FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Memorandum

Agenda Review

August 5, 2026

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

INTRODUCTION

The Board annually reviews its technical agenda to determine priorities for the upcoming year. In addition to setting the Board's priorities in August, the Board will normally conduct a mid-year review of the technical agenda at the February meeting.

For this topic discussion, staff is seeking the Board's feedback on the current technical agenda projects, research and monitoring agenda topics.

REQUEST FOR FEEDBACK BY AUGUST 12

Prior to the Board's August meeting, please review the attached project information, staff recommendations, and analyses, and consider the ensuing questions.

NEXT STEPS

Based on the agenda priorities established by the Board, staff will allocate available resources appropriately to meet those priorities.

ATTACHMENT

1. Staff Analysis
2. Environmental and Disposal Liabilities Topic Overview
3. Project Timelines

All briefing materials are available at www.fasab.gov. They are prepared by staff to facilitate Board discussion at meetings and are not authoritative. Official positions of the FASAB are determined only after extensive due process and deliberations.

Staff Analysis

Agenda Review

Attachment 1

CONTEXT

The Board currently has eight active projects on the technical agenda, two research topics, and one monitoring topic underway.

BACKGROUND

The current FASAB staff resources include five assistant directors, one senior analyst, one analyst, one senior communications analyst, one executive assistant (***currently vacant***), and the executive director.

It is important to note that staff has been successful in leveraging resources through its various task forces, as well as agency details, however such assistance is sporadic and normally short-term in nature. Our past experiences have shown that additional resources provided by interns and detailees can be effective but can also require staff time and resources to onboard them, monitor their progress, and review their work which can reduce the overall efficiency advantage. Further, while task force volunteers remain an integral and crucial part of our work, it is important to recognize that government-wide reductions and budget constraints may affect their ability to assist FASAB efforts.

Given the limited resources, staff continues to provide well-written, well researched, and technically sound products to the Board and Accounting Standards Implementation Committee (ASIC) for deliberations. In addition, staff regularly provides responses to technical inquiries, conducts task force meetings, attends government-wide meetings representing FASAB, and participates in a variety of training and outreach activities. Please note that staff must also fulfill continuing professional education (CPE) requirements, which is fundamental to maintaining the technical competency of our work.

The Board should be cognizant of the fact that such continued outstanding performance in light of our staffing limitations is contingent on a host of variables, some of which are unknown and/or uncontrollable. Variables could include staff attrition, changes in Board priorities, budget constraints, or other factors affecting Board progress. For example, with the current government-wide reductions and budget constraints, it is at times often more difficult to obtain research and other information from federal entities.

All known and reasonably foreseen factors should be taken into consideration as the Board establishes its priorities for the upcoming fiscal year.

CURRENT TECHNICAL AGENDA PROJECTS

Below is a list of the eight active projects on the Board's technical agenda, as well as summaries, current project status and recommended next steps for the projects.

Current Technical Agenda Projects:

1. Commitments Reexamination
2. Direct Loans & Loan Guarantees Disclosures Reexamination
3. Federal GAAP Hierarchy Reexamination
4. Land Post-implementation
5. Leases Post-implementation
6. Intangible Assets/Software Technology
7. Public-Private Partnerships (P3) Phase 2
8. Technical Clarifications of Existing Standards

Technical Agenda Project Summaries, Status, and Next Steps

1. Commitments Reexamination

a. Summary – The Board has issued guidance on specific commitments, such as leases and P3s, however, there is currently no GAAP guidance on general commitments. The Board recognizes the need to develop level A guidance on reporting commitments. The commitments project was added to the technical agenda in August 2024, and the project plan was approved by the Board in February 2025.

   The primary objectives of the project are to:

   - Define commitments.
   - Determine the scope of the commitments project.
   - Determine what information to include in the commitments reporting requirements.
   - Develop guidance on measurement attributes applicable to commitments.
   - Decide the appropriate presentation for commitments information.
   - Clarify the relationship between commitments and contingencies.

