FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
April 27-28, 2021
WebEx and Teleconference

Tuesday, April 27, 2021 .... ***1***

Attendance **1**

Administrative Matters **2**

- Approval of Minutes 2
- Updates and Clippings 2
- FY 2020 CFR Briefing 3

Agenda Topics **4**

- Leases Omnibus – Part I 4
- Technical Clarifications: Debt Cancellation 8
- Note Disclosure Concepts 9
- Leases Omnibus 11
- Steering Committee Meeting 11

Adjournment **12**

Wednesday, April 28, 2021 .... ***12***

Agenda Topics **12**

- MD&A 12
- Leases Omnibus – Part II 15
- Appointments Panel Meeting 17

Adjournment **17**

For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by tab; references to these tabs in the minutes are hyperlinked.

Tuesday, April 27, 2021

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Harrison, and Messrs. McNamee, Patton, and Smith. The executive director, Ms. Valentine, and general counsel, Ms. Motley, were also present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

Administrative Matters

- **Approval of Minutes**

The Board approved the February meeting minutes prior to the meeting.

- **Updates and Clippings**

Mr. Scott asked the members if there were any comments on the clippings. He specifically mentioned the article *Congress Needs to Enact Budgets That Can Hold Lawmakers Accountable*, written by former FASAB member Dr. Michael Granof.

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of the recent activities of the GASB. She mentioned three due process documents out for comment—revenue and expense preliminary views, recognition of elements of financial statements concepts, and financial reporting model reexamination. She also mentioned GASB's work on the disclosures concepts; compensated absences; risks and uncertainties; and prior period adjustments, accounting changes, and error corrections. She also referenced GASB's omnibus project, transition guidance for infrastructure, and the project to rename the comprehensive annual financial report. Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Mr. Scott noted the extensive outreach efforts in the past two months from both Board members and staff.

Mr. Scott officially welcomed Ms. Deidre Harrison, OMB deputy controller, as the OMB representative to the Board. He also thanked Ms. Regina Kearney for her service as the acting OMB representative.

Mr. Scott congratulated Ms. Sallyanne Harper on becoming the inaugural recipient of La Salle University's Women in Leadership Award.

Mr. Scott recognized three members of the FASAB staff who would be leaving before the June Board meeting. He thanked FASAB Fellow Christi Dewhirst, who has worked alongside Mr. Perry, senior analyst, to develop draft leases implementation guidance, as well as a draft leases omnibus Statement for the past 16 months. Ms. Dewhirst is a financial management analyst with GSA's OCFO. Mr. Scott also thanked GSA management for allowing Ms. Dewhirst to work on the leases project. Ms. Dewhirst's contributions had a significant impact on both the quality and progress of the leases implementation guidance. Ms. Dewhirst's detail with FASAB will end on April 30, 2021.

Mr. Scott also recognized FASAB Spring Intern Rick Marcello and FASAB Editor Susan Bernstein. Ms. Gilliam, assistant director, noted that Mr. Marcello assisted her on both the management's discussion and analysis (MD&A) project and the climate impact and risk reporting research topic. Ms. Gilliam stated that Mr. Marcello was very helpful in consolidating the results of the MD&A pilot and user reviews and had done an extensive amount of research on the climate research topic. She thanked Mr. Marcello for his contributions to FASAB and wished him well in his career.

Ms. Valentine noted that Ms. Bernstein had been working with Ms. Kiger, FASAB CA, to update the briefing materials templates. Ms. Valentine thanked Ms. Bernstein for the great contributions she made to FASAB over the last several months. Ms. Bernstein's temporary assignment with FASAB will end on April 30, 2021.

Ms. Valentine brought the updated briefing materials templates to the Board's attention and asked members to let her know if they had any suggestions for further improvement.

Lastly, Mr. Scott noted that the Office of Management and Budget's (OMB) acting director had notified the Board of a 90-day extension of the sponsor review period for proposed SFFAS 59, *Accounting and Reporting of Government Land*. With the extension, SFFAS 59 is expected to be issued in late July 2021.

