



CIGIE/GAO 2019
Financial Statement
Audit Conference

May 7, 2019

**FASAB: TRANSLATING
USER NEEDS TO
ACCOUNTING STANDARDS**

DISCLAIMER

Views expressed are those of the speaker.

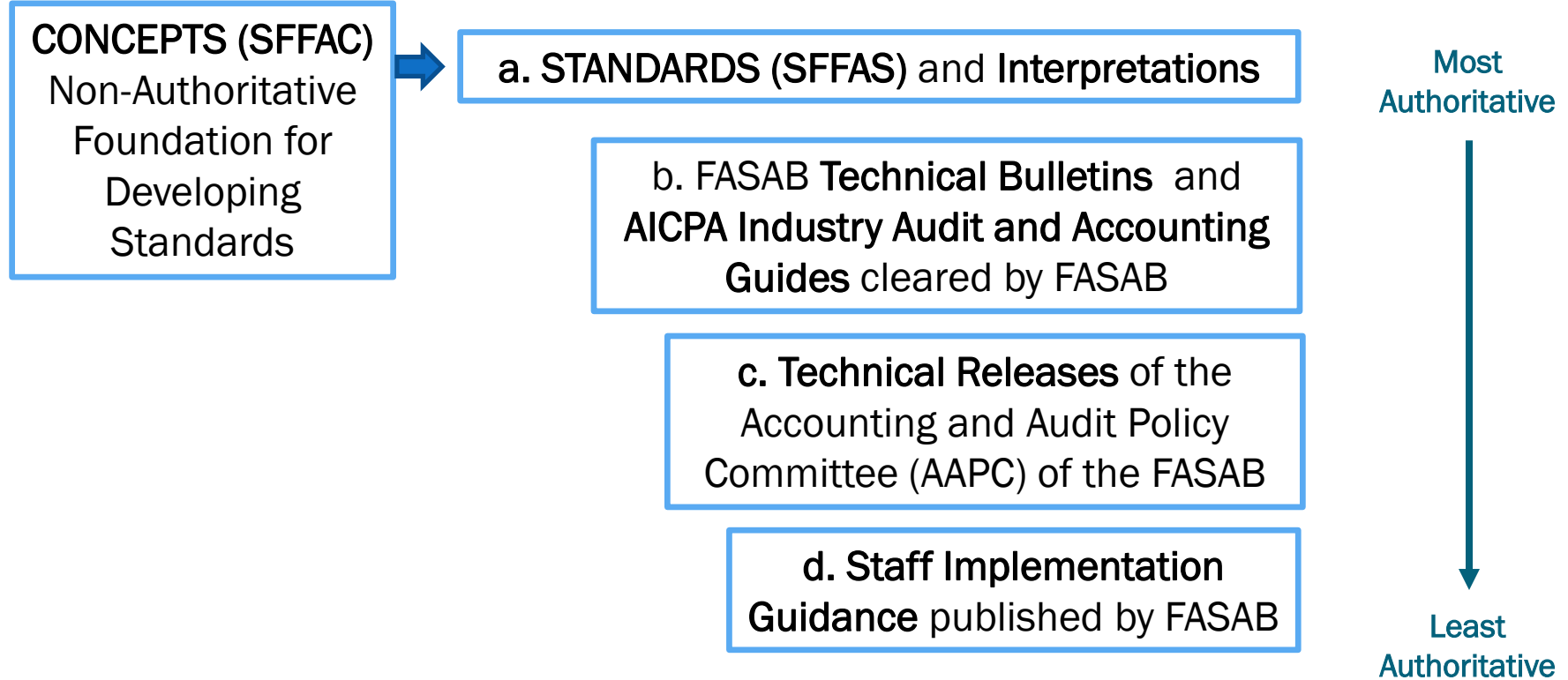
The Board expresses its views in official publications.

AGENDA – LEARNING OBJECTIVES

1. What is the GAAP hierarchy for federal reporting entities?
2. How does FASAB translate user needs into accounting standards?
3. What is in the Annual Report and Three-Year Plan?
4. Which projects are in the pre-proposal stage?
5. What guidance has been proposed?
6. What guidance has been recently completed and what are the effective dates?
7. Why is FASAB evaluating existing standards?
8. How can you get involved in the standards-setting process?
9. How to stay connected!

