrity and reliability of the reporting entity's financial information.

64. Management should apply the principles of balanced, concise, integrated, and understandable when determining how to present information required by paragraph 13 of SFFAS 64 in tandem with other administrative requirements.

65. **Does SFFAS 64 change requirements about the statement of social insurance (SOSI) in MD&A?**

66. As noted in footnote 3 of paragraph 5 in SFFAS 64 and explained further in paragraph A43 of the basis for conclusions, SFFAS 64 does not eliminate or otherwise affect the requirements of SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*, to avoid duplication of information already required in MD&A.

EFFECTIVE DATE

67. This guidance is effective upon issuance.

The provisions of this Staff Implementation Guidance need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) has authorized its staff to prepare a SIG to provide timely guidance on implementing SFFAS 64 in accordance with the Board’s Rules of Procedures, as amended and restated in August 2023.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this SIG. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the proposed technical guidance section, not the material in this appendix, would govern the accounting for specific transactions, events, or conditions.

This SIG may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any pronouncement that affects this SIG. Within the text of the SIG, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements or other pronouncements for the rationale for each amendment.

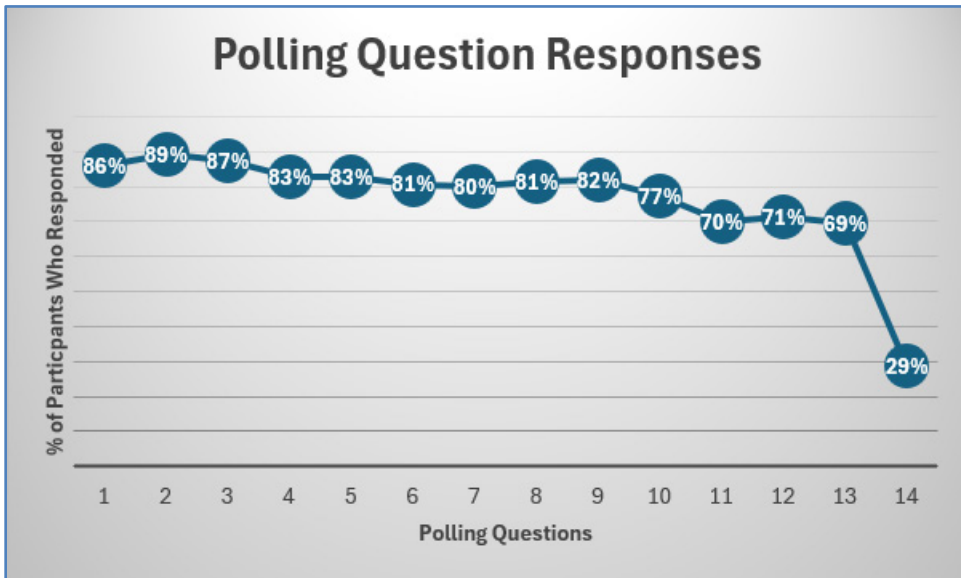
Development of SIG 64.1 Exposure Draft

- A1. After the issuance of SFFAS 64, staff provided implementation training to more than 35 reporting entities from February through May 2025. During these training courses, staff collected questions from reporting entities about what was necessary to help them implement SFFAS 64. Staff drafted the proposed SIG 64.1 based on the questions collected from implementation training.
- A2. In compliance with FASAB’s Rules of Procedures for due diligence in developing a SIG, three FASAB staff members peer reviewed the proposed SIG 64.1. Upon completion of the peer review, the FASAB chair and executive director approved the exposure draft (ED).
- A3. Staff then held a public meeting on September 4, 2025, to introduce the draft and receive feedback to prepare proposed SIG 64.1 for public comment.

Analysis of Public Meeting Feedback

- A4. Approximately 150 people attended the public meeting on September 4, 2025, from over 50 federal reporting entities and the public.
- A5. Staff collected feedback through 14 polling questions. Thirteen polling questions required a yes or no response to the question of whether the proposed draft guidance was clear. For respondents who responded no, staff requested information on what additional information would assist them in implementing SFFAS 64. Staff analyzed these responses to determine if any additional implementation guidance was necessary for the SIG 64.1 ED.

- A6. The final polling question asked if there was any additional information not covered in the previous polling questions that would be helpful for implementation of SFFAS 64.
- A7. The following chart shows the percentage of attendees, out of the 150 total attendees, that responded to each of the 14 polling questions.



- A8. The following table shows the total yes and no responses and the related percentages to the total attendees that responded. The yes responses validated that the proposed SIG 64.1 provides adequate implementation guidance. The no responses requested additional implementation information.

Polling Question	Total Responses	YES Responses	% of Yes Responses	NO Responses	% of No Responses	Total %
1	129	123	95%	6	5%	100%
2	134	130	97%	4	3%	100%
3	131	123	94%	8	6%	100%
4	124	117	94%	7	6%	100%
5	124	122	98%	2	2%	100%
6	121	118	98%	3	2%	100%
7	120	109	91%	11	9%	100%
8	122	109	89%	13	11%	100%
9	123	112	91%	11	9%	100%
10	116	105	91%	11	9%	100%
11	105	99	94%	6	6%	100%
12	107	101	94%	6	6%	100%
13	104	96	92%	8	8%	100%

- A9. The following is staff’s analysis of the no responses to determine if any additional implementation guidance was necessary for the ED.
- A10. Polling question #1 – *Does the draft SIG 64.1 help explain **significant** in the context of presenting information in MD&A?*
- a. Polling question #1 received six no responses (5% of respondents). One no response was a comment and did not request additional implementation guidance.
 - b. Five respondents requested additional implementation guidance related to materiality and examples.
 - i. Staff determined that the ED does not need additional implementation guidance because SFFAS 64 focuses on significance and not materiality.
 - ii. Implementation guidance explains that the intent of SFFAS 64 is for management to include information it believes is important for users to understand what factors (events, conditions, and/or trends) affected the financial position, financial condition, or key performance results of the reporting entity.
 - iii. The determination of whether the effect is significant is a matter of professional judgment.
 - iv. Staff included two examples related to significance in the ED.
- A11. Polling question #2 – *Does the draft SIG 64.1 help explain how to achieve a **balanced** MD&A?*

- a. Polling question #2 received four no responses (3% of respondents). One no response did not provide any additional information.
- b. Three no responses requested additional implementation guidance.
 - i. One respondent asked if a balanced MD&A means a 1:1 ratio for a positive and negative comment. Staff updated implementation guidance to explain that SFFAS 64 does not prescribe a ratio.
 - ii. One respondent requested that SFFAS 64 include both positive and negative examples. Staff did not add additional implementation guidance because the ED provides an example of both positive and negative effects on financial position.
 - iii. One respondent requested that SFFAS 64 include language about comparative reporting in MD&A and noted that Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, requires single year presentation.
 - iv. Staff added implementation guidance in multiple paragraphs, to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.