- **FY 2020 CFR Briefing**

Mr. Scott Bell, Board member representing the Department of the Treasury (Treasury), gave an overview of the *Fiscal Year 2020 Financial Report of the U.S. Government*. He provided general highlights from the Financial Report's executive summary and discussed the impact of the COVID-19 pandemic on the federal government's financial results.

The pandemic contributed to significant changes in financial results from the prior year, including a 46% increase in net costs, 165% increase in net operating costs (net of taxes and other revenues), 25% increase in federal debt and interest payable, and 17% increase in negative net position. The federal debt to GDP ratio increased to 100%, close to the historical high. Mr. Bell also reviewed social insurance and fiscal sustainability results. He noted that the information provided was for and as of the end of fiscal year (FY) 2020 and that subsequent events disclosures discuss additional information about significant events occurring after the end of the fiscal year but before the report was released, including the enactment of legislation. The full financial report is available at https://www.fiscal.treasury.gov/reports-statements/financial-report/current-report.html.

Mr. Robert Dacey, Board member representing the Government Accountability Office (GAO), provided a highlight of the report from the audit perspective. GAO continues to disclaim an opinion due to issues with financial management at the Department of Defense (DoD), intragovernmental activity and balances, and weaknesses in the process of preparing the consolidated financial statements. There has been progress in addressing each of these issues, but the concerns have not been reduced to a level at which an opinion can be expressed. Mr. Dacey noted that in addition to DoD's disclaimer, the Small Business Administration also received a disclaimer on its fiscal year 2020 financial statements. He noted that 22 of the 24 CFO Act agencies received unmodified opinions on their fiscal year 2020 financial statements.

Ms. Deidre Harrison, Board member representing OMB, noted the positive and productive partnership between the agencies, GAO and Treasury. She also acknowledged the real progress with DoD and reiterated OMB's commitment to continuing to work with DoD to ultimately achieve auditability in the years to come.

Agenda Topics

- **Leases Omnibus – Part I**

Ms. Dewhirst thanked members for their feedback and review of the extensive materials in topic A for the meeting.

Project Plan updates:

Ms. Dewhirst directed members to the project plan (attachment 1 of topic A), explaining the status of the project and recent updates to the project plan:

- Staff shifted the projected issuance date of the leases omnibus Statement and the leases implementation guidance Technical Release (TR) from the fourth quarter of FY 2021 to the first quarter of FY 2022. Although staff aims to receive Board approval during the fourth quarter, it will likely not be possible to issue until the first quarter of 2022 due to the 90-day sponsor review period.
- Staff merged the conforming amendments to existing TRs resulting from Statement 54 into the leases implementation guidance TR. Ms. Dewhirst reminded members that FASAB had released the conforming amendments TR for public comments in 2019, so finalizing and issuing both TRs together would help to streamline the process.
- Staff provided training on leases.
- Staff continues to draft illustrations and Interpretations; their timelines have been extended due to the recent focus on implementation guidance and omnibus amendments. Ms. Dewhirst explained that staff plans to resume these projects as the current projects wind down and guidance is issued.

Board members did not have any questions in response to the project plan updates.

Board Review of Comment Letters (Part 1): Staff Recommendations

The Board received 25 comment letters. Ms. Dewhirst expressed staff's appreciation to the community for their insightful comments. Twenty-three out of 25 commenters expressed support for both the proposed TR and the proposed Statement.

Ms. Dewhirst explained that she and Mr. Perry independently read each comment letter and coded every comment based on their analysis regarding whether or not a change was necessary. After doing so, Ms. Dewhirst and Mr. Perry met for several days to go through the coding and come to an agreement on each item. Since that time, staff has met with the task force twice, walking task force members through staff's analysis and discussing task force feedback to improve upon that analysis. Staff then met with the AAPC for a full day in March to discuss issues primarily related to the TR, but also to receive feedback from Committee members on certain omnibus-related issues.