1. WHAT IS THE GAAP HIERARCHY FOR FEDERAL REPORTING ENTITIES?

FEDERAL GAAP HIERARCHY [SFFAS 34]



Note: For more details please see SFFAS 34: *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued By the Financial Accounting Standards Board*

CATEGORY A: STANDARDS (SFFAS) AND INTERPRETATIONS

Standards

Using a due process and a consensus building approach, the Board promulgates accounting standards after considering the financial and budgetary information need of Congress, executive agencies, other users of federal financial information, and comments from the public. There are 56 standards.

Interpretations

Interpretations clarify original meaning, add definitions, and provide other guidance for existing SFFASs. There are 8 Interpretations.

CATEGORY B: TECHNICAL BULLETINS AND AICPA INDUSTRY AUDIT AND ACCOUNTING GUIDES CLEARED BY FASAB

Technical Bulletins

Technical bulletins provide guidance for applying statements and interpretations and resolving issues not directly addressed by them.

Technical bulletins are used when the nature of an issue does not warrant more extensive due process. They are generally in question and answer format.

There are 10 Technical Bulletins.

CATEGORY C: **TECHNICAL RELEASES OF THE ACCOUNTING AND AUDITING POLICY COMMITTEE (AAPC) OF THE FASAB**

Technical Releases

The Accounting and Auditing Policy Committee (AAPC) provides implementation guidance through technical releases that are reviewed and published by the FASAB.

There are 19 Technical Releases.

