



FASAB Newsletter

Federal Accounting Standards Advisory Board

December 2018/January 2019 TABLE OF CONTENTS

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Member News

[George Scott Appointed to Succeed FASAB Chair Scott Showalter](#)

Mr. George Scott has been appointed to serve as chair of the Federal Accounting Standards Advisory Board (FASAB or “the Board”) beginning July 1, 2019. Mr. Scott’s term will conclude on December 31, 2020, with the option for another five-year term.

An Appointments Panel—composed of the FASAB chair, the three federal FASAB members, and three individuals representing the American Institute of CPAs and the Financial Accounting Foundation—advises the FASAB sponsors on appointments and re-appointments for the six nonfederal members of the Board including selection of the chair. The Sponsors—Steven T. Mnuchin, the Secretary of the Treasury; Mick Mulvaney, the Director of the Office of Management and Budget; and Gene L. Dodaro, the Comptroller General of the United States—made the final appointment.

Mr. Scott's service on the Board began on January 1, 2016. He is a retired partner of Deloitte LLP. With more than 39 years of experience at Deloitte, Mr. Scott has been actively involved in industry organizations, ranging from member to chairman, at the national and regional level and is a nationally sought after speaker. Mr. Scott is a CPA and a CGFM.

Regarding Mr. Scott's selection, Chairman Showalter said, "The Sponsors have made an excellent appointment. Under Mr. Scott's leadership, the Board will continue to make important progress addressing the significant accounting and reporting issues shaping the federal government today and into the future."

Disclaimer

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

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or wug@fasab.gov.

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or parkerr1@fasab.gov.

Sallyanne Harper and Terry Patton Appointed to FASAB

Ms. Sallyanne Harper and Dr. Terry Patton have been appointed to serve on the Board. Their five-year terms will begin on July 1, 2019, when current members Mr. D. Scott Showalter and Mr. Michael Granof complete their service.

Ms. Harper is a founding member and past president of the Association for Federal Enterprise Risk Management. She also serves as adjunct faculty in the Brookings Institution's Executive Education Program and on the advisory board for the George Mason University Chief Risk Officer program. Previously, Ms. Harper had a 34-year career in public service. She served in key leadership positions at the Environmental Protection Agency and the U.S. Government Accountability Office.

Dr. Patton is chair of the Accounting MIS, and Legal Studies Department at Midwestern State University. He also is a co-author of several textbooks on governmental accounting, including *Accounting for Governmental and Nonprofit Organizations*. In addition to his academic focus on governmental accounting, Dr. Patton served eight years on the staff of the Governmental Accounting Standards Board.

Chairman Showalter noted, "Selection of new members is always challenging due to the extraordinarily talented pool of candidates. In this instance, Ms. Harper and Dr. Patton bring deeply relevant experience that will benefit the fulfillment of the mission of the Board. I regret I will miss the opportunity to work with both of these outstanding individuals."

[FASAB Appointments Panel Bids Farewell to Member Nancy Kopp and Welcomes T. Eloise Foster](#)

Ms. T. Eloise Foster has been appointed by the Financial Accounting Foundation (FAF) to serve as its representative on FASAB's Appointments Panel. Ms. Foster succeeds Nancy Kopp, who contributed greatly to the panel and will be missed by the remaining members. Ms. Kopp's excellent service enabled the Board to identify new members Sallyanne Harper and Terry Patton as well as to select the next chair.

Ms. Foster is chair of Maryland Supplemental Retirement Plans, a chair of the Washington Suburban Sanitary Commission (WSSC), and a member of the WSSC Retirement Plan Board of Trustees. She joined the FAF Board of Trustees in January 2017.

[How to Provide Input on FASAB's Three-Year Plan](#)

(In light of the partial government shutdown, FASAB has extended the comment deadline for the annual report and three-year plan to **March 11, 2019**.)

FASAB published its *Annual Report for Fiscal Year 2018 and Three-Year Plan* on November 15, 2018. The plan seeks input from stakeholders. To facilitate input, we provide you two options—submitting a written response or completing an online survey to identify project priorities.

Please see the annual report and three-year plan at <http://fasab.gov/our-annual-reports/> for information regarding currently active projects and potential projects. The plan provides instructions for submitting a written response by **March 11, 2019**.

