



FASAB Newsletter Federal Accounting Standards Advisory Board

August-September 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.

Do You Need Help with GAAP?

Did you know that FASAB staff is available to address generally accepted accounting principles (GAAP) accounting questions?

FASAB is excited to introduce our updated technical inquiry (TI) webpage <https://fasab.gov/technical-inquiries/> to help serve you better.

The new and improved TI webpage now includes information on:

- How we can help you
- Who we help
- What you can expect

TIs may address questions such as how to implement new standards or whether you meet the criteria for existing or new standards.

In the past, staff could address your issues through a phone call or personal email. Our updated process now requires you to fill out a TI form, which you can find on the [TI webpage](#). Completing the form helps you to identify your research and formulate your question. A completed form then helps staff address GAAP questions consistently and better track similar accounting concerns that may lead to implementation guidance or updated standards.

After you complete the TI form, you will receive an automatic confirmation email with more information about the process and then an introduction email from the assigned staff who will address your question.

Check out the updated TI webpage at <https://fasab.gov/technical-inquiries/>.

FASAB staff looks forward to working with you to resolve any GAAP accounting issues you may be experiencing.

Point of Contact: Monica R. Valentine, 202-512-7350, valentinem@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 of the Federal Accounting Standards Advisory Board (FASAB or “the Board”) discussed temporary land rights, the required supplementary information (RSI) transition period and effective date language, and the draft basis for conclusions.

Concerning temporary land rights, members agreed to require prospective capitalization and amortization of such costs for those eligible entities adopting to exclude land and land rights from their opening balances.

In their review of the basis for conclusions, members continued making progress by generally accepting the June changes. The Board also noted additional areas for improvement:

- Staff should state the Board's conclusion early in the basis for conclusions.
- Staff should clarify that physical unit groupings (such as number of national parks) do not contribute to either the operating performance or stewardship objectives.
- Staff should clarify that the historical cost of land in the financial statements is of limited value.

Lastly, members preferred alternate language concerning the RSI transition and effective date. The alternate language separates the transitional guidance from the disclosure requirements into two distinct paragraphs. That is, the information required by the draft Statement of Federal Financial Accounting Standards (SFFAS) on land is effective for fiscal year 2021 and is expected to transition to basic information in fiscal year 2024 after being reported as RSI for a period of three years. Early adoption will not be permitted.

Members did not identify any remaining technical issues and are expected to ballot the proposed Statement at the October meeting.

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

Evaluation of Existing Standards

Assigning Liabilities

On August 16, 2019, FASAB issued Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*.

With the issuance of SFFAS 47, *Reporting Entity*, SFFAS 55, *Amending Inter-entity Cost Provisions*, and Technical Bulletin (TB) 2017-2, *Assigning Assets to Component Reporting Entities*, there was a need for additional guidance to assist in the application of cleanup cost liability standards at the component reporting entity level.

Interpretation 9 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.

Interpretation 9 is available at <https://fasab.gov/accounting-standards/>.

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

Intragovernmental Allowances for Losses

On August 30, 2019, FASAB released for comment a proposed TB titled *Loss Allowance for Intragovernmental Receivables*. The proposed TB would clarify that the recognition of losses, provided in paragraphs 41-51 of SFFAS 1, *Accounting for Selected Assets and Liabilities*, applies to both intragovernmental receivables and receivables from nonfederal entities. The proposed TB would also clarify that an allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or legal obligation of the other intragovernmental entity to pay.

The exposure draft and the specific questions raised are available on the FASAB website in PDF and Microsoft Word format, respectively (<https://www.fasab.gov/documents-for-comment/>). While FASAB encourages that all comments be submitted by October 1, 2019, late submissions are also reviewed by the Board.

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

Leases

At the August 28 meeting, staff briefed the Board on the project plan for developing implementation guidance for SFFAS 54, *Leases*. Staff has, with the support of the Accounting and Auditing Policy Committee (AAPC) task force, undertaken a systematic process for identifying implementation issues by (1) performing a content analysis of analogous Governmental Accounting Standards Board implementation issues and (2) surveying task force members and their constituents regarding issue areas that may be candidates for guidance.

The task force roster is finalized, and meetings are scheduled for September 6 (*completed*), October 4, November 1, and December 6 (*tentative*).

Board members were generally supportive of the plan but observed that the timelines may prove challenging. Members asked that staff gather information from the task force regarding the present status of implementation efforts and return to brief the Board on the state of such at the October 2019 Board meeting.

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

Materiality

At the August 29 meeting, the Board generally supported the latest edits to the proposed *Materiality* Statement of Federal Financial Accounting Concepts (SFFAC). Members made additional edits and updates to the draft Statement.

Mr. Patrick McNamee indicated his intent to dissent on the draft materiality Statement due to his concern regarding the term “could reasonably be expected” in the materiality definition. Mr. McNamee believes that the Board should defer action on this Statement until the Auditing Standards Board (ASB) completes its project on materiality. In its recently issued ED, the ASB used the term “substantial likelihood” in the materiality definition.

