



*FASAB News*  
*Federal Accounting Standards*  
*Advisory Board*

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**April/May 2014**  
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**FASAB Requests Your Comments Regarding**  
**Deferral of the Transition of Long-Term**  
**Projections to Basic Information**

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on a proposed one-year deferral of the transition of the statement presenting long-term fiscal projections for the U.S. government and related disclosures from required supplementary information (RSI) to a basic financial statement. Under the proposal, the transition would occur in fiscal year 2015 rather than fiscal year 2014. For fiscal year 2014, all the information would be provided as RSI.

Your views regarding the proposed deferral are sought. You are encouraged to provide the reasons for your views. The exposure draft requests comments by June 2, 2014. The exposure draft in PDF format is available at the FASAB website:  
<http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/>

# Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

## **Disclaimer**

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@fasab.gov).

## Federal Reporting Entity

The Board continued deliberation on the Federal Reporting Entity project at the April 2014 meeting. The Board made the following tentative decisions:

- Clarify the component reporting entity misleading-to-include provision
- Addition of a footnote in the standard to clarify that an organization refers to the entire organization, including activities funded by nonfederal sources. Clarifying language to address organizations partially in the budget in the basis for conclusions.
- Revisions to the Related Party language to clarify references to federal executives.
- Delay the effective date to periods beginning after September 30, 2017 and to not permit early implementation of the standard.

Additional detail regarding these topics can be found in the detailed minutes of the meeting.

The Board will review a draft of all changes at the next meeting. The formal vote on a pre-ballot draft will be after the June Board meeting discussion.

Point of Contact: Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

## The Financial Report: MD&A, Statements, Notes, RSI and OAI

During its April 2014 meeting, the Board discussed the National Academy of Public Administration's (NAPA) report, *Financial and Related Information for Decision-Making: Enhancing Management Information to Support Operational Effectiveness and Priority Goals*. FASAB contracted with NAPA to help the Board learn more about the financial information needs of executives and managers and preparers' needs for resources to guide financial information development. The research would inform the Board on: the availability of good financial and related information; the effective use of financial data

by senior managers; the current and desired role of the Chief Financial Officer (CFO); and, if gaps exist, what options are most likely to be helpful in closing those gaps. The NAPA team consisted of the following members:

#### NAPA Fellows and Panel Members

G. Edward DeSeve, Chair  
David Mader  
Barbara Wamsley

#### NAPA Staff

Joseph Mitchell  
David Treworgy  
Jonathan Wiggington

The NAPA team conducted a series of discussions with 27 federal executives and senior managers with operating responsibility for agencies, bureaus, offices, divisions, or comparable organizational units. To facilitate the conversations, the team used a discussion guide that included both multiple choice and qualitative questions. The following are excerpts of their principal findings:

**Availability of information:** Data generally are highly accurate and granular, but federal agencies face challenges in analyzing and transforming data into readily understood, actionable information for executive decision-making— especially the linking of budget, costs, and performance.

**Use of information:** The degree to which financial data are effectively used for decision-making is heavily driven by each organization's revenue source and operational approach. Agencies tended toward one of two general camps: 1) user fee-based revenue and/or production-oriented, direct operations agencies, where external pressure for transparency fosters the creation and use of financial and cost analysis for decision-making by executives and senior managers; and 2) appropriations-based revenue and/or regulatory, policy, and grant-making agencies, which generally have fewer needs for detailed financial and cost analysis. Both types of agencies can utilize financial data more effectively if leadership instills a culture that pays attention to costs and performance by creating structures and incentives that encourage employees to carefully examine these issues.

**Role of the CFO organization:** CFO organizations will increasingly need to offer valuable decision-making support to executives and senior managers. They should continue to evolve from a legacy core focus on transaction processing and compliance to a more modern approach that features sophisticated cost and performance analysis tailored to the decision-making requirements of agency leadership.

To address the gaps observed and meet the decision-making needs of executives and managers, NAPA discusses six recommendations:

1. Federal agencies should strengthen the CFO staff's knowledge of program operations in order to increase their ability to act as business partners to agency program leadership.
2. Federal agencies should emphasize development of the CFO staff skillsets to ensure that traditional accounting is augmented by data analytics.
3. In order to connect financial and cost information to program outcomes, federal agencies should link budgeted resources to costs, outputs, and performance.
4. In order to ensure that relevant information is available in a readily accessible and user-friendly format, federal agencies should develop financial and programmatic dashboards specifically tailored to the decision-making requirements of executives.
5. Federal agencies should enhance existing reporting systems to integrate financial, operational, and HR-related information.
6. Congress and OMB should create specific legislative and regulatory catalysts, such as the 2009 American Recovery and Reinvestment Act reporting requirements, to focus agency attention on developing clear cost and outcome data.

