



FASAB Newsletter

Federal Accounting Standards Advisory Board

June-July 2019 TABLE OF CONTENTS

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

Member News

[FASAB Bids Farewell to D. Scott Showalter and Michael Granof](#)

June 26-27 marked the final Federal Accounting Standards Advisory Board (FASAB or “the Board”) meeting for members D. Scott Showalter and Michael Granof. Both Mr. Showalter and Mr. Granof made lasting contributions to the Board’s progress in addressing federal financial accounting issues. Serving from 2009-2019, they propelled the profession forward.

Mr. Showalter served as a Board member for six and a half years and then as the Board’s chair

for three and a half years. During his tenure as chair, Mr. Showalter steered the Board through many complex and unprecedented issues. FASAB issued guidance crucial to the community thanks to his thoughtful leadership.

Throughout Mr. Granof's ten-year tenure as a Board member, he frequently provided his colleagues and staff with alternative points of view designed to further the discussion at hand. His willingness to explore all possibilities to arrive at the most appropriate solution aided FASAB in tackling complicated federal financial accounting and reporting topics.

Staff News

FASAB Welcomes Ricky Alan Perry, Jr.

FASAB recently welcomed Ricky "Alan" Perry, Jr. to the technical staff. Alan will serve as a senior analyst.

Ricky "Alan" Perry, Jr. joined the FASAB research staff in July 2019. From 2013 until 2019, he worked at the U.S. Government Accountability Office (GAO). His experience includes managing federal financial audits, performance audits of certain disaster relief and tax credit programs, and assessing government-wide payment integrity processes and strategies. Alan detailed part-time with FASAB between 2015 and 2019, serving as project manager for the development and issuance of Statement of Federal Financial Accounting Standards (SFFAS) 52, *Tax Expenditures*, and supporting educational and outreach efforts with the federal financial management community.

Alan is a Certified Public Accountant licensed in the State of North Carolina and a Certified Government Financial Manager. He is a member of the American Institute of Certified Public Accountants, Association of Government Accountants, and North Carolina Association of CPAs. He holds a master's degree in accounting from North Carolina State University.

Point of Contact: R. Alan Perry, Jr., 202-512-5720, perryra@fasab.gov

Call for Volunteers

AAPC Requests Volunteers for Task Force on Leases and Software Licenses

The Accounting and Auditing Policy Committee (AAPC) is seeking volunteers to join incumbent lease task force members in assisting with the concurrent development of (a) implementation guidance on leases and (b) proposed standards on software licenses.

Development of timely guidance will facilitate the implementation of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal*

Government, and SFFAS 6, Accounting for Property, Plant, and Equipment, which is effective fiscal year (FY) 2021.

Task force members should have knowledge of, or experience with, issues surrounding leases and/or software licenses and also be capable of articulating the views of their organizations and other similar constituents. Task force members will serve as a sounding board and provide critical technical input and feedback to staff throughout the development of guidance. The AAPC anticipates the first meeting of the task force to be held in late August or early September.

Point of Contact: R. Alan Perry, Jr., 202-512-5720, perryra@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](#)

At the June 24 meeting, members discussed the draft basis for conclusions, required supplementary information (RSI) transition period and effective date language, and temporary land rights (TLRs).

Although the Board agreed that the basis for conclusions improved from its April version, members asked staff to focus not only on the content, but the section's logical flow and the ability to clearly express Board intent and rationale for each area discussed.

Members generally agreed that, given the definite or fixed useful life of TLRs, they should be capitalized and depreciated/amortized. Members agreed that capitalizing TLRs is consistent with the allocation (that is, period costs) concept in accounting. Accordingly, members requested that staff add a TLR section to the basis for conclusions.

Members disagreed with allowing those entities electing to exclude land and (all) land rights from opening balances to be permitted to expense all future land rights including TLRs. That is, entities adopting the alternative method would need to prospectively capitalize and depreciate/amortize TLRs. Accordingly, members agreed to change the proposed SFFAS 6, *Property, Plant, and Equipment*, paragraph 40.f.i amendment to reflect the prospective capitalization of TLRs.

