



FASAB

THE FEDERAL ACCOUNTING
STANDARDS ADVISORY BOARD

Annual Report

Fiscal Year Ended September 30, 2020

Three-Year Plan

Fiscal Years 2021-2023

Comments Requested by January 21, 2021

Issued November 20, 2020

Current FASAB Members

George A. Scott | Chair | 2019–2021 | Non-federal representative | 2016–2021*

R. Scott Bell | Department of the Treasury | 2017–present**

Gila J. Bronner | Non-federal representative | 2016–2021*

Robert F. Dacey | Government Accountability Office | 2004–present**

Sallyanne Harper | Non-federal representative | 2019–2024*

Regina Kearney | Office of Management and Budget | 2020–present**

Patrick McNamee | Non-federal representative | 2017–2022*

Terry K. Patton | Non-federal representative | 2019–2024*

Graylin E. Smith | Non-federal representative | 2012–2022

*Member is eligible for a second five-year term.

**Federal members are not term limited.

Organization

Three federal officials responsible for federal financial reporting—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. These three officials possess legal authority under various laws to establish accounting and financial reporting standards for the federal government. Together, they entered into and have periodically modified a Memorandum of Understanding creating the Board as a federal advisory committee.

Membership comprises individuals from each of the three federal agencies that established the Board (the sponsors) and six non-federal individuals. The American Institute of Certified Public Accountants (AICPA) has designated the Board as the body that establishes generally accepted accounting principles (GAAP) for federal reporting entities.

Mission

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

The Mission Supports Public Accountability

Financial reports, which include financial statements prepared in conformity with GAAP, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government’s responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government’s accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

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Annual Report

FROM THE CHAIR

As we celebrate our 30th anniversary as a Board, we do so through social distancing, video-conferencing, and other communication methods primarily from our respective homes. February 2020 was the Board's last in-person meeting before our country and the world descended into the Coronavirus Disease 2019 (COVID-19) pandemic. Most of us only could have imagined such an operating scenario in science fiction lore.

I want to commend the Board, staff, and all our volunteers for successfully navigating through this trying time. Not only has the Board continued with its regular meeting schedule, but Board members and staff have been in constant communication to move forward FASAB's agenda.

FY 2020 Accomplishments

One of my goals during my term as chair was to increase the Board's outreach within the reporting community. I am pleased to report that our educational outreach has exceeded my expectations. The Board and staff have enthusiastically committed themselves to this effort—developing free training sessions, directing educational programs that have reached thousands of participants, writing numerous articles, and presenting at various conferences. Additionally, FASAB created a [YouTube channel](#) and released its first [video](#) on requirements of SFFAS 54, *Leases*, and Board activities and AAPC projects to facilitate ongoing implementation preparation. To stay up to date on all of FASAB's activities, I encourage all of our followers to not only [subscribe to our listserv](#), but also to our [YouTube channel](#).

On the standard-setting front, we have continued to move forward our technical agenda. During the last year, the Board issued a concepts statement on materiality and several standards, which are addressed in more detail in the report. The Board continues to engage on a full agenda. For example, the Board is addressing the following issues:

- Reexamining the reporting model to focus on the effectiveness of management's discussion and analysis (MD&A), risk reporting, note disclosures, and budgetary reporting
- Developing implementation guidance that addresses issues arising from the accounting and reporting of leases
- Developing consistent and meaningful accounting and presentation of land owned and managed by the federal government
- Reexamining existing standards for relevance, consistency, and usefulness

The Board remains committed to sustaining our efforts to improve the usefulness of federal financial reporting, which is vital to every citizen of the United States and every consumer of federal financial information. The Board's ongoing focus is on improving the transparency of the financial activities and results of the federal government and its components.

Our COVID-19 Response

In response to COVID-19, FASAB's priority is working with the community to resolve evolving federal financial accounting and reporting questions. The Board will continue to monitor and respond to federal entity needs. FASAB is also committed to supporting and assisting stakeholders beyond this immediate crisis.

The Board has agreed on a three-pronged approach to respond to the needs of the federal financial accounting and reporting community:

- Postponing implementation of certain new standards
- Proactively identifying and prioritizing accounting issues
- Encouraging technical inquires and increasing training outreach

Member and Staff Transitions

In September, Timothy Soltis, the FASAB member representing OMB, left the Board to take another position within OMB. I want to thank Tim for his contributions to the Board over the last two years. We also wish Tim much success in his new position. We welcome Regina Kearney back to the Board as the new OMB representative to FASAB.

We wish to thank the General Services Administration for loaning to the Board Ms. Christi Dewhirst to serve as a fellow through 2020. Her efforts on FASAB's wide-ranging projects on leases have already proved invaluable. The success of this type of working relationship between the Board and the federal user community is a model we will strive to replicate as often as we can.

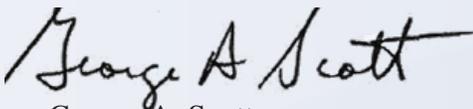
In August, FASAB welcomed Senior Analyst Joshua Williams to the technical staff. Joshua comes to FASAB after a notable twelve-year career with the U.S. Army Corps of Engineers (USACE).

In September, FASAB also welcomed fall intern, Mercedes Heath. Mercedes is currently a Penn State University senior expected to graduate in May 2021 with a bachelor's degree in accounting.

The Board was saddened to say farewell to Assistant Director Grace Wu. We thank her for her five years of service to FASAB and are confident that her expertise will be a tremendous asset as she pursues her future endeavors. We wish her every success.

Thank You

This year has challenged all of us in ways we never would have imagined. However, our commitment to FASAB's mission is as strong as ever. I would like to express my gratitude to all those engaged in the Board's mission—my fellow Board members, FASAB's executive director and her staff, the members of the Appointments Panel, those serving on FASAB task forces, the members of the AAPC, and all who read and respond to our requests for input. Your passion and commitment make the Board's work possible.



George A. Scott
FASAB Chair

FROM THE EXECUTIVE DIRECTOR

Passage of the CFO Act in 1990 had a transformational effect on federal financial management. It led to the creation of FASAB, which has played a critical role in establishing the foundation for federal accounting and accountability. I was the last staff member to join the original technical staff of the Board in 1991. I have worked with five different Board chairs, over 40 Board members, two executive directors, and over 25 fellow staff members. I am excited to be a part of this significant milestone and look forward to embracing the opportunities and challenges to come through the Board's technical agenda.

The Board undertakes major projects and addresses other matters throughout the year as time and resources permit. This annual report and three-year plan summarizes technical activities achieved to date, project relationships, the Board's plans for the next three years, and three potential projects the Board will be considering.

