



FASAB FASAB Annual Update

April 17, 2018

Disclaimer

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**VIEWS EXPRESSED ARE
THOSE OF THE SPEAKER**

UPDATE ON PREPROPOSAL PROJECTS

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8:40 – 9:30

Note Disclosure and Materiality

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**GRACE WU
ASSISTANT DIRECTOR**

DISCLOSURES

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- Board approved a project to improve the current note disclosures for financial reporting.
- A working group was formed in August 2017.
- A survey was conducted in September 2017.
 - *Survey result indicated that the current note disclosures are too detailed and too complex to understand.*
 - *The survey confirmed the need to improve disclosures.*

DISCLOSURES -OBJECTIVES

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- Improve the relevance, clarity, consistency, and comparability of note disclosures among the federal entities.
- Two phases:
 - *Phase I –Develop a set of principles to be used by the Board and the preparer.*
 - *Phase II –Modify the existing note disclosure requirements to improve usefulness and effectiveness.*
- Detail research is on-going with a concentration on disclosure principles and effective communication.

Materiality

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- A FASAB materiality definition was proposed.
 - *No substantial change from the old definition.*
 - *With objectives of a clearer and centralized definition.*
 - *With considerations of related federal environment.*
- Board's review is in progress and is targeted to issue related exposure draft prior to the end of this year.

Polling Question

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- The first phase of the disclosure project addressed:
 - A. A set of principles
 - B. One accounting standard
 - C. All disclosure topics
 - D. Location of the disclosures

Polling Question

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- A new materiality definition was proposed because:
 - A. The old one expired
 - B. FASB changed its definition
 - C. To centralized the discussion for a clearer definition
 - D. The auditor requested

Risk Assumed

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**ROBIN GILLIAM
ASSISTANT DIRECTOR**

Risk Assumed Project

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Two Phases:

- Insurance Programs
 - SFFAS 51 Issued January 18, 2017, effective date for periods beginning after 9/30/18
- Risk Assumed Phase II



Risk Assumed Phase II

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- will holistically review **significant risk events** other than adverse events covered by SFFAS 51, *Insurance Programs*.
- will determine accounting standards that provide concise, meaningful, and transparent information regarding the potential impact to the fiscal health of the federal government.

Significant Risk Events

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Are currently being identified under due process by the Board

Financial Reporting for Risks Assumed

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Should be

- **CONCISE** providing information that helps users understand risks assumed by major governmental programs;
- **MEANINGFUL** providing information that helps users understand material impacts of risks assumed; and
- **TRANSPARENT** providing information that helps users understand the uncertainty in measuring how risks assumed might affect performance outcomes and financial position.

Status

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Enterprise Risk Management (ERM)

- Board received ERM – Risk Profiling Education Session
- Board agreed that staff should explore how to incorporate OMB A-123 ERM Risk Profiling into the risk assumed project

Identified gaps in financial reporting based on existing direct loan and loan guarantee reporting by conducting

- three **preparer** interviews: Departments of Education, HUD, & SBA to understand burden of reporting;
- six **user** round tables to understand existing reporting and challenges with direct loan/loan guarantee information

User Challenges/Recommendations

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- To understand **performance** of loan portfolios (programs)
- To understand **full cost** including administrative expenses (not just accrued annual expense)
- To understand how **all major risk factors** (not just interest and defaults) impact program performance
- To understand **estimate changes** and **related uncertainty**
- To understand **market values** in event of asset sales

Risk Assumed - Next Steps

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April 26, 2018 Board Meeting:

- Review gap analysis **round table findings**
- Present **options** for developing standards to fill identified gaps, including how to incorporate A-123 ERM risk profiling



Polling Question

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- The first phase of the project addressed:
 - A. Loan guarantees under Credit Reform
 - B. Insurance
 - C. Social Security
 - D. All of the above

Polling Question

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- True or False – The Board considers input on each proposal before establishing requirements.