Ms. Dewhirst explained that staff intended to first receive Board feedback on items identified by commenters for which staff is proposing recommended changes. Staff requested that Board members hold comments on items related to other issues for the end of the session or the next day's session on leases.

Item 1: Ms. Dewhirst explained staff's recommendation to clarify the definition of short-term leases by inserting the words "non-intragovernmental" in response to feedback received from respondents. This edit will clarify that all intragovernmental leases, including those with lease terms of 24 months or less, will follow the requirements of paragraphs 26-38 (including the disclosure requirements of paragraphs 37-38) rather than paragraphs 23-24 for short-term leases (which are not subject to disclosure requirements). Staff viewed this change as being consistent with the Board's original intent. The Board had no comments and agreed to this change.

Item 2: Ms. Dewhirst summarized staff's recommendation to clarify the definition of lease concessions in response to feedback from a respondent. She noted that broker commission credits are not considered enticements for lessees to sign. These credits are simply a way of awarding leases timely and outsourcing some of the work to brokers. These are automatically passed along to sub-lessees by GSA.

Ms. Dewhirst noted that Treasury had provided some additional examples to potentially include in the definition. Although staff was not opposed to including additional examples in the definition, staff proposed including such discussion in the TR since the definition cannot include every type of example.

One member inquired as to whether or not it could be problematic to limit the definition of lease concessions to rent discounts.

Mr. Perry explained that other types of concessions that do not take the form of rent discounts would likely meet the definition of lease modifications. In light of other omnibus amendments to treat lease concessions and step rent decreases the same for short-term leases and intragovernmental leases, coupled with the guidance in paragraph 40 for lease liabilities, staff does not foresee any implementation issues surrounding the definition of lease concessions that are not otherwise already handled in the implementation guidance.

Mr. Bell and staff agreed to explore including some of the examples provided by Treasury within the implementation guidance and to forgo the inclusion of additional examples within the definition of lease concessions.

Items 4 and 5: (Item 3 tabled for discussion later in the afternoon): Staff proposed removing the requirement to straight-line lease concessions for short-term leases and intragovernmental leases. Respondents and task force members indicated that there were concerns over the requirements, given that the remainder of these types of leases are off balance sheet. Staff observed that it seemed counterintuitive and incongruous to include a small piece of a lease transaction on the balance sheet and have straight-lining, while excluding the rest of the transaction.

Ms. Dewhirst explained how the current language, although consistent with current practice, leads to quite a few intragovernmental differences and the omnibus would help to avoid such differences.

Some members agreed with the changes proposed. Other members provided a few minor technical and clarifying edits and items for staff to consider related to the phrasing. Staff agreed to present the revised phrasing during the second session on Wednesday.

Item 6: Ms. Dewhirst presented staff's proposed changes to paragraphs 42 and 59, which would remove discussion of imputed interest rates and require use of estimated incremental borrowing rates when no rates are stated in lease contracts. Staff expressed concerns, along with those of respondents and task force members, surrounding the level of work and audit evidence that might be necessary when imputing interest rates or otherwise proving that such rates could not be reasonably estimated. Mr. Perry also summarized similar flexibilities allowed by GASB in its implementation guidance.

Mr. Perry expressed mild staff concerns surrounding situations when the stated interest rate is less than the incremental borrowing rate. Staff believes that this type of situation is neither significant nor is it prevalent. He expressed that staff could revisit implementation issues in the future if such circumstances become prevalent or significant. In response to a question, Ms. Dewhirst confirmed that this is not something she has seen at GSA, as GSA lease contracts and agreements do not typically state interest rates at all and the incremental borrowing rate would be used. The Board had no comments and agreed with staff's recommendation.

Item 8 (Item 7 tabled for discussion later in the afternoon): Ms. Dewhirst recommended a Board discussion regarding staff's proposal to amend paragraph 93 to allow for lease-leasebacks to be accounted for separately.

Mr. Dacey observed that preparers would need to account for the two separate transactions regardless, but present them as a net transactions on the face of the statements. He also noted that the individual transactions are related and often would not exist without the other.