To download the complete report, visit <http://www.napawash.org/reports-publications.html> .

Also, each of the Board members presented their views of an ideal reporting model. Members discussed agency and government-wide reporting and discussed ways of better reporting items of information, such as operating performance and budget information. During the June 2014 meeting, the Board plans to review an analysis of the discussions, noting common themes and differences for further discussion.

Point of Contact: Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

## Leases

The current research focus of the Lease project is to seek a better understanding of the General Services Administration's (GSA) role with respect to leasing activities, the intragovernmental leasing activities of the federal government and the government-specific issues surrounding federal leasing. Staff requested an informational briefing from GSA representatives to assist the Board and staff in understanding:

- GSA lease agreements with other federal entities,
- the types of lease agreements GSA enters into as the lessee, and
- any concerns GSA currently has with the existing federal lease standards.

Several GSA representatives briefed the Board at the April meeting. Staff provided GSA with several questions that staff believed would be important for the Board to know as they consider revisions to the federal lease accounting standards. Staff also encouraged the GSA representatives to cover those areas that GSA believes are important for the Board to know.

The following questions were addressed by GSA at its briefing to the Board.

#### GSA's Role –

- What is GSA's role as landlord for federal civilian agencies?
  - What types of real property needs at civilian agencies do not fall to GSA?
  - Does GSA provide a full suite of landlord services such as maintenance and improvements?

#### GSA's Financing –

- Please explain how GSA finances its operations (that is, appropriations, borrowing, third-party financing, agency reimbursements).

#### GSA as a Lessee –

- What is the mix of government-owned versus leased properties in your portfolio?
- When you lease facilities, is the lease classification for budget scoring generally capital or operating?
  - Does the financial accounting classification usually match the budget scoring now?
  - If it doesn't match, what, if any, challenges does that pose?
- How do termination clauses (e.g., termination for cause clause, fiscal funding clause, etc.) affect the classification of a lease?
- Do you enter into lease agreements that bundle other services such as maintenance or parking? Does this pose any special accounting challenges now? Are you able to obtain a breakdown of the various costs inherent in the lease payment?
- What factors influence your decision to lease versus buy to meet a particular need?

#### GSA as Lessor --

- Are occupancy agreements with other federal entities considered legally binding documents?
- What terms are usual in intra-governmental leases?
  - Pricing (how are prices established)
  - Leasehold improvements (advance funded or spread over the lease term)
  - Cancellation or termination clauses (with or without penalty)
  - The option to avoid termination penalties if another federal agency assumes the lease
  - Other services included with the lease (maintenance, annual improvement allowances)
- How do these terms affect classification by the lessee agency? (Are intra-governmental usually classified as operating leases?)
- Are lessees able to obtain a breakdown of the various charges (bundled services, improvements, profit) in their lease payments?

#### Intra-governmental --

- What are your thoughts on lessee/lessor symmetry if a single model approach is implemented?
  - Some have noted that maintaining symmetry if right-of-use assets are recognized would require more communication between GSA and agencies.
  - Others have noted the need to coordinate intra-governmental balances now (that is, payables and receivables and treatment of improvements) means a process should already be in place

- What is the approximate value of real property lease commitments as opposed to the value of personal property lease commitments?

Current accounting –

- What matters require attention under the current accounting standards for leases?

The GSA representatives provided the Board with an excellent presentation on federal leases and occupancy agreements. The presentation covered the relevant topics at the right level of detail. Having a cross-functional team greatly enhanced the value of the information.

Point of Contact: Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

### Risk Assumed

During the April 2014 Board meeting, staff presented an updated insurance/non-loan guarantee definition including criteria (characteristics) and exclusions, results from the task force comparison analysis to loan guarantee programs under the credit reform act, and next steps.

In relation to the definition, staff will continue to revise the definition to address member's questions/concerns about:

- 1) Distinguishing insurance/non-loan guarantee programs from loan guarantee programs.
- 2) Use of the term "non-loan guarantees" and what value it adds.
- 3) Clarifying the exclusion of disaster relief programs in relation to the type of compensation provided.

