FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESCINDING AND REPLACING SFFAS 15

Statement of Federal Financial Accounting Standards 64

September 27, 2024

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- Mission statement
- Documents for comment
- Statements of Federal Financial Accounting Standards and Concepts
- FASAB newsletters

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone (202) 512-7350
Fax (202) 512-7366
www.fasab.gov

SUMMARY

This Statement updates the guidance for management's discussion and analysis (MD&A). In 1999, the Federal Accounting Standards Advisory Board (FASAB or "the Board") first published conceptual guidance and standards for preparing the MD&A in Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis,* and in Statement of Federal Financial Accountant Standards (SFFAS) 15, *Management's Discussions and Analysis.*

The Board intended for management to refer to both SFFAC 3 and SFFAS 15 to prepare the MD&A because together they contained complete guidance pertaining to both form (how to report information) and content (what information to report). However, reporting entities predominantly referred only to SFFAS 15 because SFFAC 3 was not authoritative. This resulted in segregating information into sections that often resulted in duplicating content throughout MD&A, which was difficult for users to follow and understand.

This Statement improves MD&A guidance by

- merging and updating relevant content from SFFAC 3 and SFFAS 15 based on FASAB's reporting objectives for budgetary integrity, operating performance, stewardship, and systems and controls;
- providing a concise set of principle-based standards that will guide management in preparing a discussion and analysis of the reporting entity's financial position and condition;
- encouraging flexibility for management to efficiently and effectively prepare MD&A content, thus reducing preparer burden in the long run; and
- guiding management in the preparation of a balanced, concise, integrated, and understandable MD&A that is useful for all users, including those who are not experts in federal government financial matters.

This Statement rescinds and replaces SFFAS 15, *Management's Discussions and Analysis*.

MATERIALITY

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial.[1] A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

[1] Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

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STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

2. A GPFFR in conformance with federal accounting principles should include management's discussion and analysis (MD&A) of the financial statements and related information.

3. MD&A is required supplementary information (RSI).[2]

RESCISSION AND REPLACEMENT OF SFFAS 15

4. SFFAS 15, *Management's Discussions and Analysis,* is rescinded in its entirety.

5. SFFAS 15 is replaced with the MD&A standards contained herein.[3]

PURPOSE OF MD&A

6. The purpose of MD&A is to increase the understandability and usefulness of a reporting entity's GPFFR by summarizing management's insights about its organization and mission; financial position and condition; operating performance, opportunities, and risks; and systems, internal controls, and compliance with applicable laws and regulations. This Statement presents guidance in two categories: 1) *Presenting Information in MD&A* and 2) *Information Discussed and Analyzed in MD&A*.

7. *Presenting Information in MD&A* explains **how** management should present a balanced, concise, integrated, and understandable MD&A. *Information Discussed and Analyzed in MD&A* explains **what** types of information management should include in MD&A.

[2] See paragraph 73 of Statement of Federal Financial Accounting Concepts (SFFAC) 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information,* for concepts about RSI.

[3] *Omnibus Concepts Amendments* 2024 rescinds SFFAC 3 in its entirety. All relevant standard-like content from SFFAC 3 has been adapted in this Statement. In addition, this Statement does not eliminate or otherwise affect SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements* or SFFAS 52, *Tax Expenditures*.

PRESENTING INFORMATION IN MD&A

8. To achieve a balanced MD&A, management should include information about events, conditions, trends, or a combination of the three that had or might have a significant positive or negative effect on the reporting entity's financial position, financial condition, or operating performance.

9. To achieve a concise MD&A, management should summarize information that is sufficient to meet the needs of its users. This could be accomplished by

   a. emphasizing the vital few matters that are necessary to support the information required in *Information Discussed and Analyzed in MD&A* (par. 12 and 13);

   b. summarizing and referring to relevant detailed information from other areas of the GPFFR;

   c. summarizing detailed information found in other relevant sources outside of the GPFFR and indicating how that information can be obtained;

   d. limiting duplicative content within the MD&A; and

   e. presenting only information that is relevant for the current reporting period.

