



# *FASAB Newsletter*

## *Federal Accounting Standards Advisory Board*

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## [Statement of Federal Financial Accounting Standards \(SFFAS\) 47, \*Reporting Entity\*](#)

*This article was provided by Janis Doak, Accountant, Consolidated Financial Reporting Branch, Bureau of the Fiscal Service, U.S. Department of the Treasury.*

SFFAS 47, *Reporting Entity*, became effective on October 1, 2017, for fiscal year (FY) 2018 reporting. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued this Statement to provide entities guidance on what organizations to include in their general purpose federal financial reports (GPFRRs) and if they should be considered “consolidation” entities or “disclosure” entities. This Statement amends Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, by providing guidance to help identify organizations to include in the GPFRR of the government-wide reporting entity as well as each component reporting entity to meet federal financial reporting objectives. The Department of the Treasury (Treasury), the Office of Management and Budget (OMB), and other agencies have convened working group and Steering Committee meetings since the issuance of the standards in December 2014 to facilitate their implementation.

### 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](mailto:kigerl@fasab.gov).

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or [wug@fasab.gov](mailto:wug@fasab.gov).

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or [parkerr1@fasab.gov](mailto:parkerr1@fasab.gov).

### Principles for Inclusion and Reporting:

SFFAS 47 requires the government-wide GPFFR to include organizations that are (1) budgeted for by elected officials of the federal government, (2) owned by the federal government, or (3) controlled by the federal government with risk of loss or expectation of benefits. In addition, an organization will be included in the government-wide GPFFR if it is misleading to exclude it even though it does not meet one of the three inclusion principles.

This Statement also provides criteria for determining the most appropriate means to include information about organizations included in the GPFFR. Whether information regarding organizations is presented in consolidated financial statements or through disclosures is based on an assessment of the degree to which the following characteristics are met: the organization is financed by taxes or other non-exchange revenue, is governed by the Congress and/or the president, imposes or may impose risk and rewards on the federal government, and/or provides goods and services on a nonmarket basis.

The Statement also addresses organizations to be included in component reporting entity GPFFRs, minimum disclosures regarding central banking activities, and disclosures regarding related parties.

### Published Guidance for Government-wide Reporting:

The Treasury Financial Manual (TFM) Bulletin 2017-09, *Implementation of SFFAS No. 47-Reporting Entity*, was published on August 15, 2017. This Bulletin provides federal entity determinations based on submissions provided by the entities and reviewed and approved by the SFFAS 47 committees. The Bulletin also provides additional transaction and Governmentwide Financial Report System (GFRS) reporting guidance for organizations that have been classified as “disclosure” or “related party” entities. Entities should use this Bulletin to confirm both their own and their trading partner’s classifications. This is important as consolidation entities are party to federal (F) relationships and disclosure entities or related parties are party to non-federal (N) relationships.

### Agency Level Implementation:

Ms. Jennifer Denardo, Staff Accountant, Department of the Interior designed and distributed an agency level analysis workbook to facilitate agency classification determinations. This workbook is a tool to help agencies identify all organizations to include as “consolidation,” “disclosure,” or as a “related party” in the agency financial reports. The analysis workbook may be provided to Treasury and auditors as

supporting documentation to accompany an entity's classification conclusions. The agency level analysis was presented during the April 2017 FASAB Forum, May 2017 Central Reporting Team (CRT) meeting, and the August 2017 Government Financial Management Conference. It can help agencies identify the population, applicability, and control at an agency level. Contact Ms. Janis Doak at [janis.doak@fiscal.treasury.gov](mailto:janis.doak@fiscal.treasury.gov) to obtain the SFFAS No. 47 Agency Analysis workbook or Ms. Jennifer Denardo at [jennifer\\_denardo@ios.doi.gov](mailto:jennifer_denardo@ios.doi.gov) with any questions regarding its application.

**Going Forward:**

The SFFAS 47 Steering Committee continues to finalize its reviews of agency determinations. Once all determinations are finalized, Treasury will publish an amendment to TFM Bulletin 2019-07. Annually, Treasury will be responsible for implementing an ongoing SFFAS 47 determination confirmation process to validate submitted entity survey results and conclusions and to ensure that the entity list contained in the TFM 2-4700 Appendix 5 remains current. Please communicate questions and concerns to Ms. Janis Doak at [janis.doak@fiscal.treasury.gov](mailto:janis.doak@fiscal.treasury.gov).

