

**FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD  
Board Meeting Minutes  
August 24-25, 2021  
Zoom for Government**

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For research purposes, please see the briefing materials at [www.fasab.gov](http://www.fasab.gov). Briefing materials for each session are organized by tab; references to these tabs in the minutes are hyperlinked.

**Tuesday, August 24, 2021**

**Attendance**

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Johnson, and Messrs. McNamee, Patton, and Smith. The executive director, Ms. Valentine, and general counsel, Ms. Motley, were also present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

## **Administrative Matters**

- **Approval of Minutes**

The Board approved the June meeting minutes prior to the meeting.

- **Updates and Clippings**

Mr. Scott announced that Ms. Deidre Harrison, deputy controller at the Office of Management and Budget (OMB), had informed him that Ms. Carol Johnson would be the new OMB member on the Board effectively immediately.

Mr. Scott asked the members if there were any comments on the clippings. No comments were noted.

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of the recent activities of the GASB. She first noted that GASB had held two meetings since the last FASAB meeting.

The due process documents that GASB has outstanding include an exposure draft (ED) proposing to rename the financial report to the Annual Comprehensive Financial Report. The comment deadline was early July, and GASB will begin re-deliberations at the next meeting. The comment deadline for the ED on compensated absences was early June and re-deliberations have begun. The comment period for the ED on accounting changes and error correction ends on August 31, 2021. GASB re-exposed the conceptual framework project on disclosures in late June. Lastly, GASB issued an omnibus ED with a comment deadline in mid-September. The omnibus ED addresses many issues, including some leasing guidance, clarifications related to public-private partnerships (P3s), subscription-based IT arrangements, and an issue with derivatives.

Ms. Reese noted that GASB also has a project on risks and uncertainties disclosures. She mentioned three due process documents that are being re-deliberated: revenue and expense preliminary views, recognition of elements of financial statements concepts, and financial reporting model reexamination.

Members asked Ms. Reese about the risks and uncertainties disclosures project, conceptual framework project on disclosures, and the implementation of the reporting model project.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Mr. Scott noted the extensive outreach efforts in the past two months from both Board members and staff.

## Agenda Topics

- **Financial Reporting in the Digital Age**

Mr. Scott introduced Ms. Amy Edwards-Holmes, deputy assistant secretary – accounting policy and financial transparency, U.S. Department of the Treasury (Treasury). Ms. Edwards-Holmes briefed the Board on her discussions with the Organization for Economic Co-operation and Development’s (OECD) task force on government financial reporting in the digital age. She noted that OECD had created the task force following its 2020 annual meeting of the Senior Budget Officials Network on Financial Management and Reporting. The task force held four virtual meetings during 2020 and 2021. The task force meeting topics included the following:

- Framework for government financial reporting
- Engagement with users and stakeholders
- A data-driven approach in a digital age
- Workload generated by financial reporting requirements

Ms. Edwards-Holmes’s full presentation can be found on the [FASAB website](#).

The members discussed the following points with Ms. Edwards-Holmes:

- Balancing reporting requirements to avoid data duplication, including the “tiered” reporting adopted by New Zealand
- Meeting the audit requirements given the sources of digital displays
- Planning the task force’s next steps, both in the short term and long term
- Comparing the similarities between other countries’ budget- and accrual-based reporting and the United States’ financial statement reporting
- Needing consistent and comparable qualitative information coupled with the demand for quicker information
- Creating user persona/profiles
- Making progress in the use of the Schedule of Spending

Mr. Scott thanked Ms. Edwards-Holmes for taking time out of her busy schedule to be part of today’s meeting. The Board looks forward to the continuing work of the task force.

- **MD&A Standards – Part I**

Ms. Gilliam, assistant director, introduced the management’s discussion and analysis (MD&A) session for [topic A](#) by thanking the members for their preliminary responses to the eight questions from the briefing materials. Prior to answering the questions, one member recommended rescinding both Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management’s Discussion and Analysis*, and Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management’s Discussions and Analysis*, and replacing them with a new concepts document and technical guidance to provide general principles supporting MD&A preparation. The member also recommended starting with the original SFFAS 15 text and identifying where to make modifications/enhancements rather than trying to create new standards.

One member noted that OMB and Treasury guidance (for example, OMB Circular A-136, *Financial Reporting Requirements*) could provide specific form and content guidance to give agencies an appropriate balance of (1) discretion to communicate their own story within a changing political environment and (2) standardization to facilitate government-wide reporting.

Ms. Gilliam explained that staff had curated the proposed standards presented in [topic A](#) based on previous research on the project. Starting in June 2019, staff first analyzed SFFAC 3 and SFFAS 15 to develop the 11 MD&A objectives. The Board then developed the MD&A vision framework, which 17 agencies and 16 user reviewers piloted along with the 11 objectives.

Members agreed that MD&A standards should

- be broad based;
- provide a holistic perspective;
- define terms to help users better understand the content/context; and
- be organized by themes.

**Question 1 – Do members have any technical edits for the following proposed standard?**

*MD&A should summarize the reporting entity’s operating performance as it relates to its financial position by*

- 1) *concisely explaining key performance challenges and achievements that caused significant changes in assets, liabilities, costs, revenues, and budgetary/financing resources from the prior reporting period,*
- 2) *any significant cost trends from prior reporting periods, and*

*3) the current actions taken and short and long-term actions planned to address the key performance challenges and achievements.*

Ms. Gilliam presented the following updated proposal based on members' preliminary comments.