10. To achieve an integrated MD&A, management should combine financial and nonfinancial information and qualitative and quantitative information to present a comprehensive and unified discussion and analysis.

11. To achieve an understandable MD&A, management should present content in plain language, organize information by related content, and, as appropriate, include charts, tables, graphs, or any combination thereof to enhance the understanding of the MD&A for all users, including those who are not experts in federal government financial matters.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

12. MD&A should discuss and analyze the following information about the reporting entity's:

    a. Organization and mission.

    b. Causes of significant changes and trends in financial position as explained by the composition or balances of assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources.

    c. Causes of significant changes and trends in financial condition related to business-type activity, social insurance, long-term fiscal projections, and RSI.

d. Key performance[4] results[5] and their associated costs, such as:

   i. Performance results that are key to the reporting entity. For example, key performance results could be organized based on responsibility segments as reported on the reporting entity's statement of net cost.

   ii. Actual costs[6] incurred by the reporting entity to accomplish key performance results.

   iii. Cost savings, if any, that the reporting entity might experience with the accomplishment of key performance results.

e. Significant opportunities[7] identified by management to enhance key performance results, plans to leverage such opportunities, and the potential effect on financial and budgetary results of carrying out those plans.[8]

f. Significant risks[9] identified by management that have a potentially negative effect on key performance results, plans to mitigate such risks, and the potential effect on financial and budgetary results of carrying out those plans.

13. MD&A should provide management's summary assessment of the effectiveness of the reporting entity's internal controls and financial management systems, and the reporting entity's compliance with applicable laws, regulations, contracts, and grant agreements that are relevant to financial reporting. Such reporting should address internal control weaknesses, systems deficiencies, and instances of noncompliance that have a significant effect on the reporting entity's financial and performance reporting and its plans to address them.

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[4] Key "performance results" refers to both performance accomplishments and performance challenges. Management uses judgment in identifying what performance results are **key** to the reporting entity.

[5] The CFR is not required to provide an analysis of consolidated government-wide performance results but may refer to the availability of performance information in agency financial reports.

[6] If actual costs are not available, the explanation should provide obligations incurred or associated outlays.

[7] For the purposes of MD&A, "significant opportunities" are anything that may have a significant positive effect on a reporting entity's ability to achieve its performance results. Management should use judgment in determining significant opportunities.

[8] "Plans" are actions the reporting entity expects to execute in the future.

[9] For the purposes of MD&A, "significant risks" are the effect of significant uncertainty on a reporting entity's ability to achieve its performance results. Management should use judgment in determining significant risks.

EFFECTIVE DATE

14. The requirements of this Statement are effective for reporting periods beginning after September 30, 2025. Early implementation is permitted.

> The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

A1. On June 8, 1999, the Federal Accounting Standards Advisory Board (FASAB or "the Board") published Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis.* Although SFFAC 3 was a concepts statement, it included standards-like content to guide reporting entities on what to report in MD&A, along with concepts to guide the Board on developing standards for MD&A. However, SFFACs are nonauthoritative and, therefore, not required by GAAP. To require MD&A in the GPFFR, the Board needed to issue authoritative guidance in an SFFAS.[10]

A2. On August 12, 1999, FASAB published SFFAS 15, *Management's Discussions and Analysis*, which was merely an outline of the standards-like content from SFFAC 3, to require MD&A as part of the GPFFR. The expectation was that preparers would use both SFFAC 3 and SFFAS 15 to prepare the reporting entity's MD&A. However, given that SFFAC 3 is nonauthoritative *other accounting information* as noted in the GAAP hierarchy,[11] agencies relied primarily on SFFAS 15 to prepare their MD&As.

