



FASAB Newsletter

Federal Accounting Standards Advisory Board

February/March 2018 TABLE OF CONTENTS

Staff News	1
FASAB Bids Farewell to Management and Program Analyst Intern Hamayun Bajwa.....	1
Current Board Projects	1
Inter-entity Costing.....	1
Streamlining.....	2
Accounting and Reporting of Government Land.....	3
Risk Assumed.....	4
Note Disclosures.....	5
Accounting and Auditing Policy Committee.....	5
FASAB Meeting Schedule	6
AAPC Meeting Schedule	6
Security Notice	6

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.

Staff News

[FASAB Bids Farewell to Management and Program Analyst Intern Hamayun Bajwa](#)

Congratulations to our outgoing management and program analyst intern, Hamayun Bajwa. From September through December of 2017, Mr. Bajwa worked on the note disclosure project under the direction of Ms. Grace Wu. FASAB thanks Mr. Bajwa for his contributions and wishes him luck in his future endeavors.

Current Board Projects

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

[Inter-entity Costing](#)

The Board approved Statement of Federal Financial Accounting Standards (SFFAS) 55, *Amending Inter-entity Cost Provisions*. It was submitted to the sponsors for the

90-day review period.

This Statement will revise SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, to provide for the continued recognition of significant inter-entity costs by business-type activities and will rescind the following:

- SFFAS 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*¹
- Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*

With the rescission of SFFAS 30, paragraphs 110 and 111 of SFFAS 4, as amended, will be restored to their original language prior to the issuance of SFFAS 30. However, the Board amended the standards to require business-type activities to recognize inter-entity costs. Recognition of inter-entity costs by activities that are not business-type activities will not be required with the exception of inter-entity costs for personnel benefits and the Treasury Judgment Fund settlements unless otherwise directed by the Office of Management and Budget (OMB). Notwithstanding the absence of a requirement, non-business-type activities may elect to recognize imputed cost and corresponding imputed financing for other types of inter-entity costs.

The Statement will be effective for periods beginning after September 30, 2018, with earlier implementation permitted.

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

Streamlining

In considering a reporting model for the future, the Board observed a demonstration of interactive data visualizations, management's discussion and analyses (MD&As), and financial statements. The interactive presentations considered the needs of users and were designed to help users understand financial information.

Mr. Justin Marsico, Senior Policy Analyst, Department of the Treasury (Treasury), presented a series of data visualizations. Treasury developed the visualizations to help users understand and explore data collected as part of the Digital Accountability and Transparency (DATA) Act of 2014. Mr. Marsico's presentation included a sankey diagram and a dendrogram. The sankey diagram linked budget functions to object classes and illustrated the magnitude of the relationships. The dendrogram listed each federal agency and allowed users to drill down from the agency level to the sub-agency level and to the federal accounts that comprise sub-agency spending. Users could also view a federal account profile to gain a better understanding of how

¹ Conforming amendments will be made to Technical Release 8, *Clarification of Standards Relating to Inter-Entity Costs*, to acknowledge the rescission of SFFAS 30.

agencies receive and spend congressional funding to carry out their programs, projects, and activities.

The Board also observed an interactive MD&A and interactive financial statements developed by a team from Deloitte & Touche LLP. The interactive MD&A included tips to help users understand technical terms, a sankey diagram of budgetary resources, a radar chart comparing the net cost for five programs over multiple periods, and a geospatial heat map of net cost by state with drill-down capability enabling users to view amounts by congressional district. The interactive financial statements also provided drill-down capability. The drill-down feature enabled users to learn more about the details of financial statement line item balances.

The Board encouraged continued progress in electronic reporting. The Deloitte team included Mr. Justin Reed, Partner; Ms. Tasha Austin, Senior Manager; Mr. Daniel Shorstein, Manager; Ms. Tanya Bagheri, Business Technology Analyst; Ms. Reem El Seed, Consultant; and Mr. Dai Tran, Specialist Master.