- 3. A.** *MD&A should summarize the reporting entity's financial position by explaining why significant changes in assets, liabilities, cost, revenues, and budgetary/financing resources occurred since the prior reporting period, including performance challenges and achievements; and actions taken and planned to address these challenges.*
- 3. B.** *MD&A should summarize long-term/forward-looking actions planned to address known challenges that could significantly impact the reporting entity's financial position and operating performance in the future.*
- 3. C.** *MD&A should summarize significant cost trends.*

For 3.A and 3.C, members agreed to

- merge the guidance;
- remove "performance challenges and achievements" from 3.A; and
- change the term from "cost trends" to "financial trends."

For 3.B, members agreed to

- include reporting program performance challenges and achievements in a separate standard;
- link actual costs to performance;
- group with the opportunities/risks proposed standard; and
- identify which buckets exist in relation to agency-planned actions.

**Question 2 – Do members have any technical edits for the following proposed standard?**

*MD&A should summarize the reporting entity's financial condition if it materially contributes to the financial condition of the United States Government as a whole.*

Ms. Gilliam presented the following updated proposal based on members' preliminary comments.

*The MD&A of the Financial Report of the United States Government should summarize the financial condition of the United States.*

Members agreed to add “government” at the end of the proposed standard for the government-wide standard.

Members discussed the following related to “financial condition”:

- Agencies that materially contribute to the financial condition of the United States should present that information in their MD&A.
- The Board should take a holistic approach to reduce reporting burden.
- Reporting on financial position or risk to financial position could be sufficient for agencies not having a material impact on the financial condition of the United States.
- Financial condition is not always related to the balance sheet.
- Financial condition is broader than just those agencies that materially contribute to the government-wide report because the phrase encompasses other measures for sustainability.
  - Sustainability statements, such as social insurance and unemployment
  - Agencies with large land holdings, minerals, and other resources
  - Agencies expected to recover their costs through fees to the public or other agencies
- The Federal Deposit Insurance Corporation has a risk ratio and a restoration plan

The meeting adjourned for lunch.

- **Debt Cancellation Interpretation**

Ms. Melissa Batchelor, assistant director, explained the objective of the session was to consider the comment letters, staff analysis, and staff’s recommendations on the proposed Interpretation, *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*. The materials for the session are available at [topic B](#) of the briefing materials.

Ms. Batchelor explained that the ED, *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*, was issued on May 25, 2021, with comments requested by July 23, 2021. FASAB had received 17 comment letters. Ms. Batchelor explained that, as the staff analysis provided, the majority of respondents agreed with the proposed guidance. She explained that she had heard from eight Board members who were generally

supportive of staff recommendations. Certain members had provided minor suggested edits, which staff would review after the Board discussed the staff questions in the briefing materials.

**Question 1 – Do Board members agree with staff’s analysis and recommendation of responses to QFR #1?**

Staff explained the first question for respondents (QFR) related to the guidance clarifying that the standards provide that debt cancellation is a nonexchange activity that should be reported on the statement of changes in net position (SCNP) and that paragraph 313 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, should not be interpreted to require that a particular line item “gain” or “loss” be displayed on the SCNP. Ms. Batchelor noted that a majority of respondents generally agreed with this guidance. Ms. Batchelor explained that staff agreed with the respondent suggested edit to paragraph 8 to add “consistent with the guidance in Appendix B in SFFAS 7” because it would help ensure no misinterpretations. The Board unanimously agreed with staff’s recommendation.

**Question 2 – Do Board members agree with staff’s analysis and recommendation of responses to QFR #2?**

Staff explained the second QFR asked if there was a need for additional clarity or consistency with respect to the definition or use of the term “other financing sources” in FASAB documents or other guidance. Ms. Batchelor explained the majority of respondents believed the term was clear in FASAB documents and other guidance.

One respondent suggested revising the last sentence in paragraph 9 as: “This Interpretation does not provide guidance on budgetary accounting, which is issued by ~~central agencies~~ the Office of Management and Budget (OMB).” Staff had provided the comment to the Treasury and OMB members for input. Their joint response indicated that Treasury and OMB suggested revising the last sentence in paragraph 9 as: “This Interpretation does not provide guidance on budgetary accounting, which is issued by ~~central agencies~~ the Office of Management and Budget (OMB) in coordination with the Department of the Treasury (Treasury).”

Staff had suggested that language be added to the basis for conclusions. However, another alternative would be to end the sentence after “budgetary accounting” in the authoritative portion and include all discussion regarding OMB and Treasury in the basis for conclusions. With this alternative, the last sentence of paragraph 9 would read: “This Interpretation does not provide guidance on budgetary accounting.” The Board unanimously agreed with staff’s recommendation.

**Question 3 – Do Board members agree with staff’s analysis and recommendation of responses to QFR #3?**

Staff explained the third QFR asked respondents if there were other specific clarifications required regarding debt cancellations. The majority of respondents generally agreed with the guidance and stated that the proposed Interpretation clarifies ambiguity regarding debt cancellation. Staff did not have any specific edits as a result of the comments to QFR #3. The Board unanimously agreed with staff's recommendation.

Ms. Batchelor walked through a marked document with minor suggested edits. The Board approved the edits.

Ms. Batchelor explained the next steps. She indicated that FASAB's communication specialist would review the document for grammar and consistency. Ms. Batchelor noted the document had minimal edits and asked the Board if it preferred to move to a pre-ballot or ballot version of the document. The Board agreed to move to a pre-ballot version.

**Next steps:** The Board agreed to pre-ballot the proposed Interpretation titled *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313* during September 2021. After the pre-ballot, the document will move to ballot. Once approved by the Board, the Interpretation will be submitted to the members representing the sponsor agencies for 45 days. If within the 45 days none of these members object, then FASAB will publish the Interpretation.

