

**COMMENTS ON EXPOSURE DRAFT: “Accounting and Reporting of Government Land”**

To ensure consistent accounting treatment and reporting for land holdings while considering user information needs, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) is proposing new accounting standards which amends some existing accounting standards. An exposure draft (ED) was released for comment and the Board posed eight specific questions for respondents. We respectfully submit our responses to those questions below for consideration.

- Q1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) proposes reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset with no dollar amounts reported on the balance sheet. Any future acquisitions of land would be expensed on the statement of net cost. Disclosures regarding G-PP&E land would be required. For the proposed amendments, refer to paragraphs 8-10 (for component reporting entities) and 16 (for the consolidated financial report of the U.S. Government). For a detailed discussion and related explanation refer to paragraphs A9–A16, A21–A24, and A39–A41 in Appendix A: Basis for Conclusions.
- a. Do you agree or disagree with the Board’s proposal to reclassify G-PP&E land as a non-capitalized asset with no dollar amounts reported on the balance sheet and expense future acquisitions on the Statement of Net Cost? Please provide the rationale for your answer.
  - b. Do you agree or disagree that land information should be presented as basic information in the G-PP&E note disclosure? Please provide the rationale for your answer.

**NASA OIG Response:**

- a. **We agree with the reclassification of G-PP&E land as a non-capitalized asset. Existing standards (SFFAS 6, paragraph 40.f.i and SFFAS 50, paragraph 13) permitted a reporting entity to exclude G-PP&E land from its opening balances. As such, not all entities may be reporting G-PP&E land as capitalized assets resulting in entities’ financial statements being inconsistent in its reporting methods. The reclassification change would provide consistency and uniformity.**
  - b. **We agree that land information should be presented as basic information in the G-PP&E note disclosure. Notes disclosures require more audit scrutiny than information reported under Required Supplementary Information.**
- Q2. The Board has developed uniform disclosure requirements for G-PP&E land and stewardship land (SL). Both G-PP&E land and SL would be further disaggregated into three predominant use sub-categories. For each of the sub-categories, the following disclosures would be required from each component reporting entity: (1) a description of the entity’s policies, (2) physical quantity information, (3) estimated acres of land, (4) estimated acres of land held for disposal or exchange, (5) a general description of the types of land rights acquired by the entity, and (6) a reference to deferred maintenance and repairs information. Required disclosures for the government-wide financial statements include items (1), (3), and (4) above, as well as a general reference to agency reports for additional information. For the proposed amendments, refer to paragraphs 10, 13, 15, and 16. For a detailed discussion and related explanation refer to paragraphs A25, A33–A41, and A53–A54 in Appendix A: Basis for Conclusions.

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- a. Do you agree or disagree with the Board's proposed component reporting entity disclosure requirements for G-PP&E land and SL? Please provide the rationale for your answer.
- b. Do you agree or disagree with the Board's proposed government-wide financial statement disclosure requirements for G-PP&E land and SL? Please provide the rationale for your answer.

**NASA OIG Response:**

- a. **We agree with all proposed required disclosures for G-PP&E land and SL for component entity reporting except for physical unit information. As indicated in paragraph 10 of this ED, preparers will have flexibility in determining how to define a physical unit. However, physical units being defined differently by the reporting entities lessens the significance of the information since the information will not be consistent or comparable among entities. Additionally, in viewing the presentation illustrations in Appendix B, which contains physical unit information, we do not understand how knowing the number of regional or district offices that manage the land would be beneficial or useful.**
  - b. **We agree with all proposed required disclosures for G-PP&E land and SL for government-wide reporting.**
- Q3. The Board proposes retaining both the G-PP&E land and SL categories for an entity's land holdings. For the proposed amendments, refer to paragraphs 8–14. For a detailed discussion and related explanation refer to paragraphs A17–A24 in Appendix A: Basis for Conclusions.

Do you agree with retaining the G-PP&E land and SL categories? Please provide the rationale for your answer.

**NASA OIG Response:**

**We disagree with retaining separate categories for land (i.e., G-PP&E and Stewardship). The reporting disclosure requirements for both categories are the same and upon implementation of this ED, both categories will be considered non-capital assets. Paragraph A22 of this ED expresses a concern that a single land category approach would change current measurement and recognition for SL. SL is currently reported as non-capital assets so there would be no change in the measurement and recognition of SL. Additionally, we do not understand why a distinction between G-P&E land and SL is important to a potential user or reader.**

- Q4. The Board proposes to revise the G-PP&E land and permanent land rights definitions. In addition, the Board proposes definitions for the following terms: acres of land held for disposal or exchange, commercial use land, conservation and preservation land, and operational land. For the proposed amendments, refer to paragraphs 8–11. For a detailed discussion and related explanation refer to paragraphs A9–A16 and A25–A33 in Appendix A: Basis for Conclusions.

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Do you agree or disagree with the Board's proposed G-PP&E land and permanent land rights definition and the related sub-category definitions? Please provide the rationale for your answer.

**NASA OIG Response:**

**We agree with the Board's proposed definitions for G-PP&E land and permanent land rights, as well as the sub-category definitions for commercial land use, conservation and preservation land, and operational land.**

- Q5. The Board proposes amendments to the current definition of SL including footnote 16 and definitions for the following terms: acres of land held for disposal or exchange, commercial use land, conservation and preservation land, and operational land. For the proposed amendments, refer to paragraphs 12–14. For a detailed discussion and related explanation refer to paragraphs A9–A16, A21–A24, and A26–A33 in Appendix A: Basis for Conclusions.

Do you agree or disagree with the Board's proposed definition of SL, including footnote 16 and the related subcategory definitions? Please provide the rationale for your answer.

