

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
October 26, 2021
Zoom for Government

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For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by tab; references to these tabs in the minutes are hyperlinked.

Tuesday, October 26, 2021

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Johnson, and Messrs. McNamee, Patton, and Smith. The executive director, Ms. Valentine, and general counsel, Ms. Motley, were also present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

Administrative Matters

- **Approval of Minutes**

The Board approved the August meeting minutes prior to the meeting.

- **Updates and Clippings**

Mr. Scott asked the members if there were any comments on the clippings. No members had comments. Mr. Scott noted the extensive outreach efforts in the past two

months from both Board members and staff. He also mentioned [topic F](#), which included information on non-agenda topics.

Ms. Valentine informed the Board that FASAB's general counsel, Lisa Motley, had recently been promoted to Government Accountability Office (GAO) managing associate general counsel, which regrettably meant this was her final Board meeting as FASAB's general counsel. Ms. Kate Hudson will serve as acting FASAB counsel until GAO names a permanent counsel. Ms. Motley stated she would miss working with the FASAB staff and members. Members and staff thanked Ms. Motley for her dedication and great work over the years serving FASAB.

Agenda Topics

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced the climate session for [topic B](#) by thanking the members for responding to the questions in the briefing materials.

At the August 2021 meeting the Board had directed staff to do the following:

1. Add this topic as an active project on the Board's technical agenda
2. Develop a document of existing generally accepted accounting principles (GAAP) that preparers and users can reference to understand how climate-related events and climate-related financial risks can be accounted for and reported in federal financial statements
3. Develop a climate-related financial disclosure framework
4. Monitor work being done on climate disclosures and update the Board as necessary

Regarding item #2, this document is a new process for the Board because it did not start with a technical inquiry. Therefore, Ms. Gilliam explained that the goal of the session was to get direction on what format and type of document members prefer, as well as what standards members want to add or remove.

Question 1 – Do members agree with the format and information presented in the draft implementation guidance?

Staff's intention was to develop a catalog of existing standards that could address climate-related matters.

One member asked why this document focused on climate instead of environmental, social, and governance (ESG). Ms. Gilliam explained that the Board had voted in August to develop Staff Implementation Guidance (SIG) that addressed how agencies could report climate-related matters based on current standards. The Board would need to take a separate vote to address ESG.

Mr. Scott said that he and Ms. Valentine had been discussing a future education session on ESG.

All members requested an introduction section to begin the document. The Board agreed that the introduction should provide the following context:

- What this document hopes to accomplish
 - Who the audience is
 - Why this document does not create new standards
 - What current standards are included and why and how they apply
- How climate-related matters may affect financial statement line items
- Definitions to establish boundaries around terms such as “matters” and “impact”
- An explanation about the relationship between weather events and climate change

Ms. Gilliam said that staff would provide an introduction; however, it was not the focus of the October meeting. A couple members did not like the question and answer format. One member suggested removing the word “your” to make the questions more neutral—to not only address the preparer community but also auditors. Some members preferred a topical format, while the remaining members were comfortable with the question and answer format. Ms. Gilliam suggested a hybrid format of both topical and question and answer organization. Members agreed to a format organized by topic with related questions.

Members agreed to the following topical areas: (1) assets, (2) liabilities, and (3) sustainability. Property, plant, and equipment (PP&E) would fall under assets and consolidate damaged, deferred maintenance, impaired, land, and possibly inventory. Government-recognized liabilities could include cleanup costs. Sustainability could include the standards that account for economic effects and assumptions.

Some members requested conceptual examples to explain how standards could be applicable to climate-related matters. Members also wanted to be sure that this document did not add any burden or extra work for preparers.

Question 2 – Do members want to include additional standards or remove any standards?

Members did not want to remove any standards from the draft. However, members will assess whether Statement of Federal Financial Accounting Standards (SFFAS) 59, *Accounting and Reporting of Government Land*, should remain after reviewing future drafts.

Members agreed to add the following standards: SFFAS 3, *Accounting for Inventory and Related Property*; SFFAS 17, *Accounting for Social Insurance*; SFFAS 38, *Accounting for Federal Oil and Gas Resources*; and SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*.

Question 3 – Which document do members prefer, a staff paper, Staff Implementation Guidance (SIG), or Technical Release?

Ms. Gilliam requested that members determine which document they preferred to guide staff's next steps. She reviewed the differences between the available documents according to current policy.

A **staff paper** is non-authoritative with no due process by the Board, is reviewed internally, and then is published to the FASAB website upon approval by the executive director. Staff initiate a staff paper.

