



August 4, 2016

Memorandum

To: Members of the Board

From: Melissa L. Batchelor, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: FASAB Handbook Update / Codification Outreach– **Tab A**¹

MEMBER ACTIONS REQUESTED:

- Respond to staff questions (p.7) by August 18th
- Prepare to approve staff recommendations or provide alternatives

OBJECTIVE

The objective of this session is to consider the results of the focus group meetings conducted in July 2016 to evaluate alternatives for providing accounting standards to the community. Staff prepared an analysis and recommendation for the Board's consideration and approval.

BRIEFING MATERIAL

The staff analysis is attached along with questions for the Board on page 7. You may electronically access the briefing material at <http://www.fasab.gov/board-activities/meeting/briefing-materials/>.

Attachment 1- FASAB Handbook Update / Codification Outreach Summary of Focus Group Meetings

Attachment 2- Focus Group Participants

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

MEMBER FEEDBACK

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-5976 or by e-mail at batchelorm@fasab.gov with a cc to paynew@fasab.gov.

BACKGROUND

At the June 2016 Board meeting the Board approved an outreach plan to evaluate alternatives for providing accounting standards to the community. Staff conducted two focus group meetings during July 2016.

NEXT STEPS

Staff has prepared a summary of the focus group session and an analysis of the results. Staff has also provided recommendations for the Board's consideration and approval. Staff would like the Board's feedback and approval of the recommendations. Once approved, staff would implement and update the Board as necessary.

Alternatively, Board members may prefer another option. See questions on page 7. If so, staff would request Board members contact me as soon as possible so that staff can plan follow-up in a particular area.

Staff Analysis

As you recall, during the outreach for the three-year plan, it was suggested that FASAB consider a topical organization for codification of its standards. FASAB currently incorporates pronouncements into handbook of all FASAB pronouncements as of June 30 each year, or *The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook.)*

FASAB relies on GAO to perform the desktop publishing aspects of the annual update of the FASAB Handbook. GAO anticipates converting to different software to support the annual update of the FASAB Handbook because all other large publications have converted to other approaches. The purpose of this effort is for FASAB to evaluate alternatives² for providing accounting standards to the community in light of the need to change software products and the suggestion that a topical arrangement may be preferred.

The Board unanimously approved an outreach plan that staff presented at the June 2016 Board meeting. Staff conducted two focus group meetings in July 2016 to obtain the views of those using the accounting standards because such feedback would be a good information source to inform the Board and aid in making the final decision regarding options to present FASAB pronouncements.

The focus groups had adequate representation by all types of offices. There were 28 participants (excluding FASAB staff.) The general breakdown of the participants by office was as follows: 14 CFO, 4 OIG, 2 GAO, and 8 Non-Federal/IPA. See **Attachment 1 for FASAB Handbook Update / Codification Outreach Summary of Focus Group Meetings** on July 13, 2016 and **Attachment 2 for Focus Group Participants**.

As the Summary of the focus group meetings provide, the meetings were very informative. See **Attachment 1 for FASAB Handbook Update / Codification Outreach Summary of Focus Group Meetings** for a complete summary of the meetings. Key points from the meetings were:

- The majority of participants wanted to maintain the current FASAB Handbook. *17 preferred to maintain the current FASAB Handbook. Seven preferred to transition to a topical codification. Four participants were not definitive.*
- Most participants were generally happy with the FASAB Handbook. The benefit of maintaining: ease of research, certainty that it works. They believed the benefits obtained from changing would not be worth the resources.
- Those that favored the FASAB Handbook either had a strong preference for the Handbook by Chapter or believed it came down to a cost/benefit argument and benefits obtained from changing would not be worth the resources. The participants agreed that they use all sections of the Statements and voiced concern regarding transition to a topical format and some of the consequences.

² Alternatives are considered to be open for suggestions and could be something entirely different from what is currently offered, a topical arrangement, no change, a revised version or some other suggested format or function.

- While most participants agreed there would be a benefit to a topical arrangement, the majority did not see the benefit outweighing perceived resources.
- There was great interest in a central agency platform or government-wide portal that would offer access to all federal financial management guidance. The participants asked about the possibility of offering the Handbook on a subscription basis to help defray the costs.
- Nearly all participants agreed that there is an opportunity to improve the functionality and search features with the current FASAB Handbook. There were various discussions centered on this topic.
- Most participants were unaware of the Topical Index (Appendix A in the current Handbook) but believed it may be a useful tool and that it could be improved upon. In fact, this appeared to be something that could be considered an interim resolution or resource.