UPDATE ON PROPOSED STANDARDS

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9:30 – 10:00

Polling Question

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- The difference between a pre-proposal project and a proposed standard is:
 - A. A pre-proposal project has no solution but a proposed standard does.
 - B. A pre-proposal project has no proposed solution but a proposed standard does.

Polling Question

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- True or False – The Board can not establish a new standard without making a proposal available for public comment.

LAND

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**DOMENIC SAVINI
ASSISTANT DIRECTOR**

Land

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- **Undertaken as a result of SFFAS 50 on Opening Balances**
- **Issues Addressed by the Task Force**
 - Land reporting does not meet the BOSS requirements
 - Land reporting does not meet the qualitative characteristics
 - Land reporting is not comparable (or complete)
 - Weighing use of nonfinancial information
 - Reporting Acres for Land Rights
 - Where should information on land reside: Basic, RSI, or OI
- **Hope for a proposal this year**

Land

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Our journey began with trying to “value” land.....

- **Historical cost**
 - Efficient, cost-effective, but limited usefulness and relevance
 - **Fair Value**
 - Highly relevant and useful but significantly cost prohibitive
 - **Value-in-Use**
 - Efficient, cost-effective, but limited usefulness and relevance
- ...leading us to **Non-financial information candidates**
- Physical units, acres of land, and 3 land-use sub-categories

Polling Question

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- **Nonfinancial information is currently required for:**
 - A. General PP&E
 - B. Land classified as general PP&E
 - C. Stewardship Land
 - D. All Land

CLASSIFIED ACTIVITIES

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**MONICA VALENTINE
ASSISTANT DIRECTOR**

CLASSIFIED ACTIVITIES

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- The Classified Activities standard would permit component reporting entities to provide GPFFR 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.
- The Board is proposing guidance to protect classified national security information or activities from unauthorized disclosure in a publically issued GPFFR. The guidance would permit certain modifications to information required by other standards. In addition, the proposal would permit classified Interpretations that may allow other modifications to information in GPFFRs.

CLASSIFIED ACTIVITIES

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- The ED was issued December 14, 2017 with comments requested by March 16, 2018. As of April 13 we have received 17 responses.

RESPONDENT TYPE	FEDERAL (Internal)	NON-FEDERAL (External)	TOTAL
Preparers and financial managers	10	0	10
Users, academics, others	1	3	4
Auditors	1	2	3
Total	12	5	17

BREAK

30

10:00 – 10:15

RECENTLY COMPLETED STANDARDS

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10:15 – 11:00

BUDGET TO ACCRUAL RECONCILIATION

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**GRACE WU
ASSISTANT DIRECTOR**

BUDGET TO ACCRUAL RECONCILIATION

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- SFFAS 53 *Budget and Accrual Reconciliation (BAR)* was issued in October 2017.
 - Amends SFFAS 7 *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling budgetary and Accounting*, and SFFAS 24 *Selected Standards for the Consolidated Financial Report of the United States Government*.
 - Rescinds SFFAS 22 *Change in Certain Requirement for Reconciling Operating and Net Cost of Operations*.

BUDGET TO ACCRUAL RECONCILIATION

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- It replaced the current note *Statement of Financing* with BAR by reconciling net cost with net outlay.
- With objectives of:
 - Improve the component reporting entity's budgetary and net cost reconciliation
 - Support the Government-Wide Accounting (GWA) reconciliation
- Effective date for reporting periods beginning after September 30, 2018 with early adoption is permitted.
- Broad successes for pilots and early adoptions.

Polling Question

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- Which of the following is not true:
 - A. The budget to accrual reconciliation can be adopted early.
 - B. The budget to accrual reconciliation identifies the differences between net cost and net outlays.
 - C. The SFFAS 53 required budget to accrual reconciliation is applicable to the government-wide financial report but not to component reporting entity reports.