If you prefer to complete the online survey, please review the three-year plan before beginning. If you are responding to the survey on behalf of an organization, the organization name will be associated with your response. (If you prefer to respond as an individual without attribution, your response will be presented in aggregate with other responses.) The survey will remain open until **February 8, 2019**. To access the survey please visit: <https://tell.gao.gov/fasabplanning2018/>.

Our FASAB Updates subscribers received a survey username and password for use in accessing the survey. If you did not receive a username and password via email, please enter an account username that you would like to use and then click on the "Log in" button. An email message will be sent to you after you have created your account to confirm this information.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Current Board Projects

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

Accounting and Reporting of Government Land

Members discussed a summary of the major issues raised during the October 2018 meeting. During the October session, respondents and interested parties gave their feedback on the *Accounting and Reporting of Government Land* exposure draft (ED). The major proposals in the land ED include reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset and disclosing the acreage of both stewardship land (SL) and G-PP&E land. Staff provided revised draft standards reflecting the feedback as well as proposed next steps.

Members generally agreed with staff's proposed changes:

- Deleting the physical unit disclosure requirements
- Deleting the requirement to reference deferred maintenance and repairs presentations in required supplementary information
- Limiting disclosure requirements to primary categories of SL and G-PP&E land
- Simplifying the "estimated acres" reporting requirement by only requiring that beginning and ending balances be provided
- Clarifying that "acres of land held for disposal or exchange" applies only to land conveyed to non-federal entities
- Clarifying the type of information to be disclosed at the government-wide level

Members did not specifically agree that rate-setting agencies should be allowed the option to continue capitalizing G-PP&E land on their balance sheets. The Board noted that historical cost information on land could be provided in notes and, moreover, such cost recoveries are not typically based on or confined to generally accepted accounting principles. However, the Board asked staff to develop language to accommodate issues deemed significant by an entity that could require it to continue capitalizing G-PP&E land.

Apart from clarifying Board discussions and decisions at the meeting, members reserved comment concerning anticipated changes to the basis for conclusions.

Next Steps

- Staff will develop language to accommodate issues deemed significant by an entity that could require it to continue capitalizing G-PP&E land.

- Staff will develop language that existing G-PP&E land should be derecognized only if practicable; that is, the Statement will accommodate agencies that have inseparable capitalized land costs.
- Staff will rework the implementation timeline to ensure that the final Statement (1) requires a specific transition date from RSI to note disclosure, (2) extends the time required for the transition so that the Board has an opportunity to modify guidance should the issues with auditability of the information not be resolved by the transition date, and (3) allows for early implementation.

Point of Contact: Domenic Savini, 202-512-6841, savinid@fasab.gov

Classified Activities

FASAB unanimously approved Interpretation of Federal Financial Accounting Standards 8: *An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities*. The Interpretation has been submitted to the sponsors for the 45-day review period.

The classified interpretation would permit specific modifications to prevent the disclosure of classified information within unclassified general purpose federal financial reports (GPFRRs). Due to the classified nature of the interpretation, the document will only be made available to those individuals who have been designated as having a need to know and who hold the proper clearances.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Assigning Liabilities

(In light of the partial government shutdown, FASAB has extended the comment deadline for the ED *Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5* to **March 11, 2019**.)

FASAB is seeking comments on the proposed Interpretation, *Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5*. The Interpretation would provide clarification for contingent liabilities when one or more sub-component reporting entities within a single component reporting entity are designated to manage litigation and/or pay any resulting liabilities on behalf of one or more other sub-component reporting entities. The Interpretation would also provide guidance regarding cleanup cost liabilities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for environmental remediation upon disposal of that asset.

The ED and the specific questions raised are available on the FASAB website in PDF and Microsoft Word format, respectively (<http://www.fasab.gov/documents-for-comment/>).

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

[Intragovernmental Allowances for Losses](#)

In June 2018, the Department of the Treasury (Treasury) raised a concern regarding the recognition of losses against intragovernmental receivables among federal entities. Treasury does not believe it is appropriate for an agency to record a loss allowance for intragovernmental receivables, particularly in cases where the balances are required by statute to be repaid.

The educational session at the December 2018 meeting provided the Board with a perspective from an agency with significant intragovernmental receivables. A representative from the General Services Administration (GSA) provided a brief overview of GSA's types of receivables and reporting. No specific decisions were made at the meeting. An additional educational session is planned as the Board considers the topic.