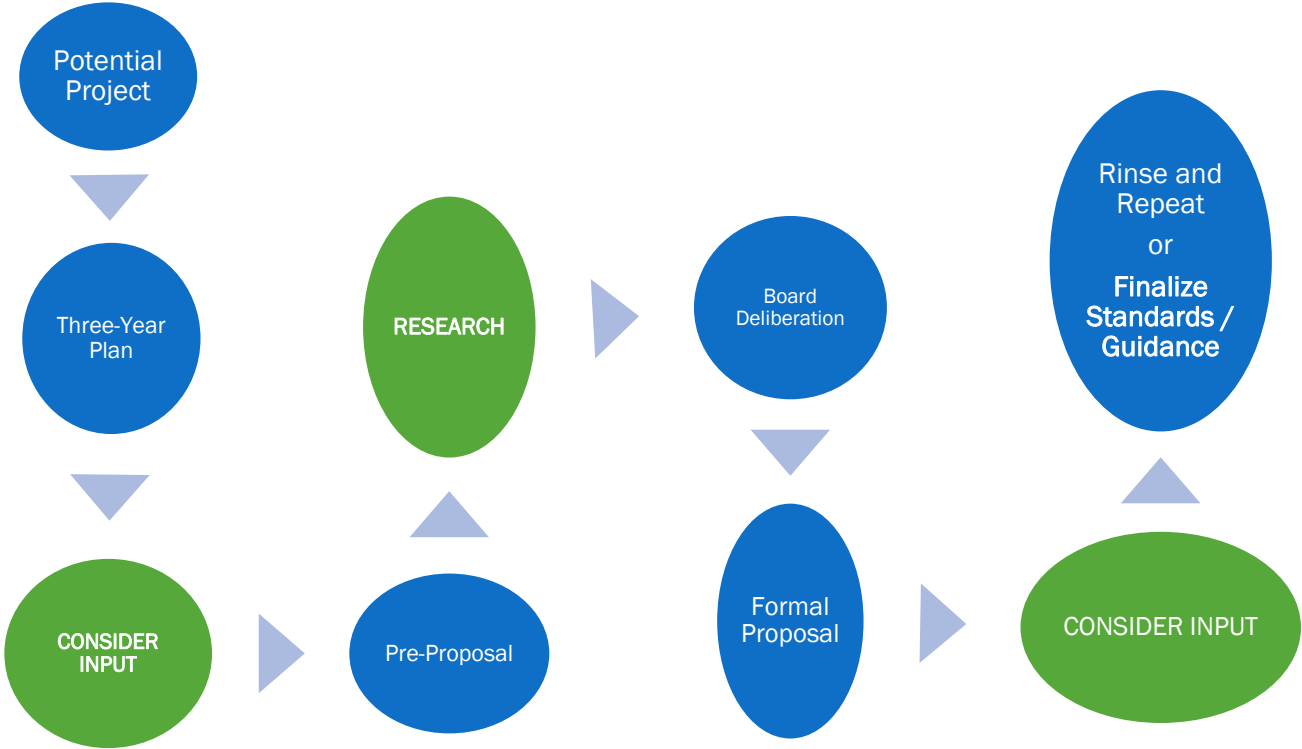
**CATEGORY D: STAFF IMPLEMENTATION GUIDANCE (SIG)
PUBLISHED BY FASAB**

Staff Implementation Guidance (SIG)

The staff provides implementation guidance. Such guidance is issued if a majority of the Board does not object.

There are 3 SIGS.

2. HOW DOES FASAB TRANSLATE USER NEEDS INTO ACCOUNTING STANDARDS?



3. WHAT IS IN THE ANNUAL REPORT AND THREE-YEAR PLAN?

ANNUAL REPORT AND THREE-YEAR PLAN

- Statement from the Chair
- Three-year plan for the technical agenda
- Status of current projects
- Potential projects

4. WHICH PROJECTS ARE IN THE PRE-PROPOSAL STAGE?

PRE-PROPOSAL PROJECTS

- Note Disclosures
- Risk Reporting
- Reporting Model

NOTE DISCLOSURE CONCEPTS

Overview of Project:

- Improve relevance, clarity, consistency, and comparability of note disclosures among the federal entities
- Two-phase approach to research note disclosure principles and related topics
- Phase I concentrates on developing conceptual principles
- Conceptual Principles: note disclosure goals, note content, and disclosure relevance & objectives

NOTE DISCLOSURE CONCEPTS

Status:

- Working group formed in August 2017
- Survey conducted in September 2017
- Phase I: Develop a principle framework outline
- Board is deliberating on the draft concepts with working group input

FASAB staff member: Grace Wu

For more information please review the Note Disclosure/Materiality project page at: https://fasab.gov/projects/active-projects/note_disclosures/

RISK REPORTING

Overview of Project:

- Risk Reporting is in phase II
- To provide concise, meaningful, and transparent information regarding material **financial impact** of significant risks - other than events covered in SFFAS 51 - to major federal programs & significant risk events
- **Phase I was completed** January 18, 2017, with the issuance of SFFAS 51, *Insurance Programs*
- Risk Assumed renamed to **Risk Reporting** in August 2018 for a holistic approach

RISK REPORTING

Status:

- Conducted interviews with preparers
- Presented interview findings & recommendations at the Board meeting on Wednesday, April 24, 2019
- Received approval from Board to amend SFFAS 15 for risk reporting in MD&A and forward-looking information

For more information please review the Risk Reporting project page at:
<https://fasab.gov/projects/active-projects/risk-assumed-phase-ii/>

REPORTING MODEL

Overview of Project:

- Phase I
 - Improving MD&A
 - Reporting stewardship investments
- Phase II
 - Considering the reporting model of the future
 - Are user needs impacted by changes in technology such as digitized data and data visualizations?

REPORTING MODEL

Status:

- Developing proposal to amend SFFAS 15
 - Permit flexibility in organizing required content
- Proposing to rescind SFFAS 8
 - Eliminate RSSI category

FASAB staff member: Ross Simms

For more information please review the Reporting Model project page at:

<https://fasab.gov/projects/active-projects/reporting-model-phase-i/>
and <https://fasab.gov/projects/active-projects/reporting-model-phase-ii/>

5. WHAT GUIDANCE HAS BEEN PROPOSED?

PROPOSED GUIDANCE

- Land
- Liabilities Interpretation
- Materiality
- Conforming Amendments to Technical Release (TR) for SFFAS 54
- Omnibus Amendments

ACCOUNTING AND REPORTING OF GOVERNMENT LAND

Overview of Proposal:

To ensure consistent accounting treatment and reporting for land holdings while considering user information needs