**NASA OIG Response:**

**We do not agree with a portion of the proposed definition of Stewardship Land. Specifically, the definition in paragraph 12 includes "land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely." Footnote 15 explains the differences between temporary and permanent land rights. Since the proposed definition of SL includes "intended to be held indefinitely" then it is implied that temporary land rights cannot be considered SL. The proposed revisions to paragraph 40 in SFFAS 29 (ED paragraph 13) regarding note disclosures for stewardship land states that "stewardship land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights."**

- Q6. The Board is proposing a two-year implementation period, which would make the proposed requirements effective for reporting periods beginning after September 30, 2021. For a detailed discussion and related explanation refer to paragraphs 19, A9–A12, A42–A45, and A51–A52 in Appendix A: Basis for Conclusions.

Do you agree or disagree with the proposed effective date? Please provide the rationale for your answer.

**NASA OIG Response:**

**We agree with the proposed effective date and the ability to implement early. This time period would give reporting entities ample time to implement changes to their internal policies and to train employees on the new procedures/requirements.**

- Q7. The Board has continually noted the fundamental challenges associated with developing and documenting information regarding historical assets like land. Technical Release (TR) 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage*

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*Assets and Stewardship Land*, paragraph 85 states in part that a methodology needs to be employed to develop documentation to support management’s assertions of federal ownership. For a detailed discussion and related explanation refer to paragraphs A51–A54 in Appendix A: Basis for Conclusions.

- a. Would incorporating any of the guidance contained in TR 9 in the proposed accounting standards facilitate the preparation and auditing processes? For example, should the list of examples of the supporting documentation contained at paragraph 85 in TR 9 be incorporated, changed, or expanded to facilitate implementation of the proposed requirements? Please provide the rationale for your answer.
- b. What type of implementation guidance should FASAB provide that enables (1) flexibility for supporting estimated acres of land and (2) assistance in identifying predominant use as well as selecting appropriate physical unit categories? Please provide the rationale for your answer.

### **NASA OIG Response:**

- a. **We believe that incorporating guidance, like paragraph 85 contained in TR 9 on alternative methods of supporting documentation, into the proposed accounting standards would be beneficial for not only preparers but also auditors. Standards already provide guidance on alternative methods for supporting cost estimates of property but the Standards are void of guidance on supporting documentation of ownership of heritage assets and stewardship land.**
  - b. **The Board is not seeking exact precision in determining estimated acres of land and predominant use assessments, but anticipates providing implementation guidance. In our opinion, Technical Releases of the Accounting and Auditing Policy Committee would not only provide guidance but also allow flexibility since it is third in the GAAP hierarchy for federal reporting entities.**
- Q8. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes, but also other matters that may not have been specifically addressed in this exposure draft. In addition, the Basis for Conclusions explains the Board’s goals for this proposal (see discussion beginning at par. A1) and also discusses other issues raised by task force members, as well as experts and practitioners both within and external to government (as an example, see par. A1–A12, A42–A45, and A46–A50).

Moreover, the Board is interested in receiving comments specific to the following matters:

- (1) Its proposed use of non-financial information (NFI) as a means to provide information more relevant than the financial recognition and measurement of land
- (2) Whether requiring the disclosure of “estimated acres of land” instead of “acres of land” would provide preparers greater flexibility and reduced burden while still ensuring that user needs are met

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- (3) The determination and application of materiality to NFI (that is, the appropriate considerations for NFI)
- (4) Whether materiality is affected by the presentation of land information as basic, required supplementary information, or other information. For example, identify challenges in estimating the NFI in each of the three categories identified above.

Please provide your thoughts and rationale concerning the four areas noted above.

**NASA OIG Response:**

- (1) We agree that the reporting on land by using non-financial information is more relevant to users and decision-makers than the current financial recognition and measurement of land.**
- (2) We agree preparers will have greater flexibility and less burden if disclosure is based on estimates instead of exact/actual acreage without compromising usefulness.**
- (3) We consider materiality for NFI to be just as important as it is for financial information. If the purpose of switching from recognition to NFI is to provide more useful and relevant information for users and decision-makers while still having a cost-benefit to providing the information, there should not be an undue burden on preparers to ensure that all information on land is disclosed. Similarly, users would need as much information as possible to avoid an omission or misstatement impacting how the information is used or relied upon. We have no comments to offer in terms of how materiality for NFI would be determined.**
- (4) In our opinion materiality should be the same for land information regardless of whether it is presented as basic, required supplementary information, or other information.**

Please provide any other comments or suggestions you have regarding the goals for this project, other issues identified in the Basis for Conclusions, or other areas that have not been addressed.

**NASA OIG Response:**

- Since the definition of G-PP&E land (paragraph 8) will now specifically exclude land restricted for conservation, preservation, historical, or other like restrictions we do not understand why a predominant use subcategory for conservation and preservation would be appropriate (paragraph 8). Further, the partial sample illustration in Appendix B for G-PP&E has an amount in the conservation and preservation column which we do not understand how such would be feasible given the above info. We feel this further supports our response to Q3, which disagreed retaining separate categories for G-PP&E land and SL.**
- We do not understand why temporary land rights under G-PP&E would be capitalized while permanent land rights under G-PP&E would be expensed**

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**(paragraph 8). No rationale or basis for the decision was located in Appendix A, Basis for Conclusion.**

- **Subparagraph 40.f.i under paragraph 9 permits temporary land rights to be excluded from opening balances. By continuing to permit such exclusions, the Standards further promote inconsistency in the reporting of land holdings among agencies whereas consistency in implementation and reporting seems to be one of the reasons for the new proposed standard (refer to A5 – A7).**
- **Since the determination of what constitutes a physical unit can be determined by each agency, we do not see the usefulness of requiring disclosure of physical units for G-PP&E land and SL since there would be no consistency or comparability with other agencies.**