A12. Polling question #3 – *Does the draft SIG 64.1 help explain how to achieve a **concise** MD&A?*

- a. Polling question #3 received eight no responses (6% of respondents).
- b. Five respondents asked how to link costs with performance results. Staff updated the example to address this.
- c. Three respondents requested additional implementation guidance to avoid duplicating information, to use links to detailed information, and to better understand the terms vital and relevant. Staff updated implementation guidance and examples to address this.

A13. Polling question #4 – *Does the draft SIG 64.1 help explain how to achieve an **integrated** MD&A?*

- a. Polling question #4 received seven no responses (6% of respondents). One no response did not provide any additional information.
- b. Four respondents asked how to link costs with performance results. Staff updated the example to address this.
- c. Two respondents requested another example applicable to a smaller entity that is organized by major programs. Staff added an example for a small reporting entity organized by major programs.

- A14. Polling question #5 – *Does the draft SIG 64.1 help explain how to achieve an **understandable** MD&A?*
- a. Polling question #5 received two no responses (2% of respondents). One respondent did not include a comment, and one respondent did not request additional implementation guidance.
 - b. Staff, therefore, made no updates to implementation guidance about achieving an understandable MD&A.
- A15. Polling question #6 – *Does the draft SIG 64.1 help explain how to discuss **mission and organization** in MD&A?*
- a. Polling question #6 received three no responses (2% of respondents).
 - b. One respondent was unclear about what the structure should be for mission and organization. Staff determined that updating implementation guidance was not necessary because preparers can review the available examples for an integrated MD&A in proposed SIG 64.1.
 - c. One respondent asked that while organizational and office charts are not needed, what about a count of offices and divisions? Staff determined that updating implementation guidance was not necessary because it already includes examples for a concise MD&A.
 - d. One respondent asked about the elements of a brief description.
 - e. Staff determined that updating implementation guidance was not necessary because the elements are already provided in the principle-based guidance regarding *concise*. For example, management may emphasize the vital few matters by summarizing and including only relevant information, limiting duplicative content, and providing links to relevant detailed information.
- A16. Polling question #7 – *Does the draft SIG 64.1 help explain how to discuss and analyze **financial position** in MD&A?*
- a. Polling question #7 received 11 no responses (9% of respondents).
 - b. Nine respondents asked how to discuss changes within the reporting period when comparative statements are not required to be presented.
 - c. Staff added implementation guidance in multiple paragraphs to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.
 - d. One respondent requested guidance about whether to discuss and analyze executive orders that affected financial position.

- e. One respondent noted that implementation guidance was too vague to determine how to present financial position and that more concrete terms would be helpful.
 - f. To address A16.c-d, staff added examples of possible causes of significant changes, like resource increase/decrease, new laws, executive orders, and supply chain shortages.
- A17. Polling question #8 – *Does the draft SIG 64.1 help explain how to discuss and analyze **financial condition** in MD&A?*
- a. Polling question #8 received 13 no responses (11% of respondents).
 - b. Six respondents asked how to discuss changes within the reporting period when comparative statements are not required to be presented.
 - c. Staff added implementation guidance in multiple paragraphs to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.
 - d. Three respondents provided comments but did not request additional implementation guidance.
 - e. Two respondents requested implementation guidance on the difference between financial position and condition and why financial condition is broader and more forward-looking. Staff updated implementation guidance to address this.
 - f. Two respondents requested more examples related to financial condition. Staff updated the implementation guidance to add an example for financial condition.
- A18. Polling question #9 – *Does the draft SIG 64.1 help explain how to discuss and analyze **trends** in MD&A?*
- a. Polling question #9 received 11 no responses (9% of respondents).
 - b. Nine respondents provided comments about the difficulty of providing trends if additional administrative requirements only require single year financial statements as opposed to comparative statements.
 - c. Staff added implementation guidance in multiple paragraphs to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.
 - d. Two respondents requested an example related to trends. Staff added an example about trends to the implementation guidance.

- A19. Polling question #10 – *Does the draft SIG 64.1 help explain how to discuss and analyze **key performance results and associated costs** in MD&A?*
- a. Polling question #10 received 11 no responses (9% of respondents).
 - b. One respondent did not include a comment.
 - c. One respondent requested real integration examples. Staff updated implementation guidance using examples for integration and for key performance results and associated costs.
 - d. Four respondents wanted implementation guidance on what a key performance result is and what associated costs are.
 - e. Staff updated content to better explain how management should apply the principle of *concise* as part of its judgment to decide what a key performance result is. Staff updated the ED to encourage use of the statement of net cost for this information.
 - f. Two respondents wanted to better understand accomplishments and challenges. Staff updated the ED to better explain accomplishments and challenges.
 - g. Three respondents were concerned about systems and timing that do not support key performance results. Staff updated the example for how management may link key performance results to associated costs. However, management should address any necessary system updates that address timing issues.
- A20. Polling question #11 – *Does the draft SIG 64.1 help explain how to discuss and analyze **significant opportunities** in MD&A?*
- a. Polling question #11 received six no responses (6% of respondents).
 - b. One respondent asked *what if the reporting entity does not identify any significant opportunities?* Staff determined that updating implementation guidance was not necessary because management will need to determine whether significant opportunities exist.
 - c. Two respondents said it would be difficult if agencies cannot link performance results to costs.
 - d. Staff updated the example for how management could link key performance results to associated costs. However, management should address any necessary system updates to address linking key performance results with associated costs.
 - e. One respondent asked how an agency should incorporate forward-looking information that will be dependent on future appropriations in a report that is focused on a past performance/finance report.
 - f. Staff believes that the proposed SIG 64.1 does not need additional implementation guidance because SFFAS 64 does not require a

discussion about specific numbers related to future appropriations. It asks for the potential effect on financial and budgetary results of carrying out management's plans to address significant opportunities.