A3. During 2017 and 2018, staff conducted an online survey and in-person round tables for both the risk reporting and reporting model phase I: MD&A and

[10] According to the Forward in the *FASAB Handbook*, "[C]oncepts are more general than statements on standards and do not contain specific authoritative requirements for federal agencies." According to the Preamble to Statements of Federal Financial Accounting Concepts in the *FASAB Handbook*, concepts provide "guiding principles" for the Board to develop accounting standards. However, many of the concepts in SFFAC 3 contain standards-like language such as (1) "MD&A should address," (2) "MD&A should inform," and (3) "MD&A should concisely explain."

[11] SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.*

stewardship investments improvements projects.[12] Round table feedback informed the Board that financial statement users found federal entity MD&As to be dense, duplicative, and complex. Round table participants wanted to understand financial performance in the context of the reporting entity's financial position and condition. The MD&A included dense statistical information repeated from the Government Performance and Results Modernization Act (GPRAMA) reporting. This did not provide the performance-related financial information that users wanted.

A4. In June 2019, the Board added the MD&A project to its agenda to merge work completed by the risk reporting and reporting model phase I: MD&A and stewardship investments improvements projects. The goals of the MD&A project were to

a. consolidate standards-like content from SFFAC 3 and standards from SFFAS 15 into one principle-based SFFAS for preparing the MD&A;

b. reduce preparer burden by streamlining the MD&A;

c. require information about a reporting entity's financial position and condition for a financial focus instead of a statistical focus based on GPRAMA reporting; and

d. update guidance to discuss and analyze risk plans and mitigation to explain how the reporting entity will respond to opportunities and uncertainties.

DEVELOPMENT OF MD&A STANDARDS

A5. The Board developed these broad, principle-based MD&A standards based on four years of staff work and extensive Board deliberations, including the development of 11 MD&A reporting objectives and a related vision framework. The Board also conducted an agency pilot to test the application of the objectives and framework.

A6. The Board identified the 11 MD&A objectives by analyzing the four FASAB reporting objectives from SFFAC 1, *Objectives of Federal Financial Reporting*—budgetary integrity, operating performance, stewardship, and systems and controls—within the context of MD&A. The Board also considered the application of those objectives to SFFAC 3.

A7. The Board then drafted an MD&A vision framework based on the 11 MD&A objectives.

[12] The project managers for the risk reporting and reporting model phase I: MD&A and stewardship investments improvements projects received the same feedback while conducting their own round tables in 2018.

A8. The Board conducted a pilot to test application of the MD&A objectives and framework, whereby agencies voluntarily followed both to prepare a sample MD&A.

A9. Fourteen agencies—including eleven Chief Financial Officer Act agencies and three significant consolidation entities—volunteered for the pilot because of their experience with long, burdensome, and/or duplicative MD&As.

A10. Staff also recruited three additional agencies from the Small Agency Audit Pilot Working Group (hosted by the Department of the Treasury's Bureau of the Fiscal Service) to assess application of the MD&A objectives and vision framework across reporting entities of varying sizes for a total of 17 pilot agencies.

A11. Staff conducted the pilot from January through March 2021. The 17 pilot agencies created sample MD&As based on their fiscal year 2020 financial statements, using only the MD&A objectives and framework.[13] As a result, the pilot agencies were able to reduce the length of their MD&A between 50% and 80%. For example, the United States Department of Agriculture reduced its MD&A from 77 to 12 pages and the Federal Trade Commission reduced its MD&A from 46 to 13 pages.

A12. The Board concluded the pilot results were a good indicator of the potential benefits of applying principle-based guidance to MD&A preparation. The main effects were the preparation of more effective content and reducing preparer burden.

A13. The pilot included 16 user reviewers, including members of the public, academia, federal workforce, and other specialties, to assess four sample MD&As against the Board's framework and objectives.

A14. In April 2021, participating agencies and user reviewers recommended that a streamlined MD&A could be accomplished by

a. providing a comprehensive connection between performance, non-financial and financial information, and systems information while avoiding a silo effect of putting information in separate sections;

b. focusing on key drivers (for example, COVID-19) that affected performance goals, significant changes in financial statement lines, and management's decisions during the reporting period;

c. providing concise and tangible examples about the magnitude of risks and current and planned actions to address them;

d. including high-level performance goals that support the current leadership agenda instead of low-level metrics;

[13] Requirements from the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and AGA's Certificate of Excellence in Accountability Reporting were not included in the MD&A pilot to allow agencies to test if the MD&A could be streamlined with only the draft MD&A objectives and framework.

e. including well labeled trend graphs that integrate performance, financial, and budgetary resource information, and written summaries; and

f. including more hyperlinks to detailed performance data and other important documents.