- **Public-Private Partnerships Phase II**

Mr. Domenic Savini, assistant director, provided the Board with an overview of the [topic C](#) materials for the second phase of the public-private partnerships project (measurement and recognition). For background information, staff explained that the public-private partnerships project was initiated in 2012 primarily as a result of federal agencies using these alternative financing arrangements/transactions to conduct various types of operations. Both the Government Accountability Office and the Congressional Budget Office reported on their increased use and economists/academics expressed concern over their off-budget and off-balance sheet nature; that is, hidden (federal) debt. The overall objective of this dual-phased project is to make the full cost of P3s transparent in financial reporting.

Phase 1 of the P3s project culminated in the issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, and preceded measurement and recognition so that P3s could be identified for potential measurement and recognition guidance.

Staff then reviewed the results of its analysis of the fiscal year (FY) 2020 disclosures of all 24 Chief Financial Officers (CFO) Act agencies and the 16 significant entities. This was based on feedback and the varying member concerns from the June meeting.

**Question 1 – Do members desire additional insight and research into how the P3 definition, exclusions, risk-based characteristics, and materiality guidance is being used or understood by preparers and their auditors?**



Staff noted that SFFAS 49, paragraph 23 provides preparers with flexibility in how to meet the paragraph 24 disclosures and, in turn, may be contributing to the variability in P3 reporting. For example, it allows entity disclosures to follow the related P3's asset or liability as opposed to being firmly fixed in a dedicated P3 note. This is evidenced by comparing and contrasting the Department of Energy's disclosure in its Note 14 liabilities with the Department of Defense P3s Note 25, which directs readers to related disclosures.

The majority of members agreed with staff conducting additional research, noting the following:

- Research should help answer why variability exists and if any changes or improvements need to be made to the existing guidance.
- Focus should be on what entities are not doing as opposed to their current processes and what they are at risk for.
- Staff resources should be focused on problem areas.

As members discussed variability in reporting and identifying material P3s, one member noted that, as with most new standards, entities need time to perfect their reporting systems and processes. As such, committing staff resources at this time may be premature. In response, a member suggested that there may be ways to better present the information to help reduce variability. To that end, staff offered to work with OMB on its P3 form and content instructions in OMB Circular A-136.

**Question 2 – Do members desire additional insight and research into why this corollary disclosure was not provided by any entity?**

Staff noted that some possible reasons why cash flows (Disclosure 24d) were not disclosed, especially in light of their disclosed contractual risk of loss, include (1) difficulty in quantifying estimates related to risks, (2) application of materiality, and (3) uncertainty if dollar estimates should be discounted.

Although the majority of members agreed with gaining additional insight and research into why cash flows were not disclosed, one member noted that, as with most new standards, entities need time to perfect their reporting systems and processes. As such, committing staff resources at this time may be premature.

**Question 3 – Do members wish to explore whether measurement and recognition guidance should be developed for energy saving performance contracts (ESPCs) and utility energy service contracts (UESCs)?**

The majority of members disagreed with expending resources at this time in establishing measurement and recognition guidance for ESPCs or UESCs. Their reasoning follows:

- Unless problems are specifically identified or if there are reasons to suspect that reporting is incorrect, we should assume existing guidance is sufficient.
- Guidance should be principles based and not highlight or elevate any particular P3 arrangement/transaction.
- It is unclear if these are representative of the federal P3 universe.
- Establishing guidance at this time may signal to the community that these are the only types of arrangements/transactions with which the Board is concerned.
- The Board should focus on identifying appropriate P3 reporting frameworks (for example, buckets) such as capital asset recognition, equity investment recognition, investment recognition, contingency/commitment recognition, lease accounting, etc.

Members discussed that if entities have any questions regarding measurement and recognition, staff can work with those entities while coordinating with Treasury and OMB to help resolve those issues. One member noted that risk of loss needs to be highlighted in all P3 categories, including ESPCs and UESCs. Should no such loss exist, the Board may need to question whether the arrangement/transaction should remain classified as a P3.

**Question 4 – Do members wish to explore whether measurement and recognition guidance should be developed for Investments in P3s or P3-like arrangements?**

The majority of members disagreed with expending resources at this time in establishing measurement and recognition guidance for P3s deemed to be investments. Their reasoning follows:

- The Board's project plan needs to weigh this activity against all other competing requirements before pursuing measurement and recognition guidance.
- The results of the staff research discussed at questions 1 and 2 above are needed before the Board can make any informed decisions concerning any measurement and recognition guidance.
- The Board should develop a principles-based approach identifying appropriate P3 reporting frameworks (for example, buckets) such as capital asset recognition, equity investment recognition, investment recognition, contingency/commitment recognition, lease accounting, etc., before developing any discrete measurement and recognition guidance.

Members discussed that if entities have any questions regarding measurement and recognition, staff can work with those entities while coordinating with Treasury and OMB to help resolve those issues.

**Next steps:** Staff will begin (1) researching the areas identified by the Board as detailed in questions 1 and 2 and (2) assisting entities with any potential measurement and recognition problems, coordinating with Treasury and OMB as appropriate.

- **MD&A Standards – Part II**

Ms. Gilliam resumed the discussion on [topic A](#) by continuing through staff's questions for the Board.

