



FASAB Newsletter

Federal Accounting Standards Advisory Board

April/May 2018 TABLE OF CONTENTS

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Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that this is tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or wug@fasab.gov.

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or parkerr1@fasab.gov.

Current Board Projects

(For more information, click on the title of the project to be directed to the related active project page.)

Evaluation of Existing Standards

Assigning Liabilities

At the April 2018 meeting, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) considered the issue of assigning liabilities and whether additional flexibilities or guidance should be provided in a generally accepted accounting principles (GAAP) document.

This topic of “assigning liabilities” addresses the last issue area presented at the June 2017 meeting that related to the Department of Defense (DoD) request for guidance regarding the need for certain flexibilities.

The Board considered specific examples of liability issues at DoD along with staff's recommendation for each (see the April 2018 briefing materials at [tab A](#)). Much of the Board's discussion focused on whether there was a general liability principle that could be established to address the issues.

The Board requested staff determine if there was a general liability principle that could be applied. In determining if a general principle can be developed, staff should consider unintended consequences, including effects on other agencies and consistency with current GAAP pronouncements. The Board also directed staff to identify GAAP literature that may need to be updated as a result of the general liability principal.

Proposed Staff Implementation Guidance 6.1

FASAB staff released proposed Staff Implementation Guidance (SIG) 6.1, Clarification of Paragraphs 40-41 of SFFAS 6, *Accounting for Property, Plant, and Equipment*, as amended. The proposed SIG is intended to assist preparers in the application of FASAB literature. SIG does not establish new requirements.

After the issuance of Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, a question regarding use of both the alternative methods for establishing opening balances and the alternative for estimated net remaining cost per the second sentence in paragraph 41 of SFFAS 6, as amended, was raised. The SIG answers the question and provides additional explanation.

FASAB staff requests comments on the proposal by May 31, 2018. The proposed SIG is available at the FASAB website at <http://www.fasab.gov/documents-for-comment/>.

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

Leases

FASAB issued SFFAS 54 titled *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment* on April 17, 2018.

SFFAS 54 revises the financial reporting standards for federal lease accounting. It provides a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity's GPFFRs and includes appropriate disclosures.

SFFAS 54 is available at <http://www.fasab.gov/accounting-standards/>.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Accounting and Reporting of Government Land

On April 30, 2018, FASAB released for public comment the proposed SFFAS titled *Accounting and Reporting of Government Land*.

The exposure draft (ED) proposes to do the following:

- Reclassify general property, plant, and equipment (G-PP&E) land as a non-capitalized asset
- Clarify the definition for stewardship land (SL)
- Require the reporting of G-PP&E land and SL using three predominant use sub-categories
 - Conservation and preservation land
 - Operational land
 - Commercial use land
- Require consistent and comparable disclosures of information for land (that is, reporting estimated acres of land, physical quantity information, estimated acres of land held for disposal or exchange, and predominant land use)

Members believe that the proposed requirements address concerns that the Stewardship and Operating Performance reporting objectives and qualitative characteristics of information in financial reports, such as relevance and comparability, are not being met. The proposed changes would require disclosure of relevant and comparable non-financial information in a manner that meets user needs while also considering preparer concerns.

The Board requests comments on the ED by July 30, 2018. The ED and the specific questions raised are available at <http://www.fasab.gov/documents-for-comment/>.

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

Classified Activities

At the April 2018 meeting, the Board considered responses to the ED titled *Classified Activities*. The Board also reviewed staff's analysis. A majority of respondents generally agreed with the proposal to permit component reporting entities to provide general purpose federal financial reports (GPFRRs) to the public by including limited modifications necessary to protect classified information from disclosure. This would allow financial presentation and disclosure to appropriately accommodate end user needs in a manner that does not impede national security.

Staff will provide a revised draft of the Statement at the June 2018 meeting.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Materiality

The Board's April meeting discussion on materiality focused on refining the section language to make it more precise and clearer. The Board discussed avoiding over-disclosure, not requiring absolute perfection, not creating quantitative considerations for materiality, and addressing classified information. The discussion on these topics will be reflected in the proposed materiality section.