A **SIG** is level D in the GAAP hierarchy. A SIG provides guidance for applying existing Statements and Interpretations of Federal Financial Accounting Standards and does not amend any existing standards. A technical inquiry is usually the impetus for a SIG. Staff develops a SIG.

The due process for a SIG is as follows:

- Staff drafts the SIG.
- Another staff member peer reviews the SIG.
- The executive director and chair review the SIG.
- FASAB hosts a public meeting to discuss the proposal (not necessarily at a Board meeting).
- FASAB releases the SIG for public comment for at least 15 days.
- Staff prepares a final SIG.
- The Board reviews the SIG for at least 15 days.
- The executive director signs the SIG and FASAB issues it if a majority of the Board does not object.

A **Technical Release (TR)** is level C in the GAAP hierarchy. A TR provides guidance for applying existing Statements and Interpretations and does not amend any existing standards. The Accounting and Auditing Policy Committee (AAPC) develops TRs. The AAPC is a permanent committee, chaired by the FASAB executive director, authorized to improve federal financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues. FASAB usually initiates a TR topic for deliberation by the AAPC.

The due process for a TR is as follows:

- The AAPC deliberates.
- The AAPC releases the TR for public comment for at least 30 days.
- The AAPC submits the TR to the Board for a 45-day review.
- If a majority of members or a member representing Treasury, OMB, or GAO objects to the proposal, the TR returns to the AAPC.
- If either a majority of members or a member representing Treasury, OMB, or GAO does not object, the TR becomes final.

In late 2017, two members of the federal adaption and resilience group reached out to staff to learn what accounting standards were available to report on climate adaptation and resilience. Staff then developed a toolbox of current standards to provide guidance to account for and report on extreme weather events that have impacted federal PP&E. Staff has been presenting the toolbox as part of outreach efforts since 2018. Staff presented the idea for this document to the Board to expand the capacity of the toolbox beyond PP&E and to discuss the climate-related work underway by other standard setters (for example, the non-authoritative documents previously mentioned).

One member asked about a technical inquiry submitted by OMB and how that related to this document. Ms. Gilliam explained that staff is collaborating with OMB to address accounting for climate-related financial risk in relation to the Federal Credit Reform Act. Staff had requested that OMB submit a technical inquiry for questions concerning SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, and related guidance. Staff is currently in the peer review phase for the technical inquiry response. Staff will provide its response separately from this document.

One member voted for a TR, one member voted for a SIG, and seven members voted for a staff paper. Members agreed that, while this document should be non-authoritative, Board members should still be able to review and comment on the final document. Members agreed that the Board should revise and expand the due process for developing and publishing non-authoritative documents. Members wanted to know what processes the other standard setters follow to publish non-authoritative documents.

Next steps: Staff will update the document according to the requests made at this meeting and present the new draft at the December 2021 Board meeting.

- **FASAB FY 2021 Annual Report**

Ms. Valentine introduced the draft FY 2021 annual report from topic E to the Board. She noted that FASAB releases an annual report and three-year plan each fiscal year to enhance visibility of its operations and to obtain input regarding its plans.

Ms. Valentine noted that the Board reviewed the initial draft of the annual report at the August meeting and provided edits during and after the meeting. The current draft included those updates. She noted that the Appointments Panel is also reviewing the final draft annual report. FASAB will issue the report on November 15, 2021.

Ms. Valentine asked members if they had any final edits. The members discussed the following edits:

- Two members provided edits to the description of the climate-related financial reporting project in the new technical projects section of the annual report.
- Three members commented on the budgetary resources section of the annual report. The members questioned why actual resources for prior years were not included. Ms. Valentine noted that this question was raised at the August meeting and it was agreed that the change would be discussed at the next Steering Committee meeting. Ms. Valentine noted that if the Steering Committee agreed with including actual amounts for the prior years, the change would be implemented in the FY 2022 annual report. Members also suggested that narrative language be added to explain significant variances.

Ms. Valentine stated that members would have one last opportunity to see the final version of the annual report before FASAB issues it on November 15, 2021.

The meeting adjourned for lunch.

- **Leases**

Mr. Perry, senior analyst, began the leases session by recapping the status of the project. He explained that SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics*, and TR 20, *Implementation Guidance for Leases*, were scheduled to be issued on November 4, 2021. The next step of the project is to address implementation issues suitable for other types of pronouncements, such as Interpretations or Technical Bulletins (TBs). In addition, the task force may identify other omnibus amendment and TR candidates during the research process in the coming months as entities continue to prepare for implementation.