The Board subsequently discussed whether to revisit certain topics within Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*. The possible topics included revisiting (1) SFFAC 3 for standards or implementation guidance; (2) the role of MD&A; (3) the scope of MD&A; (4) the schematic diagram of a sample general purpose federal financial report (GPFFR); (5) the intended audience for MD&A and GPFFRs; (6) the financial statements discussion; (7) the systems, control, and legal compliance discussion; and/or (8) the performance discussion. Board members discussed the topics for revisiting SFFAC 3 and noted that they were integrated rather than stand-alone topics. Consequently, the Board agreed that implementation guidance should be developed to help improve the content of MD&As. The Board noted that component reporting entities could be more creative and use interactive technology. Existing standards do not preclude reporting entities from using the technology.

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

[Accounting and Reporting of Government Land](#)

Members reviewed a pre-ballot draft land exposure draft (ED) that contained revisions primarily based on members' input from the December 2017 meeting. Major changes included (1) consolidating and clarifying the questions for respondents, (2) communicating the Board's intent to issue future implementation guidance, and (3) stating that supporting documentation need not be precise or tied to a singular approach when disclosing acres of land.

Members generally agreed with the revised pre-ballot questions for respondents and revisions to the basis for conclusions. Additionally, the Board agreed that physical unit information should not be required at the government-wide level. Specifically, aggregating physical unit information that is not comparable among the reporting entities adversely affects FASAB's qualitative characteristics of relevance and

understandability. That is, logical relationships would not readily exist between the physical unit information provided and acres of land reported.

Finally, the Board agreed to ballot the land ED proposing a two-year implementation period. Staff was asked to consider several remaining non-technical edits and prepare for a ballot draft.

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

Risk Assumed

As part of the risk assumed project, the Board hosted an enterprise risk management (ERM) risk profiling education session. The panel discussed the following:

- Ms. SallyAnne Harper, a founding member and immediate past president of the Association for Federal Enterprise Risk Management (AFERM), provided a high-level review of federal ERM.
- Mr. Tom Brandt, the Chief Risk Officer at the Internal Revenue Service (IRS) and AFERM President Elect, presented a review of IRS's risk profiling processes, including risk identification, categorization, assessment, quantification, measurement, and modeling.
- Mr. Mike Wetklow, Deputy Chief Financial Officer (CFO) and Division Director for Financial Management, National Science Foundation (NSF), presented NSF's ERM implementation process, including a discussion about risk appetite as an integral part of risk profiling.
- Mr. Daniel Fodera, Lead Management Analyst, Program Management Improvement Team, Directors of Field Services, Federal Highway Administration (FHWA), explained the tools used in ERM risk profiling, including the use of a heat map at FHWA.

The Board learned the following main points:

- Risk assessment is integrated into strategic planning and investment decision making to determine priorities and objectives.
- Senior management is responsible for setting risk appetite to determine the most significant risks that could impact the organization's strategic mission.
- Risk appetite includes an analysis of both the likelihood and impact of events.
- Most agencies are just beginning to develop their ERM processes; a few are moving into a more mature model.

Directly following the education session, the Board discussed whether to leverage ERM risk profiling as identified in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

The Board agreed that staff should explore how to incorporate OMB A-123 risk profiling in the project; however members noted the following concerns:

- The Board should determine what type of risks to focus on: performance/programmatic—MD&A and/or financial impact—disclosure notes.
- The Board should determine what risks are not currently included in financial reports through working groups and determine the consequences of not including certain risks.
- The Board should consider producing best practices guidance if the standards are complete and agencies need additional help.
- The Board should prevent risk identification from turning into a compliance exercise that might affect the ERM process.
- The Board should consider how agency internal ERM processes might be affected by external financial reporting and the related audit.

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

Note Disclosures

The Board discussed a new proposed materiality definition. This new definition was introduced in an effort to update the current FASAB materiality guidance so that it is clearer. The materiality definition should also be centralized and provide a thorough discussion of related federal environment considerations.

The Board's feedback on the new materiality definition was positive, with only minor edits to the current writing. Members agreed that the new definition should be placed in SFFAC 1, *Objectives of Federal Financial Reporting*. Staff will update the definition based on member feedback and provide it to the Board for review.

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

Accounting and Auditing Policy Committee

There was no AAPC activity during the period.

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

FASAB Meeting Schedule

Schedule for 2018 Meetings

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

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.