In February 2021, the Board will discuss its priorities and adjust the three-year plan as necessary. Awareness of emerging issues and other ideas help ensure the Board makes consistent decisions across related projects. As such, FASAB invites you to provide your input on the three-year plan by January 21, 2021, to help identify opportunities for enhancing FASAB guidance.

Each project on the technical agenda applies to the government-wide and component reporting entities that prepare and present general purpose federal financial reports (GPFGRs) in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

The Board plans the technical agenda based on the following factors:

- The likelihood a potential project will significantly contribute to meeting the reporting objectives established in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*
- The pervasiveness of the issue amongst federal entities, users of the GPFGR, Congress, and program managers
- The resource requirements and competing technical agenda priorities
- The effects on burden of preparers and auditors

The technical activities and three-year plan should help those who use, prepare, and audit federal financial reports to participate fully in the standard-setting process and plan for changes in generally accepted accounting principles (GAAP).

After considering factors that may influence project priorities, the Board begins its planning by reviewing potential projects identified through submissions of technical inquiries from the public or identified by members, staff, and other sources. FASAB encourages all stakeholders to contact the Executive Director to submit suggestions on any aspect of this material or any ideas not presented herein by January 21, 2021.



Monica R. Valentine
FASAB Executive Director

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at (202) 512-7350 or fasab@fasab.gov to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternate arrangements.

FASAB CELEBRATES ITS 30TH ANNIVERSARY

October 10, 2020, marks FASAB’s 30th anniversary. As the Board celebrates its 30th anniversary and continues to navigate through COVID-19, it does so utilizing an array of virtual video-conferencing tools and other remote communication methods. The members, staff, and the many FASAB volunteers have successfully assisted the Board in navigating through this trying time and moving forward our agenda.

Over the last three decades, FASAB has continued to build onto a historic beginning as it continues to meet the needs of the federal financial management community it was created to serve.

30 Years of FASAB Publications			
	1991 – 2000	2001 – 2010	2011 – 2020
SFFAC	1 – 3	4 – 6	7 – 9
SFFAS	1 – 18	19 – 39	40 – 58
Interpretations	1 – 5	6 – 7	8 – 9
Technical Bulletins		TB 2000-1 – TB 2009-1	TB 2011-1 – TB 2020-1
Technical Releases	1 – 4	5 – 9	10 – 19
Staff Implementation Guidance		SIG 23.1 and SIG 31.1	SIG 6.1

Thank you for being part of the federal financial community and for your continued support of FASAB. The Board looks forward to continuing to serve you.

The Department of the Treasury’s Remarks on FASAB’s 30th Anniversary

The Chief Financial Officers Act of 1990 transformed federal financial management and accountability. Over the past thirty years, the Federal Accounting Standards Advisory Board has played an integral role in that transformation, providing the critical foundation for effectively and reliably communicating the financial position and condition of federal agencies and the U.S. government as a whole. From the fundamental accounting building blocks of assets, liabilities, revenues, and costs, to uniquely federal topics, including social insurance and fiscal sustainability, FASAB has provided for a more informed public about federal finances. Looking ahead, in an era of rapidly evolving technologies and exponential growth in the availability and use of data, the accounting and accountability infrastructure established by FASAB will continue to be an important part of the future of federal financial management.

— R. Scott Bell, Board Member, U.S. Department of the Treasury

The Government Accountability Office’s Remarks on FASAB’s 30th Anniversary

I am Gene Dodaro, the Comptroller General of the United States and the head of the Government Accountability Office. On behalf of everyone here at GAO, I would like to extend our very best wishes to the Federal Accounting Standards Advisory Board as it celebrates its 30th anniversary.

FASAB can be justly proud of its record of accomplishments since its creation in 1990. Over the last 30 years, FASAB has played a vital role in improving federal financial management. The Board’s efforts

to issue a set of accounting standards and related guidance have helped deliver greater transparency and accountability over the federal government's operations, financial condition, and outlook.

FASAB accounting standards were vital to realizing the CFO Act's goal of providing complete, reliable, consistent, and timely financial information. Financial statements prepared using accrual-based accounting standards provide key information that complements the primarily cash-based budget. The consistent application of accounting standards also helps ensure comparability of financial data across the government and helps promote uniform recording and reporting of financial activities.

In 1999, the American Institute of Certified Public Accountants recognized FASAB as the standard setter for generally accepted accounting principles for federal government entities. Your leadership in this area continues to impress.

In particular, I would like to commend your development of accounting standards tailored to the needs of the federal environment. The federal government faces large and growing structural deficits partly due to rising health care costs and our aging population. The sustainability financial statements FASAB developed for the government as a whole, as well as for social insurance programs like Social Security and Medicare, provide important information on the federal government's long-term fiscal outlook and the sustainability of its finances. The sustainability financial statements are critical to helping policy makers understand what challenges lie ahead for the federal government so that they can make informed fiscal policy decisions.

I am greatly encouraged by FASAB's continuing efforts to improve the usefulness of financial reports. I know you're taking a look at the financial reporting model, management's discussion and analysis, and note disclosures. Going forward, there may also be opportunities for FASAB to partner with others in the financial management community on ways to better link performance and cost information for decision-making.

Again, I would like to congratulate FASAB on this important milestone. Thank you for all you do to help our government work better. And happy birthday FASAB!

— Gene L. Dodaro, Comptroller General of the United States

FISCAL YEAR 2020 COLLABORATION, EDUCATION, AND OUTREACH ACTIVITIES

FASAB engages in a number of outreach activities as part of its due process efforts throughout the year to support the federal financial management community.

Due Process

During the **research phase (RE)** staff collects information to assist the Board in determining the best course of action for each project. RE outreach activities may include:

- **Educational sessions** – Staff recruits and coordinates with subject matter experts (SMEs) to deliver information during Board meetings that will enhance members’ understanding of issues.
- **Coordination with other standard-setters** – Staff researches the works of other standard-setters, such as the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and International Public Sector Accounting Standards Board (IPSASB), to provide information to the Board.
- **Round tables** – Staff recruits SMEs from agency preparers, auditors, think tanks, GPFRR users, the Office of Management and Budget (OMB), the Congressional Budget Office (CBO), and congressional staff to participate in research sessions to provide information to the Board about what may be helpful in GPFRR.
- **Surveys** – Staff occasionally conducts surveys through open calls to the public to help conduct research to present to the Board.

During the **development and exposure draft phase (DE)** staff collects information to assist the Board in developing exposure drafts (EDs), which solicit input from the federal financial community and users of GPFRR on proposed guidance. DE outreach activities may include:

- **Collaboration with other standard-setters** – Staff continues to monitor the work of other standard-setters and look for collaboration opportunities.
- **Task forces and working groups** – Staff recruits SMEs, such as agency preparers, auditors, OMB staff, and CBO researchers that work in collaboration with staff to prepare and deliver information during Board meetings, provide expert views, and develop recommended solutions.