A task force was formed in April 2025 to help research and suggest recommendations on commitment reporting to the Board for consideration. Additionally, a sub-working group consisting of federal agency representatives was formed in April 2026 to help identify significant commitment agreements to develop commitment categories.

b. Status – A draft definition of commitment was presented to the Board in August 2025. In December 2025, the Board generally agreed on a working definition for commitment. In addition, the Board generally agreed to exclude commitment agreements subject to existing standards from the scope of the commitments project.

   In June 2026, the Board reviewed the proposed commitment categories, commitment disclosures, and cross reference of commitments disclosed in other notes. The Board generally agreed that the proposed framework to identify commitment categories is a good starting point and recommended an analysis of the categories to ensure that they do not result in double- or over-counting and reflect the gap in commitment reporting. The Board also recommended a simple description of the general nature of the commitment without referencing statutes that authorize the commitments. However, the Board did not support cross reference in the commitment disclosure for agreements subject to existing standards.

c. Next Steps – Staff will seek the Board's tentative decisions on the commitment definition and scope exclusions. Staff will continue to research and refine the commitment categories and develop recommendations for measurement attributes.

2. Direct Loans & Loan Guarantees Disclosures Reexamination

a. Summary – The Direct Loan and Loan Guarantee project is meant to address the lengthy and complex loan disclosures in the Agency Financial Reports (AFR). The Board will consider ways to improve, clarify, and streamline loan disclosure requirements. This project has four primary objectives:

   - Determine if the current FASAB direct loan and loan guarantee disclosure requirements are relevant and meet the needs of stakeholders.

   - Determine areas where direct loan and loan guarantee disclosure requirements can be improved, clarified, and streamlined to reduce burden on preparers, auditors, and users.

   - Determine ways to increase the meaningfulness of the direct loan and loan guarantee disclosures to users and other stakeholders. For example, determine if there are ways to improve the presentation and format.

- Determine if certain direct loan and loan guarantee disclosure information would be better suited for Required Supplementary Information (RSI).

b. Status – The project plan for the Direct Loan and Loan Guarantee project was approved at the February 2025 meeting. At the June 2025 meeting, staff presented a credit reform education session that included presentations from credit reform panelists. Staff has also established a loan disclosure task force for this project and the first meeting was held in July 2025. At the April 2026 meeting, the Board discussed alternatives presented to reduce and streamline the loan note disclosure. Based on member feedback the Board chose to explore a hybrid approach to streamline the loan disclosure by eliminating certain requirements and potentially locating other requirements to RSI.

c. Next Steps – At the October 2026 meeting, the Board is expected to consider a detailed proposal to eliminate specific loan disclosure requirements or relocate them to RSI. Pending Board decisions, staff will continue to coordinate and work with the task force research and provide recommendations to the Board on improving, clarifying, and streamlining the loan disclosure requirements.

3. Federal GAAP Hierarchy Reexamination

a. Summary – SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*, provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general-purpose financial reports of federal entities that conform with GAAP. SFFAS 34 generally carried forward the hierarchy as set forth in Statement of Auditing Standards 91, *Federal GAAP Hierarchy*. As part of FASAB's overall reexamination of existing standards, a FASAB GAAP hierarchy working group was established to assist the Board with considering ways to improve, simplify, and clarify the federal GAAP hierarchy to ensure it is effective.

b. Status – The Board agreed with the working group's suggested approach that included establishing two basic criteria (exposed for public comment with the Board's consideration of comments and approved by the Board[1]) for inclusion in the federal GAAP hierarchy. Guidance that meets the basic criteria for inclusion in the hierarchy should then be assessed against the distinguishing characteristics of the highest-level GAAP and lower-level GAAP to determine placement. The distinguishing characteristics focus on the intended purpose of the guidance and whether a document is formally voted on and issued by the

[1] "Approved by the Board" in this context includes formal approval by vote and approval by not objecting.