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

[Materiality](#)

(In light of the partial government shutdown, FASAB has extended the comment deadline for the ED *Materiality* to **March 11, 2019**.)

FASAB is seeking comments on the proposed Statement of Federal Financial Accounting Concepts titled *Materiality*. To clarify the materiality guidance, the Board is proposing concepts regarding the application of materiality in the federal financial reporting environment. This concepts statement would (1) provide materiality concepts, (2) specify the scope of materiality, and (3) list factors to consider when applying materiality.

The ED and the specific questions raised are available on the FASAB website in PDF and Microsoft Word format, respectively (<http://www.fasab.gov/documents-for-comment/>).

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

[Note Disclosures](#)

The Board approved a partial draft of the note disclosure (NODI) principles. The draft covered the disclosure purpose and most of the disclosure content sections from the

NODI principles outline. Staff will refine the partial draft based on input from members. Staff will focus on the following areas:

- Whether the notes can be used as a substitute for the proper recognition and/or measurement of an element in the financial statement
- Relevance versus materiality
- Usefulness and disclosure objectives

This partial draft will be discussed with the working group for feedback from preparers and auditors.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Reporting Model Phase I: MD&A and Stewardship Investments Improvements

The Board agreed to develop an Interpretation of Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*. The Interpretation would clarify the purpose of the SFFAS 15 requirements and the level of flexibility available in preparing management's discussion and analysis (MD&A). Members also discussed a multi-pronged approach to the project. As part of developing the Interpretation, staff could reach out to reporting entities for their feedback on issues, coordinate with the Office of Management and Budget as it prepares form and content guidance, and consider the need for education in preparing the MD&A. In addition, the project will consider guidance for discussing reporting entity performance. Staff will organize a task force to begin developing the Interpretation.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Reporting Model Phase II

Reporting model phase II was not discussed during the December 2018 Board meeting.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Risk Reporting

At the December 2018 meeting, members discussed the current status of risk reporting under SFFAS 15, paragraph 3 on forward-looking information. During the meeting, the Board discussed the intent of SFFAS 15 in relation to the forward-looking information provided by agencies' in their 2017 MD&As.

Members agreed that the original intent for forward-looking information was to focus on the financial **effects** of risks on amounts in the financial statements even though the word “financial” was not specifically included in SFFAS 15, paragraph 3. However, this is not the information that agencies are providing.

Members also agreed that forward-looking information should include a discussion of the short-term financial effects, as well as the possible long-term material financial effects of financial statement balances. Short-term effects relate to the budget cycle, while long-term effects may be defined by an agency’s life cycle to complete program missions.

Members agreed that staff should prepare an Interpretation to clarify how to discuss risk in MD&A and explain what is meant by financial effect and time horizon. Additional guidance may be included in the Interpretation, such as sensitivity tests and/or best practices.

To develop the Interpretation, staff will conduct a number of agency interviews to understand what guidance preparers need to discuss short- and long-term financial effects of risks.

Members agreed that the Interpretation addressing forward-looking information discussed in SFFAS 15, paragraph 3 will be separate from the Interpretation that will address MD&A structure. This is to avoid losing the risk reporting clarification within the formatting clarification.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Omnibus Amendments

The Board discussed an omnibus ED to amend several standards. The omnibus would propose (1) rescinding SFFAS 8, *Supplementary Stewardship Information*, (2) making conforming changes due to SFFAS 54, *Leases*, and (3) clarifying wording in SFFAS 6, *Accounting for Property, Plant, and Equipment*.

The Board suggested edits to a draft of the omnibus and staff will make revisions before the February 2019 meeting.

Points of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov and Monica Valentine, 202-512-7362, valentinem@fasab.gov

Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee approved and submitted proposed Federal Financial Accounting Technical Release (TR) 19, *Rescission of Technical Release 8*, to FASAB for its 45-day review. TR 19 rescinds TR 8 because it is no longer consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, as amended.

TR 19 was issued on January 15, 2019.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

FASAB 2019 Meeting Schedule

February 27
April 24-25
June 26-27
August 28-29
October 23-24
December 17-18

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC 2019 Meeting Schedule

February 7
May 9
August 15
November 21

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

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than noon the Monday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.