Members discussed clarifying the RSI transition period and effective date language by ensuring that the guidance clearly states:

- For general property, plant, and equipment (G-PP&E) land, existing requirements to display balances and disclose information remain in effect until FY 2024, when the RSI information transitions to basic.

- For both G-PP&E land and stewardship land (SL), no balance sheet reference to RSI should be made during the transition period.
- For SL, existing requirements to reference a note on the balance sheet that discloses information without displaying any asset dollar amount should continue until FY 2024, when the RSI information transitions to basic.

The Board did not identify additional technical matters; however, members reserved judgment until they review a final basis for conclusions.

Next steps

- Staff will incorporate a revised basis for conclusions pursuant to Board deliberations and work with members to help ensure that their concerns are reflected in the forthcoming revisions.
- Staff will address the technical issue raised concerning TLRs.
- Staff will clarify guidance concerning the RSI transition period and effective date.

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

Evaluation of Existing Standards

Assigning Liabilities

At the June 2019 Board meeting, FASAB unanimously approved Interpretation of Federal Financial Accounting Standards 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*. The Interpretation has been submitted to members representing the Department of the Treasury (Treasury), OMB, and GAO for review. If none of these members object within 45 days after its submission, then FASAB will issue the document. This is anticipated to be August 16, 2019.

The Interpretation provides clarification and 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 settling the liability for the cleanup cost of that asset.

Intragovernmental Allowances for Losses

At the June 2019 Board meeting, the Board considered a draft Technical Bulletin (TB), *Loss Allowance for Intragovernmental Receivables*, to address a request for guidance from Treasury regarding intragovernmental allowances for losses.

The draft TB would provide clarity and resolve the perceived uncertainty related to intragovernmental allowances for losses. This TB would clarify SFFAS 1, *Accounting for Selected Assets and Liabilities*, by establishing that even though SFFAS 1 identifies the two types of receivables, the absence of explicit guidance distinguishing between the accounting of intragovernmental receivables and receivables from nonfederal entities does not mean the standards only apply to receivables from nonfederal entities. This TB would also clarify that recognition of losses, provided in paragraphs 41-51 of SFFAS 1, apply to both intragovernmental receivables and receivables from nonfederal entities.

The majority of the Board expressed support for the TB. However, one member disagreed with the guidance in the document. After discussing the member's concerns, the Board confirmed its majority position that there is no differentiation in the standards as it applies to both receivables. Members agreed to certain edits to the draft TB based on the member's concerns. Staff will add language to be more specific that, although there is an allowance, monies owed can still be collected.

The Board will review an updated TB, *Loss Allowance for Intragovernmental Receivables*, that incorporates the agreed upon changes for a 15-day review. If a majority of the members do not object, the TB will be exposed to the public for comment.

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

Leases and Software Licenses

For the August 2019 meeting, staff will update the Board on AAPC efforts to develop conforming amendments to technical releases (TRs) as a result of SFFAS 54. Staff review of comment letters found that such amendments may necessitate clarification in existing guidance in the area of software licenses, as well as changes to the proposed TR.

Staff will develop a proposal for clarifying such guidance in tandem with the development of implementation guidance on leases.

Point of Contact: R. Alan Perry, Jr., 202-512-5720, perryra@fasab.gov

Materiality

The Board generally supported the pre-ballot draft *Materiality* Statement. Members made minor edits and updates to the pre-ballot draft. Staff will further develop in the basis for conclusions the Board's consideration of other standards-setters' materiality definitions. The Board is expected to review another pre-ballot draft at the August 2019 meeting.

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

Note Disclosures

The Board discussed updates to the draft note disclosure principles, including the newly added section related to note content. Members suggested minor edits and suggestions on the draft. Staff and the working group continue their research on the proposed decision questions for the Board to consider in establishing disclosure requirements.