**Question 3 – Do members have any technical edits for the following proposed standard?**

*MD&A should summarize key opportunities*

- 1) *that could potentially have a positive significant effect on:*
  - a. *assets,*
  - b. *liabilities,*
  - c. *cost and revenues,*
  - d. *budgetary and financial resources, and*
  - e. *key performance outcomes in the future; and*
- 2) *the current actions taken, and*
- 3) *the short and long-term actions planned to take advantage of these key opportunities.*

**Question 4 – Do members have any technical edits for the following proposed standard?**

*MD&A should summarize key risks*

- 1) *that could potentially have a negative significant effect on*
  - a. *assets,*
  - b. *liabilities,*
  - c. *cost and revenues,*
  - d. *budgetary and financial resources, and*
  - e. *key performance outcomes in the future; and*
- 2) *the current actions taken, and*
- 3) *the short and long-term actions planned to take to mitigate these key risks.*

Ms. Gilliam presented the following updated proposal, combining proposed standards from question 3 and 4, based on members' preliminary comments.

*MD&A should summarize how key **opportunities & risks** may have a significant effect on assets, liabilities, cost, revenues, budgetary/financial resources, and*

*key performance outcomes in the future; and short- and long-term plans to mitigate each one.*

- Some members did not like the term "opportunities" and preferred to focus on "objectives" and how to achieve them in the future. This assumes that opportunities to meet the objectives would naturally be revealed.
- Some members questioned whether "objectives" should be referred to as "outputs" or "outcomes."
- Members want to know how the reporting entity plans to address opportunities and risks in relation to expected results.
- Some members want to consider how to articulate what threshold to pursue because the words "may" or "could" set a very low bar.
- Members preferred "budgetary and financial resources and results" to "assets, liabilities, cost, revenues, budgetary/financial resources, and key performance outcomes."
- Most members preferred the term "plans to mitigate" instead of "short- and long-term plans" because it is too prescriptive.
- Most members preferred "pursue those opportunities and mitigate those risks" to "mitigate each one."

**Question 5 – Do members have any technical edits for the following proposed standard?**

*MD&A may include well labeled visual aids, such as charts, tables, or graphs and a qualitative summary.*

Ms. Gilliam presented the following updated proposal based on members' preliminary comments.

*MD&A should include visual aids, such as charts, tables, or graphs along with the qualitative and quantitative summary.*

Members discussed combining the proposed standards from questions 5 and 7 into a "how to present MD&A information" section, either at the beginning or end of the content standards. One member suggested placing question 5 information at the beginning of the standard and question 7 information at the end of the standard to bookend the information. Another member preferred the term "encourage" rather than "may" or "should." Members agreed.

**Question 6 – Do members have any technical edits for the following proposed standard?**

*MD&A should identify*

- 1) *key drivers related to systems and controls that could affect the entity's ability to produce reliable financial information, and*
- 2) *current actions taken and short and long-term actions planned to address non-compliance and control weaknesses that may hinder producing reliable financial information.*

Ms. Gilliam presented the following updated proposal based on members' preliminary comments.

*MD&A should identify key drivers related to systems and controls that could affect the entity's ability to produce reliable financial information, and the short- and long-term actions to address non-compliance and control weaknesses that may hinder producing reliable financial information.*

- Most members preferred the term “significant” to “key drivers” for consistency with the other proposed standards. One member recommended reviewing the SEC Staff Accounting Bulletin 74 for examples.
- Most members preferred the term “plans” to “short- and long-term actions.”
- Members preferred the phrase “weaknesses in internal control over financial reporting” to “control weaknesses that may hinder producing reliable financial information.”
  - Some members wanted to focus only on the weaknesses in internal controls to help streamline MD&A and address what is preventing the agency from producing reliable financial information and the plans to mitigate the problem(s).
  - Some members wanted to include both the internal control strengths and weaknesses.

**Question 7 – Do members have any technical edits for this proposed standard?**

*Management should include references to websites or other areas of the agency financial report to provide additional information, where applicable.*

Ms. Gilliam presented the following updated proposal based on members' preliminary comments.

*Management should include references to websites or other areas of the agency financial report to provide additional information as necessary.*

See questions 5 for member responses.

## **Question 8 – Do members agree to rescind SFFAS 15 in its entirety?**

The Board did not address this question.

## **Adjournment**

The Board meeting adjourned for the day at 5:30 p.m.

## ***Wednesday, August 25, 2021***

### **Agenda Topics**

- **Intangible Assets Research Project**

Mr. Josh Williams, senior analyst, introduced [topic D](#) by stating that the intent of the session was for the Board to deliberate how to move forward with an intangible assets project as members considered adding it to the technical agenda.

Mr. Williams then provided a brief synopsis on the history of the topic in order to offer context for the four recommendations that he planned to present to members. He stated that the Board had considered financial reporting guidance for intangible assets for several years as part of deliberations of other projects. He noted that the December 2020 Board meeting was a significant milestone in which members approved an intangible assets research topic. He then recapped his prior research efforts in which he worked with a task force to identify potential intangible assets across federal reporting entities, determine potential user benefits of reporting intangible assets, and understand the complexities and challenges for preparers to report intangible assets.

Mr. Williams then recapped his presentation from the June 2021 Board meeting when he presented research results to members. The June presentation highlighted potential intangible assets identified across federal reporting entities from information gathered from task force survey responses, agency round table discussions, and other research. Examples of intangible assets identified by the research include patents, trademarks, data sets, and software-based resources such as licenses and subscription-based information technology arrangements (SBITAs). Staff also proposed a potential definition for intangible assets, approaches for scoping future guidance, as well as benefits and concerns with potential financial reporting guidance.