A15. The Board did not receive any negative feedback from the smaller pilot agencies about MD&A reporting burden. In fact, these agencies highlighted the importance of producing an MD&A that focused on transparency and providing users with comprehensive content about the entity's mission and accomplishments, as related to their financial position.

A16. Based on the results of the MD&A pilot, the Board concluded that the MD&A objectives and vision framework provided a sound foundation for developing these principle-based MD&A standards.

RESCISSION AND REPLACEMENT OF SFFAS 15

A17. The Board deliberated extensively as to whether to amend or rescind and replace SFFAS 15. While both SFFAS 15 and the standards herein require similar information, the Board concluded that rescission and replacement is the best option to improve the MD&A guidance.

A18. This Statement improves the MD&A guidance by providing broad, principle-based MD&A standards that merge and update relevant content from SFFAC 3 and SFFAS 15 based on FASAB's reporting objectives for budgetary integrity, operating performance, stewardship, and systems and control.

A19. This Statement improves the MD&A guidance by addressing the concerns expressed by users during FASAB's round tables and other outreach from 2017-2018. These users found the MD&A dense, redundant, and complex and wanted financial information about the reporting entity that was easier to understand.

a. According to respondents, SFFAS 15's requirement for multiple, discrete MD&A sections contributed to dense, redundant, and complex MD&A information.[14]

b. The Board concluded that by rescinding SFFAS 15, this Statement removes the requirements for discrete sections and provides broad, principle-based standards that allow reporting entities the flexibility to determine how the information is reported.

[14] SFFAS 15, paragraph 2 states, "MD&A should contain sections that address the entity's mission and organizational structure; performance goals, objectives, and results; financial statements; and systems, controls, and legal compliance."

A20. Staff's outreach also revealed that financial statement users wanted to remove dense statistical information repeated from GPRAMA reporting and instead preferred cost information about performance.

a. Preparers included dense statistical information because GPRAMA terminology—*Performance Goals, Objectives, and Results*—was used in paragraph 2 of SFFAS 15.

b. The Board concluded that focusing instead on key performance results and associated costs would reduce redundancy and preparer burden by eliminating the need for reporting entities to prepare GPRAMA statistical information for both budgetary and financial reporting, which are subject to different timeframes.

A21. Financial statement users also wanted to understand the financial performance in the context of the reporting entity's financial position and condition. The Board concluded that by requiring information about key performance results and associated costs, users would understand what the agency spent in relation to what was achieved, any cost savings for the agency, and any related significant opportunities or risks. The Board concluded that a focus on financial performance would provide users with information as to what affected the reporting entity's financial position and condition.

A22. The Board concluded that this Statement improves the MD&A guidance by providing a concise set of principle-based standards that will

a. encourage flexibility for how management can prepare MD&A content;

b. help preparers to focus on identifying and explaining the underlying causes of significant changes to and trends in financial statement balances; and

c. guide management in how to prepare a balanced, concise, integrated, and understandable MD&A that is useful for all users, including those who are not experts in federal government financial matters, to understand a reporting entity's financial position and condition.

A23. The Board concluded that as reporting entities gain experience in preparing a balanced, concise, integrated, and understandable MD&A, preparer burden should be reduced in the long run—regardless of the reporting entity's size or consolidation status.

PRESENTING INFORMATION IN MD&A

A24. The Board intends for the broad, principle-based standards in Presenting Information in MD&A to guide management in how to present a balanced, concise, integrated, and understandable MD&A—the four characteristics of an MD&A.