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

Note Disclosures

During the October 2017 meeting, the Board approved the note disclosure (NODI) project's two-phased project plan. Currently, the project is in the first phase. The NODI working group resumed its tasks after the year-end busy season in December 2017.

During the April 2018 meeting, the Board approved the NODI project's approach, scope, and some potential principles. Members discussed the following:

- Disclosure objectives for each Statement to help preparers stay focused and potentially use their judgment to remove unnecessary disclosure
- A project approach with the traditional disclosure method and a focus on disclosure principles
- A concentration of the project scope on the disclosure principles and some discussion of non-FASAB information

The Board did not favor the two-tiered approach suggested by other accounting standards board staff (required summary and potential additional information for each disclosure).

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

Reporting Model Phase I: Streamlining

MD&A Improvement

During the April 2018 meeting, the risk assumed (RA) and reporting model projects collaborated to present recommendations to improve management's discussion and

analysis (MD&A). The projects collaborated because the findings from the separate round tables were the same—financial statement users want to understand the financial performance for major programs and not have to sift through dense, duplicative strategic performance information that can be found in the agency performance report. As a result, staff recommended a new Statement that would maintain the current principles but rescind Statement of Federal Financial Accounting Concepts 3, *Management's Discussion and Analysis*, and SFFAS 15, *Management's Discussion and Analysis*.

The Board directed staff to consider previously discussed concerns regarding MD&A, review existing MD&A concepts and standards, and determine what changes might be needed. Staff will also collaborate with the Office of Management and Budget to determine whether form and content guidance could help guide improvements.

RSSI

The Board discussed alternatives for improving the required supplementary stewardship information (RSSI) category. The Board believed that the remaining element of the category, stewardship investments, should be presented in financial reports and noted that stewardship investments provide important information about how the government affects the nation. Thus, stewardship investments provide information on the performance of the entity.

Upon deciding that stewardship investments should be presented in financial reports, the Board discussed where the information should be reported. The Board agreed that stewardship investments should be presented in MD&A. The MD&A should provide information that addresses the entity's performance. Consequently, the Board directed staff to determine how investment information should be addressed in MD&A.

Given the decision to present stewardship investments in MD&A, the Board agreed to rescind the RSSI category. SFFAS 8, *Supplementary Stewardship Reporting*, established the RSSI category and discussed the nature of stewardship information. Because the new stewardship information category was not fully understood, the Board had previously reclassified or eliminated all the RSSI elements except for stewardship investments.

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

Reporting Model Phase II

The Board reviewed a presentation that demonstrated the benefits of electronic reporting versus paper-based reporting. Currently, the project is in the design stage; the Board reviewed website wireframes or blueprints. The wireframes included a list of questions that users may wish to have answered. The user would click on the question and immediately go to information that answers the question. The presentation also included mouse overs to explain technical matters, data visualizations, and financial

statements that allow the user to click on a line item and drill down to additional information.

The presentation also included ideas for additional tools to engage users such as a landing page designed to guide users with different levels of expertise, a search feature, and/or a chatbot that could assist users in answering questions, including those that may not be tied to traditional financial statements. A chatbot uses artificial intelligence to conduct a conversation with the user.

Staff plans to reach out to users and learn more about their needs and the possibilities for electronic reporting.

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

Risk Assumed

During the April 2018 meeting, staff presented the gaps for reporting RA as identified from the nine round tables conducted over the past year. Many round table participants were interested in reporting on full program costs, including key risk factors and assumptions. Some believed a clearer understanding of uncertainties regarding estimates would help facilitate better management decisions and an understanding of financial performance. These gaps will help to establish a framework for reporting RA holistically in the financial reports. This framework may include new or updated note disclosures and improvements to MD&A.

For information on MD&A improvements related to RA, please see the [Reporting Model Phase 1: Streamlining project page](#).

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

Accounting and Auditing Policy Committee

There was no AAPC activity during the period.

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

FASAB Meeting Schedule

Schedule for 2018 Meetings

June 27 and 28
August 29 and 30
October 24 and 25
December 19 and 20

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2018 Meetings

August 16
November 15

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <http://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.