Mr. Williams reminded the Board that he observed a significant difference in research results between software-related assets and other types of intangible assets, such as patents, trademarks, and datasets. He noted that he saw a strong need for updating software guidance but had concerns with potential recognition challenges associated with other types of intangible assets. He generally concluded that caution is necessary in moving forward with developing reporting guidance without further considering the costs versus benefits.

Mr. Williams then explained to the Board that, based on research and Board deliberations from the June meeting, he recommended breaking the intangible assets project into three sub-projects.

1. Update software guidance
2. Develop intangible asset concepts
3. Seek further public input on developing intangible asset guidance

Mr. Williams stated that dividing the project into separate timelines and deliverables would be the most efficient use of Board and staff resources. The chair polled the Board on each sub-project along with the overall project plan and timeline.

**Question 1 – Do members agree to begin developing updates for software guidance?**

Mr. Williams explained that the most certain takeaway from the research efforts and prior Board deliberations is that there is a need for updated software guidance that addresses financial reporting issues for the current information technology environment of federal organizations. Research indicated inconsistent recognition practices among federal reporting entities. Additionally, Mr. Williams stated that various federal reporting entities have inquired about reporting guidance specifically for SBITAs, agile software development methods, and software licenses. He indicated that updates should address inconsistencies with current reporting practices and the need for new guidance to address resources now prevalent throughout the federal government.

The Board overwhelmingly agreed to move forward with developing updates for software reporting guidance because current guidance is dated. Some members emphasized that it is important to develop flexible guidance that can address and adapt to a fast-changing environment. Additionally, several members noted that the federal government likely does not have unique issues compared to other environments and that staff should consider existing software guidance from other standard setters when developing a foundation for updates. A few members stated that they were especially interested in developing guidance for SBITAs because they have become common throughout the federal government.

**Question 2 – Do members agree to begin developing intangible resource concepts in SFFAC 5?**

Mr. Williams then briefed the Board on his analysis of options for developing a definition and/or characteristics of intangible assets in the federal government. He stated that during the June Board meeting, members had generally shared staff concerns that caution and further deliberation is warranted before developing comprehensive reporting guidance for intangible assets other than software. However, some members had discussed the value in first defining and addressing the characteristics of intangible

assets in the federal government and had asked staff to consider the best approaches for doing so.

Mr. Williams mentioned that he reviewed the FASAB Handbook for all references to “intangible” and provided those references in attachment 2 of the briefing materials. He opined that the Board had acknowledged a difference between tangible and intangible resources and had described the term “intangible” periodically in various statements when addressing other topics but had not specifically addressed the existence and role of federal intangible resources at the foundational level.

Mr. Williams stated that he did not recommend developing an intangible asset definition within an SFFAS without applicable reporting guidance. He further added that there is merit in waiting to develop a definition until the Board is more certain of the breadth of resources it should cover. Issuing a definition alone in an existing Statement may not benefit preparers and could lead to myopic scope considerations when potentially developing recognition guidance in the future. Mr. Williams ultimately recommended developing concepts and fundamental characteristics of federal intangible resources in SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. He said that the concepts currently acknowledge but do not consider the inherent and underlying features that differentiate a tangible and intangible federal resource and the role they serve throughout federal entities. He stated that it is optimal to establish essential, foundational concepts for intangible resources applicable to the federal government before further considering the need for recognition guidance.

After deliberations, the Board ultimately decided to move forward in developing an internal working definition and foundational characteristics for intangible assets for future consideration in guidance but not to publish in any current SFFAS or concepts statement at this time. While members generally agreed that it is important to begin deliberating and developing basic concepts and/or a definition for intangible assets in the federal environment, they did not think it necessary to publish in a Statement until they can apply it in reporting guidance to address a significant need.

A few members suggested including an intangible asset definition as part of the software guidance updates to label software an intangible asset, although a few Board members disagreed with this notion because intangible assets are likely much broader than just software. Some members indicated that they supported staff’s recommendation of developing intangible asset concepts in SFFAC 5 but were open to different options for eventually publishing a definition and/or concepts. Some members stated they do not think a concepts statement is the appropriate place to discuss and define intangible assets and that it is better to address specific issues as they arise.

One member considered this a low priority and recommended deferring the effort completely due to limited staff resources. Finally, one member emphasized that the Board had issued guidance already for seemingly intangible-like assets without calling them intangible assets and stated that it is therefore important to discuss characteristics of an intangible asset somewhere in a Statement.



Mr. Williams concluded the discussion by confirming that the Board recommended continuing research to develop an internal working definition and characteristics for intangible assets but was not currently committed to publishing language in an existing Statement.

**Question 3 – Do members agree to seek further public input on potential guidance approaches for intangible assets through either an ITC or PV?**

Mr. Williams then recommended that the Board eventually seek further stakeholder input on potential recognition approaches for intangible assets by issuing either an invitation to comment (ITC) or preliminary views (PV) document after completing the second sub-project. He reminded the Board that stakeholders generally did not express a need for intangible asset reporting guidance, other than software, during prior research efforts and expressed significant recognition and measurement concerns with such reporting requirements. Mr. Williams recommended that the Board request input from stakeholders about specific guidance approaches before deciding to devote Board and staff resources to develop reporting guidance.

Mr. Williams clarified that he was recommending this sub-project commence after the completion of sub-project two and therefore it was not necessary for the Board to commit to a decision right now. Nevertheless, he thought it was beneficial for members to share their thoughts on the recommendation as part of the overall project. He explained that both ITC and PV documents similarly seek stakeholder comments on potential guidance approaches, but a key difference is that a PV establishes the Board's initial majority opinion on guidance approaches while an ITC requests stakeholder comments on various guidance options without establishing a majority view of the Board.