Board versus under the oversight of the Board[2] and would result in a two-level federal GAAP hierarchy.

Based on analysis of these distinguishing characteristics, Statements of Federal Financial Accounting Standards (SFFASs or Statements) and Interpretations would continue to be the highest level of GAAP. Technical Bulletins (TBs), Technical Releases (TRs), and Staff Implementation Guides (SIGs)[3] would tentatively be a lower level in the hierarchy. AICPA Guides and practices widely recognized and prevalent would be included in Other Accounting Literature (OAL). As such, revised federal GAAP hierarchy would be two levels:

- Highest Level GAAP (Statements and Interpretations)
- Lower-Level GAAP (TBs, TRs, and SIGs)

At the August 2026 meeting, the Board will consider the working group's research, observations, and recommendations regarding OAL.

c. Next Steps – Staff will consider the most efficient way to implement the discontinuation of SIGs and how the existing SIGs will be incorporated in the revised hierarchy. Staff will also provide the Board with an analysis of the "Application of Standards Issued by the Financial Accounting Standards Board" (paragraphs 9-12 of SFFAS 34) so the Board may determine if any changes are necessary. Unless any major issues are identified that need to be researched further, staff will develop a draft exposure draft based on Board decisions and feedback received to date.

4. *SFFAS 59, Land Post-implementation*

a. Summary - On September 26, 2025, the Board issued Technical Bulletin (TB) 2025-1, Technical Clarifications: SFFAS 59, *Accounting and Reporting of Government Land*. Specifically, this TB primarily clarifies that (1) the categorization of land is based on current intent or the current intended purpose of its holdings, (2) sub-categorization is based on actual predominant use, (3) preparers have flexibility concerning the reporting of non-outer continental shelf submerged land as well as ownership and related acquisition assertions; (4) the accounting and reporting of land improvements remain consistent with SFFAS 6, (5) G-PP&E permanent land rights are expensed as incurred; (6) preparers have flexibility concerning ownership and related acquisition assertions by incorporating concepts from Technical Release 9 implementation guidance..

b. Status – During the May/June period, staff contacted several major land holding agencies, the majority of which have stated that to-date, no issues have arisen. One agency noted that its auditors had just recently begun their fieldwork and the

[2] "Under the oversight of the Board" in this context refers to those pronouncements that are staff or ASIC developed and are approved by a "no objection" by the Board (TBs, TRs, and SIGs).

[3] Staff notes that the Board has tentatively agreed to discontinue the use of SIGs as part of the reexamination. The final decision has been deferred until a plan for incorporating existing SIGs has been considered.

agency is hoping that the TB will help address matters concerning land ownership and acreage estimates raised during last year's audit. As previously noted, staff met with this agency's audit firm's team to discuss attestation procedures of land ownership, the Board's intent concerning estimating acreage, and the application of statistical sampling procedures on aggregated land holdings comprised of different (acquisition) vintages.

c. Next Steps – Staff will continue to monitor audit activity at the major land holding agencies and provide Board updates as staff becomes aware of developments. There are currently no planned Board deliberations on this topic. However, staff will alert the Board of any issues that staff believes require Board attention. At the conclusion of one full year's implementation of SFFAS 59, which is FY 2026, the Board may consider moving the Land project from active project status to monitoring topic status.

5. SFFAS 54, Leases Post-implementation

a. Summary - Since the issuance of SFFAS 54, *Leases*, the Board has completed numerous post-issuance activities. These activities supported effective and timely implementation of SFFAS 54 through implementation guidance, clarifying and conforming amendments, and training. More recently, the Board has undertaken efforts to develop a practical expedient for embedded leases, which remains in due process. The Board also completed post-implementation review activities, including archival reviews of agency financial reports in fiscal years 2024 and 2025. A final leases implementation research report was published by staff in July 2026.

b. Status – SFFAS 54, as amended, became effective in fiscal year 2024. The embedded leases practical expedient proposal could be issued as early as November 2026, pending review of comment letters and re-deliberations.

c. Next Steps – Staff will continue to respond to leases technical inquiries and monitor application of the currently-pending practical expedient proposal following its anticipated issuance. The leases project is expected to continue into the first quarter of fiscal year 2027, with a primary focus on the embedded leases practical expedient and ASIC-related lease work. Staff will continue to respond to technical inquiries, monitor for emerging issues, and provide training as needed beyond the active project period.