Cost-benefit considerations and other concerns

From the discussions at the focus group meetings, FASAB staff also gathered that the participants believed benefits would be greater to new users, especially those new to the federal accounting standards. Also, there appeared to be a greater interest in a topical codification by those encompassing the audit community. However, participants appeared to share the view that they used the standards section most often, but they still often referenced other sections of the Statements. For example, participants viewed the basis for conclusions as very important in providing clarifying language regarding the Board's intent in applying the standards and also believed it was helpful in applying the standard to different situations.

In fact, this was among several concerns voiced by participants about a transition to a topical codification. The participants were concerned with the different levels of GAAP and where the Concepts and basis for conclusions would reside in the Handbook. They were also apprehensive about the amendments, effective dates, and potential topical bleed issues. These types of issues came up because the participants realized that both formats would not be produced going forward. Considering resource constraints, it would not be feasible to produce two formats—meaning if a transition to a topical codification is selected, the current Handbook would no longer be updated as it is now. However, the unamended pronouncements would still be available on the FASAB website.

Other concerns regarding a topical codification included

- Consistency of terms
- Standards (individual chapters) would not be available or amended going forward
- A big challenge is the Board would have to review the entire codification for it to be authoritative

Subscriptions

During the focus group sessions, participants suggested the possibility of offering the Handbook on a subscription basis to help defray the costs. However, FASAB staff believes there may be strong reasons weighing against this. Just considering it, would FASAB want to deny access to users if they don't or can't pay? FASAB staff confirmed with counsel that we would need legislative authority to sell subscriptions. Generally GAO and other agencies may charge for printed copies of their publications, for purposes of defraying the costs of printing and shipping, but do not charge for electronic versions. GAO charges for printed copies of audit reports and the Government Auditing Standards, but posts electronic versions free of charge on its website. Charging for subscriptions would presumably be for purposes of covering different types of costs—the costs of developing and issuing a publication—and would be a departure from this practice.

Government-wide portal

The focus group suggested that a “central agency platform or government-wide portal” should be available. There was great interest in this by most and it was suggested that the portal could offer all financial management guidance—including FASAB, OMB, GAO, and Treasury. Much of the guidance is related, and it would be helpful if there were hyperlinks that resided on one platform. There was also a suggestion to expand it broader to include areas such as the FAR. FASAB staff believes this is an excellent idea, but one that may be beyond the scope of what FASAB can initiate. This type of broad cross-cutting effort should be initiated and considered further³ by the CFO Council in conjunction with the principals of the JFMIP.

Opportunities to Improve the Current FASAB Handbook

During the focus group sessions, a key point conveyed was that most participants were generally happy with the FASAB Handbook but improvements could be made to the functionality and search features of the current FASAB Handbook. One participant suggested allowing searches by topic, then choosing between authoritative and non-authoritative text (or levels of GAAP). For example, a .pdf could be created that contains all the authoritative language. Another suggestion was a function that would group a standard and all subsequent amendments and related interpretations, etc. Another suggestion by a participant was a separate index of standards by topic/sub-topic (in a chart format versus our current topical index format), which include links to each individual standard.

Most participants were unaware of the Topical Index (The FASAB Topical Index is Appendix A of the Current Handbook; it may be accessed at <http://fasab.gov/document-by-chapter/> by clicking on Appendix A: Topical Index (PDF).) There were mixed opinions regarding the level of detail—but all participants agreed the Topical Index should be improved and displayed in a more prominent manner. Focus group members

³ The CFO Council may determine that additional research needs to be performed on this issue or may request a task force or a study to determine what federal financial management guidance should reside on the portal.

suggested that the Topical Index be placed at the beginning of the Handbook or perhaps on the FASAB website as a direct link under the Handbook by Chapter.

While they acknowledged it has not been an issue, the participants understood that FASAB does not update non-authoritative sections (introduction and basis for conclusions). FASAB staff discussed the possibility of performing certain types of administrative updates to remove paragraphs and/or include a paragraph stating that these areas are based on the original pronouncement and would not be updated to reflect future amendments. Staff does not believe it would be cost-beneficial to update paragraphs but would prefer to strike stale paragraphs. The participants believed this would be a good idea. Staff notes that it isn't common practice to do so; FASAB staff has removed summary paragraphs of certain Statements⁴ that related to paragraphs that had been rescinded.