Members overwhelmingly agreed that it is necessary to consider further the costs versus benefits of reporting guidance before deciding whether to develop an SFFAS. However, members also overwhelmingly agreed that it was too early to decide if issuing an ITC or PV is the best approach and agreed with staff that it was not necessary to commit to a course of action until at least the Board agrees on a definition. Several members stated that they thought issuing either an ITC or PV could eventually be necessary to seek feedback on a tentative guidance position but that they did not view this as high priority due to research indicating that there is not a strong need for intangible asset reporting guidance.

One member thought it best to wait and address guidance needs as they arise. One member supported using an ITC and PV to further engage the preparer community in the general sense. Another member suggested issuing informal correspondence to the public stating that the Board does not intend to develop intangible asset reporting guidance for the near future to observe any significant reactions. One member questioned if it was feasible to request public feedback as part of a future ED for software guidance updates.

Finally, one member stated that research indicates several types of potential intangible assets exist within the federal government but questioned if cost or value could be assigned to them. The member further opined that at least some agencies should disclose certain intangible assets in their financial reports and that the Board should eventually consider developing some kind of reporting guidance. However, the member ultimately concluded that the software update and intangible asset definition sub-projects are more important.

#### **Question 4 – Does the Board agree with the proposed project plan and timeline?**

Mr. Williams concluded [topic D](#) by going over his proposed project plan and timeline. He reiterated that he divided the intangible assets project into three sub-projects with individual timelines and deliverables. He also noted that he would update the second and third sub-project objectives based on Board deliberations that just occurred. Regarding the second sub-project, he reiterated that members decided to develop a working definition of intangible assets for the Board's internal use rather than develop concepts in SFFAC 5. For the third sub-project, the Board agreed that it was not yet necessary to commit to a course of action now on issuing an ITC or PV but agreed to eventually consider further the costs versus benefits of developing guidance for intangible assets. Therefore, the objectives of the sub-projects are:

1. Develop updates for software guidance
2. Develop an internal working definition for intangible assets
3. Further assess the costs versus benefits of developing reporting guidance for intangible assets

Mr. Williams summarized the planned timelines of each sub-project. He caveated that he would need to update the timeline of the second sub-project based on the Board's recommendation but that the overall plan and timeline was still relevant. He stated that he would begin the first sub-project by developing an issue paper, which would identify gaps in or needs for updates to existing guidance, discuss the applicability of current software reporting guidance from other standard setters, and analyze the pros and cons of amending current guidance or rescinding and issuing new guidance.

Mr. Williams then stated he would begin the second sub-project by developing a framework for an internal definition of intangible assets based on his prior research along with published characteristics and definitions of intangible assets from other standard setters. He pointed out that the third sub-project would remain on standby for the foreseeable future and that he would devote his time and resources to the first two sub-projects going forward. Mr. Williams reminded the Board that the project timeline is not concrete and it would change as the project progresses but that it provides a good initial outline.

Mr. Williams concluded by addressing project resources. He stated that he planned to work with the existing research task force to assist with the first two sub-projects. He

emphasized, however, that he would also seek new volunteers with knowledge of accounting and operational issues regarding federal information technology to work on the software update objective.

Board members then provided their thoughts on the project plan and timeline. The overwhelming majority stated that they supported the plan and had no issues. One member emphasized the importance of engaging the task force early to contribute to the issue paper. The member went on to suggest that staff provide an update to the CFO Council in the near future to make stakeholders aware of the project and provide the opportunity to have representation on the task force. Another member suggested considering if OMB Circular A-136 updates for software presentation requirements could be of help to preparers in the interim as the Board develops guidance updates.

- **FASAB FY 2021 Annual Report**

Ms. Valentine introduced the draft FY 2021 annual report for topic E to the Board. She noted that FASAB releases an annual report and three-year plan each fiscal year to enhance visibility of its operations and to obtain input regarding the Board's plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB's collaboration, outreach, and educational activities throughout the fiscal year; as well as a section on governance, operations, and budgetary resources.

Ms. Valentine added that annually Board members are asked to complete a survey to assess the Board's conformance to the five criteria essential for a generally accepted accounting principles (GAAP) standard-setting body according to the American Institute of CPAs. The survey results provide information needed for the annual report and support continuous improvement. The survey results are provided in full to the Appointments Panel and the Board receives a summarized version of the results for consideration. Survey results are also summarized and included in the annual report.

The objective for the session was for the Board to review an initial draft of the FY 2021 annual report and three-year plan. Ms. Valentine reminded the members that since the report would not be issued until November, they would have an opportunity to see an updated version at the October Board meeting. She also noted that staff had received a few comments from members with suggested edits on the draft report. She asked the members two questions.

**Question 1 – Do Board members have any suggested revisions to the annual report?**

**Question 2 – Do Board members have any suggested revisions to the three-year plan?**

The members discussed the following edits:

- Three members suggested edits to the chair’s letter. Mr. Scott noted he agreed with the comment to update the Board transitions paragraph and would work with staff on the other two suggestions.
- A few members suggested edits to the executive director’s letter. Ms. Valentine noted that staff would accept all of the edits.
- One member commented that the collaboration, education, and outreach activities header should include “due process” since it is listed as the first topic in the section. Another member suggested adding ITC and PVs to the list of Board documents requesting input from the public.
- One member suggested identifying the Accounting and Auditing Policy Committee (AAPC) earlier in the document.
- One member suggested replacing the bullets in the improvements section with positive actions that the Board has agreed to take. The member also suggested discussing the actionable items at the October meeting and considering a separate list of accomplishments noted by the Board.
- One member suggested adding language to the budgetary resources section explaining the more significant changes. Another member also suggested using actual FY expenditure amounts for the earlier FYs instead of the budgeted amount.
- Members also suggested several other editorial changes throughout the document. Ms. Valentine noted that she would work with staff to make the necessary revisions.

