

March 12, 2026

Monica R. Valentine  
Executive Director & ASIC Chair  
Federal Accounting Standards Advisory Board  
441 G Street, NW  
Washington, D.C. 20548

**Sent via email to** mda@fasab.gov

**RE: Exposure Draft of Proposed Staff Implementation Guidance 64.1**

Dear Ms. Valentine:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee has reviewed the exposure draft of proposed Staff Implementation Guidance for Implementing SFFAS 64: Management's Discussion and Analysis (MD&A) issued by the Federal Accounting Standards Advisory Board (FASAB or the Board). The VSCPA is the leading professional association in Virginia dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of nearly 12,000 individual members who actively work in public accounting, private industry, government, and education.

FASAB has invited comments on its exposure draft of proposed Staff Implementation Guidance 64.1, Guidance for implementing SFFAS 64: Management's Discussion and Analysis. The exposure draft includes questions, answers, and examples to assist with the implementation of SFFAS 64. The VSCPA broadly agrees with the exposure draft as currently stated. Please see below for responses to the specific questions within the exposure draft.

QFR1. 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.

Response 1. The VSCPA partially agrees that the proposed SIG 64.1 provides information to implement a balanced, concise, integrated, and understandable MD&A. 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.

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. 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.

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

Financial Report—may enhance balance and provide users with an independent perspective on significant matters affecting the agency and addressed in the MD&A.

QFR2. 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.

Response 2. 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.

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.

QFR3. 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.

Response 3. 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.

QFR4. 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.

Response 4. 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.

QFR5. 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.

Response 5. 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.

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 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.

QFR6. 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.

Response 6. 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 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.

QFR7. Do you wish to comment on any other aspects of this proposal?

Response 7. The VSCPA would like FASAB to consider the following four points:

1. SFFAS 64 paragraphs 11 and A29 state that management should present content to enhance understanding for all users, including 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.

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.

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.
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.

4. As reported over the years by several respondents to FASAB's Annual Report and Three-Year Plan requests for comments, the 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.

The VSCPA appreciates the opportunity to respond to this exposure draft. Please direct any questions or concerns to VSCPA Vice President, Advocacy & Pipeline Emily Walker, CAE, at [ewalker@vscpa.com](mailto:ewalker@vscpa.com) or (804) 612-9428.

Sincerely,

Daniel Martin, CPA  
Chair 2025-2026  
VSCPA Accounting & Auditing Advisory Committee

**VSCPA Accounting & Auditing Advisory Committee 2025-2026**

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