A25. The Board concluded that a balanced MD&A explains both positive and negative effects to help users understand the important reasons for changes to the reporting entity's financial position, financial condition, and operating performance.

a. A balanced MD&A also includes trend information over multiple prior reporting periods to help users understand possible positive or negative future effects on amounts reported in the financial statements or supplementary information.

b. For example, management may discuss and analyze key performance results during the current reporting period or over multiple reporting periods that had a significant (1) positive effect (for example, accomplishments that resulted in reduced costs); or (2) negative effect (for example, challenges that resulted in increased costs) on financial position and financial condition.

A26. The Board concluded that a concise MD&A has the following characteristics:

a. Emphasizes only the vital few or most important matters that explain information required in the *Information Discussed and Analyzed in MD&A* section.

b. Summarizes detailed information found within the GPFFR but outside of MD&A with a reference to the GPFFR section. For example, management can provide a reference to a note that is summarized in MD&A.

c. Summarizes detailed information found in other relevant sources and indicates how that information can be obtained.

d. Limits duplicative content, such as regulatory or compliance instructions. For example, management can:

   i. summarize information necessary to understand the reason(s) for significant changes in net cost; and

   ii. avoid repeating language from an SFFAS or instructions from Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

e. Presents information that is only relevant to the reporting entity for the current reporting period, which could include trend information.

A27. The Board concluded that for an MD&A to be integrated it may include quantitative, qualitative, financial, and non-financial information to explain information required in Information Discussed and Analyzed in MD&A.

A28. An integrated presentation is complementary to one that is balanced and concise but is a distinct quality that emphasizes effectively linking or coordinating various parts into a complete, cohesive discussion. For example, MD&A may include a coordinated discussion of budgetary, financial, and operating performance information when explaining key performance results.

A29. The Board's intent is that an MD&A be understandable to all users, including those who are not experts in federal government financial matters.

a. MD&A is understandable when written in plain language to explain management's insights about its financial position, financial condition, operating performance, opportunities, risks, and systems, internal controls, and compliance.

b. To achieve an understandable MD&A, management has the flexibility to combine different methods of presenting information that appeal to a variety of users. For example, an understandable MD&A may need to include organizational tools, such as headers, sub-headers, bullet points, or references to other financial reports, and visual aids, such as charts, tables, or graphs, to help explain quantitative information.

INFORMATION DISCUSSED AND ANALYZED IN MD&A

A30. The Board intends for the broad, principle-based standards in *Information Discussed and Analyzed in MD&A* to guide management in **what** information should be included in MD&A. For example, management should explain the organization's mission, causes of significant changes and trends in the reporting entity's financial position, financial condition, key performance results, significant opportunities and risks, as well as a summary assessment of internal controls and compliance with laws and regulations.

A31. The Board's intent is for MD&A to provide a brief description of the reporting entity's organization and mission to explain key organizational components.

a. Management has the flexibility to determine how much information to include about the mission(s) and organizational components in relation to the size and complexity of the reporting entity.

b. For example, a large reporting entity could briefly summarize the reporting entity as a whole, as well as each significant component/agency entity, while a small reporting entity could focus on the entity as a whole.

A32. The Board's intent is for MD&A to explain what caused significant changes in a reporting entity's financial position and condition.

a. Financial position is typically the account status of an entity's assets, liabilities, and equity positions as reflected on its financial statement. However, for the MD&A, the Board concluded that users would better understand the reporting entity's financial position through management's explanations about significant changes in the composition or the balances of assets, liabilities, net position, as well as costs, revenues, budgetary resources, and financing sources. This would better address users' interest in the use of the reporting entity's budget and other revenue sources to support the accomplishment of its mission(s).

i. For example, "support of pandemic-related relief efforts led to a significant decrease of stockpile materials of vaccines by $$$" would be consistent with the Board's intent, whereas "inventory decreased because of a decrease in stockpile materials" would not.

ii. For example, "disaster recovery efforts from natural disasters in X area of the country during 20XX significantly increased the cost of X by $$$" would be consistent with the Board's intent, whereas "an unexpected increase in costs deteriorated the financial position" would not.

b. Financial condition is broader and more forward-looking than financial position.[15] The Board concluded that users will best understand the financial condition of reporting entities through management's explanation about significant changes in business-type activity, social insurance, long-term projections, and RSI.