- g. Two respondents requested an updated example. Staff updated the example to address a significant opportunity.
- A21. Polling question #12 – *Does the draft SIG 64.1 help explain how to discuss and analyze **significant risks** in MD&A?*
- a. Polling question #12 received six no responses (6% of respondents).
 - b. One respondent noted that *this standard replaces the requirement to provide a forward looking section*. Staff determined that updating implementation guidance was not necessary because this was a statement and not a request for a change.
 - c. Two respondents said it would be difficult if agencies cannot link performance results to costs.
 - d. Staff updated the example for how management could link key performance results to associated costs. However, management should address any necessary system updates to address linking key performance results with associated costs. Management's policies and procedures should determine what a significant risk to its key performance results is.
 - e. Three respondents asked to further explain significant risk. Staff updated the example to address a significant risk.
- A22. Polling question #13 – *Does the draft SIG 64.1 help explain how to discuss and analyze **systems, controls, and legal compliance** in MD&A?*
- a. Polling question #13 received eight no responses (8% of respondents) concerning what SFFAS 64 requires in relation to other administrative requirements.
 - b. Staff updated the implementation guidance to:

Management should apply the principles of *balanced, concise, integrated, and understandable* when determining how to present information required by paragraph 13 of SFFAS 64 in tandem with other administrative requirements.
- A23. Staff included polling question #14 to determine *if there were any additional comments not covered in polling questions 1-13*.
- a. Polling question #14 received 43 comments.
 - b. Staff determined that no additional implementation guidance was needed.

- i. 13 respondents thanked staff for the public meeting.
- ii. 30 respondents asked questions that were addressed in the 13 polling questions or would be addressed through implementation training.

Finalizing SIG 64.1

- A24. Staff used feedback from the public meeting held on September 4, 2025, to revise the draft SIG 64.1 and prepare the exposure draft (ED) for comment.
- A25. The proposed SIG 64.1 ED: *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis*, was available for public comment for a 60 day period—the required period for a SIG is 15-day.
- A26. FASAB staff received 19 comment letters from one individual, 11 federal preparers, two federal entity other, three associations, and two accounting firms.
- A27. Staff analyzed the 19 comment letters to determine recommendations in preparation for the final SIG 64.1. ([details of the analysis are available from April 2026 meeting, Topic E documents](#)) - [ADD LINK](#)
- A28. Staff presented the final SIG 64.1 to the Board on April 30, 2026, for a 15 day review.
- A29. The Board has reviewed this SIG and...

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ATTACHMENT 3

Draft SIG 64.1 with Track Changes

APRIL 2026

TOPIC E



ATTACHMENT 3

**GUIDANCE FOR IMPLEMENTING SFFAS 64:
*MANAGEMENT'S DISCUSSION AND ANALYSIS***

Draft with TRACK CHANGES

Staff Implementation Guidance 64.1

April 9, 2026

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guides the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
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SUMMARY

On September 27, 2024, the Federal Accounting Standards Advisory Board issued Statement of Federal Financial Accounting Standards (SFFAS) 64, *Management's Discussion and Analysis*. SFFAS 64 updates the guidance for management's discussion and analysis (MD&A), providing a principle-based approach that merges and updates relevant content from SFFAC 3, *Management's Discussion and Analysis*, and SFFAS 15, *Management's Discussions and Analysis*.

After the issuance of SFFAS 64, staff provided training to over 35 federal reporting entities between February and May 2025 and collected implementation questions from those reporting entities.

This proposed Staff Implementation Guidance includes those questions, answers, and examples to assist with the implementation of SFFAS 64.

On September 4, 2025, staff held a public meeting to introduce the draft SIG and receive feedback to prepare SIG 64.1 for an exposure draft. Approximately 150 people attended the public meeting from over 50 reporting entities and the public. Attendees provided feedback to 14 polling questions. Staff updated the SIG with additional implementation guidance per the responses received from the public meeting.

This SIG does not establish new requirements; rather, it is intended to assist preparers with the implementation of SFFAS 64

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PROPOSED STAFF IMPLEMENTATION GUIDANCE

1. **What does *significant* mean when presenting information in management's discussion and analysis (MD&A)?**
2. The term significant is used throughout Statement of Federal Financial Accounting Standards (SFFAS) 64, *Management's Discussion and Analysis*. For example, significant is used in paragraphs 8, 12.b, c, e and f.
3. Management uses judgment to determine what is significant.
3. The intent of SFFAS 64 is for management to include information it believes is important for users to understand what factors (events, conditions, and/or trends) affected the financial position, financial condition, or key performance results of the reporting entity.
4. ~~The determination of whether the effect is significant is a matter of professional judgment.~~
5. The following are examples of how management may discuss and analyze information that is considered significant in MD&A:
 - a. The balance in the impaired asset account increased due to a natural disaster that damaged a building. Management explains how the natural disaster had a significant negative effect on the reporting entity's financial position and operating performance.
 - b. Management also discusses and analyzes any significant opportunities or risks related to replacing or removing the impaired asset and how each could potentially affect the reporting entity's ability to achieve its key performance results going forward.

Commented [RG1]: Updated per #10 GWSCPA & #13 NEA comments on QFR #7.