During the **resolution and finalization phase (FI)** staff assists the Board with finalizing a pronouncement. FI outreach activities may include:

- **Clarification discussions** – The Board may invite certain respondents to clarify comment letters.
- **Public hearings** – The Board may request staff to identify and coordinate interested parties to address the Board directly before a pronouncement is finalized.

Before implementation of standards, outreach activities may include:

- **Implementation group meetings** – To assist in implementing standards government-wide, staff liaisons may meet with staff from agencies, OMB, and/or the Department of the Treasury’s Bureau of the Fiscal Service (Fiscal) to provide implementation assistance. Staff coordinates updates to related guidance, including but not limited to A-136 – *Form and Content of Financial Statements* and Treasury’s Treasury Financial Manual or U.S. Standard General Ledger.

Ongoing Educational & Outreach Activities

Mr. Scott and Ms. Valentine identified the need for increased outreach and training early in the fiscal year, so the entire FASAB staff dedicated their time, resources, and talents to standing up FASAB’s outreach program and training the community. In Fiscal Year 2020, FASAB has given 46 presentations, which reached 9,045 people. These trainings have not only aided in the community’s specific knowledge and awareness of FASAB publications, but also helped establish relationships with our users throughout the community. Board members also increased their participation on panels and at conferences.

FASAB’s focus on outreach only increased as COVID-19 disrupted the community’s plans to attend in-person conferences and networking events. Staff adapted every training to a virtual environment and greatly increased the frequency of presentations. 38 of our 46 trainings have occurred since mid-March.

This significant increase in training opportunities and emphasis on outreach and communication continues to build on the legacy that FASAB created over the last 30 years. FASAB thanks all participants, organizers, and collaborators for their advice, assistance, and fellowship. The Board is eager to continue serving you.

In addition to the outreach activities conducted during due process, members and staff engaged in outreach activities throughout the fiscal year for a wide array of audiences:

- **FASAB annual update** – Staff presents an update every spring, awarding four hours of free CPEs to those who attend. Unfortunately, due to COVID-19, FASAB staff was unable to host the annual update in FY 20.
- **Professional organization presentations** – Board members and staff provide updates and other relevant federal financial information to professional organizations, such as the American Institute of CPAs (AICPA); Association for Federal Enterprise Risk Management (AFERM); Association of Government Accountants (AGA)—national and local chapters; Institute of Internal Auditors; and Institute of Management Accountants.
- **Educational briefings** – Board members and staff develop and present targeted briefings to agencies as well as to congressional staff, agency leadership, college classes, and delegations from other countries about both Board efforts in general and specific issues of interest.
- **Published articles** – Board members and staff write articles to address current federal financial management topics.

FY 20 BY THE NUMBERS

Presentations & Workshops

FASAB staff gave **13** presentations at conferences, professional training events, and universities.

Board members gave **11** presentations at conferences, professional training events, and universities.

FASAB staff taught **21** workshops at federal agencies.

The FASAB chair and one staff member collaborated on a presentation at the AICPA Governmental Accounting and Auditing Update Conference.

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This outreach has reached approximately **9,045** people who have received about **16,119** CPEs.

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38 of **46** of these presentations and workshops have occurred virtually since COVID-19 forced many of our users to work remotely starting in mid-March.

Technical Inquiries

FASAB staff addressed **27** technical inquiries submitted by preparers, auditors, inspectors general, and consultants.

Social Media

FASAB released **three** episodes of its FASAB Bits and Bytes podcast.

FASAB created a YouTube channel and released **one** video on leases implementation guidance. As of publication of this report, the video has **276** views.

- **Workshops and trainings** – Staff develops and delivers workshops and trainings in response to federal accounting professionals’ educational needs. For example, staff developed a full day educational workshop to provide an in-depth discussion of authoritative federal GAAP, including the use of simulated case studies.
- **Staff liaisons to federal government working groups** – Staff collaborates with interagency councils and working groups to enhance their awareness of Board efforts and current issues, including the CFO Council, Council of the Inspectors General on Integrity and Efficiency; Defense Audit Remediation Working Group; Financial Statement Audit Network, and the Joint Financial Management Improvement Program.
- **FASAB Bits and Bytes Podcast** – As part of FASAB’s efforts to modernize and reinvigorate its communications strategy, FASAB continues to release podcast episodes to supplement its communications. During FY 20, FASAB released three episodes of FASAB Bits and Bytes. FASAB looks forward to increasing the frequency of episodes in the future. Please see the [FASAB Bits and Bytes Podcast Archive](#) for more information.
- **YouTube Channel** – In FY 20, FASAB expanded its communications strategy to include YouTube. FASAB’s first video addressed leases implementation and the progress of the leases project. FASAB looks forward to increasing the frequency of episodes in the future. Please see [FASAB’s YouTube channel](#) for more information.

Technical Inquiries

Staff engages in extensive research to provide clarification on federal GAAP-related technical inquiries (TI) received from preparers, auditors, inspectors general, consultants, and individuals on general and agency-specific accounting issues.

As staff researches TI’s received assessments are made to determine if GAAP exists to address the technical issue or if the issue requires Board deliberation.

GOVERNANCE, OPERATIONS, AND BUDGETARY RESOURCES

Governance

The Steering Committee members continue to affirm their commitment to supporting the resource needs of the Board. The committee demonstrated this by maintaining FASAB staff levels despite ongoing budget constraints faced by all federal agencies.

Budgetary resources are reported on [page 13](#). Final FY 2021 resources are dependent upon appropriations established through the federal legislative process. The committee also provided the executive director's annual performance appraisal and established expectations.

During the fiscal year, Lisa Motley (FASAB general counsel) and James Lager (GAO deputy ethics advisor) provided members with annual training on both Federal Advisory Committee Act requirements and ethics. Such training is helpful to update and remind members of important federal requirements and to answer questions.

During FY 2020, the Board made no revisions to its mission statement (adopted in 2012) or its rules of procedure (adopted in 2010).

Operations

Members confirm their independence and adherence to the ethics policy and complete a Board performance survey. These actions provide information needed for an annual assessment of conformance to the five AICPA criteria essential for a GAAP standard-setting body. This report summarizes the results for the public and the Appointments Panel.

Each member's survey response identifies changes—positive or negative—in the Board's performance relative to the criteria (see [sidebar](#) for the criteria). Members explain their views and offer suggestions for improvement.

In addition to these annual processes, members agree that the AICPA will be notified of any reportable events of undue influence if and when they occur. Together, these efforts serve to alert the AICPA to significant changes relevant to the established criteria and to ongoing recognition of FASAB as the GAAP standard-setting body for federal governmental entities. To date, no reportable events have occurred. Again, this year all members confirmed they conformed to the requirements regarding independence, ethics, and reporting undue influence.