LEASES

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**MONICA VALENTINE
ASSISTANT DIRECTOR**

LEASES

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- SFFAS 54 *Leases* is expected to be issued on April 17, 2018.
 - Amends SFFAS 5, *Accounting for Liabilities of the Federal Government*, and SFFAS 6, *Accounting for Property, Plant, and Equipment*

LEASES

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- Revises the federal lease accounting and financial reporting standards
- Provides a comprehensive set of lease accounting standards
- Includes appropriate disclosures
- Federal lessees recognize a lease liability and a leased asset
- Federal lessor recognize a lease receivable and deferred revenue
- Scope exclusions
 - short-term leases,
 - contracts or agreements that transfer ownership, and
 - intragovernmental leases

LEASES

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- A **lease** is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.
- SFFAS 54 does not apply to
 - leases of assets under construction or
 - leases (licenses) of internal use software (SFFAS 10, *Accounting for Internal Use Software*, as amended).

LEASES

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EXCLUSIONS/CRITERIA

- Short-term – lease term of 24 months or less.
- Transfers Ownership –
 - Transfers ownership of the underlying asset to the lessee by the end of the contract or agreement and
 - Does not contain options to terminate,
 - Recognize as a purchase by the federal lessee or as a financed sale by the federal lessor.
- Intragovernmental lease – occurring within a consolidation entity or between two or more consolidation entities (SFFAS 47)

LEASES

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OTHER TOPICS COVERED

- Lease term
- Lease incentives and concessions
- Multiple components
- Combinations
- Lease terminations and modifications
- Subleases
- Sale-leasebacks
- Lease-leasebacks
- Disclosures

LEASES

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PROSPECTIVE IMPLEMENTATION

- Recognize unexpired leases – using the facts and circumstances that exist at the beginning of the reporting period.
- Implementation effect – recognized prospectively in accordance with paragraph 13 of SFFAS 21, *Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*.
- Effective date – reporting periods beginning after September 30, 2020. Early adoption is not permitted.

LEASES

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**IMPLEMENTATION GUIDANCE IS COMING
THROUGH THE AAPC!**

Polling Question

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- Which of the following is not true:
 - A. Federal entities must apply lease implementation guidance developed by the Financial Accounting Standards Board.
 - B. Federal entities should look for lease implementation guidance from the AAPC.

Polling Question

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- Which of the following types of assets are excluded from the lease standards:
 - A. Office space
 - B. Internal use software
 - C. Intragovernmental office space
 - D. Copy machines

INTER-ENTITY COST

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**MELISSA BATCHELOR
ASSISTANT DIRECTOR**

INTER-ENTITY COST

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- Background-Request from DoD
- Evaluation of Existing Standards Project
- SFFAS 55, *Amending Inter-Entity Cost Provisions*

INTER-ENTITY COST

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

INTER-ENTITY COST

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- **Amends SFFAS 4**
 - Paragraphs 110 and 111 of SFFAS 4, as amended, are restored to their original language prior to the issuance of SFFAS 30.
 - Standards amended to require business-type activities to recognize inter-entity costs
 - Recognition of inter-entity costs by activities that are not business-type activities is not required with the exception of inter-entity costs for personnel benefits and the Treasury Judgment Fund settlements unless otherwise directed by the Office of Management and Budget.
 - Non-business-type activities may elect to recognize imputed cost and corresponding imputed financing for other types of inter-entity costs

INTER-ENTITY COST

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- **Amends SFFAS 4**
 - Component reporting entities should disclose that only certain inter-entity costs are recognized for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Provides a sample note disclosure.

Polling Question

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- Do the amendments to SFFAS 4 create a new disclosure requirement?
 - A. Yes.
 - B. No.

FIVE THINGS YOU NEED TO KNOW ABOUT USER-BASED REPORTING

ROSS SIMMS
ASSISTANT DIRECTOR

LEIGHA KIGER
COMMUNICATIONS SPECIALIST

Objectives



After this session, participants will walk away with

- examples of interactive reporting that demystify complicated financial information;
- ideas for effective presentations of information; and
- ways to engage current and new users.