Ms. Valentine reminded members that the Board originally aligned with GASB on this issue.

Two members agreed that reporting entities should *account* for two separate transactions but *display* them as net transactions on the face of the financial statements.

Mr. Dacey further explained that, in his view, this was the intent of the GASB and FASAB; however, this may not be sufficiently clear in the way paragraph 93 is worded.

Ms. Dewhirst proposed an additional change: to change the phrasing “should be accounted for…” to “should be displayed as a net transaction.”

One member posed the idea of providing flexibility to preparers in this paragraph and asked for Board member reactions to potentially taking such an approach. Another member cautioned that providing flexibility could result in challenges for reporting at the government-wide level; two members agreed with Ms. Dewhirst’s proposal.

One member asked staff to confirm that the edit would address respondent concerns. Ms. Dewhirst and Mr. Perry further explained that the edit, although minor, would alleviate those implementation concerns. Mr. Perry noted that the prior wording resulted in interpretive challenges in creating posting models, but the edits to clarify intent should eliminate those concerns.

Item 9: Ms. Dewhirst summarized several additional omnibus changes in response to concerns raised by respondents surrounding contracts or agreements that transfer ownership. She explained that these revisions would clarify the proper classification and measurement basis for transfers of ownership. Staff believes that these changes are consistent with the Board’s original intent, but did not feel comfortable providing such guidance in the TR without omnibus changes. Board members had no comments and agreed to this change.

Items 10 and 11: Ms. Dewhirst summarized a corrective edit needed to paragraph 34 of the omnibus proposal, which will amend paragraph 18 of SFFAS 6. She noted that leasehold improvements are considered PP&E and should be included in the definition in paragraph 18 of SFFAS 6. Furthermore, staff proposes clarifying edits to the land rights discussion under the same paragraph to provide clarity as to what would and would not be PP&E versus a lease. Board members had no comments and agreed to these changes.

Mr. Perry added that staff would be making a conforming amendment to existing TRs that cite this paragraph. Those conforming amendments are under AAPC development.

The Board meeting adjourned for lunch.

- **Technical Clarifications: Debt Cancellation**

Ms. Batchelor, assistant director, explained the objective of the session was to consider the remaining issues on the draft exposure draft (ED) Interpretation titled *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*. The materials for the session are available at topic B of the briefing materials.

At the February 2021 meeting, the Board had agreed to move forward to a pre-ballot ED Interpretation titled *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*, pending incorporation of additional edits as agreed to by members.

Staff had provided a pre-ballot ED to members in March 2021. Although the majority of members were prepared to ballot, the Board needed to discuss technical issues before doing so. Ms. Batchelor explained that there were no new areas for discussion because the areas (see questions below) relate to those from the February 2021 meeting and were included in the staff questions that accompanied the pre-ballot in March 2021.

Question 1 – Does the Board want to include an additional Question for Respondents?

The Board revisited the issue of whether to include a question for respondents regarding the clarity of the reference to “other financing sources.” Ms. Batchelor explained the genesis of the additional question was from the February 2021 meeting when a Board member suggested adding a footnote to paragraph 3 of the proposed Interpretation ED. This footnote was intended to clarify that the phrase “other financing sources” is referring to transactions as used in SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. Members indicated that the draft Interpretation appeared clear on the issue but understood the member’s concern to alleviate any potential confusion regarding the term. The Board determined a footnote was not necessary.

Staff had provided the Board a pre-ballot ED in March 2021. Based upon the pre-ballot in March 2021, the majority of members did not want to include the question. A member that wanted to retain the question had requested that the Board discuss the issue. Another member had submitted an alternative question for consideration that was included in the April briefing materials.

Most members agreed the alternative question was an improvement. Some FASAB members favored obtaining additional information. Others believed the language in the Interpretation was sufficiently clear and the question would add complexity. After discussion, by a five to four vote, members decided to include the question for respondents.