6. Intangible Assets/Software Technology

a. Summary – The Board initially added the intangible assets project to its technical agenda with the following three objectives:

- Develop updates for software reporting guidance
- Develop a working definition of intangible assets for the Board's internal use

- Further assess the costs versus benefits of developing reporting guidance for intangible assets

For the first objective, the Board approved a scope for developing updates for software guidance. The scope consists of four major categories of software resources:

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

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

The Board also developed a working definition for intangible assets and staff continued to research the costs and benefits of developing intangible asset guidance. In 2024, after further deliberations the Board decided to move forward with developing intangible asset concepts and reporting guidance. The Board plans to issue the concept amendments concurrently with a new Statement for intangible asset standards that encompasses the updated software guidance.

b. Status – The Board has deliberated financial statement recognition guidance for cloud-service arrangements, software licenses, shared software, and agile software development.

The Board has also deliberated concept amendments to address intangible assets in the federal government and scope, definition, and recognition standards for intangible assets that federal entities acquire from other entities.

Most recently, the Board deliberated the following topics for intangible assets and software: enhancements, impairment, useful life estimation, multi-element arrangements, integrated assets, and capitalization thresholds.

c. Next Steps – For the August 2026 meeting, the Board will consider note disclosure recommendations and will review a draft ED of the intangible asset Statement.

Pending Board decisions, staff will continue to edit the ED and coordinate with the working group to research and recommend further accounting guidance updates for intangible assets and software as needed.

7. ***Public-Private Partnerships (P3) Phase 2***

a. Summary –The overall objective of the project is to make the full costs of such partnerships transparent. The Public-Private Partnerships (P3) Measurement and Recognition Task Force (TF) held its inaugural meeting in March to review the results of a straw poll conducted among users, preparers, and auditors. The polling results highlight a natural and expected tension between preparers and users. Stakeholder perspectives follow:

   - Preparers: Concerned about an increased reporting burden, preparers prefer to maintain existing disclosures under SFFAS 49.
   - Users: Conversely, users are advocating for greater transparency. They favor establishing a separate P3 asset class on the balance sheet, complemented by robust SFFAS 49 narrative disclosures specifically focused on risk reporting.

b. Status – While users are in favor of a separate P3 asset class (with corresponding P3 liabilities), most auditors expressed doubt regarding whether the completeness assertion can be satisfactorily met under that model. A smaller P3 Measurement and Recognition Working Group (WG) has met twice to identify various classification methods currently used to measure P3s. These approaches include: • Capital assets • Investment assets • Reporting entities • Subsidy classifications • Appraised value methods (typically reserved for specific cases like divestitures or privatization).

c. Next Steps – Staff is working with the WG to develop various options that may allow preparers to continue with existing measurement practices while refining SFFAS 49 disclosure requirements. This refinement would serve two primary purposes requiring that the P3 note disclosure: (1) act as a "traffic cop" to guide users toward related and relevant P3 information within the financial statements, and (2) emphasize and expanding upon risk reporting. After further WG discussions, staff will present to the Board the identified issues and potential options that consider a practical balance between the needs of users and the capabilities of preparers. Such an approach would consider a reexamination of the SFFAS 49 disclosure requirements.