PRESENTING INFORMATION IN MD&A

6. **What is the recommended maximum number of pages or an anticipated page reduction for MD&A?**
7. SFFAS 64 does not recommend a maximum number of pages or anticipated page reduction for MD&As as a result of SFFAS 64.
8. SFFAS 64 is intended to guide management in streamlining its MD&A by applying the broad, principle-based standards of balanced, concise, integrated, and understandable found in *Presenting Information in MD&A* in paragraphs 8-11 of SFFAS 64. As reporting entities gain experience in preparing MD&As based on these principle-based standards, their MD&As will become streamlined. This will likely lead to fewer pages and reduced burden for preparers.
9. **How do reporting entities achieve a balanced MD&A?**
10. As noted in paragraph 8 of SFFAS 64 and explained further in paragraph A25 in the basis for conclusions, management should explain both significant positive

and negative effects of events, conditions, and trends on the reporting entity's financial position, financial condition, and key performance results.

11. The following are examples of what management could include to achieve a balanced MD&A:
 - a. Management explains that a supply chain delay postponed a rocket launch during the reporting period, which had a significant negative effect on the reporting entity's financial position.
 - b. Management explains why placing a nuclear reactor on the moon could save significant costs in the future and what significant positive effect that could have on the reporting entity's financial condition.

Commented [RG2]: Updated per #5 AGA & #15 KPMG comments for QFR #1 .

12. How do reporting entities achieve a concise MD&A?

13. As noted in paragraph 9 of SFFAS 64 and explained further in paragraph A26 in the basis for conclusions, management should emphasize the vital few matters, summarize and include only relevant information, limit duplicative content, and provide links to relevant detailed information to achieve a concise MD&A.
14. To limit duplicative content, management should consider including content once in the MD&A instead of repeating it in multiple places in the MD&A.

15. When summarizing the vital few matters in the MD&A, management may provide a link to reference details that can be found in other areas of the agency financial report (AFR) that provides supporting details about each vital matter, in other reports, or the agency's website.

Commented [RG3]: Updated per #8 VSCPA comment for QFR #1; and #3 LOC comment for QFR #2 .

16. The following are examples of how management may achieve a concise MD&A:
 - a. Management summarizes the organization and mission, such as with a link to details, such as an organizational chart, list, or map of all the reporting entity's facilities, in the reporting entity's website an organizational or mission change resulting from a new administration.e.
 - b. Management summarizes the key performance results and associated costs and provides a reference with a link to relevant details in other areas of the financial statements, such as the reporting entity's statement of net cost.
 - c. Management summarizes relevant information about the causes of significant changes and trends in assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources with a link reference to the supportive details within the GPFRR, such as to a specific the note in the AFR.

Commented [RG4]: Updated per #5 AGA, #8 VSCPA & #15 KPMG comments for QFR #1; #3 LOC & #8 VSCPA comments for QFR #2; and #2 VA comments for QFR #7.

17. How do reporting entities achieve an integrated MD&A?

18. As noted in paragraph 10 of SFFAS 64 and explained further in paragraphs A27 and A28 in the basis for conclusions, management should combine financial,

nonfinancial, qualitative and quantitative information to present a comprehensive and unified MD&A for a meaningful, transparent, and cohesive story.

19. The structure of a reporting entity, such as whether there are key organizational components¹ or not, may determine how information is integrated in MD&A.
20. **A reporting entity that operates as one main entity without key organizational components** may integrate information about its organization and mission; cause(s) of significant changes and trends to financial position and condition; and significant opportunities and risks, and key performance results and associated costs for the entire reporting entity.
21. This reporting entity MD&A should assess the effectiveness of its internal controls and financial management systems. The MD&A should also summarize compliance with applicable laws, regulations, contracts, and grant agreements that are relevant to financial reporting.
22. **A reporting entity with many key organizational components** may integrate information at both the reporting entity level and for each key organizational component as follows:
 - a. For the reporting entity level, the MD&A may address organization and mission, cause(s) of significant changes and trends to financial position and condition, and significant opportunities and risks that affect the entire reporting entity.
 - b. For the reporting entity level, MD&A may discuss key performance results and associated costs that affect the entire reporting entity. Management may discuss and analyze which key organizations contributed to the key performance result and what each key organization contributed in terms of associated costs to the key performance result.
 - c. For the reporting entity level, MD&A should assess the effectiveness of the reporting entity's internal controls and financial management systems. At the reporting entity level MD&A should also summarize compliance with applicable laws, regulations, contracts, and grant agreements that are relevant to financial reporting.
 - d. For each key organizational components, MD&A may also integrate information about its mission; event(s) that caused a significant change (positive or negative) to the reporting entity's financial position and condition; key performance results and associated costs; any cost savings; and significant opportunities and risks related to each key organizational component.

¹ Reporting entities may define key organizational components by a different name, such as responsibility segments or major programs.

23. **How do reporting entities achieve an understandable MD&A?**

24. As noted in paragraph 11 of SFFAS 64 and explained further in paragraph A29 in the basis for conclusions, management should provide an MD&A that all users, including those who are not experts in federal government financial matters, can easily understand.

25. Management should present MD&A content in plain language, [for example, acronyms should be spelled out when first used.](#)

26. Management has the flexibility to combine different methods of presenting information that appeal to a variety of users.

27. [For example,](#)
- a. [related content could be organized](#) by headers, sub-headers, and bullet points, and
 - b. charts, tables, and graphs [could](#) explain quantitative information.

Commented [RG5]: Updated per #5 AGA QFR #1 comment.

Commented [RG6]: Updated per #15 KPMG QFR #1 comment.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

28. **What information should reporting entities discuss about mission and organization in MD&A?**

29. As noted in paragraph 12.a of SFFAS 64 and explained further in paragraph A31 in the basis for conclusions, management provides a brief description of the reporting entity's organization and mission to explain key organizational components.

30. SFFAS 64 does not require an organizational chart, list, or map of all the reporting entity's facilities.

For example, management may provide a brief description about the reporting entity and each key organization's mission with reference to relevant details in the reporting entity's webpage.

31. **What information should reporting entities discuss and analyze about financial position in the MD&A?**

32. As noted in paragraph 12.b of SFFAS 64 and explained further in paragraph A32 in the basis for conclusions, management should discuss and analyze the causes of significant changes and trends in assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources to help users understand the financial position of the reporting entity.