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

The Board issued its annual report and three-year plan on November 15. 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 January 29, 2018.

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 December 31. To access the survey please visit: <https://tell.gao.gov/fasabplanning2017>.

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](mailto:simmsr@fasab.gov)

## Addressing Streamlining

During its planning effort, the Board noted that federal agencies are undertaking a streamlining and burden reduction effort. The Board received briefings on these efforts. In addition to monitoring ongoing streamlining efforts, the Board will be aligning certain projects with those efforts.

Every ongoing project provides opportunities to address streamlining. For example, the exposure draft (ED) on *Amending Inter-entity Cost Provisions* would streamline costing requirements. In each project, the staff recognizes that both preparers and users of reports can benefit from the reduced clutter resulting from streamlining. To that end, staff will be identifying options during each project to meet reporting objectives through reporting that is as “streamlined” as possible.

In addition, there is a specific project regarding streamlining for which the primary objective is improving the content of financial reports by implementing concepts identified in SFFAC 8, *Federal Financial Reporting*. The Board is addressing two proposals (see article below for details).

## Current Board Projects

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

### Streamlining

The Board discussed two proposals for improving the content of financial reports. The first proposal would provide flexibility in reporting the remaining item of required supplementary stewardship information (RSSI), stewardship investments, and eliminate the RSSI category. The second proposal would permit management to refer users to more detailed performance reports when preparing management’s discussion and analysis (MD&A). The flexibilities would be responsive to input from preparers and auditors regarding users’ access to and preference for other sources of information.

Given the flexibilities, Board members were concerned that financial reports would not present information needed to achieve the reporting objectives. Board members noted that financial report users need information on expenses that provide long-term benefits, such as investments in human capital, research and development, and non-federal physical property. In addition, users need information about the reporting entity’s performance.

Consequently, staff will conduct additional research to determine 1) how stewardship investment information might be improved, 2) what MD&A concepts could be considered for standards, and 3) what performance reporting concerns could be addressed through OMB form and content guidance.

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

## Classified Activities

The Board reviewed a revised draft *Classified Activities* ED. The ED provides an approach for protecting classified information and activities in GPFFRs. The Board identified those areas of the draft that needed clarification.

One member had concerns over the level of available information surrounding the issue addressed in the ED. Several other Board members noted that the ED presented a straightforward, sound framework for reporting classified activities to protect national security. The framework allows for specific modifications while creating boundaries when applying the guidance. The guidance should be clear to readers who do not have knowledge of any specific classified activities. All but one member was in support of the framework and concepts the ED provides.

Chairman Showalter noted that the guidance provided in the *Classified Activities* Statement would be considered generally accepted accounting principles.

**Next steps:** Staff will make revisions to the draft ED based on the comments from members. After the members approve the final edits, a ballot draft will be sent for final approval of the ED. As long as no technical issues arise, staff expects the ED to be released before the December Board meeting.

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

## Leases

The Board reviewed a pre-ballot draft *Leases* Statement to address any final issues and approve the latest edits so that the final Statement could be approved.

Staff highlighted the most significant revisions proposed in the latest draft:

- Changed “fiscal funding clause” to “availability of funds clause”
- Added government-wide disclosure requirements
- Added language to the basis for conclusions to explain why the Board had to take action on the lease standards

The Board asked staff to include additional information in the basis for conclusions about the benefits of the revised lease standards to federal financial management and reporting. The basis for conclusions should address

- the added level of transparency with the new key data elements required;

- the improved accountability of federal lease obligations and interest expenses; and
- the inclusion of a sound lease definition to replace the previous bright line capital lease criteria under which federal entities were able to avoid recognizing capital leases.

The revised *Leases Statement* will be subject to the congressional capital asset 45-day review requirement.

**Next steps:** Staff will make the revisions to the draft Statement that were proposed by the Board at the October meeting. Staff will then send members a revised draft *Leases Statement* to review before sending a final ballot draft for Board approval. If any member identifies technical issues, they will be addressed by the full Board at the December meeting.