OUR GOVERNANCE TEAM

The **Steering Committee** is composed of the chair and the members representing the three federal sponsors. The committee annually reviews the operating budget, approves contracting activities, provides the executive director's annual performance appraisal, and collaborates with the executive director on the upcoming year's expectations. The committee also actively participates in the Appointments Panel.

The **Appointments Panel**, established in 1999, assists the Board's sponsors in recruiting and selecting non-federal members and advises the Board regarding improvement efforts. The panel comprises the members of the Steering Committee, two representatives of the AICPA, and one representative of the Financial Accounting Foundation (FAF). The panel's assistance contributes greatly to the Board's independence and continued conformance to the criteria for a GAAP standard-setting body. The panel reviews this annual report and monitors annual performance survey results. The panel would convey any concerns to the AICPA in a timely manner.

Appointments Panel Members

George A. Scott, Chair
R. Scott Bell, Treasury
Robert F. Dacey, GAO
T. Eloise Foster, FAF
F. Carter Heim, AICPA
Regina Kearney, OMB
Daniel J. Murrin, AICPA

FASAB General Counsel

Lisa Motley

FASAB Executive Director and Designated Federal Official

Monica R. Valentine

Further, member survey results identified some areas of improvement from last year. Members noted:

- A substantial benefit of the Board dynamic continues to be the opportunity to leverage and discuss a wide range of perspectives. The Board continues to be comprised of a diverse and well-informed membership and staff, exhibiting a broad range of perspectives, which continues to be among the strengths of the organization.
- FASAB staff and the Steering Committee are to be commended for exploring options to enhance the use of technology to facilitate Board activity, including engagement with the user and preparer community. Such options are likely to require some amount of initial and ongoing investment.
- The use of task forces and the presence of task force members and other experts at FASAB meetings provides broader input into the standard-setting process. The increased use of task forces allows the Board an opportunity to ask questions and exchange thoughts to gain a better understanding of the subject matter and the views of the presenters. The educational sessions have also been well received by the Board and improve the Board's understanding of developing issues.
- The regular updates at each meeting have provided valuable insights to the Board on the major issues being addressed by other standard-setters, improving the knowledge of the Board and staff, and creating opportunities for enhancing consistency where appropriate.
- Staff engaging with Board members earlier and on a more continuous basis has generally facilitated progress on Board projects.
- The quality of the presentations is further evidence of the increased collective improved knowledge of staff.
- The FASAB staff, individually and collectively, are invaluable resources to the federal financial community. Staff's experience, insights, passion for the work of the Board and their work ethic are appreciated.

AICPA CRITERIA FOR A GAAP STANDARDS-SETTING BODY

Independence: The body should be independent from the undue influence of its constituency.

Due Process and Standards: The body should follow a due process that is documented and open to all relevant aspects or alternatives. The body's aim should be to produce standards that are timely and that provide for full, fair, and comparable disclosure.

Domain and Authority: The body should have a unique constituency not served by another existing Rule 203 standard-setting body. Its standards should be generally accepted by its constituencies.

Human and Financial Resources: The body should have sufficient funds to support its work. Its members and staff should be highly knowledgeable in all relevant areas.

Comprehensiveness and Consistency: The body should approach its processes comprehensively and follow concepts consistent with those of existing Rule 203 standard-setting bodies for analogous circumstances.

ANNUAL CONFIRMATIONS PROVIDED BY EVERY MEMBER

Independence: I acknowledge that I have neither personal nor external impairments that will keep me from objectively reaching independent conclusions on matters under consideration by FASAB, nor did I during the preceding fiscal year. I will promptly notify the Chair if my independence is or may be impaired.

Ethics: I have reviewed the FASAB ethics policy and confirm that I satisfied all requirements and limitations established under the policy during the preceding fiscal year.

Undue Influence: I have notified the Chair of any and all matters that I judge to be undue influence. "Undue influence" is defined as external influences or pressures that impact a member's ability to objectively reach and/or communicate independent conclusions.

This year’s survey results are generally consistent with the previous years. The Board’s most notable five-year trend was sustained quality in the areas of comprehensiveness and consistency, knowledge of members and staff, and due process.

The survey solicits narrative responses for ideas for improvement in many of the criteria as well as general comments. The members offered the several ideas for improvement. Members suggested staff will work with the Board and Steering Committee to address the following.

- **Federal Community Involvement**

- Staff should continue to leverage multi-agency task forces to support and facilitate research and development efforts.
- Staff should develop a close, effective working relationship with key agency staff and task forces to share information and facilitate timely development of guidance in a cost-effective manner.
- Staff and the Board should look for ways to collaborate with the Chief Financial Officers Council (CFOC) to meet the goals of improving federal financial management.

- **FASAB Detailee/Fellows/Intern Program**

- Staff should develop a consistent, sustained approach to continue bringing in detailees/fellows/interns from the operating agencies and departments – experienced federal practitioners to supplement the hard-working and talented FASAB staff. This effort could help the Board to address potential agency concerns earlier in the research and development process and be a way of introducing new concepts and potential new ideas as the Board considers new standards and implementation guidance and at the same time provide invaluable experience to the participants.

- **Educational Sessions**

- Increased outreach is needed to get more involvement from the public, both preparers and users, in standards setting, including those outside the financial reporting and audit communities.

- **Reexamination and Codification Projects**

- There will be value over the short term to assess the full set of standards and identify gaps, inconsistencies, and other ways to streamline the standards.
- The Board should prioritize efforts that will mitigate or even reduce preparer burden.

- **Technology Options**

- Given the increasing emphasis on data, itself, as well as the technological advances in generating, using, and reporting data, the Board should ensure that its ongoing and future projects include consideration of the role and relevance of data and technology.
- Additional resources should be dedicated to improving FASAB’s technology infrastructure and capacity. Technology improvements can be leveraged more effectively to support project work and Board deliberations. Improvements in the technology can reduce some of the current labor-intensive activities of the staff so that feedback from respondents and Board members can be analyzed and summarized quicker.

- **Meeting Logistics**

- The Board should consider the continued use of remote meeting technologies – at least in part – on an ongoing basis to provide the savings needed to support the technology enhancements being sought.

- **Project Agenda**

- The Board should consider a more formal framework for taking on projects.

Budgetary Resources

Actual funding levels are dependent on final FY 2021 appropriations and will be determined after appropriations are provided to each of the Board’s sponsors. [Table 1, Budget FY 2018-2021](#), presents budget resources made available from FY 2018 through FY 2020, as well as anticipated resources for FY 2021.