33. [To increase understanding of the reporting entity's financial position,](#) management includes information about events and conditions that had a significant positive or negative effect on financial statement balances [during the reporting period](#) to increase the understandability and usefulness of the MD&A.

34. For example, an increase or decrease in funding or financing sources, new laws or executive orders, infrastructure damage, regulatory shifts, or operational changes could cause a significant positive or negative effect on financial statement balances.

35. When analyzing causes of significant changes and trends in financial position, reporting entities compare current year ending balances to prior year ending balances, regardless of whether comparative statements are required in AFRs.

36. Management may include information about these significant causes through quantitative and qualitative information in accordance with the principle on integration found in paragraph 10 of SFFAS 64, and charts, graphs, or tables in accordance with the principle on understandability found in paragraph 11 of SFFAS 64.

37. The following are examples of how management may explain the cause of a significant change to financial position:

a. Support of pandemic-related efforts led to a significant decrease of stockpile materials of vaccines by \$\$\$.

b. Disaster recovery efforts from a natural disaster in X area of the country during 20XX significantly increased the cost of X by \$\$\$.

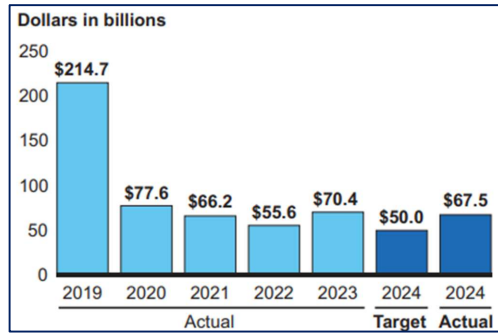
38. **Does SFFAS 64 require a specific number of years for reporting trends?**

39. No, SFFAS 64 does not require a specific number of years for reporting trends. However, management has the flexibility to determine how many past years to report for a trend to best explain when a significant change occurred and why.

40. For example, management may provide a chart, as shown below, with trend information over multiple past reporting periods to help users understand positive or negative effects on amounts reported in the financial statements. Management would include a summary discussion to explain why the number of years were selected to show when and why significant changes affected the agency's financial position.

Commented [RG7]: Updated paragraphs 35 & 36 per #15 KPMG comments for QFR #3.

Commented [RG8]: Updated per #14 Commerce comments for QFR #3.



40.41. What information should reporting entities discuss and analyze about financial condition in the MD&A?

41.42. As noted in paragraph 12.c of SFFAS 64 and explained further in paragraph A32.b in the basis for conclusions, financial condition is broader and more forward-looking than financial position, [which is only concerned with the reporting period. Users will best understand the financial condition of reporting entities through management’s explanation about potential significant changes beyond the reporting period for business-type activity, social insurance, long-term projections, and required supplementary information \(RSI\).](#)

42.43. ~~For financial position, management discusses and analyzes the causes of significant changes and trends only during the reporting period. Financial condition is broader because it looks forward beyond the reporting period and may~~

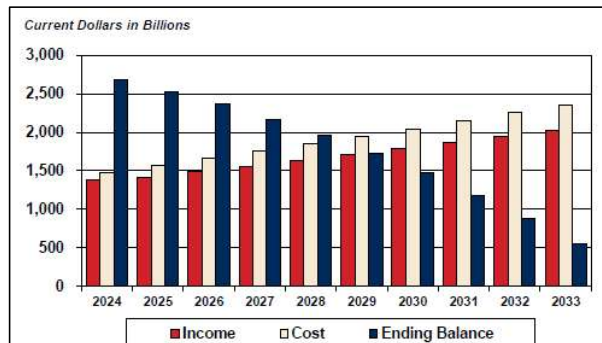
43.44. ~~To help users understand financial condition for business-type activity, social insurance, long-term projections, and required supplementary information, management discusses and analyzes the causes of significant changes and trends.~~

44.45. When analyzing [potential](#) causes of significant changes and trends [in financial condition](#), reporting entities [could compare current year ending balances to prior year ending balances regardless of whether comparative statements are required in AFRs.](#)

45.46. Management may provide a chart [as shown below, or another data visualization tool, for example a graph or table, to illustrate the potential](#) future effects on financial resources [such as income, cost, or ending balances for business-type activity. Management could also include a summary discussion to explain the number of years and the intent of the data to help users understand what could](#) cause significant changes [in the agency’s financial resources](#) going forward.

Commented [RG9]: Information merged with paragraph 42. Staff left pars in to track par numbers for updating this draft.

Commented [RG10]: Updated per #15 KPMG, #16 Sikich & #17 DOL comments for QFR #3.



46-47. What are key performance results, associated costs, and how do reporting entities discuss and analyze them in MD&A?

47-48. As noted in footnote 4 of paragraph 12.d in SFFAS 64 and explained further in paragraph A33 in the basis for conclusions, key performance results are both accomplishments and challenges.

- a. Accomplishments may be [achieved](#) during the reporting period.
- b. Challenges may be events that occurred during the reporting period that may have caused issues with accomplishing a key performance result in the original time frame or within budget, such as scheduling issues due to supply chain problems, reduction in funding, or a change in a law or regulation.

48-49. Management uses judgment to identify what performance results are key to the reporting entity and its key organizations. [This could include a discussion and analysis about how changes in the administration or significant agency initiatives impacted key performance results for the current reporting period.](#)

49-50. When [discussing](#) a key performance result, management should emphasize the vital few matters, [such as the most important factors that contributed to the accomplishment or challenge.](#)

51. The reporting entity's statement of net cost [might be](#) a good starting point for management to determine what are key performance results and associated costs.

a. As noted in paragraph 12.d of SFFAS 64 and explained further in paragraph A33.a in the basis for conclusions, management [may](#) organize key performance results based on the reporting entity's statement of net cost, such as by responsibility segment, major program, mission, or component agencies.

a-b. If a key performance result includes the efforts of multiple areas within the reporting entity, then management should explain the basis of this cost aggregation in the MD&A.

