



FASAB Newsletter Federal Accounting Standards Advisory Board

February-March 2020 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.

Annual Update Canceled

Out of an abundance of caution regarding COVID-19, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) has canceled the Annual Update previously scheduled for April 1, 2020. We will make every effort to reschedule the event for later in the year and apologize for any inconvenience the cancellation may have caused.

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

The Board reviewed a revised draft of the Statement titled *Accounting and Reporting of Government Land*. The principal provisions of this proposed Statement involve replacing the requirement to report general property, plant, and equipment (G-PP&E) land and

permanent land rights on the balance sheet at historical cost with a requirement to disclose land acres and predominant use classifications for all land including stewardship. The acre and predominant use classification information initially would be presented as required supplementary information (RSI) for a period of four years (fiscal year [FY] 2021-2024) and transition to note disclosures along with G-PP&E land and permanent land rights de-recognition in FY 2025.

Staff revised the draft to include changes based on the December 2019 meeting:

- Extended the effective date of the transition of the non-financial information from RSI to note disclosures by one year
- Allowed agencies to implement the Statement early
- Added proposed language to the basis for conclusions to address the concerns of Messrs. Bell and Soltis

At the December 2019 meeting, Messrs. Bell and Soltis expressed concerns regarding the related to the specific costs of preparing and auditing the non-financial information with which to compare the benefit of the non-financial information.

The revised draft proposed allowing early implementation so that early adopters could share their experiences with the Board, allowing for timely identification of challenges as well as best practices that could be used to (1) assess cost/benefit issues and (2) assist other agencies during implementation.

However, members did not agree noting (1) experience at smaller agencies would not reflect the experience of the larger landholding agencies and (2) the resulting lack of comparability. In general, members believed that monitoring the preparation and audit of the non-financial information during the RSI period would suffice, contingent upon Government Accountability Office (GAO) audit guidance.

GAO anticipates developing audit guidance after agencies have initially implemented and developed the non-financial information for RSI. As such, when the methods of developing that information are known, audit guidance for that information can be developed. Information on the cost to audit the information can then be assessed after the audit guidance on the non-financial information is provided and auditors work through the audit process.

The Board expects to pre-ballot a revised Statement subsequent to the February meeting and ballot no later than the April meeting.

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

Evaluation of Existing Standards

Debt Cancellation

At the February 2020 Board meeting, the Board considered an initial staff draft, *Debt Cancellation: An Interpretation of SFFAS 7 paragraph 313*. The Board first discussed paragraph 313 of Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, at the October 2019 Board meeting and agreed that an Interpretation would be used at the December 2019 meeting.

The Board agreed to allow time for additional research request by the two members and requested that staff consult with the reporting entities affected by the recent debt cancellation to determine whether staff's draft Interpretation would have resolved the issues.

The Board agreed to delay further consideration of the debt cancellation exposure draft (ED) pending research into prior debt cancellations and other historical circumstances.

Intragovernmental Allowances for Losses

On February 20, 2020, FASAB staff issued Technical Bulletin (TB) 2020-1, *Loss Allowance for Intragovernmental Receivables*. TB 2020-1 clarifies that the recognition of losses, provided in paragraphs 40-52 of SFFAS 1, *Accounting for Selected Assets and Liabilities*, applies to both intragovernmental receivables and receivables from nonfederal entities. The TB also clarifies SFFAS 1 by explaining the allowance approach is not a "write-off" of a receivable. Rather, it is a method for reporting an amount that the entity believes is realizable by requiring only accounts receivable, net of an allowance, to be reported on the financial statements. An allowance recognized in a reporting entity's financial statements does not alter the underlying statutory authority to collect the receivable or the legal obligation of the other intragovernmental entity to pay.

TB 2020-1 is available at <https://fasab.gov/accounting-standards/>.

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

Leases Deferral

At the February 2020 meeting, Board members unanimously supported the extension of the effective date deferral of SFFAS 54 from two years to three years.

On March 17, 2020, Board members unanimously approved (via electronic balloting) SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases*, for issuance. The Statement was then delivered to the Secretary of the Treasury, the Director of the

Office of Management and Budget, and the Comptroller General for the 90-day sponsor review prior to its final release. The expected issuance date is June 19, 2020.

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

Materiality

The materiality concepts statement is under due process review by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General.

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

Reporting Model: Budgetary Information

As part of the budgetary information project discussion, Ms. Carol Johnson, policy analyst, OMB, provided an overview of the budgetary information available to the public and discussed the federal budget process. In addition, Ms. Johnson discussed key budget concepts and noted that the purpose of budgetary accounting is to ensure compliance with budget laws.

The Board agreed to proceed with plans to improve budgetary reporting and requested that staff consider the following:

- Users' needs and the key challenges they have in understanding budgetary information, such as the format of the presentation
- The issuance of an invitation to comment prior to an ED
- The most important budgetary information a general audience of users would need to know
- Electronic reporting capabilities and how they might play a role in improving the information and assisting users in understanding the information
- Opportunities for improving guidance for management's discussion and analysis (MD&A), note disclosures, and related presentations such as the budget and accrual reconciliation

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

Reporting Model: MD&A

At the February 2020 meeting, members approved the technical plan with one change—to implement a task force earlier to help develop MD&A standards and the pilot. Task force members will be selected in the next six months. If you are interested, please contact Ms. Gilliam at the contact information below.

To support developing updated MD&A standards, members completed identifying the MD&A objectives for operating performance and tentatively agreed on preliminary language.

Staff plans to address the stewardship and systems and control objectives during the April 2020 meeting. Upon identification of all objectives, staff will curate a conceptual framework to help the Board develop updated MD&A standards.

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

Reporting Model: Note Disclosures

The Board plans to conduct the note disclosures project in two phases. The first phase will involve developing conceptual guidance and the second phase will involve using the conceptual guidance to reexamine existing note disclosure standards.

Points of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov and Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Accounting and Auditing Policy Committee

Leases Implementation

The Accounting and Auditing Policy Committee postponed its leases implementation task force meeting originally scheduled for March 31, 2020, to April 15, 2020.

Materials for task force meetings, including meeting schedules, agendas, and minutes, are available at <https://fasab.gov/about-aapc/aapc-projects/leases-implementation/>.

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

FASAB Meeting Schedule

April 22-23
June 24-25
August 26-27
October 21-22
December 15-16

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

May 7 (1:00 – 4:00 PM; teleconference only)
August 12-13 (1:00 – 4:00 PM on both days)
November 19

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.