Table 1: Budget FY 2018 - 2021
(dollars in thousands)

	FY 2018	FY 2019	FY 2020	FY 2021¹
Salaries and Benefits	\$1,734.3	\$1,799.4	\$1,744.5	\$1,791.8
Member Compensation	156.8	158.6	160.6	167.2
Travel	45.0	45.0	45.0	36.0
Education and Training	9.5	9.5	10.0	10.5
Consultants and Other	79.7	81.9	80.2	152.7
Totals²	<u>\$2,025.3</u>	<u>\$2,094.4</u>	<u>\$2,040.3</u>	<u>\$2,158.2</u>

¹Actual funding levels are dependent on final FY 2021 appropriations and will be determined after appropriations are provided to each of the Board’s sponsors.

²Amounts may not total correctly due to rounding.

FY 2020 Annual Report for Technical Activities & Three-Year Plan for the Technical Agenda

FASAB is subject to the Federal Advisory Committee Act and therefore follows a due process to manage the technical agenda and promulgate federal GAAP that can be summarized into three phases: research; development and exposure draft; and resolution and finalization.

During the **research phase (RE)**, the Board considers initial staff research, input from collaboration and outreach activities, and the project plan to determine the best course of action for the project. During the **development and exposure draft phase (DE)**, staff applies research and recruits task forces to help the Board develop an ED. During the **resolution and finalization phase (FI)**, the Board deliberates on EDs through comment letters, prepares pre-ballot revisions, and votes on final pronouncements. FASAB sends Board-approved pronouncements to its sponsors, OMB, GAO, and Treasury, before publication.

For detailed histories and context behind FASAB’s projects, see the [Active Projects](#) and [Archived Projects](#) pages at [FASAB.gov](https://fasab.gov). A consolidated work plan matrix is included in [Table 2](#) on [page 22](#).

FY 2020 Standards & Guidance at a Glance	
Exposure Draft	
Title	Date
Proposed Statement of Federal Financial Accounting Standards: <i>Deferral of the Effective Date of SFFAS 54, Leases</i>	December 18, 2019
Final Issuances	
Technical Bulletin 2020-1: <i>Loss Allowance for Intragovernmental Receivables</i>	February 20, 2020
Statement of Federal Financial Accounting Concepts 9: <i>Materiality</i>	May 4, 2020
Statement of Federal Financial Accounting Standards 58: <i>Deferral of the Effective Date of SFFAS 54, Leases</i>	June 19, 2020

A. Land – Accounting and Reporting

Assigned Staff: Dominic N. Savini, SaviniD@fasab.gov

Project Summary:

The Board is addressing significant and long-standing inconsistencies in how agencies report information pertaining to land owned by the federal government. Under existing standards, reporting entities capitalize land acquired for or in connection with other general property, plant, and equipment (PP&E) on the balance sheet but do not capitalize stewardship land even if used in connection with general PP&E.

Additionally, recent guidance regarding opening balances of general PP&E contained in SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, allows certain federal agencies to exclude land from the balance sheet. Agencies applying SFFAS 50 could report acres in a note disclosure and exclude all land from the balance sheet. As a result of the SFFAS 50 flexibility relating to opening balances and the existing land categories, the information about land is unlikely to be complete at the government-wide level or comparable among the federal reporting entities. The Board evaluated several options with the aid of a task force. The task force considered a variety of measures including historical cost, fair value, and non-financial measures such as acres.

The Board issued its proposed ED regarding land in FY 2018. The Board considered responses to the proposal in late FY 2018 and hopes to complete deliberations in CY 2021. Given the potential implementation challenges related to this Statement, the Board agreed to include a separate project on its technical agenda to monitor implementation challenges and to assess the need, as appropriate, for actions to address those challenges prior to transition of the RSI requirements to the notes. Consistent with Board principles and practice, such actions may include, among other things, staff guidance, AAPC guidance, Interpretations, or additional standards, as determined appropriate based on Board deliberations. The Board intends to establish working groups comprising stakeholders, including major landholding agencies, and users to conduct these assessment and research activities.

FY20 Actions (Work Completed as of Sept. 30, 2020)	Three-year Plan		
	FY21	FY22	FY23
DE - The Board continued to deliberate the final standards.	DE FI		
Implementation Guidance for Land standard	RE	RE	RE

B. Leases			
Assigned Staff: Ricky A. Perry, Jr., PerryRA@fasab.gov			
Project Summary:			
<p>FASAB issued SFFAS 54, <i>Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment</i>, on April 17, 2018. SFFAS 54 provides a comprehensive set of lease accounting standards to recognize federal lease activities in GPFFRs and include appropriate disclosures.</p> <p>The Board is developing implementation guidance through the Accounting and Auditing Policy Committee (AAPC) and will continue to develop and finalize such guidance in FY 2021 to facilitate effective implementation. As a result of ongoing research and outreach efforts in monitoring implementation challenges, the Board issued SFFAS 58, <i>Deferral of the Effective Date of SFFAS 54, Leases</i>, in June 2020; this Statement postpones the effective date of SFFAS 54 to reporting periods beginning after September 30, 2023, allowing reporting entities additional time to consider forthcoming implementation guidance under development.</p> <p>There are two leases sub-projects:</p>			
B1. Leases Omnibus Amendments			
The Board is developing omnibus amendments proposals related to SFFAS 54, which would provide minor technical clarifications and/or corrections and facilitate implementation.			
B2. Implementation Guidance for SFFAS 54, Leases			
The AAPC, with the support of a task force, is developing guidance to facilitate implementation of SFFAS 54 requirements.			
FY20 Actions (Work Completed as of Sept. 30, 2020)	Three-year Plan		
	FY21	FY22	FY23
B. FI – FASAB issued SFFAS 58, <i>Deferral of the Effective Date of SFFAS 54, Leases</i> , on 06/19/2020.			
B1. Leases Omnibus Amendments RE / DE – The Board researched, deliberated, and developed omnibus amendment proposals identified by staff in collaboration with the leases implementation task force. Once approved, the ED will be released for public comment.	FI		
B2. Implementation Guidance for SFFAS 54, Leases RE / DE – The AAPC developed and approved implementation guidance in collaboration with the leases implementation task force. The ED will be released for public comment in tandem with the omnibus amendments proposals once those are approved by the Board for exposure.	FI		

C. Public-Private Partnerships

Assigned Staff: Dominic N. Savini, SaviniD@fasab.gov

Project Summary:

FASAB added this project to the agenda because federal agencies have increasingly turned to public-private partnerships (P3s) to accomplish their goals. Budget pressures are likely to further increase the use of P3s. The overall objective of the project is to make the full costs and risks of such partnerships transparent.