A33. The Board concluded that MD&A explains what performance results are key to the reporting entity and the associated costs.

a. For example, key performance results could be organized based on responsibility segments as reported on the reporting entity's statement of net cost.

b. Associated costs are actual costs, or if actual costs are not available, the explanation should include obligations incurred or associated outlays. MD&A explains how key performance accomplishments and challenges affected budgetary or financing resources during the reporting period.

[15] SFFAC 1, par. 180.

c. MD&A focuses on what it costs the agency and its key organizational components to pursue or accomplish key performance results, as well as whether the accomplishment of key performance results resulted in cost savings for the agency.

d. However, the reporting of consolidated government-wide key performance results is **not required** in the MD&A of the CFR.

    i. Paragraph 6 of SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*, states, "[T]he CFR is a general purpose report that is aggregated from agency reports and tells users where to find information in other formats, both aggregated and disaggregated, such as individual agency reports, agency websites, and the President's Budget."

    ii. Appendix A in the CFR, *Reporting Entity,* provides references to websites where users can review a reporting entity's discussion of key performance results and challenges.

A34. The Board's intent is for MD&A to explain significant opportunities the reporting entity is managing in relation to performance accomplishments and challenges. For example, what is the reporting entity implementing or what does it plan to implement to leverage opportunities and what are the effects on key performance or financial results?

A35. The Board's intent is for MD&A to explain significant risks the reporting entity is managing in relation to performance accomplishments and challenges. For example, what is the reporting entity implementing or what does it plan to implement to address a significant risk that may have a negative effect on key performance or financial results?

A36. The Board concluded that MD&A provides an assessment of the reliability of the reporting entity's financial information by explaining significant weaknesses in the financial management system, related systems, internal controls, or non-compliance with applicable laws. MD&A should explain whether the reporting entity executed and recorded transactions in accordance with budgetary and financial laws and federal accounting standards to prepare the AFR.

STEWARDSHIP INVESTMENTS

A37. On June 11, 1996, the Board issued SFFAS 8, *Supplementary Stewardship Reporting*, which included a requirement to report required supplementary stewardship information (RSSI). On September 27, 2019, the Board issued SFFAS 57, *Omnibus Amendments 2019*, which eliminated the requirement for reporting RSSI.

A38. In paragraphs A7-A10 of the basis for conclusions of SFFAS 57, the Board discussed the comment letters from the 11 respondents. The majority of those responders agreed with eliminating RSSI because users did not use it. The minority of respondents who wanted to continue including RSSI in a separate category believed that distinguishing stewardship information informed users on the extent of investments that provided long-term benefits for the nation.

A39. Paragraph A11 of SFFAS 57 indicated that the Board would also consider whether to report stewardship investments in MD&A. As part of the MD&A project, the Board reviewed AFRs within the context of this feedback on SFFAS 57. The Board found that most reporting entities have concluded that information about stewardship investment is not significant enough to warrant inclusion in the MD&A. Therefore, the Board chose not to add the requirement that reporting entities should include stewardship investments in MD&A.

A40. This decision does not preclude preparers from reporting stewardship investment information in MD&A if management concludes this information is relevant or significant to the reporting entity's financial position or condition.

ADDITIONAL INFORMATION

A41. The Board acknowledges the updates OMB has made to improve MD&A reporting in Circular A-136. However, FASAB establishes GAAP for the federal government through its pronouncements. This Statement will be level-A guidance in the GAAP hierarchy.

A42. The Board concluded that this Statement has adapted all relevant standard-like content from SFFAC 3. *Omnibus Concepts Amendments* amends MD&A concepts in SFFAC 2, *Entity and Display*, and rescinds MD&A concepts in SFFAC 3 to consolidate MD&A concepts into one SFFAC.