Commented [RG11]: Updated paragraphs 48 - 53 per #1 Robyn Berkenbilt, #3 LOC, #8 VSCPA, #12 HHS, #14 Commerce & #16 Sikich comments for QFRs #4 & #7.

- c. If a key performance result includes the efforts of multiple areas of an organization, then management explains the basis for this aggregation in the MD&A.

52. As noted in paragraph 12.d.ii of SFFAS 64 and explained further in paragraph A33.b in the basis for conclusions, management should explain what actual costs were incurred by the reporting entity to accomplish key performance results during the current reporting period.

- a. If actual costs are not available, management may explain using obligations incurred or associated outlays to provide an understanding of the affected budgetary or financing resources needed during the reporting period.

- b. If management references other relevant sources of information found outside the GPFRR and explains in MD&A how this information can be obtained and why it is relevant.

50-53. The following scenarios are examples of accomplishments or challenges that could have occurred within, for example, a responsibility segment, major program, or across multiple areas of an organization:

- a. Management discusses and analyzes what was accomplished for key performance Y during the reporting period and the associated costs.
- b. Management discusses and analyzes what was accomplished during the reporting period for key performance result Z, the associated costs, and how much money this accomplishment might save in the future and why.
- c. Management discusses and analyzes what and why there were challenges with key performance result ABC, the associated costs, and whether it went over budget and why. The explanation includes how management is mitigating this challenge to get key performance results back on track.

51-54. Does SFFAS 64 require a forward-looking section?

SFFAS 64 does not require a forward-looking section. Paragraphs 12.e and f of SFFAS 64 require a discussion and analysis about significant opportunities and risks and their potential effect on key performance results and financial and budgetary results. Information on significant opportunities and risks could be similar to those reported in a previous AFR that did have a forward-looking section.

52-55. What information should reporting entities discuss and analyze about significant opportunities in MD&A?

53-56. As noted in paragraph 12.e. of SFFAS 64 and explained further in paragraph A34 in the basis for conclusions, management should explain what significant opportunities the reporting entity is managing to enhance key performance results and how those plans could potentially have a positive effect on the financial position/condition and budgetary results.

54-57. For example, management discusses and analyzes significant opportunities, such as a reduction in the cost of supplies, and how it could enhance key performance result Y. Management explains how it is leveraging this significant opportunity and what the positive effect on financial and budgetary results could be.

Commented [RG12]: Updated paragraphs 57 and 60 per #5 AGA, #15 KPMG & #16 Sikich comments on QFR #5.

55-58. What information should reporting entities discuss and analyze about significant risks in MD&A?

56-59. As noted in paragraph 12.f of SFFAS 64 and explained further in paragraph A35 in the basis for conclusions, management should explain what significant risks the reporting entity is mitigating to reduce any negative effects on key performance and financial and budgetary results and how those plans could potentially affect financial and budgetary results.

57-60. For example, management discusses and analyzes a significant risk, such as the reduction in staffing, and how it could have a negative impact on key performance result Z. Management explains how it plans to mitigate this risk and the potential negative effect on the financial position/condition and budgetary results if it is not mitigated.

58-61. Does SFFAS 64 require a systems, controls, and legal compliance section?

59-62. No, SFFAS 64 does not require a systems, controls, and legal compliance section.

60-63. However, as noted in paragraph 13 of SFFAS 64 and explained further in paragraph 36 in the basis for conclusions, MD&A should provide a discussion and analysis about management's assessment of the reliability of the reporting entity's financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws.

61-64. Management should explain if the reporting entity executed and recorded transactions in accordance with budgetary laws, financial laws, and federal accounting standards to prepare the AFR.

62-65. Management should explain how it plans to address significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws, regulations, contracts, and grant agreements to maintain integrity and reliability of the reporting entity's financial information.

63-66. Management should apply the principles of balanced, concise, integrated, and understandable when determining how to present information required by paragraph 13 of SFFAS 64 in tandem with other administrative requirements.

64-67. **Does SFFAS 64 change requirements about the statement of social insurance (SOSI) in MD&A?**

65-68. As noted in footnote 3 of paragraph 5 in SFFAS 64 and explained further in paragraph A43 of the basis for conclusions, SFFAS 64 does not eliminate or otherwise affect the requirements of SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*, to avoid duplication of information already required in MD&A.

EFFECTIVE DATE

66-69. This guidance is effective upon issuance.

The provisions of this Staff Implementation Guidance need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) has authorized its staff to prepare a SIG to provide timely guidance on implementing SFFAS 64 in accordance with the Board’s Rules of Procedures, as amended and restated in August 2023.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this SIG. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the proposed technical guidance section, not the material in this appendix, would govern the accounting for specific transactions, events, or conditions.

This SIG may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any pronouncement that affects this SIG. Within the text of the SIG, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements or other pronouncements for the rationale for each amendment.

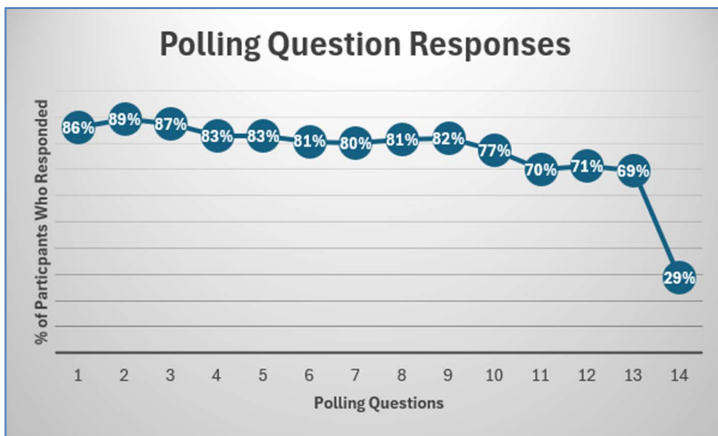
Development of SIG 64.1 Exposure Draft

- A1. After the issuance of SFFAS 64, staff provided implementation training to more than 35 reporting entities from February through May 2025. During these training courses, staff collected questions from reporting entities about what was necessary to help them implement SFFAS 64. Staff drafted the proposed SIG 64.1 based on the questions collected from implementation training.
- A2. In compliance with FASAB’s Rules of Procedures for due diligence in developing a SIG, three FASAB staff members peer reviewed the proposed SIG 64.1. Upon completion of the peer review, the FASAB chair and executive director approved the exposure draft (ED).
- A3. Staff then held a public meeting on September 4, 2025, to introduce the draft and receive feedback to prepare proposed SIG 64.1 for public comment.