In phase 1, the Board decided to address definitions and disclosures regarding risk before providing recognition and measurement guidance in phase 2. On April 27, 2016, the Board concluded its first phase with the issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, effective for periods beginning after September 30, 2018.

The Board plans to resume its work on P3s in phase 2 regarding recognition and measurement. The Board also plans to consider implications for other arrangements related to P3s (for example, sale-leasebacks and other long-term arrangements).

A task force will be convened to address major P3 accounting practice issues requiring guidance, review entity P3 disclosures, and coordinate progress and results with the leases, note disclosures, and MD&A project managers.

FY20 Actions (Work Completed as of Sept. 30, 2020)	Three-year Plan		
	FY21	FY22	FY23
RE – Public-Private Partnerships – Phase 2	RE	RE	DE

Reporting Model

The Board initiated the reporting model project due to increased demands for financial information for decision making and accountability and changes in the way users access information, as well as the need to identify ways to streamline the financial reporting process without sacrificing informational value. In February 2020, the Board decided to include the following topics as part of a collective Reporting Model project:

- Budgetary Information
- Materiality (Completed)
- Management’s Discussion and Analysis
- Note Disclosures

D. Budgetary Information			
<u>Assigned Staff:</u> Ross Simms, simmsr@fasab.gov			
<u>Project Summary:</u>			
The budgetary information project addresses certain issues related to accounting and financial reporting of government-wide and component reporting entity budgetary information. The project will consider improvements to existing guidance related to: 1) the usefulness of the required U.S. budget surplus/deficit presentations and 2) the understandability of the required presentation for component reporting entity budgetary resources.			
FY20 Actions	Three-year Plan		
(Work Completed as of Sept. 30, 2020)	FY21	FY22	FY23
RE – Reviewing alternatives for presenting budgetary information	RE	RE DE	FI

E. Materiality			
<u>Assigned Staff:</u> Ross Simms, simmsr@fasab.gov			
<u>Project Summary:</u>			
The Board developed materiality concepts to include in its conceptual framework. The guidance identifies the users, scope, and factors to consider when applying materiality in the federal environment. The guidance is also expected to enhance preparers’ and auditors’ understanding of materiality concepts in federal financial reporting.			
FY20 Actions	Three-year Plan		
(Work Completed as of Sept. 30, 2020)	FY21	FY22	FY23
FI – FASAB issued SFFAC 9, <i>Materiality</i> , on 05/04/2020.			

F. Management’s Discussion and Analysis (MD&A)			
Assigned Staff: Robin Gilliam, GilliamR@fasab.gov			
Project Summary:			
<p>The Board decided to combine the efforts from the reporting model phase I: MD&A and stewardship investments improvements and risk reporting projects to provide updated standards for preparing the MD&A.</p> <p>Based on research and dialogue by roundtables and task forces, the Board has determined that MD&A is generally burdensome to prepare. Duplicative content, incompatible reporting timelines (for example, with budget and performance reporting), and density of non-financial information are among the contributors to preparer burden. MD&A preparation is further complicated by the existence of guidance in non-authoritative sources (SFFAC 3, <i>Management’s Discussion and Analysis</i>) rather than authoritative sources (SFFAS 15, <i>Management’s Discussions and Analysis</i>).</p> <p>The Board decided to undertake the MD&A project to develop streamlined, consolidated guidance that will promote preparation of focused and integrated content that will cover such topics as the efficient and effective use of resources to achieve performance objectives, forward-looking trends, and risk.</p>			
FY20 Actions (Work Completed as of Sept. 30, 2019)	Three-year Plan		
	FY21	FY22	FY23
DE – Developed MD&A objectives from reporting objectives & and MD&A vision framework	DE	DE FI	FI

G. Note Disclosures			
Assigned Staff: Ross Simms, simmsr@fasab.gov			
Project Summary:			
<p>Note disclosures are an integral part of financial statements. Users rely on them to understand the financial statement line items and reach conclusions about operating performance and the stewardship of government resources. The primary objectives of the project are to improve the relevance, clarity, consistency, and comparability of note disclosures in GPFRRs and to reduce preparer burden where appropriate. This project includes two phases.</p> <p>Phase 1 focuses on developing concepts to guide the Board on what types of information to include in note disclosures.</p> <p>Phase 2 will focus on researching existing standards, identifying areas for streamlining to develop and update ND standards according to the concepts developed in phase 1.</p>			
FY20 Actions (Work Completed as of Sept. 30, 2020)	Three-year Plan		
	FY21	FY22	FY23
G1. Note Disclosures – Phase 1			
DE – Developing note disclosure concepts for the Board to use to reduce repetition and improve the relevance and consistency of note disclosures	DE FI		
G2. Note Disclosures – Phase 2			
	RE	DE	DE

H. Technical Clarifications of Existing Standards

Assigned Staff: Melissa Batchelor, BatchelorM@fasab.gov

Project Summary:

Two general concerns expressed by members of the Board and the federal financial management community have been that some existing standards need to be refreshed and entity resources are increasingly constrained. Some believe existing requirements should be evaluated and any unnecessary requirements eliminated. When appropriate, the Board explores opportunities to engage with the community on changes to existing standards and areas where clarification may be needed.

The focus of this project is to address requests for guidance that align with the above goals and provide benefits that clearly exceed costs. To accomplish these goals, ongoing efforts may include providing additional forums for preparers, auditors, and users to identify changes in or clarifications of existing guidance they believe are unnecessary (this can be accomplished through an open-ended written request for input or roundtable discussions). The Board will assess requests against the reporting objectives. The Board may address these requests through the appropriate level of GAAP guidance.

FASAB staff will research topic areas as they are presented by the federal financial management community or identified through other projects.

Note: This project was previously titled evaluation of existing standards but has been renamed to technical clarifications of existing standards with the addition of the reexamination of existing standards project to FASAB's list of potential projects.

Sub-projects include:

H1. Intragovernmental Receivables

Guidance was requested to clarify the applicability of SFFAS 1, *Accounting for Selected Assets and Liabilities*, in the accounting for and reporting of losses on intragovernmental receivables. Technical Bulletin (TB) 2020-1, *Loss Allowance for Intragovernmental Receivables*, was issued on February 20, 2020. TB 2020-1 clarifies the recognition of losses, provided in paragraphs 40-52 of SFFAS 1, applies to both intragovernmental receivables and receivables from nonfederal entities. The TB also clarifies SFFAS 1 by explaining the allowance approach is not a "write-off" of a receivable. Rather, it is a method for reporting an amount that the entity believes is realizable by requiring only accounts receivable, net of an allowance, to be reported on the financial statements. An allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or the legal obligation of the other intragovernmental entity to pay.