Ms. Valentine asked Board members to provide any other suggested edits to her so that staff can make those updates and have a final draft ready for the October Board meeting.

The meeting adjourned for lunch.

- **Climate Research Project**

Ms. Gilliam introduced the climate session for [topic F](#) by thanking the members for responding to the questions in the briefing materials.

She explained that at the December 2020 meeting, staff had coordinated an [education session](#) to inform members about the fiscal exposure and climate risk to property, plant, and equipment (PP&E) for the federal government. Staff then proposed a [technical plan](#) for a climate impact and risk reporting project. The Board requested that staff continue to research this topic and approved the climate impact and risk reporting research topic.

On May 20, 2021, President Biden signed Executive Order (EO) 14030: *Climate-Related Financial Risk*. Sections 2(a) and 5(a) provide an expanded scope beyond PP&E:

Sec. 2.(a) ... the measurement, assessment, mitigation, and disclosure of climate-related financial risk to Federal Government programs, assets, and liabilities in order to increase the long-term stability of Federal operations; and

Sec. 5. (a) ... approaches related to the integration of climate-related financial risk into Federal financial management and financial reporting, especially as that risk relates to Federal lending programs. The recommendations should evaluate options to enhance accounting standards for Federal financial reporting where appropriate and should identify any opportunities to further encourage market adoption of such standards.

Ms. Gilliam reviewed for the Board what other standard setters are working on regarding climate-related financial reporting.

Staff could not find any work on climate from GASB or the Financial Accounting Standards Board (FASB). One member said that FASB did publish a FASB Staff Education Paper titled *Intersection of Environmental, Social, and Governance Matters with Financial Accounting Standards* in March 2021 and provided that report to Ms. Gilliam. Mr. Scott mentioned that he and the GASB chair meet quarterly and there is no climate activity to report from GASB at this time.

Ms. Gilliam explained that international standard setters are developing implementation frameworks and guidance for climate-related financial disclosures based on the recommendations by the task force for climate-related financial disclosures (TCFD). The TCFD was formed in 2015 by the Financial Stability Board upon request by the Group of 20 (G20).<sup>1</sup>

In 2017, TCFD published the [Final Report – Recommendations of the Task Force on Climate-related Financial Disclosures](#). TCFD's recommendations for disclosures include the following:

- Four core elements—governance, strategy, risk management, and metrics and targets—mapped to 11 disclosures
- Transition risks related to transitioning to a lower carbon economy
- Physical risks resulting from events driven from climate change

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<sup>1</sup> The G20 is an intergovernmental forum comprising 19 countries and the European Union (EU). It works to address major issues related to the global economy, such as international financial stability, climate change mitigation, and sustainable development (<https://en.wikipedia.org/wiki/G20>).

- Risks and opportunities mapped to financial impacts in the financial statements

Ms. Gilliam noted that several organizations had published or issued guidance in recent years:

- OMB had published [Climate Change: The Fiscal Risks Facing the Federal Government-A Preliminary Assessment](#) in November 2016. The report states, “The impacts of climate change will also affect the Federal balance sheet.”
- Other organizations have provided TCFD implementation guidance. The Climate Disclosures Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB) published a [TCFD Implementation Guide](#) in May 2019. CPA Canada published [Enhancing Climate-related Disclosure by Cities: A Guide to Adopting the Recommendations of the Task Force on Climate-related Financial Disclosures \(TCFD\)](#) in October 2019. The following Canadian cities are implementing TCFD guidance by CPA Canada: Edmonton, Montreal, Toronto, and Vancouver (unaudited).
- Five organizations—Disclosure Insight Action, CDSB, Global Reporting Initiative, International Integrated Reporting Council, and the SASB—collaborated to publish [Reporting on enterprise value: Illustrated with a prototype climate-related financial disclosure standard](#) in December 2020. This is a joint statement outlining how existing sustainability standards and frameworks can complement generally accepted accounting principles.
- CDSB published [Accounting for climate: integrating climate-related matters into financial reporting](#) in December 2020. The U.S. Securities and Exchange Commission (SEC) also [issued a 90-day call for public comments on climate disclosures](#) on March 15, 2021. Staff will monitor for SEC recommendations.

Ms. Gilliam shared that some standard setters have provided guides identifying relevant climate standards. The International Public Sector Accounting Standards Board (IPSASB) published a Staff Questions and Answers document titled [Climate Change: Relevant IPSASB Guidance](#) in June 2020. The International Financial Reporting Standards Foundation (IFRS) published education material titled [the effects of climate-related matters on financial statements prepared applying IFRS standards](#) in November 2020.

### **Question 1 – What role do members see FASAB taking as it relates to climate-related financial disclosures?**

Ms. Gilliam provided the following recommendations at the meeting to assist members in answering this question.

### Recommendation 1 – Develop Staff Implementation Guidance (SIG)

She explained that SIG provides level D guidance on higher-level GAAP. SIG does not amend higher-level GAAP. This SIG would add to the FASAB toolbox and apply to all relevant higher-level GAAP, including PP&E standards to help agencies understand what higher-level GAAP exists for reporting on climate. Staff will use the IPSASB, IFRS, and FASB guides to determine which model works best for FASAB.