Polling Question

54

- Who is the audience for financial reporting?
 - A. Accountants
 - B. Program managers and decision makers
 - C. Citizens (individuals and groups)
 - D. All of the above

1. Users include accountants and non-accountants.

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- External users (citizens) include

- news media and more specialized users, such as trade journals;
- public interest and other advocacy groups;
- state and local legislators and executives; and
- *analysts* from corporations, academe, and elsewhere.



1. Users include accountants and non-accountants.

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- Individual citizens (include non-accountants)

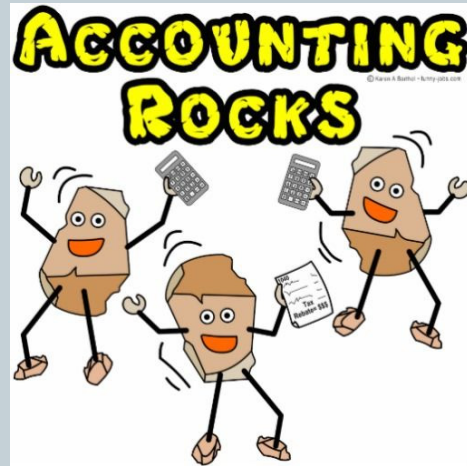
- Want to know about *programs*
- Want to know about output and outcomes of services
- Concerned about the financial burden the next generation will inherit
- Limited time to analyze reports about government
- Rely on *assurances* that government is operating efficiently and effectively



1. Users include accountants and non-accountants.

- Integrate various forms of communication

- Text
- Pictures
- Audio
- Video
- Animation



1. Users include accountants and non-accountants.

- Interactivity makes information engaging for accountants and non-accountants.

- [Data USA](#)

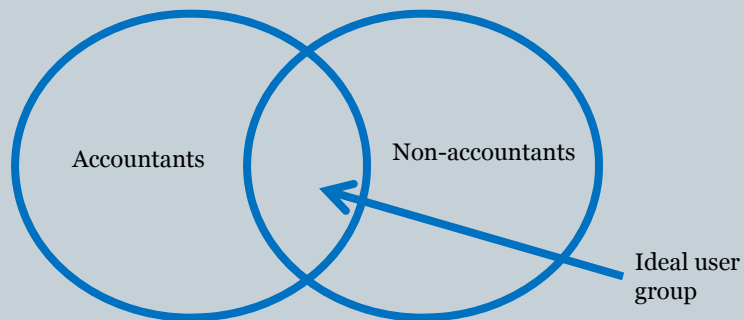
2. Shoot for the “sweet spot” for accessibility.



2. Shoot for the “sweet spot” for accessibility.



- Find the right balance between you, your organization, and your wide range of users.
- The layers of information in interactive reporting address accessibility and engage a wider range of users.



Polling Question

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- How many zeros are in a trillion?
- A. 10
- B. 12
- C. 14
- D. A “trillion” is not a number

3. Ensure big numbers are relatable.

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Definition of a Trillion

- **tril·lion**
 - a million million (1,000,000,000,000 or 10^{12}).
 - *informal*
 - × a very large number or amount.
 - Noun: **trillion**; plural noun: **trillions**
 - × "the yammering of trillions of voices"

3. Ensure big numbers are relatable.

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Citizens have challenges relating to such large numbers.

Dollars in Billions	Costs	
Program	2017	2016
Housing	\$1,264	\$1,355
Food	455	450
Total	\$1,719	\$1,805

Additional information may help explain the magnitude.

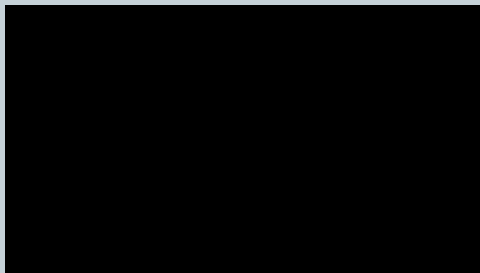
Polling Question

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- A trillion is:
 - A. A billion million
 - B. A million million
 - C. A lot of money

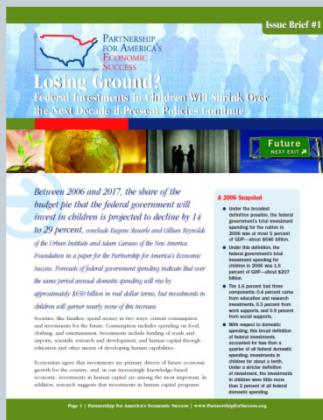
3. Ensure big numbers are relatable.