8. ***Technical Clarifications of Existing Standards***

a. Summary –The Technical Clarifications of Existing Standards[4] project addresses specific requests for clarifications to existing standards that may be needed. It includes staff addressing technical inquiries and other requests for guidance. Ongoing efforts may include providing additional forums for preparers, auditors,

[4] Although there is not a specific active project at present, the Board has addressed several topics in the past and believes there is benefit to keeping this as an open project for critical requests.

and users to identify requirements they believe clarification may be needed (this can be accomplished through an open-ended written request for input or round table discussions). FASAB staff research requests may be provided by the federal financial management community or identified through other projects. When appropriate, the Board assesses requests against the federal financial reporting objectives. The Board may address these requests through the appropriate level of GAAP guidance. This project also includes FASAB liaison with DoD.

b. Status – The August meeting's Topic D includes briefing materials related to a request from DoD on certain accounting issues. DoD will present a briefing to the Board to provide additional information about their request.

c. Next Steps – The Board may consider the DoD request when assessing the current technical agenda and research agenda.

A. RECOMMENDATION

Staff recommends that the above projects on the Board technical agenda continue. The Board may also consider the DoD request when assessing the current technical agenda and research topics as well as the next reexamination projects.

Staff also recommends the Board add the Environmental and Disposal Liabilities project as an active project on the technical agenda. See Attachment 2.

ANALYSIS

The eight projects currently on the Board's technical agenda, including any ongoing ASIC projects, are assigned to the seven FASAB project managers. Please note that at times project staff may manage two or three projects.

As a reminder, after beginning the Reexamination of Existing Standards project, the Board understood that it would be a long-term effort to address all the areas identified.[5] The Board previously prioritized[6] the top five reexamination topics and also identified two additional projects for the reexamination queue. The Board agreed that the prioritization is intended to select the order in which the projects will be addressed, and

[5] There were approximately 20 reexamination issue areas identified. Based on staff's analysis, the Board prioritized 9 of the most important areas.

[6] The Board based the prioritization of reexamination issues on the following four factors: Clarifying the standards (including addressing gaps in standards), Streamlining and burden reduction, Critical nature of the issue, and Pervasiveness.

the Board plans to continue going through the specific issue areas in a prioritized manner.

Staff notes the following five reexamination issue areas were prioritized by the Board (*in alphabetical order*)

- Core revenue (currently on the research agenda)
- Commitments (currently on the active technical agenda)
- GAAP hierarchy (currently on the active technical agenda)
- Loan disclosures (currently on the active technical agenda)
- Subtopic environmental liabilities and legal claims when there are multiple parties involved

Three of the five topics (Commitments, Direct Loans & Loan Guarantees Disclosures, and Federal GAAP Hierarchy) are on the active technical agenda, and one of the five areas (Revenue Reexamination) is a current research agenda topic. The fifth prioritized topic is "environmental liabilities with legal claims involving multiple reporting entities."

In addition, "Purchases versus consumption method" and "environmental liabilities broadly" were the next two topic areas receiving Board support and considered in the project queue.

The "environmental liabilities with legal claims involving multiple reporting entities" topic was intended to be the next reexamination topic to begin research as staff resources became available. As such, staff has made attempts to request more information from DoD on this topic over the past year. However, research efforts have been unsuccessful due to a lack of response from DoD, so staff is uncertain as to whether this issue is still a critical area to DoD. Based on this, staff believes that the subtopic can still be considered within the larger environmental and disposal liabilities project. Specifically, staff notes that DoD had raised this issue previously and DoD's latest request for guidance did not specify this as a critical area. Therefore, including the "subtopic of environmental liabilities with legal claims involving multiple reporting entities" could still be explored in conjunction with the overall environmental and disposal liabilities project.

Recommendation

Staff recommends that the above projects on the Board agenda continue. In addition, staff recommends the Board add environmental and disposal liabilities to the Board's active technical agenda now that staff resources are becoming available. Based on Board decisions, staff is anticipated to be available by early fiscal year 2027 to begin research on the environmental and disposal liabilities project. See Attachment 2 – project summary overview. Decisions made during this session may be revisited annually as part of the technical agenda review as well as during the mid-fiscal year technical agenda review.