Staff Recommendation:

Staff believes based on the results of the "poll" of the participants, the feedback on the agenda, and the other discussion at the focus group meetings, next steps in this effort should be on opportunities to improve the Current FASAB Handbook. It appears from a cost-benefit perspective, the participants believed the benefits obtained from changing would not be worth the resources.

Therefore staff recommends:

1. Maintain Current FASAB Handbook (including the Handbook by Chapter)
2. Revise the Topical Index
 - a. Prominent Display
 - i. Beginning of Handbook
 - ii. Direct Link on Website, under Handbook by Chapter
 - b. Improved Consistency
 - i. Comparison against Statements
 - ii. Comparison against Topical Codification (from 2004)
 - iii. Remove agency names and other terms that aren't necessary
 - iv. Other general clean-up deemed appropriate
 - c. Review for Amendments
3. Perform administrative updates to remove stale paragraphs from introductory or summary as part of the annual update as appropriate. Alternatively, the Board may wish to add a sentence or footnote to future Statements that these areas are based on the original pronouncement and would not be updated to reflect future amendments.

⁴ For example, certain paragraphs of the summary in SFFAS 6 were removed as part of the annual Handbook update because significant areas of the Statement were rescinded.

4. Implement additional search features**
 - a. Authoritative (GAAP) sections of Statements
 - b. Concept Statements

*****The Board should remain mindful that certain decisions still remain open as FASAB works with GAO on resolving the transition to a new desktop publishing system or software. At this point, staff is not certain if there will be any new features to enable users to “search” on topics within that yield results or if pdf files would be created and placed on the website similar to the Handbook by Chapter. If so, then we would probably be limited to the areas above.***

Questions for the Board:

Does the Board agree with the staff recommendations detailed above to improve the Current FASAB Handbook?

Or alternatively, does the Board prefer another option (topical codification)? Does the Board have additional questions for the focus group? Or would the Board prefer to gain additional feedback before a decision is made?

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-5976 or by e-mail at batchelorm@fasab.gov with a cc to paynew@fasab.gov.

Attachment-1
FASAB Handbook Update / Codification Outreach
Summary of Focus Group Meetings¹ on July 13, 2016

After introductions,² Ms. Batchelor briefly explained that the purpose of the focus group meetings was to seek the views of those using the standards to aid the Board in making the final decision whether to continue with the current FASAB Handbook or transition to a topical arrangement through a codification. Ms. Batchelor explained the meetings would generally follow the agenda,³ but participants should feel free to share any thoughts.

FASAB Handbook-Observations

- Participants most often use the “search” feature to navigate the Handbook, but determining the right word or string of words is the key to a successful search.
- Most all participants like the Handbook by Chapter and use this feature often—especially if they know the particular topic they are researching.
- While the standards section may be cited most often in audit reports or referenced in other text, participants agreed that they use all sections of the Statements. For example, participants viewed the basis for conclusions as very important in providing clarifying language regarding the Board’s intent in applying the standards and also believed it was helpful in applying the standard to different situations.
- The participants also reference the Concept Statements at times, especially when considering broad areas or for a better understanding of how to apply accounting in new areas.
- The participants agreed that FASAB amendments are generally clear and easy to follow. While they acknowledged it has not been an issue, the participants noted that FASAB does not update non-authoritative sections (introduction and basis for conclusions). FASAB staff discussed the possibility of performing certain types of administrative updates to remove paragraphs and/or include a paragraph stating that these areas are based on the original pronouncement and would not be updated to reflect future amendments. Staff does not believe it would be cost-beneficial to update paragraphs but perhaps strike stale paragraphs. The participants believed this would be a good idea.
- Most participants were unaware of the Topical Index (The FASAB Topical Index is Appendix A of the Current Handbook; it may be accessed at <http://fasab.gov/document-by-chapter/> by clicking on Appendix A: Topical Index (PDF).) There were mixed opinions regarding the level of detail—some believed that it was too detailed (rather it should be limited to topics and subtopics) and others believed it should be very detailed. However, participants agreed it needed more prominence. Focus group members suggested that the Topical Index be placed at the beginning of the Handbook or perhaps on the FASAB website as a direct link under the Handbook by Chapter. Also, hyperlinks are very helpful. Some noted that the numbering system with the index appeared complex.
- Several participants appreciated the chronology of the FASAB Handbook; it provides history and a contextual basis.