Some members wanted to understand how the SIG drafting and review process worked and requested to review the SIG prior to issuance. Staff agreed to provide members with a preliminary review with the understanding that if members want to amend or add level A GAAP for climate, then the full due process for level A GAAP is required. She explained that one staff member writes the SIG, then it goes through an extensive peer review by another staff member, and then a review by the executive director and chair. Ms. Batchelor also explained that members have 15 days to review. The SIG is issued if a majority of members do not disagree.

Members agreed to move forward with staff development of implementation guidance to provide reporting entities with existing standards that are available to address climate-related matters.

### Recommendation 2 – Review EO 14030 and OMB/Treasury’s strategy to determine potential effect on FASAB.

Ms. Johnson briefed the Board on OMB’s actions based on EO 14030. There are a number of teams working on EO 14030. Due to the release date, OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, does not include planning for climate-related impacts for the FY 2023 Budget. She did not foresee any significant impact to FASAB; some of the teams were looking to FASAB to see what actions the Board would take. OMB is using Circular A-136—the MD&A and other information—to include climate-related information.

Mr. Bell noted that Treasury has many intragovernmental and interagency activities underway related to EO 14030.

One member noted that FASAB should proceed with a non-authoritative guidance framework to determine the best strategy for developing climate-related financial disclosures while this other activity is ongoing. One member noted that it would be more appropriate to refer generally to climate-related financial “reporting” than “disclosures” as “disclosures” have a certain connotation in the context of audit, and effective climate reporting may take many forms instead of or in addition to disclosures.

Another member cautioned that FASAB should carefully consider what is relevant to GAAP in relation to risks. There are many other risks in addition to climate, such as COVID and social security. FASAB should look at risk holistically for GAAP.

Members agreed that staff should monitor actions regarding EO 14030 and update the Board as necessary.

**Question 2 – Do members agree to include a climate-related financial disclosures project on the technical agenda?**

All members agreed to add this project to the technical agenda.

**Question 3 – If the Board agrees to question #2, do members agree with considering the TCFD recommendations as a model for federal climate-related financial disclosure?**

All members agreed that staff should develop a climate-related financial disclosure framework. The framework should consider but not be limited to the TCFD recommendations.

- **Technical Agenda Review**

Ms. Valentine introduced [topic G](#)—technical agenda review—to the Board. She noted that the Board annually reviews its technical agenda to determine priorities for the upcoming year. In past years, the Board has conducted the agenda review in February after it receives comments on FASAB’s annual report and three-year plan. At the suggestion of Chairman Scott, the Board agreed to change the process by reviewing the Board’s technical agenda and establishing the Board priorities just prior to the start of the federal government’s fiscal year. In addition to setting the Board’s priorities in August, the Board will conduct a mid-year review of the technical agenda at the February meeting.

Ms. Valentine reminded the members that current FASAB staff resources include three assistant directors, two senior analysts, one communications analyst, one executive assistant, and the executive director. Staff is also in the process of filling one senior analyst vacancy by the end of the 2021 calendar year. As many members have noted, given the limited resources, staff continues to provide well-written, well-researched, and technically sound products to the Board and the AAPC for deliberations. In addition, staff regularly provides responses to technical inquiries, conducts task force meetings, attends government-wide meetings representing FASAB, and participates in a variety of outreach activities.

Ms. Valentine stated that resources such as detailees and interns cannot be viewed as permanent resource replacements given the considerable learning curve due to the short-term nature of these appointments. She noted that part of her work is to continually monitor all project stages to determine the pace of the particular projects.

The objective for the session was for the members to review the Board’s technical agenda projects and research topics to determine priorities for the upcoming year.

Current Technical Agenda Projects:



- Land Implementation
- Leases
- Public-Private Partnerships (P3) Phase II – Recognition and Measurement
- Reporting Model – Concepts Omnibus
- Reporting Model – Management’s Discussion & Analysis
- Technical Clarifications of Existing Standards – Debt Cancellation
- Leases Implementation (AAPC)
- Technical Release Conforming Amendments (AAPC)

Research Topics:

- Intangible Assets
- Climate Impact and Risk Reporting
- Reexamination of Existing Standards

Ms. Valentine noted that she had heard from several members on the two questions posed by staff.

**Question 1 – Does the Board agree to continue with the current technical agenda projects and that the use of detailees and interns be available to supplement FASAB staff resources to continue moving the projects forward?**

**Question 2 – Does the Board agree to add the three research topics to the technical agenda?**

Members discussed the following points on the topic.

- Some projects should be viewed as having a higher priority than others.
- Involvement from agency expertise is invaluable to the success of the Board’s work, whether through task forces or details.
- It will be important for the executive director to keep the Board aware of when staff is at capacity so that the Board has an opportunity to reassess the technical agenda priorities.

Members commended the great work of the staff throughout the year and the need for additional resources to carry out the Board’s agenda. Several members also noted the improved quality, timeliness, and format of the briefing materials. One member added

that the staff does a great job balancing each project's progress with the timing of when information is brought to the Board for deliberation.

The Board agreed with staff's recommendations to

- continue with the current technical agenda projects;
  - use detailees and interns to supplement FASAB staff resources and continue moving projects forward; and
  - add the three research topics to the technical agenda.
- **Appointments Panel Meeting**

The Appointments Panel met in closed session to discuss personnel issues. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(2) and (6) were discussed. The discussions related solely to internal personnel rules and practices of the sponsor agencies and the disclosure of information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy. A determination has been made in writing by the U.S. Government Accountability Office, the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(2) and (6).

## **Adjournment**

The Board meeting adjourned at 5:15 p.m.