See the attached project timeline [**Attachment 3**], for projects expected to continue into fiscal years 2027 - 2029.

Question for the Board:

1. Does the Board agree to continue with the current technical agenda projects and that the use of detailees and interns, if available and where appropriate to continue moving projects forward, including initial research on the next reexamination projects?

Question for the Board:

2. Does the Board agree to add the Environmental and Disposal Liabilities project as an active project on the technical agenda?

CURRENT RESEARCH and MONITORING TOPICS

The Board currently has two research topics and one monitoring topic. Below are the summaries, research status, and recommended next steps for the research topics.

Current Research Topics:

- Revenue Reexamination
- ASIC – Leases Implementation

Current Monitoring Topic:

- Reporting Entity Reorganizations and Abolishments

➢ **Research Topic Summaries, Status, and Next Steps**

Revenue Reexamination

a. Summary – Research will assist the Board in identifying accounting issues and opportunities to modernize and/or clarify revenue-related accounting principles.

b. Status – The Board paused research activities during FY 2025 through FY 2026 due to the prioritization of other short-term technical activities, including the leases practical expedient.

c. Next Steps – Based on feedback from the Board, staff will resume research on this project at the appropriate time.

ASIC – Leases Implementation

a. Summary - Since the issuance of SFFAS 54, *Leases*, in April 2018, the ASIC has completed numerous post-issuance activities. These activities have supported effective and timely implementation and understanding of SFFAS 54 through implementation guidance.

b. Status – SFFAS 54 became effective in fiscal year 2024.

c. Next Steps – Staff will continue to monitor and identify implementation guidance update candidates based on technical inquiries and monitoring. Updates would be proposed to the ASIC if and when sufficient need exists to update or expand the existing guidance. Staff and the ASIC will assess need based on the significance, prevalence, and urgency of the underlying issues.

- **Monitoring Topic Summary, Status, and Next Steps**

Reporting Entity Reorganizations and Abolishments

a. Summary – The objectives of this activity are to monitor activity and research reorganization and abolishment accounting principles and disclosures and related practice issues and consider whether current accounting and disclosure standards and guidance are sufficient to meet practitioner and user information needs.

b. Status – In FY 2025, staff released a request for information and comment seeking information from practitioners to identify emerging accounting issues related to recent, ongoing, or potential reorganization activities and events. Based on information received and research to date, existing accounting guidance may be sufficient.

c. Next Steps – Still will continue to monitor this area. If additional information indicates that there are critical emerging issues, staff will update the Board.

B. RECOMMENDATION

Pending the outcome of the technical agenda discussion, the Board may consider adding topics to its research or monitoring agenda.

Question for the Board:

3. Does the Board agree that the two research topics and one monitoring topic should remain in their current status? Are there other topics the Board would like to add as research or monitoring topics?

Environmental & Disposal Liabilities
FY 2026 Topic Overview[1]

Project Description:

Environmental liabilities[2] which includes cleanup costs is the next topic for the reexamination project. As part of the reexamination of existing standards project, staff previously provided preliminary research on the environmental liabilities topic at the April 2024 Board meeting. The Board prioritized the reexamination issues at the August 2024 Board meeting. The Board agreed that environmental liabilities was a priority topic and that it would be the next reexamination project upon staff availability after Revenue, Commitments, Direct Loans and Guarantees, and Federal GAAP Hierarchy.[3] Staff is now available to pursue the reexamination topic for environmental liabilities.

Environmental and disposal liabilities are estimated costs for anticipated remediation, cleanup, and disposal costs resulting from the use of the governments' assets or operations. Estimated costs for environmental and disposal liabilities can change over time because of laws and regulation updates, technology updates, inflation or deflation factors, and disposal plan revisions. Accruals for environmental cleanup costs are the cost of removing, containing, and/or disposing of hazardous wastes or materials that, because of quantity, concentration, or physical or chemical characteristics, may pose a substantial present or potential hazard to human health or the environment. Cleanup costs include, but are not limited to decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs.