¹ Staff held two focus group meetings on July 13, 2016. For purposes of summarizing the results, both meetings are combined in this summary. The meetings used the same agenda and participants were offered both time slots for their convenience

² See attachment 2 for listing of focus group participants.

³ See appendix 1 for agenda provided to the participants..

Topical codification or work with other standard-setters-Observations

- None of the participants had used FASAB's 2004 Volume II. However, the participants believed the categories appeared reasonable.
- Most agreed it would be more efficient to have a topical organization, and it would be easier for a new user to learn.
- FASB has a very effective search feature that lists topics in a way that allows readers to easily understand what they may need to review. FASB included its topical index up front.
- The main benefit if a topical codification is that it is much more consistent within each topic—overview, recognition, disclosure.
- A topical codification would be more streamlined and fewer pages; it would only consist of the authoritative language.

Other

- Some participants were concerned about a transition to a topical codification. A main concern related to organization with the different levels of GAAP and where the Concepts and basis for conclusions would reside in the Handbook.
- Certain participants had other concerns about a transition to a topical codification. Concerns included the following:
 - Effective dates
 - Consistency of terms
 - Topical bleed (for example, investments)
 - Standards (individual chapters) would not be amended going forward
- A big challenge is the Board would have to review the entire codification for it to be authoritative.
- Several participants suggested that it may be that the Current FASAB Handbook just needs additional functionality or search features. One participant suggested allowing searches by topic, then choosing between authoritative and non-authoritative text (or levels of GAAP). Another suggestion was a function that would group a standard and all subsequent amendments and related interpretations, etc.
- Another suggestion by a participant was a separate index of standards by topic/sub-topic (in a chart format versus our current topical index format), which include links to each individual standard.
- Another variable in the process is that FASAB relies on GAO for publication and GAO will be transitioning between desktop publishers.
- There was great interest in a central agency platform or government-wide portal that would offer all financial management guidance. It could include guidance from FASAB, OMB, GAO, and Treasury. Much of the guidance is related, and it would be helpful if there were hyperlinks that resided on one platform.
- The participants asked about the possibility of offering the Handbook on a subscription basis to help defray the costs. They also asked about the use of interns or a task force to assist with the review process.
- A few participants suggested that FASAB offer a webinar on how to use the Handbook and other resources on the website.
- Most participants search items online but often print off hard copies after they have narrowed down the particular Statement or area of interest.
- If a decision is made to transition away from the current FASAB Handbook, there was a suggestion that this receive public input.

Ms. Batchelor explained that considering the benefits and drawbacks discussed, she gathered that many participants liked the current Handbook but could see an advantage to a topical format. However, considering resource constraints, she did not believe it would be feasible to produce two formats—meaning if the Board determines that a topical codification is the preferred method, then the current Handbook would no longer be updated as it is now. The unamended pronouncements would still be available on the FASAB website.

Ms. Batchelor asked respondents if they felt comfortable expressing a preference and explaining the main reason for their choice. Of the 28⁴ participants:

17 preferred to maintain the current FASAB Handbook. Key reasons for the participants wanting to maintain the current FASAB Handbook included the following:

- Most participants were generally happy with the FASAB Handbook. The benefit of maintaining: ease of research, certainty that it works. They believed the benefits obtained from changing would not be worth the resources.
- Many participants use the Handbook by Chapter. Most did not like the idea that this would no longer be offered or updated for amendments.
- One participant explained that it related to the historical perspective the FASAB Handbook provides that a topical index would not. For example, the participant explained that there are historical versions of the FASAB Handbook presented on social insurance reporting.
- One search includes all levels of GAAP, including the basis for conclusions. Participants like the Handbook because all the information is in one place, and they prefer the blended method (amended standards included with the basis for conclusion).
- The agency prepares their own respective “Accounting Handbook” that is typically by topic. The participants explained that they viewed this as where the topical format is appropriate and often the agency fills in voids or applicable guidance as necessary to be agency-specific.
- Topical bleed would be tremendous with a topical organization.
- There is an opportunity to improve the functionality and search features. Also, the Topical Index should be improved and displayed in a more prominent manner.