A43. The Board concluded that this Statement does not eliminate or otherwise affect SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements* or SFFAS 52, *Tax Expenditures*. The Board concluded that including the MD&A requirements from these pronouncements may cause duplication of information already required in MD&A.

SUMMARY OF OUTREACH EFFORTS AND RESPONSES

A44. FASAB issued the exposure draft (ED), *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15*, on September 7, 2023, with comments requested by December 7, 2023.

A45. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. Staff also provided copies of the ED directly to agencies that were directly affected by the particular issue in prior years. To encourage responses, a reminder notice was provided to FASAB's listserv near the comment deadline.

A46. FASAB received 19 comment letters from federal entity users, federal entity preparers, federal entity program offices, professional associations, and nonprofit organizations. The Board did not rely on the number in favor of or opposed to a given position but considered each response and weighed the merits of the points raised.

A47. In response to comment letters, the Board identified and agreed to the following changes to improve the clarity of the proposal:

a. Added language to the summary to explain the differences and benefits with these standards as compared to SFFAS 15.

b. Updated paragraph 9.c to better explain that reporting entities should summarize, and reference additional information found outside the GPFFR and how that information can be obtained.

A48. The Board agreed to consider implementation guidance and training after the issuance of this Statement.

A49. FASAB issued the ED with an alternative view because of a member's concerns that SFFAS 15 could be amended instead of rescinded and replaced. The member believed that there were only minor differences between the ED and SFFAS 15 and that the ED was more prescriptive than SFFAS 15.

a. Most respondents agreed with these concerns. However, the comments were incongruent. For example, a respondent commented that it may not be necessary to rescind SFFAS 15 since there are no significant changes. The respondent also said that the proposed standards were probably needed to avoid potential issues with segregating information in the MD&A. Another respondent who indicated agreement with the alternative view also noted that the new standards would be beneficial. Other respondents said the proposal seems to provide more clarity on how to provide the information.

b. The Board recognizes the similarity between this Statement and SFFAS 15. However, the Board decided to rescind and replace SFFAS 15 because this Statement presents a broad, principle-based approach through a comprehensive set of standards. This Statement provides flexibility and reduces preparer burden, regardless of a reporting entity's size, and eliminates the SFFAS 15 requirement for sections. This Statement also merges and consolidates standard-like content from SFFAC 3 and standards from SFFAS 15 into one principle-based MD&A SFFAS.

c. Another concern the member noted in the alternative view was that the Board should consider tiered reporting for MD&A.

d. Many of the respondents agreed with a tiered approach.

   i. The Board intends for this Statement to provide flexibility for preparing MD&A regardless of a reporting entity's size or consolidation status for the CFR.

   ii. The Board also concluded that it could discuss tiered reporting as a separate project at a future agenda setting meeting because the scope goes beyond reporting for MD&A. The Board also noted that tiered reporting might be difficult to achieve based on work done by other standard setters, such as the Governmental Accounting Standards Board, and individual reporting entities potentially reporting in a different manner from the CFR.

e. The alternative view also noted that training might address streamlining the MD&A.

f. Some respondents agreed that additional staff training might benefit in streamlining the MD&A. The Board will consider implementation guidance and training after the issuance of this Statement.

BOARD APPROVAL

A50. This Statement was approved by the Board with a vote of seven members in favor of its issuance and one member, Ms. Johnson, abstaining from the vote. Although the Board comprises nine members, only eight members were eligible to vote on this Statement due to a Board vacancy. Ballots are available for inspection at the Board’s offices.

APPENDIX B: ABBREVIATIONS

AFR	Agency Financial Report
CFR	Consolidated Financial Report of the United States Government
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
GPRAMA	Government Performance and Results Modernization Act
MD&A	Management's Discussion and Analysis
OMB	Office of Management and Budget
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Terry K. Patton

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Robin M. Gilliam, Assistant Director

Federal Accounting Standards Advisory Board

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone (202) 512-7350

Fax (202) 512-7366

www.fasab.gov