Accounting and Financial Reporting Issues:

The objective of this project is to reexamine the current environmental liability pronouncements, including SFFAS 5: *Accounting for Liabilities of the Federal Government* and SFFAS 6: *Accounting for Property, Plant, and Equipment* [chapter 4 Cleanup Costs] to address comments collected from the ITC.

The following summarizes the Invitation to Comment (ITC) responses regarding environmental liabilities, including the subtopic noted below:

---

[1] This topic overview is to provide the Board with a summary of the proposed project so the Board may consider whether it should be added to the current agenda. With Board approval, a detailed technical project plan would be prepared.

2 The ITC references this as "Environmental Liabilities". On the balance sheet it is called "Environmental and Disposal Liabilities." These terms are used interchangeably in this document.

[3] Staff notes that the "subtopic- environmental liabilities and legal claims when there are multiple parties involved" was the next project in the queue because it may be a narrower topic that the Board could address quickly to be responsive to stakeholders. However, efforts to follow-up on this subtopic have been unsuccessful to date. Therefore, staff believed addressing the broader topic would still afford an opportunity to determine if the subtopic issue remains.

- Respondents requested clarification regarding the use of contingencies in estimates of environmental liabilities. Respondents conveyed that environmental liabilities are not provided as an example of a contingent liability. For example, if an environmental liability is probable but not currently measurable, it may more accurately meet the definition of a contingent liability
- Respondents would like additional guidance on determining reasonable estimates. Respondents requested clarification on what defines "best estimate" and what is considered a "completed study upon which to base an estimate?" Due to the multiple regulatory and statutory requirements governing environmental liabilities and other complexities in meeting the reasonably estimable criteria, stakeholders explained it may take multiple reporting periods to estimate. Respondents explained that some environmental liabilities require more complex measurement and professional input to quantify the liability estimate.
- Respondents requested additional environmental liability examples in FASAB guidance.

  Subtopic- Environmental liabilities and legal claims when there are multiple parties involved.

  - Respondents explained additional guidance would assist in delineating which entity should record a liability in situations where the entity that may be considered the source of a liability differs from the entity assigned to provide legal counsel (and the cost thereof) and/or ultimate funding of any loss from adjudication.
  - Staff notes that when finalizing Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6* the Board believed there may be other scenarios and examples in the future that may need to be addressed.[4]

Existing GAAP Guidance:

- SFFAC 1, *Objectives of Federal Financial Reporting*
- SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*

- SFFAS 5: *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*

[4] Interpretation 9 provides clarification and guidance regarding cleanup cost liabilities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for settling the liability for the cleanup cost of that asset. Interpretation 9 focuses on assets that have a liability, but the asset and disposal responsibility is transferred to another entity. The guidance does not fit the situation described above because the asset is not transferred—it relates to damages on a military base.

- SFFAS 6: *Accounting for Property, Plant, and Equipment, Chapter 4: Cleanup Costs*
- Interpretation 9: *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities*
- Technical Bulletin 2006-1: *Recognition and Measurement of Asbestos-Related Cleanup Costs*
- Technical Release (TR) 2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.*
- TR 10: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- TR 11: *Implementation Guidance on Cleanup Costs Associated with Equipment*
- TR 14*: Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment,* Cleanup Costs*:* paragraphs 6, 10, 15; FN 7 and 8; scenario I and II
- TR 21: *Omnibus Technical Release Amendments 2022: Conforming Amendments* to TR 10, TR 11, and TR 14.

<u>Current Developments</u>:

<u>Department of War (DoW) Request</u>

In February 2026, FASAB staff received a letter from DoW that included a proposal that requested the Board consider amending the existing guidance by revising the timing of estimating environmental liabilities from when an asset is placed into service to when it is deemed to be decommissioned. Representatives from DoW will brief the Board on their request during the August 18, 2026 meeting, see Topic D briefing materials.