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

### [Accounting and Reporting of Government Land](#)

At the October 26, 2017, Board meeting, members considered staff recommendations concerning issues raised during the review of the August meeting materials. Specifically, the following technical issues were addressed by the Board:

- Single note disclosure – The Board agreed that a single (uniform) set of note disclosure requirements should be adopted in both SFFAS 6, *Accounting for Property, Plant, and Equipment*, and SFFAS 29, *Heritage Assets and Stewardship Land*.
- Definition of physical unit – Members asked staff to identify and/or illustrate the different types of “physical unit” measurements (for example, number of national parks, land parcels, regional offices, areas, zones, etc.) that are in use by entities.
- Predominant use definition and reporting – The Board decided that a predominant use definition and associated factors should be developed through implementation guidance.
- Multi-use land lacking predominant use – The Board did not agree with the staff recommendation to establish a fourth multi-use sub-category when an entity cannot ascertain predominant use.
- Application of materiality to non-financial information – Upon reconsideration of their August meeting decision to develop a materiality discussion in the basis for conclusions, members decided to defer this topic for potential development as implementation guidance.

- Supporting documentation – Some members asked that additional research be done concerning the types of evidence preparers will need to support the proposed disclosures.
- Implementation approach – The majority of members favored the two-year implementation timeline. At minimum, it allows the Board to address respondent concerns and adjust the Statement's effective date accordingly.
- Amendments to SFFAS 42's deferred maintenance and repairs (DM&R) requirements – The Board agreed with the proposed amendments to paragraphs 13 and 15 of SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. This would ensure that any DM&R on (non-capitalized) general property, plant, and equipment (G-PP&E) land would be measured and reported along with other (capitalized) general PP&E and stewardship land.

Staff expects to present a revised draft ED at the December Board meeting and, pending deliberations, a pre-ballot draft thereafter.

If you have any questions or would like to offer any insight concerning the matters currently under consideration, please contact Mr. Savini using the contact information below. Thank you.

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

### Risk Assumed

According to the project objective, the risk assumed project strives ... to determine accounting standards that provide concise, meaningful, and transparent information regarding the potential impact to the fiscal health of the federal government. However, understanding what risks affect U.S. financial sustainability and why they do is very challenging. Therefore, as part of the ongoing gap analysis, staff reviewed SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, to learn how risk is currently disclosed in the financial statements.

Staff conducted research with the Department of Education, Department of Housing and Urban Development, Small Business Administration, and the Government Accountability Office and learned that agencies cannot specifically identify their users. In addition, reporting is inconsistent, extremely detailed, and burdensome. This not only affects preparers, but also users.

On October 26, 2017, staff presented these findings at the Board meeting to determine if members wanted to pilot amendments to SFFAS 2 to develop a framework for how to address risk assumed holistically.

Members agreed and requested that staff

- identify user groups to analyze risk factors, beyond those used to calculate credit subsidy reestimates, to help build a risk profile;
- develop a framework for how to discuss measurement uncertainty;
- consider how to discuss the “why” behind the “what” of risk;
- present sensitivity analysis at a future meeting; and
- pilot amendments to SFFAS 2 to develop a model/framework for how to address risk assumed holistically.

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

## Evaluation of Existing Standards

### *Intragovernmental Exchange Transactions*

At the October 2017 meeting, the Board considered the comment letters and staff’s proposed Technical Bulletin (TB) 2017-1, *Intragovernmental Exchange Transactions*. The majority of respondents generally agreed with the proposed guidance. Specifically, respondents believed the TB provided guidance to aid in determining whether intragovernmental arrangements were exchange transactions. One respondent neither agreed nor disagreed with the proposal. One respondent disagreed with the proposal.

Respondents provided minor suggestions and editorial comments that were incorporated into the final guidance or addressed in the basis for conclusions. In the proposed *Intragovernmental Exchange Transactions* TB, staff clarified the following:

- Recognition and measurement of exchange transactions is excluded from the scope of the TB.
- Revenue recognition is based on amounts billed by the providing entity to the receiving entity.
- SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, as amended, is the basis for determining full cost.

A majority of members did not object to issuing the TB. FASAB staff issued TB 2017-1, *Intragovernmental Exchange Transactions*, on November 1, 2017.

## *Assigning Assets to Component Entities*

At the October 2017 meeting, the Board considered the comment letters and staff's proposed TB 2017-2, *Assigning Assets to Component Reporting Entities*. The majority of respondents generally agreed with the proposed guidance. Specifically, respondents believed the TB provided guidance to address areas not directly covered in existing Statements and clarified that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis. The majority of respondents also agreed that reporting entities should describe the policies used to assign significant assets.