Proposal:

- reclassify G-PP&E land as a non-capitalized asset
- clarify definition for the stewardship land category
- require reporting of G-PP&E land and SL using three predominant use sub-categories: conservation and preservation land; operational land; and commercial use land
- require consistent and comparable disclosures of information for land

ACCOUNTING AND REPORTING OF GOVERNMENT LAND

Status:

- Exposure draft released on April 30, 2018
- Respondent comments were due on July 30, 2018
- Clarification sessions held on October 24 – 25, 2018
- Proposal is currently **being deliberated** by the Board

FASAB staff member: Domenic Savini

For more information please review the Land project page at:

<https://fasab.gov/projects/active-projects/government-land/>

LIABILITIES INTERPRETATION

Overview of Proposal:

To provide **guidance** regarding **cleanup cost liabilities** when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for environmental remediation upon disposal of that asset.

LIABILITIES INTERPRETATION

Status:

- Exposure draft released on October 17, 2018
- Respondent comments were due on March 11, 2019
- Proposal is currently **being deliberated** by the Board

FASAB staff member: Melissa Batchelor

For more information please review the Evaluation of Existing Standards project page at:

<https://fasab.gov/projects/active-projects/evaluation-of-existing-standards/>

MATERIALITY

Overview of Proposal

- Clarify the existing materiality guidance
- Proposing concepts on the application of materiality in the federal financial reporting environment.
- Concepts statement would
 - Provide materiality concepts
 - Specify the scope of materiality
 - List factors to consider when applying materiality

MATERIALITY

Materiality Concepts: Amending SFFAC 1 and SFFAC 3

Status:

- Exposure draft released on October 15, 2018
- Respondent comments were due on March 11, 2019
- Proposal is currently **being deliberated** by the Board

FASAB staff member: Grace Wu

For more information please review the Note Disclosure/Materiality project page at: https://fasab.gov/projects/active-projects/note_disclosures/

CONFORMING AMENDMENTS TO TECHNICAL RELEASES FOR LEASES

Overview of Proposal:

- Provides amendments to existing TRs to acknowledge the guidance in SFFAS 54
- Update terminology in TRs 10 and 16 to conform with changes in SFFAS 54: Leases
- Clarify how reporting entities should capitalize the cost of internal use software (IUS), including software licenses
 - Lease accounting concepts would no longer apply to IUS

CONFORMING AMENDMENTS TO TECHNICAL RELEASES FOR LEASES

Status:

- Exposure draft released on February 14, 2019
- Respondent comments were due on April 1, 2019
- Proposal is currently **being deliberated** by the Board

FASAB staff member: Monica Valentine

For more information please review the AAPC SFFAS 54 project page at:

<https://fasab.gov/about-aapc/aapc-projects/re-sffas-54-leases/>

OMNIBUS AMENDMENTS

Title:

Omnibus Amendments: Rescinding Statement of Federal Financial Accounting Standards (SFFAS) 8 and Amending SFFAS 5, 6, and 49

Overview of Proposal:

- Eliminate the required supplementary stewardship information (RSSI) category by rescinding SFFAS 8, *Supplementary Stewardship Reporting*
- Update references to leases in SFFAS 5, SFFAS 6, and SFFAS 49
- A minor change for clarity in SFFAS 5

OMNIBUS AMENDMENTS

Status:

- Exposure draft released on February 22, 2019
- Respondent comments were due on April 23, 2019
- Proposal is currently **being deliberated** by the Board

FASAB staff members: Ross Simms and Monica Valentine

For more information please review the FASAB Omnibus project page at: <https://fasab.gov/projects/active-projects/omnibus-project/>

6. WHAT GUIDANCE HAS BEEN RECENTLY COMPLETED AND WHAT ARE THE EFFECTIVE DATES?

SFFAS 51: Insurance Programs

- Effective for Periods Beginning after September 30, 2018

Summary

This Statement establishes accounting and financial reporting standards for insurance programs. It provides standards to ensure that insurance programs are adequately defined and report consistent information about the liabilities for losses incurred and claimed as well as expected losses during remaining coverage. These standards replace the insurance and guarantee program standards provided in paragraphs 97-121 of Statement of Federal Financial Accounting Standards 5, *Accounting for Liabilities of The Federal Government*.