<u>Material Weaknesses Related to Environmental and Disposals Liabilities</u>

The below excerpt is from the Financial Report of the United States Government (FRUSG) Fiscal Year (FY) 2025, Note 14.

111 NOTES TO THE FY 2025 FINANCIAL STATEMENTS

Note 14. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities as of September 30, 2025, and 2024

(In billions of dollars)	2025	2024
Department of Energy	538.6	544.5
Department of Defense	108.0	101.1
All other entities	20.7	20.4
Total environmental and disposal liabilities	667.3	666.0

As noted in the above FY 2025 FRUSG excerpt, 80% of the total environmental and disposal liabilities of the government is attributed to the Department of Energy (Energy or DoE) and 16% is attributed to the Department of Defense (DoD). Both Energy and DoD also received material weaknesses for lack of internal controls associated with their environmental liability estimates.

- See page 90 of Energy's agency financial report (AFR). The auditors identified a material weakness related to Energy's environmental management liability estimate. The auditor was unable to obtain sufficient appropriate audit evidence to support the liability and cost estimates for Portsmouth Paducah Project Office and Waste Isolation Pilot Plant, the contingency estimate for Savanah River Site, and the changes in liability and costs estimates for the Hanford Site as of and for the year ended September 30,2025. Consequently, the auditor was unable to determine whether any adjustments to the amounts were necessary.

- See pages 76 – 77 of DoD's FY 2025 AFR, item #16. The auditors noted that throughout their audit procedures, they identified that a DoD component: "did not include all cleanup, closure, or disposal costs on the E&DL and related balances line items; and could not provide supporting records to document completeness of its list of environmental sites. These conditions existed because the DoD did not ensure a DoD Component followed accounting standards to estimate a complete calculation of environmental and disposal liabilities (E&DL). For example, the DoD Component did not: develop a methodology to estimate future environmental disposal costs for General PP&E; develop a complete and reasonable estimate across all General PP&E categories; or provide sufficient documentation to support that the assessments of contaminated environmental sites were complete. As a result, the DoD has an increased risk that E&DL and related balances may be incomplete or inaccurate; therefore, the Agency-Wide Financial Statements may be materially misstated."

GAO High Risk Report

In addition, the U.S. Government's Environmental Liability is one of the areas included in GAO's 2025 high risk report (GAO-25-107743, titled *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness.)* The report states that "both DOE and DOD need to take steps to improve their environmental liability estimates. In December 2024, the DOE Inspector General announced that an independent audit of DOE's financial statements identified a material weakness for internal controls related to financial reporting of DOE's Office of Environmental Management environmental liability estimates."

Proposed FY 2027 FASAB Project Schedule

Projects	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28	4Q28	1Q29	2Q29	3Q29	4Q29
Commitments Reexamination	RE	RE	RE	DE	DE	DE	FI	FI	FI	IS			
Direct Loans & Loan Guarantees Disclosures Reexamination	RE	RE	RE	DE	DE	DE	FI	FI	FI	IS			
Federal GAAP Hierarchy Reexamination	RE	DE	DE	DE	FI	FI	FI	IS					
Land Post-implementation	RE	RE	RE	RE									
Embedded Leases Practical Expedient	FI	IS											
Intangible Assets/Software Technology	DE	DE	FI	FI	IS								
Public-Private Partnerships Phase 2	RE	RE	RE	RE	RE	RE							
Technical Clarifications of Existing Standards	RE	RE	RE	RE									

ASIC Projects	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28	4Q28	1Q29	2Q29	3Q29	4Q29
Leases Implementation Guidance (Research Topic)	RE	RE	RE	RE	RE								

Research Topics	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28	4Q28	1Q29	2Q29	3Q29	4Q29
Revenue Reexamination	RE	RE	RE	RE	RE								
Leases Implementation Guidance (ASIC)	RE	RE	RE	RE	RE								
Monitoring Topic													
Reporting Entity Reorganizations and Abolishments	RE	RE	RE	RE	RE								

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