H2. Update Technical Guidance for Assigning Assets and Cleanup Costs

In FY 2019, the Board issued Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*. Consequently, related conforming amendments resulting from Interpretation 9 need to be made to applicable technical guidance. In FY 2017, the Board also issued TB 2017-2, *Assigning Assets*, which provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis. The issuance of these pronouncements resulted in assessing and updating lower level related GAAP.

H3. Debt Cancellation

FASAB was requested to review SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, as it relates to entity debt cancellation. FASAB researched and gathered information regarding the debt cancellation issue. The Board is considering a draft Interpretation to address the narrow topic or may defer the issue for consideration in a full reexamination of SFFAS 7.

H4. Non-Federal, Non-Entity Fund Balance With Treasury

Guidance was requested regarding the presentation of non-federal non-entity Fund Balance with Treasury as it relates to paragraph 31 of SFFAS 1, *Accounting for Selected Assets and Liabilities*. Specifically, the request relates to monies received in deposit funds from non-federal sources in anticipation of an order. Questions relate to how the asset should be reported and presented on the financial statements when the non-entity funds are held in deposit in the General Fund of the U.S. Government. The Board is considering a Draft Interpretation that would clarify ambiguity regarding the presentation of non-federal non-entity Fund Balance with Treasury.

H5. Implementation Guidance for DoD

DoD efforts to implement standards have revealed areas in need of clarification or amendment. In early 2014, the Board established a project to address such areas. Although there is no longer an active project related specifically to DoD, FASAB continues to liaison with DoD workgroups, assess areas, and develop implementation guidance as necessary.

FY20 Actions (Work Completed as of Sept. 30, 2020)	Three-year Plan		
	FY21	FY22	FY23
H1. Intragovernmental Receivables FI – FASAB issued Technical Bulletin (TB) 2020-1, <i>Loss Allowance for Intragovernmental Receivables</i> , on February 20, 2020.			
H2. Technical Guidance Update RE – FASAB began to identify related conforming amendments resulting from Interpretation 9 and TB 2017-2 to other technical guidance.	RE	DE	FI
H3. Debt Cancellation RE – FASAB developed a draft Interpretation to address debt cancellation.	RE DE	FI	
H4. Non-Federal, Non-Entity Fund Balance With Treasury RE – FASAB developed a draft Interpretation to clarify ambiguity regarding the presentation of non-federal, non-entity Fund Balance with Treasury.	RE DE	FI	
H5. Implementation Guidance for DoD RE - FASAB staff worked with DoD to assess areas that may need implementation guidance.	RE	RE	RE

Table 2 - Technical Agenda Consolidated Work Plan Matrix

Technical Activities	Status FY20	Plan			Staff Contact
		FY21	FY22	FY23	
A. Land					Domenic N. Savini
A. Land Accounting and Reporting Standard	DE	DE FI			
A1. Implementation Guidance on Land		RE	RE	RE	
B. Leases					Ricky A. Perry, Jr.
B. Deferral of SFFAS 54	FI				
B1. Leases Omnibus Amendments	RE DE	FI			
B2. Implementation Guidance for SFFAS 54, <i>Leases</i>	RE DE	FI			
C. Public-Private Partnerships - Phase 2	RE	RE	RE	DE	Domenic N. Savini
D. Budgetary Information	RE	RE	RE DE	FI	Ross E. Simms
E. Materiality	FI				Ross E. Simms
F. MD&A	DE	DE	DE FI	FI	Robin Gilliam
G. Note Disclosures					Ross E. Simms
G1. Phase 1	DE	DE FI			
G2. Phase 2		RE	DE	DE	
H. Technical Clarifications of Existing Standards					Melissa Batchelor
H1. Intragovernmental Receivables	FI				
H2. Update Technical Guidance for Assigning Assets and Cleanup Costs	RE	RE	DE	FI	
H3. Debt Cancellation	RE	RE DE	FI		
H4. Non-Federal, Non-Entity Fund Balance With Treasury	RE	RE DE	FI		
H5. Implementation Guidance for DoD	RE	RE	RE	RE	

RE = research phase

DE = development and exposure draft phase

FI = resolution and finalization phase

POTENTIAL PROJECTS

Reexamination of Existing Standards

This project would reexamine FASAB’s existing standards to assess their current relevance and to identify opportunities to streamline Board guidance. The Board believes that the accounting standards should be periodically reexamined to assess their current applicability and to eliminate or revise unnecessary requirements. For example, existing standards may need to be reassessed considering enhancements made to the Board’s conceptual framework and the issuance of several new concept statements that set forth objectives and fundamentals on which financial accounting and reporting standards will be based. More specifically, the need for reexamination is necessary to

- better manage the increased volume of guidance and the use of the FASAB Handbook;
- clarify the GAAP hierarchy;
- eliminate duplicative or overlapping disclosures;
- determine resource requirements and most efficient manner to prepare standards for codification;
- address cost-benefit implications with regard to preparer and auditor burden; and
- consider the effects of the rapidly evolving technological changes.

In this project, the Board would explore opportunities to review and reexamine existing SFFASs and other pronouncements, as appropriate, and identify areas where clarification or amendments are needed. This project would address issues related to (1) inconsistencies with current practice, (2) confusion or difficulties applying requirements, (3) need for clarifications, and (4) usefulness of disclosures and other required information. FASAB staff would initially perform a preliminary assessment of standards more than 20 years old.

Intangibles

FASAB guidance does not specifically or comprehensively address the accounting and reporting of intangible assets; however, the word “intangible” is used in a few select instances. Intangibles are discussed:

- in general terms in some of the Board’s concepts statements,
- in SFFAS 3, *Accounting for Inventory and Related Property*, to distinguish between tangible and intangible property, and
- in SFFAS 6, *Accounting for Property, Plant, and Equipment*, to distinguish between depreciation of tangible assets and amortization of intangible assets.

During the deliberations of SFFAS 54, *Leases*, the Board discussed the need for specific guidance on intangible assets to address several assets perceived to be intangible assets, such as leases, land rights, and internal use software. Moreover, during the land project’s June 2017 deliberations, the Board agreed that, because land rights are intangible assets, any open issues related to their treatment should not be addressed by SFFAS 6 and excluded from the land project’s scope. Lastly, as a result of FASAB’s training and outreach program, staff has received questions regarding cloud-based subscription services that do not convey either a license or contractual right. In such cases, preparers are seeking clarity regarding the proper treatment of said costs and whether they should follow leases guidance or simply be expensed as incurred.

Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, identifies an intangible asset as having the following three required characteristics:

- It lacks physical substance—in other words, you cannot touch it, except in cases where the intangible is carried on a tangible item (for example, software on a DVD).
- It is nonfinancial in nature—that is, it has value, but is not in a monetary form like cash or securities, nor is it a claim or right to assets in a monetary form like receivables, nor a prepayment for goods or services.
- Its initial useful life extends beyond a single reporting period.