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

Omnibus

The Board approved proposed SFFAS 57, *Omnibus Amendments 2019*. The Statement

- eliminates the required supplementary stewardship information category by rescinding SFFAS 8, *Supplementary Stewardship Reporting*,
- updates references to leases in SFFAS 5, *Accounting for Liabilities of the Federal Government*, SFFAS 6, and SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, and
- makes a minor change to SFFAS 6 for clarity.

FASAB submitted the proposed Statement to the sponsors for the 90-day review period. FASAB will issue the final Statement after the expiration of the review period unless otherwise informed. The rescission of SFFAS 8 will be effective for reporting periods beginning after September 30, 2019, and amendments regarding leases are effective for reporting periods beginning after September 30, 2020. The amendment to SFFAS 6 will be effective upon issuance.

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

MD&A Amendments

At the June 2019 Board meeting, staff introduced the new project, MD&A amendments. This is a consolidation of the risk reporting and reporting model phase I: MD&A and stewardship investments improvements projects. Research from those projects identified that Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, includes most of the standards-based language that staff will use to amend SFFAS 15, *Management's Discussions and Analysis*.

Members were curious about staff's recommendations about the future of SFFAC 3. Staff explained the initial analysis of SFFAC 3 was only to present proposed amendments to SFFAS 15. Decisions about what to relocate or rescind from SFFAC 3 and information included in other concepts about MD&A will be presented at a future

Board meeting. Members agreed, noting that SFFAS 15 amendments should provide clarity and focus to help manage and reduce any additional burdens currently placed on preparers.

The following items were discussed in relation to amending SFFAS 15.

Members agreed that materiality is applied differently to MD&A than basic information. While the financial statements include materially quantitative information, management should apply more judgment to what qualitative information to include in MD&A. For example, management should understand trending issues to determine what citizens are getting for their money and what qualitative information will be useful for those interest groups. Management could also include a qualitative discussion in MD&A to explain why a financial statement balance is growing, the associated risk, and potential effect on operations.

To ensure inclusion of important information, members agreed not to include the materiality boilerplate as an amendment to SFFAS 15. Instead, the Board wants to include a discussion about the concept of materiality and how it applies to MD&A.

The following administrative amendments were approved for SFFAS 15 to conform to current SFFAS formats: change the header title from “Statement of Standards” to “Standards” and add a scope and definition section. Members agreed to add items to be defined at future meetings. Possible terms include financial condition and financial position.

Members requested that staff develop objectives for the MD&A before continuing to develop standards. Objectives should independently help preparers understand what should be achieved in MD&A and prevent the mentality that checklist compliance will lead to an effective MD&A.

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

Reporting Model Phase II

The Board determined that improving budgetary information reporting, performance reporting, electronic reporting, and data quality and integration were high priority areas of the reporting model. Board members noted that the topics were interrelated. Also, the format of reported budgetary information needs improvement, and there is a need for integrated budget and performance information. For the August 2019 meeting, staff will develop a plan to address the high priority areas.

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

Accounting and Auditing Policy Committee

Staff completed its review of comments on the proposed TR titled *Conforming Amendments to Technical Releases for SFFAS 54, Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment*. AAPC members will be briefed on the results at the next AAPC meeting in November. The August 15 meeting has been canceled. Efforts to finalize certain components of this proposed TR are pending Board decisions surrounding staff's proposed approach for updating existing guidance to address software licenses.

The AAPC is initiating a project to develop additional implementation guidance related to leases. The goal of the project is to further assist the preparer community with implementation issues surrounding SFFAS 54 by providing timely guidance.

The AAPC is seeking volunteers to join incumbent lease task force members to assist with these efforts. See the [Call for Volunteers](#) announcement above for additional information.

FASAB Meeting Schedule

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 <https://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

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 <https://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 <https://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.