The Board members discussed that materiality definitions vary among other standards-setters’ current and proposed guidance. The Board noted that the accounting and auditing materiality issues are different and, therefore, there is not a need to align the definitions. The Board proposed “could reasonably be expected” in its ED and received positive feedback on the proposed materiality concepts. The

Board concluded that the term “could reasonably be expected” is appropriate in assessing materiality in the federal financial reporting environment.

Members other than Mr. McNamee agreed to move forward with an updated draft and a pre-ballot Statement prior to the October meeting. They plan to ballot the proposed Statement at the October meeting.

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

MD&A Amendments

At the August 28 meeting, members approved the proposed project plan for the management’s discussion and analysis (MD&A) amendments project.

The Board then began developing objectives for MD&A based on the standards in SFFAC 1, *Objectives of Federal Financial Reporting*: budgetary integrity, operating performance, stewardship, and systems and control.

Members agreed on the following MD&A objectives for budgetary integrity:

- MD&A should concisely explain financing resources and the sources and status of budgetary resources.
- MD&A should concisely explain why significant changes in budgetary and/or financing resources were needed during the reporting period.

In addition, members added a general objective to encourage a more concise and readable MD&A.

- MD&A should concisely explain—in plain language—any budget and financial terms used, such as but not limited to unfunded, unobligated, and net cost of operations.

Members will begin developing MD&A objectives for operating performance at the October 2019 Board meeting.

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

Note Disclosures

At the August 29 meeting, staff and representatives from the note disclosures working group presented draft research results regarding proposed decision questions that may be considered when establishing disclosure requirements. They discussed the following three areas for each topic: (1) proposed NODI questions for FASAB, (2) applicability to the federal environment, and (3) examples that may apply. The Board generally agreed with the proposed decision questions and the method to categorize

the questions by topic. The following eleven decision question topics were discussed in detail during the meeting:

- New or modified accounting pronouncements
- Alternative GAAP
- Line item considerations
- Budgetary/proprietary impact considerations
- Method of measurement
- Uncertainties
- Phenomenon
- Binding arrangements/obligations
- Changes to nonfinancial assets
- Stewardship
- Categorization

Staff and the working group will update the topics and proposed decision questions based on the feedback received during the meeting.

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

Omnibus

On September 27, 2019, FASAB issued SFFAS 57 entitled *Omnibus Amendments 2019*. This Statement:

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

SFFAS 57 is available at <https://fasab.gov/accounting-standards/>.

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

Reporting Model Phase II

During its August meeting, FASAB discussed and approved a proposed project plan that focused on improving component reporting entity budgetary and performance information in the federal government's open data environment. Members provided suggestions for improving the project approach and requested that staff develop additional details for the planned research and project outputs.

Also, although the proposed plan was intended to focus on component reporting entity issues, members agreed that the project should consider a framework that includes the government-wide perspective as well as component reporting entities. For the October meeting, staff will provide additional details for the planned research and will incorporate members' suggestions in a revised plan.

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

Software Licenses

At the August 28 meeting, the Board approved staff's recommendation to develop a TB to clarify the accounting treatment for software licenses. The Board agreed that issuance of a TB is necessary given the pending rescissions to paragraphs in existing guidance—SFFAS 5, *Accounting for Liabilities of the Federal Government*, and SFFAS 6, *Accounting for Property, Plant, and Equipment*—that take effect in fiscal year 2021 as a result of SFFAS 54.

Board members agreed that the intent of the rescissions, which are currently used by the community as criteria for capitalizing and amortizing software licenses in a manner consistent with tangible assets that exceeds capitalization thresholds, was not to discontinue current practice. The Board agreed that a TB is the appropriate mechanism for addressing the matter.

During these discussions, Board members generally agreed that future technical agenda-setting deliberations should consider opportunities to address software issues and guidance for intangible assets more broadly. Members asked that staff conduct preliminary research on such opportunities.

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

Accounting and Auditing Policy Committee

The AAPC Welcomes New Members, Brian Casto and Robert Smalskas

Brian Casto is an accountant with the Department of the Treasury's (Treasury) Bureau of the Fiscal Service. His duties include assisting and educating federal agencies with implementation of new FASAB standards. Brian has been with the U.S. government for nine years, previously leading the transition of the Fiscal Service Administrative Resources Center's customers into the Central Accounting and Reporting System. Before arriving at Treasury, he performed regulatory reporting for a regional bank holding company and audited financial institutions at a regional accounting firm.

Robert (Bob) Smalskas is the current Division Director of Accounting and Financial Reporting for the General Services Administration (GSA). He has been with GSA for four years, and has been with the U.S. government for about ten years. His previous experience with the federal government has been with the Department of Defense (the Defense Logistics Agency, U.S. Air Force, and the Department of the Navy) primarily working on audit readiness activities. Prior to the federal government, he worked in general accounting and financial reporting capacities for large- and medium-sized corporations. He has managed the real estate accounting activities of a large retailer and supported a global facilities organization of a large automotive components corporation. Mr. Smalskas is a Certified Public Accountant.

Leases Implementation

- Staff received approval from the Board to pursue guidance on software licenses through a TB. As a result, staff will modify as appropriate the proposed Technical Release 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*.
- The AAPC initiated a project to develop implementation guidance for SFFAS 54, *Leases*. For more information about the latest status of this project, see the Leases project section above.

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

FASAB Meeting Schedule

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.