GASB Statement No. 51 generally requires intangible assets to be treated as capital assets, following existing authoritative guidance for capital assets. Certain intangible assets are specifically excluded from the scope of the Statement, including types of intangibles assets addressed by other GASB Statements. One key exclusion relates to intangible assets that are acquired or created primarily for the purpose of directly obtaining income or profit. Such intangible assets should be treated as investments. The standards also provide guidance for issues specific to intangible assets. For instance, to report an intangible asset in the financial statements, the asset has to be identifiable. That means that the asset is separable—the government can sell, rent, or otherwise transfer it to another party. If it is not separable, the asset has to arise from contractual or other legal rights, such as water rights acquired from another government through a contract that cannot be transferred to another party.

A FASAB project would establish a definition for intangible assets and develop comprehensive guidance on accounting for intangible assets. It would also explore opportunities to align federal and state and local generally accepted accounting principles (GAAP) to the extent appropriate, as well as inconsistencies in the application of current federal GAAP. This project would expand on and better delineate the reporting requirements for intangible and tangible assets (PP&E). FASAB guidance currently addresses intangible right-to-use lease assets, certain land and water rights, and internal use software (IUS). SFFAS 6 and 10 consider land rights and IUS, respectively, to be tangible PP&E assets, while other standard-setters consider these classes of assets to be intangible capital assets.

The Board identified the following accounting and financial reporting issues surrounding a project on intangible assets.

- Sufficient, appropriate guidance may not exist for certain classes of intangible assets that would otherwise meet the basic recognition criteria under SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*.
- Inconsistencies in practice exist due to changes in technology and operations that may necessitate changes to existing standards and consideration of subscription-based information technology arrangements (SBITA).
- There are opportunities to distinguish the classification and accounting treatment for tangible and intangible assets, while also maintaining consistencies with existing practice to the extent appropriate and cost-beneficial.

In August 2019, Board members expressed interest in addressing intangible assets and subscription-based IT arrangements. Upon completion of an educational session on state and local GAAP for intangible assets (GASB Statement No. 51) and the current GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, staff will prepare proposed project plans for Board consideration during FY 2021.

Subscription-Based Information Technology Arrangements

The issuance of SFFAS 54 requires amendments to Technical Releases (TR) 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, and TR 16, *Implementation Guidance for Internal Use Software*, to eliminate references to lease terminology or lease criteria that conflict with SFFAS 5 and 6 guidance amended by SFFAS 54. SFFAS 54 specifically scopes out “leases (licenses) of internal use software (SFFAS 10, *Accounting for Internal Use Software*, as amended).” This amendment also affects TR 16, which directs the reporting entity to apply the lease criteria in SFFAS 5 and 6 when recognizing software licenses.

On February 14, 2019, the AAPC released for public comment a Technical Release (TR) titled *Conforming Amendments to Technical Releases for SFFAS 54, Leases*. The ED proposed amendments to TR 10 and TR 16 (internal use software). The proposal would also rescind certain SFFAS 5 and SFFAS 6 paragraphs currently cited in TR 16 as amended by SFFAS 54.

In addition to the proposed rescissions of certain paragraphs in TR 16, there is also a proposal to direct reporting entities to continue the current practice of capitalizing software licenses and amortizing their costs

over their useful lives when appropriate. Based on feedback from exposure draft respondents, staff identified several technical issues and clarifications that are beyond the purview of the AAPC and the scope of TRs. As a result, in August 2019 the Board agreed with staff's recommendation to develop a Technical Bulletin (TB) in collaboration with a working group with the overall objective of clarifying the accounting treatment for non-perpetual software licenses.

Staff collaborated with the working group. Based on collaborative research and feedback to-date coupled with certain inherent constraints of TBs as they relate to purpose, scope, and due process, there are concerns that a TB pronouncement would be an insufficient or inappropriate mechanism for addressing the broad and more nuanced needs of the preparer community.

Coupled with the deferral of Statement 54 and the working group's feedback, staff recommended that the Board pause the development of a TB on non-perpetual software licenses and begin considering projects to comprehensively address intangible assets and subscription-based IT arrangements (SBITAs).

In June 2020, the Board agreed with staff's recommendation, noting the following factors:

- Cloud computing arrangements and other SBITAs, which are now typical transactions in the federal environment, are not addressed in SFFAS 10 or elsewhere in existing SFFASs and Interpretations. Cloud computing and shared services are briefly addressed in TR 16; however, the guidance does not address the breadth of accounting issues arising in this area; it focuses mostly on software licenses.
- FASAB standards do not address intangible assets other than leases. FASAB staff have historically been contacted about other types of intangible assets, such as census data, right-to-use invention assets, software as a service, and cloud-computing arrangements accounting issues. Although internal use software is addressed in SFFAS 10, it is treated as tangible PP&E, which is no longer considered appropriate or in line with other sources of GAAP and is widely considered to be inapplicable to SBITAs. As such, staff research finds that the accounting issues being raised by the community are of a nature that warrants a more extensive due process and a broadened project scope.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and collaborating with GASB staff during research would be beneficial to the Board in considering GASB's approach and opportunities to align.

GASB No. 96 provides guidance on the accounting and financial reporting for SBITAs for state and local government end users. GASB No. 96 (1) defines SBITAs; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs; and (4) requires note disclosures regarding SBITAs. The GASB standards for SBITAs are largely aligned with GASB Statement No. 87, *Leases*.

GASB Statement No. 96 defines an SBITA as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB No. 96, a government generally would recognize an intangible, right-to-use subscription asset and a corresponding subscription liability.

GASB Statement No. 96 provides an exception for short-term SBITAs and requires disclosure of descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

AAPC ACTIVITIES

The AAPC is a permanent committee established by FASAB to improve federal financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues. The AAPC develops implementation guidance for existing accounting standards through Technical Releases (TR). FASAB reviews all TRs before their issuance. The AAPC may not amend existing standards nor promulgate new standards.

The AAPC comprises representatives from the CFO Council, the Council of the Inspectors General on Integrity and Efficiency, the Department of the Treasury, the Office of Management and Budget, and the U.S. Government Accountability Office. FASAB's executive director serves as chair of the committee. While the Board provides staff support, the committee accomplishes its mission largely through the efforts of task forces, which often include federal agencies representatives, independent public accounting firms, and nonprofit organizations.

In FY 2020, the AAPC developed leases implementation guidance proposals; these proposals will be released for public comment in early FY 2021. AAPC efforts to finalize and issue implementation guidance will continue in FY 2021.

We want to hear from you.

Do you like this report? Do you believe it should include any other information?

Please let us know by contacting the Chairman at FASAB@FASAB.GOV or 202.512.7350.

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