Question 2 – Does the Board agree with the staff recommendations? *(This includes removing “and reporting” from paragraph 9 and all conforming changes throughout the document and incorporating the sentence regarding “based upon budget concepts” in paragraph A20 of the basis for conclusions.)*

Although the Board had agreed to language for paragraph 9 of the draft ED at the February Board meeting, staff had received suggested edits from certain members. After discussion, the Board preferred to explicitly state in the authoritative section of the ED that it does not provide guidance on budgetary accounting. Accordingly, the Board agreed to revise the last sentence of paragraph 9 as follows: “This Interpretation does not provide guidance on budgetary accounting, which is issued by central agencies.” The Board agreed to retain a detailed discussion in the basis for conclusions about central agencies providing guidance regarding budgetary accounting about debt cancellations.

Question 3 – Does the Board agree with moving to a ballot ED?

The Board agreed to ballot the Interpretation ED, pending incorporation of edits as agreed to by members.

> **Next steps:** The Board agreed to ballot the Interpretation ED titled *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*, pending incorporation of edits as agreed to by members. Staff will provide members an electronic copy of the document and ballot after the April meeting.

- **Note Disclosure Concepts**

Ms. Valentine introduced the note disclosures discussion from topic C of the briefing materials. Ms. Valentine noted that the purpose of the proposed amendments was to expand on the note disclosure concepts in Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display,* to reduce repetition and improve relevance, clarity, comparability, and consistency of note disclosures.

Ms. Valentine reminded the members that concept statements guide the Board’s development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives.

Ms. Valentine stated that during the February 2021 meeting, the Board had agreed to several edits to the proposed ED for the note disclosure amendments to SFFAC 2. Subsequent to the February meeting, she had sent a tracked changes and unmarked version of the February meeting edits for members to review and provide any additional edits for consideration at the April meeting (attachment 2). Staff then received additional edits and comments from members on the February meeting revisions (attachment 3). Staff had integrated those updates into the draft ED (attachment 4).

Question 1 – Does the Board agree with the draft amendments to paragraph 68 of SFFAC 2 in attachment 3?

Ms. Valentine indicated that she had received several comments/edits from members on the latest revisions. Those comments related to the MD&A and other required supplementary information concepts would not be addressed during the meeting.

Instead, Ms. Valentine would relay those edits and comments to Ms. Gilliam to address with the MD&A amendments.

Ms. Valentine raised the following edits and comments on the proposed amendments to SFFAC 2, paragraph 68 for discussion by the Board.

- One member suggested changing “recognized” to “displayed” in the first bullet of paragraph 68 and the first sentence of item A. Another member disagreed with the suggested changes. Ms. Valentine noted that both terms have been used throughout FASAB’s guidance; however, “recognized” is used more often in the context of financial statements. Also, the first two sentences of SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, paragraph 4 states: “The terms recognition and recognize refer to the process of formally recording or incorporating an element into the financial statements of an entity. Recognition comprises depiction of an element in both words and numbers, with the amount included in the totals of the financial statements.” After discussion, the Board agreed to maintain the term “recognize” in the bulleted list and in item A.

- One member suggested adding the phrase “but are not limited to” to the second sentence of item A. Another member disagreed with the addition. After discussion, the Board agreed to add “but not limited to” to the second sentence of item A.

- One member suggested changing “services” to “mission” in item A because “service” does not encompass the full nature of an agency’s activities and “”mission” is broader. After discussion, the Board agreed to revise the first sentence of item B: “Note disclosures may supplement financial statements to provide information regarding the entity’s mission, programs, significant relationships with other entities, and any special restrictions or privileges that apply to the entity.”

- One member suggested deleting item D altogether because it does not add anything that is not already included in items A. – C. Ms. Valentine noted that the Board’s proposed item D was similar to one of GASB’s “types of information in notes to financial statements” as stated in GASB’s draft concept amendments. The language reads, “Other finance-related information associated with the accountability of the government.” After discussion, the Board agreed to revise the language in item D. The title was revised to “Financial-related information to inform decision-making and demonstrate accountability.” The Board asked staff to revise the item D description to align with the updated title.