Respondents provided minor suggestions and editorial comments that were incorporated into the final guidance or addressed in the basis for conclusions. In the proposed *Assigning Assets to Component Reporting Entities* TB, staff clarified the following:

- In the year of implementation, assets assigned to another component reporting entity should be treated as transfers of assets per SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.
- This guidance is permissive and does not require any agency to change accounting practices.

A majority of members did not object to issuing the TB. FASAB staff issued TB 2017-2, *Assigning Assets to Component Reporting Entities* on November 1, 2017.

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

## Note Disclosures

At the October 2017 meeting, the Board approved the note disclosure project plan. The primary objectives of this project are to improve the relevance, clarity, consistency, and comparability of note disclosures among the federal entities. It includes two phases:

- Phase I consists of identifying and developing a set of principles for disclosure to be used by the Board and preparers to reduce repetition and improve relevance and consistency in note disclosure.
- Phase II consists of using the principles to modify the existing note disclosure requirements for component reporting entities to improve the disclosures' usefulness and effectiveness.

On August 31, 2017, FASAB initiated an online note disclosure survey. The survey results confirmed the need to improve disclosures and targeted areas for improvement. Most respondents agreed that providing principle guidance would give

flexibility to the agency while adhering to the objectives and increasing consistency. The respondents stated that the causes of note disclosure issues vary. These could be due to compliance with Circular A-136, input from the Certificate of Excellence in Accountability Reporting reviewers, or the auditor's requirements (which are more rigorous than those required by FASAB).

During the meeting, the Board reviewed the survey results and provided some suggestions on the following topics:

- Audiences of the future note disclosure principles – While it is critical to identify the primary users of both the component reporting entities' financial reports and the consolidated financial report of the U.S. Government, it might be more relevant to make the note disclosures appealing to different groups. As identified in SFFAC 1, *Objectives of Federal Financial Reporting*, both internal and external users will be considered in the project: citizens, Congress, federal executives, and federal program managers. Instead of defining the primary users, this project will utilize the objectives defined in SFFAC 1 as guidance to develop the note disclosure principles. SFFAC 1 summarizes the objectives as such:

The objectives are designed to guide the Board in developing accounting standards to enhance the financial information reported by the federal government to (1) demonstrate its accountability, (2) provide useful information, and (3) help internal users of financial information improve the government's management.

- Principle-based framework with a concentration on providing relevant information – If an entity engages in the type of activity required by a note, and amounts involved are material, then the entity should present the information in the note. Disclosure should not be optional.
- Judgment – Materiality should be described in both qualitative and quantitative terms, and it should be evaluated at the component level.
- Improve clarity, consistency, and comparability – Taking a two-tiered approach to setting standards would not be particularly helpful. There are pros and cons for providing illustrations and/or a checklist. Principles addressing readability would help the clarity and increase consistency of the note disclosures.

This project will be challenging considering the broad scope, complexity, and uniqueness of the federal government. The working group will resume its research in November after agencies' year-end work is complete.

Point of Contact: Grace Wu, 202-512-7377, [wug@fasab.gov](mailto:wug@fasab.gov)

## Budget to Accrual Reconciliation

On October 27, 2017, FASAB issued SFFAS 53, *Budget and Accrual Reconciliation*.

“This new reconciliation provides more valuable information to users. It also enhances the support to the government-wide financial statement that reconciles net operating cost to the budget deficit,” according to Chairman Showalter.

SFFAS 53 is available at <http://www.fasab.gov/accounting-standards/>.

Point of Contact: Grace Wu, 202-512-7377, [wug@fasab.gov](mailto:wug@fasab.gov)

## Accounting and Auditing Policy Committee

The AAPC meeting scheduled for November 16, 2017, was canceled due to little activity during the period.

Point of Contact: Grace Wu, 202-512-7377, [wug@fasab.gov](mailto:wug@fasab.gov)

# FASAB Meeting Schedule

## Schedule for 2017 Meetings

December 20 and 21

## Schedule for 2018 Meetings

February 21 and 22

April 25 and 26

June 27 and 28

August 29 and 30

October 24 and 25

December 19 and 20

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 Meeting Schedule

## Schedule for 2018 Meetings

February 8

May 10

August 16

November 15

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 8 a.m. the Tuesday 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.