- Multimedia is a good way to personify big numbers.
 - [GAO's America's Money Matters – Understanding the Nation's Long-Term Fiscal Health](#)



3. Ensure big numbers are relatable.

- Partnership for America's Economic Success “Losing Ground?” report



Polling Question

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Information on the entity mission, performance, and financial results can be integrated.

- A. True
- B. False

4. Review the pieces of your puzzle to tell the story

- Don't let the biggest story (what you accomplished!) get lost.



5. Scale your journey



- Identify your goals and what tools you have available to you.
- Little by little, make changes in the culture of information communication.

Don't forget...

- **U**sers include accountants and non-accountants
- **S**hoot for the “sweet spot” for accessibility
- **E**nsure big numbers are relatable
- **R**eview the pieces of your puzzle to tell the story
- **S**cale your journey

Polling Question

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Users of financial reports can be accountants, program managers, analysts, individual citizens.

- A. True
- B. False

Deloitte.



InsightStudio

FASAB Potential Future Financial Reporting Demo

Innovating the financial reporting model

PROBLEM STATEMENT

The general public wants to understand how tax dollars are appropriated and spent annually by federal agencies. To get a full picture of this financial information across each agency, users must navigate through the Agency Financial Report (AFR). This is a 170+ page .pdf document, designed to comply with the legislatively-mandated reporting requirements.

IMPACT

With the end user in mind, Deloitte conceptualized an interactive and visually appealing web alternative to easily digest the financial information displayed in tabular form in the AFR. Supplemental DATA Act information is included as well.

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Benefits to the public

Potential ways the public can benefit from a web-based interactive reporting model

- 1** Clarifying terms; educating about the budget and outlay process
- 2** Drawing insights by clicking on a line item:
 - What do different balances represent, and why are they important?
 - What are the sources of funding?
- 3** Understanding what the federal government is spending its money on:
 - What goods or services are being purchased?
 - Where is the government spending its money?
 - Who are the vendors and where are they performing work?
- 4** Presenting a new way to view and understand financial statements
- 5** Understanding end user needs and addressing them through data visualizations

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Understanding the art of the possible



Today, we will provide a demo of the following:

- Financial statement [drill-down](#)
- Web-based interactive financial reporting model
 - [Statement of Budgetary Resources](#)
 - [Statement of Net Costs](#)
- Use cases of spending information

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Potential next steps



We recommend the following next steps to determine the way forward with developing a future financial reporting model:

- Understand the population of external users and their interest in financial data, and identify challenges to obtaining desired financial information today
- Identify relevant use cases to support objectives of external users, conduct pilot and engage relevant stakeholders
- Define roadmap to progress towards a future financial reporting model

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Next Steps: Design Thinking Methodology

We begin with the end users and their business challenges to ensure that our solutions answer all the right questions.

RESEARCH

Business Objectives, User Personas

- Define the business challenges and business questions
- Identify key personas involved with problem
- Pick a lead persona

ENVISION

Journey Maps, Strategic Vision, Initial Wireframe

- Journey map lead persona through current challenge
- Develop solution and improvement ideas
- Establish consensus on the best solution(s)
- Create "vision" sketch of improved experience

PROTOTYPE

Data Integration Blueprint, Statistical Modeling, Initial Prototype

- Develop storyboard or napkin sketch
- Create simulation or prototype
- Review persona requirements
- Collect and aggregate necessary data
- Develop analytical model

ITERATE

Modeling Templates, User Flows, Data Blueprint, Final Prototype

- Validate prototype to persona characteristics
- Modify based on feedback and data discovery

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Polling Question

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Electronic reporting does not exist yet.

- A. True
- B. False

Contact Information

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