Mr. Perry then referred members to [topic C](#) and explained that the purpose of today's session was to receive feedback on a draft Interpretation of paragraphs 42 and 59 of Statement 54, *Leases*, and discuss certain options identified by staff and the task force, as reflected in the draft.

Question 1 – Do members have any feedback on paragraphs 1-2 (see topic C attachment 2)? Please provide any feedback regarding your preference, if any, between options 2A or 2B.

Mr. Perry hypothesized that option 2B, coupled with modifications to the title and the lead-in sentence to paragraph 3, could allow the scope of the Interpretation to not be specific to an SFFAS, but instead focused on interpreting the term “estimated incremental borrowing rate” more generally. Mr. Perry offered to illustrate the proposal at a future meeting. Such an approach could potentially benefit the Board in the event that it elects to use the same term in future Statements, thereby allowing the Interpretation to apply in such contexts. One member and Ms. Valentine expressed some reservation, indicating that Interpretations are typically meant to interpret specifically identified guidance within existing Statements.

One member noted that the paragraph presented in option 2A seemed to be a novel paragraph to include in a scope section of an Interpretation; Mr. Perry confirmed that staff was aware of the novel nature of the paragraph but wished to provide it as an option for providing additional contextual background that may be beneficial. Members preferred option 2B.

Question 2 – Do Board members have any feedback on paragraphs 3-5?

Members did not have any changes to the third and fourth paragraphs.

One member suggested footnoting the second and third sentences of paragraph 5, as these sentences provide more background information. Other members agreed with this suggestion. Staff will implement the change.

Additional discussion:

One member expressed reservations with the level of detail presented in the draft Interpretation, as the Board does not typically have such detailed requirements in their authoritative pronouncements. He noted that several existing Statements, including SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, reference discount rates without going into such detail. The member further clarified that he was not necessarily opposed to the detailed approach; however, the Board would need to better understand why the level of detail being proposed was appropriate.

Another member agreed about the level of detail and asked whether staff had previously considered SFFAS 33 and developing this guidance under another type of pronouncement.

Mr. Perry explained that task force members find paragraphs 42 and 59 extremely challenging to implement due to a lack of clarity surrounding how to estimate incremental borrowing rates. The lack of guidance in this area, he explained, is not conducive to consistent application, efficient audits, or consistent methodologies for estimating lease liabilities across government. Staff has received several questions from numerous task force members regarding this topic. Mr. Perry indicated that a TB may also be a viable approach and agreed to confer with the Board and Ms. Valentine on the

matter before presenting a revised approach. He noted that the content will likely remain relatively stable but perhaps a TB would be more appropriate.

Question 3 – Do Board members have any feedback on paragraph 6? Please provide any feedback regarding your preference, if any, between options 6A or 6B.

One member expressed a general preference for providing agencies with flexibility in the same vein as option 6A. The member encouraged staff to evaluate the criteria and flexibilities provided in SFFAS 33 and determine whether such flexibilities may provide a viable approach for revising this paragraph.

Mr. Perry agreed to revise option 6A after researching SFFAS 33. Staff will bring an updated draft to the Board for consideration. A few Board members signaled a general agreement with further developing option 6A and providing some degree of flexibility to preparers.

Staff also suggested that drafting a preliminary basis for conclusions on this matter may also serve the Board well when reviewing the revised draft at a future meeting. Board members agreed.

Question 4 – Do Board members have any feedback on paragraph 7? Please provide any feedback regarding your preference, if any, between options 7A or 7B.

A majority of the Board indicated a preference for providing a higher degree of flexibility for selecting and/or interpolating Treasury rates when lease terms fall in between maturity terms, as reflected under option 7B. Mr. Perry will reevaluate the wording of the paragraph before the next meeting.

Question 5 – Do Board members have any feedback on paragraph 8?

Members generally supported paragraph 8 as presented. One member pointed out that any differences associated with cost-benefit associated with taking this approach would need to be agreed to by the Board. Staff will present a preliminary basis for conclusions for Board consideration at a future meeting.

Question 6 – Do Board members have any feedback or suggestions with respect to these two additional issues (see topic C attachment 2) and staff's plans for addressing them?

Board members did not have any feedback in response to the two additional issues under staff research. Staff will continue to assess approaches for clarifying guidance for entities with their own borrowing authorities and present the topic to the Board at a future meeting.