7 preferred to transition to a topical codification. The key reasons cited for a topical format included:

- Streamlined and consistent format
- The number of FASAB standards has grown
- Ease of use, especially for new users, for all topics to be in one area
- Authoritative section is most important
- Need for improved functionality and search features

4 participants were not definitive. The participants noted that they like the current FASAB Handbook but could see the benefits of a topical format. They also suggested that improvements be made to the functionality and search features of the current FASAB Handbook.

Ms. Batchelor explained that she would provide the Board a summary of the focus group meetings at the August 2016 Board meeting.

⁴ This count also includes 2 individuals that could not participate in the focus group meeting, but submitted written comments for FASAB staff to consider.

Appendix-1
FASAB Handbook Update / Codification Outreach
Focus Group Meeting- July 13th Agenda

I. Introductions

II. Purpose of the Focus Group Meeting & Quick Review of Advance Materials

III. Discussions of experiences

a. FASAB Handbook

- i. How do you find relevant material within the Handbook now?*
- ii. What areas of the Handbook do you most often reference? For example, standards text, basis for conclusions, illustrations.*
- iii. When and why do you refer to the basis for conclusions when researching technical issues?*
- iv. Are amendments made annually understandable and easy to follow? Timely enough?*
- v. What, if any, referencing issues have you had with the Handbook?*
- vi. Do you use the Topical Index (Appendix A in the Current Handbook)? If so, do you have any suggestions for improvement?*

b. Working with other standard setters' codifications or the 2004 FASAB Volume II (a topical codification).

- i. How often do you or have you used a topical codification such as those provided by GASB, FASB or the FASAB's 2004 Volume II?*
- ii. How do you find relevant material within a codification?*
- iii. How does your experience with a codification compare with experience with our Handbook? For example, do you favor one over another? If so, in what circumstances and why?*
- iv. What, if any, referencing issues have you had with codifications?*
- v. If you have little or no experience with a codification, what benefits or drawbacks would you expect to experience in using a codification?*

c. Format options

- i. What benefits or challenges have you found in working with the PDF format used for the Handbook now?*
- ii. Are there other electronic sources you use now (for example, Checkpoint or other standard setters' online services)? If so, what features do you like?*
- iii. What features are most important in an electronic resource? For example, what search features, capabilities or functions would you like available for FASAB standards?*

IV. Other Alternatives from Participants

V. Going forward

- a. How often updated--every six months, annually or biennially?
- b. What type of input or review process would be expected if a decision is made to change -- task force, public, or Board?
- c. Is there currently a need for training or do you perceive a need for training if a change is made to a topical arrangement of pronouncements?

VI. Next Steps

Attachment 2
FASAB Handbook Codification Project Focus Group

Name	Agency/Organization
<i>Federal</i>	
Patricia A. Cappello	Treasury
Michele Crosco	Treasury
Tynesha Douglass	DOE
Tony Eason	State- OIG
Angela Inmon	DOC
Nathan Kessler	VA
John Lynsky (by phone)	NSF
Paul McEnrue	DOI
Isabel Morrison	DOC
Joe O'Neill	GAO
Eileen W. Parlow	SEC
Steve Ramey (by phone)	SBA
Cynthia Simpson (by phone)	DOL
Dawn Simpson	GAO
Susan Simpson	U.S. House of Representatives- OIG
Greg Spencer	Education-OIG
Valeria Spinner	Treasury SGL
John Wall	DOE
<i>Provided comments by email</i>	
Scott Bell	Treasury
Sue Schwendiman	VA-OIG
<i>Non-federal</i>	
Steve Chad	DoD Contractor
Bobby Hart	E&Y
Geoffrey Luiz	GT
Cindi J. Miller	Contract Support-Office of the Assistant Secretary of Defense
Kerrey Olden	KPMG
Marlon Perry	CliftonLarson
Veronica (Chris) Smith-Christian	Deloitte
Sean Vineyard	Kearney

<i>FASAB Staff</i>	
Wendy Payne	FASAB
Melissa Batchelor	FASAB
Robin Gilliam	FASAB
Leigha Kiger	FASAB
Monica Valentine	FASAB