Analysis of Public Meeting Feedback

- A4. Approximately 150 people attended the public meeting on September 4, 2025, from over 50 federal reporting entities and the public.
- A5. Staff collected feedback through 14 polling questions. Thirteen polling questions required a yes or no response to the question of whether the proposed draft guidance was clear. For respondents who responded no, staff requested information on what additional information would assist them in implementing SFFAS 64. Staff analyzed these responses to determine if any additional implementation guidance was necessary for the SIG 64.1 ED.

- A6. The final polling question asked if there was any additional information not covered in the previous polling questions that would be helpful for implementation of SFFAS 64.
- A7. The following chart shows the percentage of attendees, out of the 150 total attendees, that responded to each of the 14 polling questions.



- A8. The following table shows the total yes and no responses and the related percentages to the total attendees that responded. The yes responses validated that the proposed SIG 64.1 provides adequate implementation guidance. The no responses requested additional implementation information.

Polling Question	Total Responses	YES Responses	% of Yes Responses	NO Responses	% of No Responses	Total %
1	129	123	95%	6	5%	100%
2	134	130	97%	4	3%	100%
3	131	123	94%	8	6%	100%
4	124	117	94%	7	6%	100%
5	124	122	98%	2	2%	100%
6	121	118	98%	3	2%	100%
7	120	109	91%	11	9%	100%
8	122	109	89%	13	11%	100%
9	123	112	91%	11	9%	100%
10	116	105	91%	11	9%	100%
11	105	99	94%	6	6%	100%
12	107	101	94%	6	6%	100%
13	104	96	92%	8	8%	100%

A9. The following is staff's analysis of the no responses to determine if any additional implementation guidance was necessary for the ED.

A10. Polling question #1 – *Does the draft SIG 64.1 help explain **significant** in the context of presenting information in MD&A?*

- a. Polling question #1 received six no responses (5% of respondents). One no response was a comment and did not request additional implementation guidance.
- b. Five respondents requested additional implementation guidance related to materiality and examples.
 - i. Staff determined that the ED does not need additional implementation guidance because SFFAS 64 focuses on significance and not materiality.
 - ii. Implementation guidance explains that the intent of SFFAS 64 is for management to include information it believes is important for users to understand what factors (events, conditions, and/or trends) affected the financial position, financial condition, or key performance results of the reporting entity.
 - iii. The determination of whether the effect is significant is a matter of professional judgment.
 - iv. Staff included two examples related to significance in the ED.

A11. Polling question #2 – *Does the draft SIG 64.1 help explain how to achieve a **balanced** MD&A?*

- a. Polling question #2 received four no responses (3% of respondents). One no response did not provide any additional information.
- b. Three no responses requested additional implementation guidance.
 - i. One respondent asked if a balanced MD&A means a 1:1 ratio for a positive and negative comment. Staff updated implementation guidance to explain that SFFAS 64 does not prescribe a ratio.
 - ii. One respondent requested that SFFAS 64 include both positive and negative examples. Staff did not add additional implementation guidance because the ED provides an example of both positive and negative effects on financial position.
 - iii. One respondent requested that SFFAS 64 include language about comparative reporting in MD&A and noted that Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, requires single year presentation.
 - iv. Staff added implementation guidance in multiple paragraphs, to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.

A12. Polling question #3 – *Does the draft SIG 64.1 help explain how to achieve a concise MD&A?*

- a. Polling question #3 received eight no responses (6% of respondents).
- b. Five respondents asked how to link costs with performance results. Staff updated the example to address this.
- c. Three respondents requested additional implementation guidance to avoid duplicating information, to use links to detailed information, and to better understand the terms vital and relevant. Staff updated implementation guidance and examples to address this.

A13. Polling question #4 – *Does the draft SIG 64.1 help explain how to achieve an integrated MD&A?*

- a. Polling question #4 received seven no responses (6% of respondents). One no response did not provide any additional information.
- b. Four respondents asked how to link costs with performance results. Staff updated the example to address this.
- c. Two respondents requested another example applicable to a smaller entity that is organized by major programs. Staff added an example for a small reporting entity organized by major programs.

- A14. Polling question #5 – *Does the draft SIG 64.1 help explain how to achieve an **understandable** MD&A?*
- a. Polling question #5 received two no responses (2% of respondents). One respondent did not include a comment, and one respondent did not request additional implementation guidance.
 - b. Staff, therefore, made no updates to implementation guidance about achieving an understandable MD&A.
- A15. Polling question #6 – *Does the draft SIG 64.1 help explain how to discuss **mission and organization** in MD&A?*
- a. Polling question #6 received three no responses (2% of respondents).
 - b. One respondent was unclear about what the structure should be for mission and organization. Staff determined that updating implementation guidance was not necessary because preparers can review the available examples for an integrated MD&A in proposed SIG 64.1.
 - c. One respondent asked that while organizational and office charts are not needed, what about a count of offices and divisions? Staff determined that updating implementation guidance was not necessary because it already includes examples for a concise MD&A.
 - d. One respondent asked about the elements of a brief description.
 - e. Staff determined that updating implementation guidance was not necessary because the elements are already provided in the principle-based guidance regarding *concise*. For example, management may emphasize the vital few matters by summarizing and including only relevant information, limiting duplicative content, and providing links to relevant detailed information.
- A16. Polling question #7 – *Does the draft SIG 64.1 help explain how to discuss and analyze **financial position** in MD&A?*
- a. Polling question #7 received 11 no responses (9% of respondents).
 - b. Nine respondents asked how to discuss changes within the reporting period when comparative statements are not required to be presented.
 - c. Staff added implementation guidance in multiple paragraphs to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.
 - d. One respondent requested guidance about whether to discuss and analyze executive orders that affected financial position.