- **Reexamination of Existing Standards**

Ms. Valentine began the discussion by referring the members to [topic D](#). She noted that, as part of the reexamination of existing standards project, the Board would explore opportunities to review and reexamine existing SFFASs and other pronouncements, as appropriate, and identify areas where clarification or amendments may be needed. The objective of the project is to reexamine FASAB's existing standards to assess their current relevance and to identify opportunities to streamline authoritative guidance.

Ms. Valentine provided the members a brief summary of Board decisions on the project. She explained that during the June 2021 meeting, members unanimously agreed that the community's input on the project's approach would be important to the project's success. A majority of members agreed to further research both the benefits of and concerns with FASAB's current GAAP hierarchy. The members also agreed to consider soliciting feedback through an Invitation to Comment (ITC) as a first step to the reexamination project. At the August 2021 meeting, the members approved moving the reexamination project from the Board's research agenda to an active technical project.

Ms. Valentine reminded the Board that staff would be discussing potential approaches to effectively manage a comprehensive reexamination project.

Seeking Input from the Public

As noted, gaining widespread feedback on potential approaches is integral to the project's success. Staff plans to solicit input from the public by holding round tables, forming a task force, conducting outreach to various organizations, and seeking feedback in an ITC. Given the multiple mediums of gaining input from the public, staff believed it important to determine the most efficient manner to do so and ensure Board agreement.

Staff identified the following high-level steps to receive input from the public:

- Staff drafts ITC questions.
- Staff conducts outreach to organizations for feedback on draft ITC questions.
- Staff finalizes the ITC.
- The Board reviews the ITC.
- The Board releases the ITC for public comment.
- The Board analyzes the public's response to the ITC, including determining if a round table or task force would be efficient in assessing comments and developing different approaches. This may also include

forming a task force for specific topics or new projects that evolve from the ITC results.

Question 1 – Do Board members agree with staff’s recommended plan to seek input from the public? (As described in the staff analysis, this would involve the use of outreach to organizations for feedback on the draft ITC questions and the use of a round table or task force after FASAB receives the ITC comments.)

The Board was in general agreement with staff’s plan to seek input from the public.

Potential ITC Questions to Seek Feedback on the Reexamination Project

As noted, the members agreed to solicit feedback from the public through an ITC as a first step to the reexamination project. Staff provided the Board with a suggested framework/organization of the ITC along with a preliminary list of potential questions.

Staff recommended several high-level questions be included in the reexamination ITC. The ITC will include additional narrative as context for each section and question, where appropriate. Specific examples related to the ITC questions may also be included where appropriate.

Staff presented eight potential ITC questions in the following three categories for the Board to consider.

- FASAB GAAP hierarchy
- Reexamination of FASAB standards
- Codification of FASAB standards and/or Handbook improvement

Question 2 – Do Board members agree with the suggested framework or organization of the invitation to comment?

After discussing the reasoning for including the GAAP hierarchy and codification/Handbook topics in the ITC, the Board was in general agreement with the suggested framework. The three topics are interrelated and should provide the Board with a comprehensive approach to reexamine the existing standards. The Board noted that once the context and narrative are provided, it should ensure the community has a clear understanding of how the topics are related.

Question 3 – Do Board members generally agree with the list of potential questions to include in an invitation to comment seeking input on the reexamination project?

The Board members generally agreed with the direction and topics of the question but provided staff general feedback and comments to consider when drafting the ITC. See the comments summarized in the fourth question.

Question 4 – Do Board members have other questions to offer for consideration for the ITC?

Staff noted that certain members had provided additional questions for consideration as well as overall comments. In addition, the Board discussed the following general comments:

- The Board should not only discuss the ITC questions, but also the mechanism by which the information is collected.
- The goal of the ITC should be to get maximum participation from the community.
- The Board should consider using a mixture of open-ended and multiple choice questions in the ITC. Also, the Board should consider using online surveys.
- The Board should limit the number of questions in the ITC so that respondents are not overwhelmed.
- The Board should consider providing a topical reference tool (a list of pronouncements by topic) for the respondents to use when providing their responses.
- The ITC should be clear that the purpose is not to identify new topics for the Board to consider, but to identify gaps/voids in the existing guidance.
- The Board should consider alternatives to codification given the resource restraints.
- The Board should consider whether the criteria provided should include or match with the agenda selection criteria.

Next steps: Staff will begin drafting the ITC based on the discussion.

Adjournment

The Board meeting adjourned at 4:20 p.m.