Question 2 – Does the Board agree with moving forward on the draft exposure draft? If so, does the Board have feedback on the draft exposure draft presented in attachment 4?

There were no objections to question 2.

Ms. Valentine closed by stating that staff will review the member comments and edits on the other sections of the draft ED and update accordingly. She also asked members to provide any additional edits to staff as soon as possible.

> **Next steps:** Staff will revise the draft ED and present the update in June 2021 for Board consideration.

- **Leases Omnibus**

Board Review of Comment Letters (Part 1 – continued from the morning session): Staff Recommendations

The Board had agreed to discuss the earlier tabled items 3 and 7 at some point prior to adjourning for the day.

Item 3: Staff recommended a Board discussion regarding paragraph 19.a of SFFAS 54 in light of the comment letters received pertaining to the paragraph. A few respondents expressed concerns about excluding cancellable periods (defined in paragraph 19.a) when cancellation penalties are significant and circumstances demonstrate that neither the lessee nor the lessor will cancel. Staff's recommendation was to keep the paragraph as written in light of the previous Board discussions on the topic.

The Board agreed that the previous Board discussion on the issue was robust. Mr. Dacey explained that, since both parties can cancel or terminate, including such periods in lease term assessments can become particularly problematic. Messrs. Scott and Dacey both observed that comment letters did not bring any additional information to light that changed their views on the matter. The Board agreed to not make omnibus changes to paragraph 19.a.

Item 7: Staff recommended a Board discussion regarding use of the term "deferred revenue" and potentially changing the term to "unearned revenue." Ms. Dewhirst explained that, in light of some comment letters and discussions with task force members, staff believes the term "unearned revenue" may be more understandable to general users. Mr. Bell indicated that Treasury preferred to change the term to "unearned revenue." A majority of the Board did not have a strong preference and was willing to change the term based on Treasury's preference.

- **Steering Committee Meeting**

The Committee reviewed budget estimates for fiscal year 2022. Committee members discussed potential incremental funding to support future staffing and will continue the discussion at the next meeting.

Adjournment

The Board meeting adjourned for the day at 3:30 p.m.

Wednesday, April 28, 2021

Agenda Topics

- **MD&A**

Ms. Gilliam introduced the MD&A session at topic D by thanking the 17 pilot agencies and 16 user reviewers for the work accomplished through their extraordinary efforts. She also thanked the Board members that nominated user reviewers and Mr. Marcello, FASAB's spring intern, who helped to consolidate the findings.

She reviewed the history of the MD&A project, stating that from June 2019 to October 2020 the Board developed eleven MD&A objectives. FASAB then drafted the MD&A vision framework (the framework) based on the objectives but without the duplicative language. The Board requested a pilot to determine how effective the framework was in streamlining the MD&A, whether it reduced preparer burden, and whether it provided users with information that was easier to understand.

Ms. Gilliam facilitated the pilot from January 1 – March 26, 2021, during which pilot agencies prepared a sample MD&A from the framework based on their fiscal year (FY) 2020 agency financial report (AFR). Staff also instructed pilot agencies not to include requirements from OMB Circular A-136, *Financial Reporting Requirements*, or AGA Certificate of Excellence in Accountability Reporting (CEAR) except graphs, charts, and tables that related to the framework. The users then reviewed the first four samples that staff received: Department of Agriculture, Health and Human Services, DoD, and the Federal Trade Commission.

Ms. Gilliam then introduced three pilot agencies and three user reviewers to share their experiences. She referred members to attachment 6 for the presenter biographies.

Pilot agency presenters: Maribel Langas Miller from DoD, James DeLoach from Department of Interior, and Dorothea Malloy from USAID provided the following information during their presentations and in response to members' questions.

These agencies participated in the pilot because management supported streamlining the MD&A. The framework helped them to develop a short, clear, and focused MD&A. They were challenged with presenting financial information and linking it to non-financial information; determining what is significant for quantitative and qualitative information; determining what charts, graphs, and tables to use; understanding the meaning of performance trends; and linking trends in financial information with trends in performance information.