- e. One respondent noted that implementation guidance was too vague to determine how to present financial position and that more concrete terms would be helpful.
- f. To address A16.c-d, staff added examples of possible causes of significant changes, like resource increase/decrease, new laws, executive orders, and supply chain shortages.

A17. Polling question #8 – *Does the draft SIG 64.1 help explain how to discuss and analyze **financial condition** in MD&A?*

- a. Polling question #8 received 13 no responses (11% of respondents).
- b. Six respondents asked how to discuss changes within the reporting period when comparative statements are not required to be presented.
- c. Staff added implementation guidance in multiple paragraphs to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.
- d. Three respondents provided comments but did not request additional implementation guidance.
- e. Two respondents requested implementation guidance on the difference between financial position and condition and why financial condition is broader and more forward-looking. Staff updated implementation guidance to address this.
- f. Two respondents requested more examples related to financial condition. Staff updated the implementation guidance to add an example for financial condition.

A18. Polling question #9 – *Does the draft SIG 64.1 help explain how to discuss and analyze **trends** in MD&A?*

- a. Polling question #9 received 11 no responses (9% of respondents).
- b. Nine respondents provided comments about the difficulty of providing trends if additional administrative requirements only require single year financial statements as opposed to comparative statements.
- c. Staff added implementation guidance in multiple paragraphs to clarify that reporting entities compare current year beginning balances with ending balances, regardless of whether comparative statements are required in AFRs.
- d. Two respondents requested an example related to trends. Staff added an example about trends to the implementation guidance.

- A19. Polling question #10 – *Does the draft SIG 64.1 help explain how to discuss and analyze **key performance results and associated costs** in MD&A?*
- a. Polling question #10 received 11 no responses (9% of respondents).
 - b. One respondent did not include a comment.
 - c. One respondent requested real integration examples. Staff updated implementation guidance using examples for integration and for key performance results and associated costs.
 - d. Four respondents wanted implementation guidance on what a key performance result is and what associated costs are.
 - e. Staff updated content to better explain how management should apply the principle of *concise* as part of its judgment to decide what a key performance result is. Staff updated the ED to encourage use of the statement of net cost for this information.
 - f. Two respondents wanted to better understand accomplishments and challenges. Staff updated the ED to better explain accomplishments and challenges.
 - g. Three respondents were concerned about systems and timing that do not support key performance results. Staff updated the example for how management may link key performance results to associated costs. However, management should address any necessary system updates that address timing issues.
- A20. Polling question #11 – *Does the draft SIG 64.1 help explain how to discuss and analyze **significant opportunities** in MD&A?*
- a. Polling question #11 received six no responses (6% of respondents).
 - b. One respondent asked *what if the reporting entity does not identify any significant opportunities?* Staff determined that updating implementation guidance was not necessary because management will need to determine whether significant opportunities exist.
 - c. Two respondents said it would be difficult if agencies cannot link performance results to costs.
 - d. Staff updated the example for how management could link key performance results to associated costs. However, management should address any necessary system updates to address linking key performance results with associated costs.
 - e. One respondent asked how an agency should incorporate forward-looking information that will be dependent on future appropriations in a report that is focused on a past performance/finance report.
 - f. Staff believes that the proposed SIG 64.1 does not need additional implementation guidance because SFFAS 64 does not require a

discussion about specific numbers related to future appropriations. It asks for the potential effect on financial and budgetary results of carrying out management's plans to address significant opportunities.

- g. Two respondents requested an updated example. Staff updated the example to address a significant opportunity.

A21. Polling question #12 – *Does the draft SIG 64.1 help explain how to discuss and analyze **significant risks** in MD&A?*

- a. Polling question #12 received six no responses (6% of respondents).
- b. One respondent noted that *this standard replaces the requirement to provide a forward looking section*. Staff determined that updating implementation guidance was not necessary because this was a statement and not a request for a change.
- c. Two respondents said it would be difficult if agencies cannot link performance results to costs.
- d. Staff updated the example for how management could link key performance results to associated costs. However, management should address any necessary system updates to address linking key performance results with associated costs. Management's policies and procedures should determine what a significant risk to its key performance results is.
- e. Three respondents asked to further explain significant risk. Staff updated the example to address a significant risk.

A22. Polling question #13 – *Does the draft SIG 64.1 help explain how to discuss and analyze **systems, controls, and legal compliance** in MD&A?*

- a. Polling question #13 received eight no responses (8% of respondents) concerning what SFFAS 64 requires in relation to other administrative requirements.
- b. Staff updated the implementation guidance to:
Management should apply the principles of *balanced, concise, integrated, and understandable* when determining how to present information required by paragraph 13 of SFFAS 64 in tandem with other administrative requirements.

A23. Staff included polling question #14 to determine *if there were any additional comments not covered in polling questions 1-13*.

- a. Polling question #14 received 43 comments.
- b. Staff determined that no additional implementation guidance was needed.

- i. 13 respondents thanked staff for the public meeting.
- ii. 30 respondents asked questions that were addressed in the 13 polling questions or would be addressed through implementation training.

Finalizing SIG 64.1

- A24. Staff used feedback from the public meeting held on September 4, 2025, to revise the draft SIG 64.1 and prepare the exposure draft (ED) for comment.
- A25. The proposed SIG 64.1 ED: Guidance for Implementing SFFAS 64: *Management's Discussion and Analysis*, was available for public comment for a 60 day period—the required period for a SIG is 15-day.
- A26. FASAB staff received 19 comment letters from one individual, 11 federal preparers, two federal entity other, three associations, and two accounting firms.
- A27. Staff analyzed the 19 comment letters to determine recommendations in preparation for the final SIG 64.1. ([details of the analysis are available from April 2026 meeting, Topic E documents](#)) - [ADD LINK](#)
- A28. Staff presented the final SIG 64.1 to the Board on April 30, 2026, for a 15 day review.
- A29. The Board has reviewed this SIG and...

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