SFFAS 52: Tax Expenditures

- Effective for Periods Beginning after September 30, 2017

Summary

This Statement requires certain information on tax expenditures to assist users of the consolidated financial report of the U.S. Government (CFR) in understanding the existence, purpose, and impact of tax expenditures.

SFFAS 53: Budget and Accrual Reconciliation

- Effective for Periods Beginning after September 30, 2018

Summary

This Statement amends requirements for a reconciliation between budgetary and financial accounting information established by Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. To increase informational value and usefulness, and to support the government-wide financial statement reconciling net operating cost to the budget deficit, this Statement provides for the budget and accrual reconciliation (BAR) to replace the statement of financing. The BAR explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period.

SFFAS 54: Leases

- Effective for Periods Beginning after Sept 30, 2020
(early adoption not permitted)

Summary

This Statement 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 general purpose federal financial reports and includes appropriate disclosures.

SFFAS 55: Inter-entity Costs

- Effective for Periods Beginning after September 30, 2018

Summary

Statement of Federal Financial Accounting Standards (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts (including Interpretation 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4)*, required reporting entities to recognize the full costs of services received from other federal reporting entities even if there was no requirement to reimburse the providing reporting entity for the full cost of such services.

This Statement revises SFFAS 4 to provide for the continued recognition of significant inter-entity costs by business-type activities and rescinds the following:

- a. SFFAS 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*¹
- b. Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*

Technical Release 19: Rescission of Technical Release 8

Issued and Effective: January 15, 2019

SFFAS 56: Classified Activities

– Issued & Effective October 4, 2018

SUMMARY

The objective of this Statement is to balance the need for financial reports to be publicly available with the need to prevent the disclosure of classified national security information or activities in publicly issued General Purpose Federal Financial Reports (GPFRRs). This Statement allows financial presentation and disclosure to accommodate user needs in a manner that does not impede national security.

Interpretation of Federal Financial Accounting Standards 8:

An Interpretation of Statement of Federal Financial Accounting Standards 56,
Classified Activities - Issued & Effective: March 15, 2019

Staff Implementation Guidance 6.1

Issued & Effective July 17, 2018

Summary

This guidance addresses implementation guidance provided in Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, as amended. Specifically, it responds to a question raised since the issuance of 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*.

7. WHY IS FASAB EVALUATING EXISTING STANDARDS?

EVALUATING EXISTING STANDARDS

- Objective
 - Identify opportunities to clarify requirements and assess if any requirements should be eliminated
- Approach
 - Considering particular topics, especially for requests that benefits clearly exceed costs

EVALUATING EXISTING STANDARDS

Status

- Currently considering how to assign liabilities when multiple component reporting entities are involved

If you wish to propose an existing standard or topic to be evaluated
Please contact Melissa Batchelor at: BatchelorM@fasab.gov

8. HOW CAN YOU GET INVOLVED IN THE STANDARDS-SETTING PROCESS?

GET INVOLVED BY:

- Reviewing Three-Year Plan and providing comments
- Joining work groups and task forces
- Providing education sessions in your areas of expertise
- Completing FASAB surveys
- Attending Board meetings – in person or virtual
- Submitting answers to exposure drafts
- Submitting technical inquiries when necessary

9. HOW TO STAY CONNECTED!

- Sign up for our listserv
- Listen to FASAB Bits and Bytes podcast
- Follow us on Twitter
- Follow us on LinkedIn

The screenshot shows the top navigation bar with links for [Technical Inquiries](#), [AAPC](#), and [Newsroom](#). Below this is a **Quick Links** section containing [Handbook by Chapter](#) and [Board Briefing Materials](#). A **Mailing List** section features a [Subscribe to Mailing List](#) button. The **FASAB Bits and Bytes** section highlights [Episode II – New Lease Accounting Standards](#), which includes a video player with a play button and a progress bar. Below the video player are links for [Podcast: Play in new window | Download](#), a paragraph of text, [Episode transcript](#), and [Listen to more episodes from our Podcast archive.](#)

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