Each agency developed its own method for using the vision statement in concert with the objectives to develop the sample MD&A from the FY 2020 AFR. They were interested in FASAB clarifying objectives that overlap, such as OP-3 & OP-4.

Agency pilot presenters said they would still complete an MD&A even if it were not required, as the MD&A is a gateway to explain the agency financial reports. They also noted that not having guidance could risk the MD&A becoming a dumping ground for information about performance metrics, with the added risk of not including important financial information.

User reviewer presenters: Andres Vinelli (researcher), Danielle Pollock (citizen, master's student, working at a small accounting firm), and Morgan Aronson (Interior-Office of Inspector General) provided the following information during their presentations and in response to members' questions:

They wanted to participate in the pilot to learn if agencies could discuss key drivers between operations, goals, financial statements, and trends; bridge the gap between the public and government; and tie information back to the financial condition and position.

The user reviewers particularly liked the sample MD&As that used plain English; moved from general to specific explanations; tied strategic goals to current and planned actions; included performance results and indicators; discussed key drivers that caused significant changes in performance and/or financials; and included trend graphs. They also appreciated the diversity of approaches.

One of the user reviewers discussed how valuable the MD&A is because it is a gateway to the financials and other public documents through links. It provides information for someone interested in employment or supplying goods or services to that agency. The MD&A also compares performance and financial information, and, very importantly, is provided directly from agencies and not reported second hand by reporters.

Agency pilots and user reviewers agreed that a streamlined MD&A can achieve balance and harmony by providing guidance that teaches agencies how to

- provide a comprehensive connection between performance, non-financial and financial information, and systems information to avoid a silo effect of putting information in separate sections;
- focus on key drivers (like COVID) that impacted performance goals, significant changes in financial statement lines, and management's decisions during the reporting period;
- provide concise and concrete examples about the magnitude of risks and current and planned actions to address them;

- include high-level performance goals that support the current leadership agenda instead of low-level metrics;
- include well labeled trend graphs that integrate performance, financial, and budgetary resource information, and written summaries; and
- include more hyperlinks to detailed performance data and other important documents.

Members noted the following:

- The page reduction results were impressive; however, due to the dynamics of reporting entities, it is important to provide preparers with flexibility in curating their MD&As through broad, principle-based standards.
- One member suggested that USASpending.gov could be leveraged as a resource for performance information. However, one of the pilot agencies was concerned that information in a centralized database like USAspending.gov is not audited and has multiple sources of information that are not controlled by the reporting entity.
- One of the most significant challenges continues to be linking performance and financial information.

Question 1 – Can the Board meet the June 2022 publication deadline?

Five of the nine members agreed that the timeline was optimistic but appeared to be doable. The other members noted this is an aggressive schedule but should still allow for due process. One member stated that the Board should consider a more gradual process and asked if there was anything in the existing guidance that would prevent agencies from implementing some of the ideas being proposed. Ms. Gilliam addressed this in the training section of question 2 below.

One member requested that staff provide a project plan for how to address the issues presented in attachment 1. Two members were concerned with the exposure period falling too close to the holidays and employees' use or lose time off, so they recommended extending the comment deadline from November 8, 2021, to January 24, 2022. Other members agreed.

Question 2 – Does the Board agree with the approach outlined in Attachment 2: Roadmap to Streamlining the MD&A?

Ms. Gilliam presented attachment 2, which listed 43 issues and the roadmap to address them. She provided the following information on the five recommended activities:

1. **Updating Standards:** Ms. Gilliam explained that updating standards included amending both concepts and standards. One member recommended that MD&A concepts and standards be updated simultaneously. To accomplish this, Ms. Gilliam suggested that paragraph 69 in SFFAC 2 be updated with the amendments from the note disclosures project. Members agreed.

2. **Task Force:** Ms. Gilliam noted that the task force would be implemented after the Board finalizes the project plan. Task force members will then work within their areas of expertise. Members agreed.