Staff reviewed the analysis of the task force comparison of similarities and differences with loan guarantee programs under the Federal Credit Reform Act with the Board to determine if there was any further research required. The Board was satisfied with the presented information and did not wish staff to conduct any further research on this topic.

In conclusion, staff reviewed the next steps with the Board to determine if they were complete. Members added a gap analysis as a next step to understand what is being reported now in relation to the measurement and recognition proposal that staff will work on with the task force.

Point of Contact: Robin Gilliam, 202-512-7356, [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov)

### Public-Private Partnerships (P3)

The Board reviewed a revised draft Exposure Draft (ED) on P3 disclosure requirements that reflects changes from the draft reviewed in March as well as changes subsequent to TAB G's mailing. In reviewing the revised draft ED, members began with a review of

the P3 definition that resulted in a change to indicate that the government may also share financing with the private sector.

The Board then discussed the language in paragraph 8 about the association of the guidance in SFFAS 5, *Accounting for Liabilities of the Federal Government* (contingencies) regarding recognition and disclosure thresholds and disclosures related to remote risks of loss. Members generally agreed to re-phrase the guidance in a manner to better facilitate application and to clarify the relationship between this proposed statement and SFFAS 5. The Board was clear that preparers should not dismiss disclosing risks that are deemed to be remote and asked staff to make this clear in the next revision.

In an attempt to narrow and focus the scope of this proposed statement, staff suggested the inclusion of two conditions in paragraph 17 which would in essence pre-screen arrangements prior to applying the risk-based characteristics. The Board discussed paragraph 17 and noted the overlap between the first condition (long-lived asset) and the first conclusive characteristic. The Board agreed to take out the entire paragraph and to ask respondents about whether they believe a need exists for some type of front-end filter and to suggest some possible filters. Staff was asked to address this in the Questions for Respondents section of the ED.

A Board member was concerned that the ED did not sufficiently explain how probability and materiality are related or how to evaluate the materiality of a disclosure. Staff noted that historically, the Board has taken the position that because materiality is best left to the preparer and auditor, a standard-setter should not be seen as interfering in such judgments. Addressing this sensitivity, members discussed that a potential solution is to use the word "significant" and indicate what features are associated with significance. Furthermore, members discussed how materiality could differ in a disclosures-only standard compared to a measurement and recognition standard. Staff was asked to make the concept of materiality more operational in the proposed standards.

As a final topic, the proposed disclosures were discussed, and there was general agreement to require additional details about the payments expected to be paid or incurred over the life of the agreement. Various other edits were suggested, most notably the elimination of the illustrations in Appendix B. Staff was asked to begin preparing for the next step which is to draft a pre-ballot Exposure Draft. If you or someone you know would like to join the P3 Task Force or if you have any questions, please contact Dom Savini.

Point of Contact: Domenic Savini, 202-512-6841, [SaviniD@fasab.gov](mailto:SaviniD@fasab.gov)

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2014	Quarter 3 CY2014	Staff Contact
<b>The Reporting Entity</b>		DP	UR	Melissa Loughan (202-512-5976)
<b>Risk Assumed</b>		Research	Research	Robin Gilliam (202-512-7356)
<b>Leases</b>		Research	Research	Monica Valentine (202-512-7362)
<b>Financial Reporting Model</b>		Research	Research	Ross Simms (202-512-2512)
<b>Public Private Partnerships</b>		Research	ED	Domenic Savini (202 512 6841)

Key Activities or Status - Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations

ED—Exposure Draft Issued

DP—Board Due Process, including review of comment letters, etc.

PH—Public Hearing

PV—Preliminary Views Issued

UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review

Final—Final Standard, Concept, Interpretation, etc. issued final.

# Accounting and Auditing Policy Committee

The AAPC has not met since its February meeting. The Committee meets next on May 15. At the May meeting the Committee will discuss the implementation guidance survey results for SFFAS 44: *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

Agenda and meeting materials for the May meeting can be found at <http://www.fasab.gov/about/aapc/meetings/> .

Point of Contact: Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

# FASAB Meeting Schedule

## Schedule for 2014 Meetings:

June 25<sup>th</sup> and 26<sup>th</sup>  
August 27<sup>th</sup> and 28<sup>th</sup>  
October 22<sup>nd</sup> and 23<sup>rd</sup>  
December 17<sup>th</sup> and 18<sup>th</sup>

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2014 Meetings:

Thursday, May 15  
Thursday, August 21  
Thursday, November 20

Unless otherwise noted, AAPC meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

# Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. Thank you.