3. **Implementation Guidance:** Ms. Gilliam noted that implementation guidance would follow publication of the standards to allow for feedback from agencies as to what help they need. Members agreed.

4. **Training:** One member asked if there was anything FASAB could do before updating the standards to help streamline the MD&A. Ms. Gilliam noted that training is going to be the focus. She is planning a training during summer 2021 titled *What You Can Do Now to Streamline MD&A*, which will emphasize changes already available in OMB Circular A-136. She is hoping OMB can join her in presenting this training. Other trainings will become available with the progression of the standards and implementation guidance. Members agreed.

5. **Collaboration:** Ms. Gilliam explained that collaborating with OMB and AGA-CEAR is very important to successfully streamlining the MD&A. This will be an ongoing effort. Members agreed.

The Board meeting adjourned for lunch.

- **Leases Omnibus – Part II**

<u>Board Review of Comment Letters (Part 2): Other Issues</u>

Items 4 and 5, revisited to discuss revisions (see Part I above): The Board agreed with the minor edits (for consistency and clarity) made subsequent to the previous day's session on leases in response to Board feedback, which were highlighted and presented by staff. Mr. McNamee provided an additional grammatical edit, which staff agreed to implement.

Items raised in comment letters for which staff is not recommending changes:

- **Items 12-17**: Board members agreed with staff and did not provide additional comments.

- **Item 18**: One respondent questioned the decision to move right-to-use lease assets out of PP&E. Ms. Dewhirst noted that staff believes lease assets and PP&E should be separate classes of assets to avoid confusion amongst users regarding the nature of the assets and their measurement bases.

Mr. Perry noted that, in his conversations with some stakeholders, he had observed some desire to include lease assets within PP&E. Mr. Perry expressed disagreement with the idea, noting that the line item has a measurement basis laid out in SFFAS 6. Including other types of intangible assets with different measurement bases would result in less meaningful financial information. Staff will coordinate and plan with OMB and Treasury on implementation issues surrounding presentation, form, and content that may surface as it relates to this issue.

Mr. Dacey suggested that the intangibles project may help clarify how intangible assets, including leases, could be presented in the financial statements and notes.

- **Items 19-22**: Board members agreed with staff and did not provide additional comments.

- **Item 23**: The Board agreed with staff but suggested that staff elaborate on amortization methods in the TR.

- **Item 24**: Mr. Dacey expressed concern that the Board may not have fully discussed or internalized implementation issues surrounding SFFAS 4 requirements for lessors and lessees for imputing business activity costs and sharing those costs for reporting purposes. Mr. Perry cautioned the Board against redeliberating SFFAS 55, which is out of the scope of the leases omnibus project. Such deliberations could delay the issuance of the omnibus Statement and TR. Mr. Perry offered to discuss Mr. Dacey's concerns with some task force members and revisit the matter at the June meeting. He and Ms. Dewhirst encouraged the Board to revisit the SFFAS 55 paragraphs cited in the TR, if deemed necessary, in the reexamination project or a separate miscellaneous omnibus project to keep the leases omnibus project on track.

- **Item 25**: Board members agreed with staff and did not provide additional comments.

<u>Transition Guidance: Request for Clarification</u>

Staff brought draft AAPC guidance for paragraph 96(b) to the Board for discussion. The interpretive guidance provided that, at the beginning of the period of implementation, the lease asset and lease liability would be equal (based on the remaining lease terms and associated lease payments) and the entity would write-off the previously recorded balances including initial indirect costs or lease incentive if these happened prior to the period of implementation. Two members expressed concurrence with the staff's interpretation, other members via feedback to staff agreed with the draft guidance as well, and no members objected.

- **Appointments Panel Meeting**

The Appointments Panel met in closed session to discuss personnel issues. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(2) and (6) were discussed. The discussions related solely to internal personnel rules and practices of the sponsor agencies and the disclosure of information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy. A determination has been made in writing by the U.S. Government Accountability Office, the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(2) and (6).

Adjournment

The Board meeting adjourned at 2:45 p.m.