



January 17, 2020

Ms. Monica R. Valentine  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548

Dear Ms. Valentine:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its *Three-Year Plan for Fiscal Years 2020-2022*. The FMSB is comprised of 20 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the proposed three-year plan and we appreciate FASAB's continued effort furthering the federal financial standards. The FMSB concurs with most of the content and relative prioritization of the projects on the agenda. However, we do have a few comments and questions regarding some of the projects.

A couple of general comments. We noted on page 8 of the document the AICPA box has a reference to Rule 203 which is the Accounting Principles rule. It is our understanding that rule has been codified and the new references would be ET sec.1.320.001 and 2.320.001. On page 16 we noted sale-leasebacks were included in the Public-Private Partnerships section. It would seem the sales-leasebacks should be within the scope of the leases standard and not the Public-Private Partnerships.

Evaluation of Existing Standards – The FMSB believes this is an important and far reaching project. We strongly encourage the FASAB to provide the necessary resources to this project. We believe this is one avenue to reduce the amount of costs associated with the preparation of financial statements as well as address current standards that may not be applicable due to overall changes to the federal government, technology and the political arena.

Technical Guidance - We agree it is necessary to update the technical guidance for assigning assets and cleanup costs. It is important for the Federal Government's transparency that the technical guidance move to an actual standard as the Federal Government continues to strive for a clean opinion for its annual audit.

Debt Cancellation - We concur with the FASAB's decision to consider debt cancellation as a project due to the lack of guidance in the Department of Treasury manual addressing the proper treatment of debt cancellation.

Department of Defense Implementation Guidance – We support the FASAB's ongoing attempts to resolve the matters specific to the Department of Defense. The AGA has also engaged in projects relative to the Department of Defense in the past and addressing Department of Defense concerns is a matter we totally support.

Land – We applaud the continued efforts of the FASAB in addressing this issue. The FMSB understands the importance of a standard that provides consistency in reporting land. We understand the complexity in determining the consistency while keeping costs of gathering and reporting the information at a reasonable amount. We support and encourage the FASAB to continue to discuss this project and come to a solution that will provide the necessary accounting and reporting of land.

Leases – We agree with the FASAB’s efforts determining the proper treatment of leases. We also agree with the proposed deferral of the effective date of SFFAS 54 while FASAB continues to:

- Update the existing TRs to confirm the guidance to the revised lease standard,
- Issue a standard regarding software licenses and
- Provide an implementation guide for leases, which we believe to be vital to a successful implementation of SFFAS 54.

We have noted GASB’s struggles since they issued their *Leases* standard (GASB Statement No. 87,) prior to finalizing the software license (*Subscription-Based Information Technology Arrangements*) and related *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* projects. Both projects as proposed have similar elements to the *Leases* standard. Finally, we encourage the FASAB to converge as much as possible to the lease standards issued by FASB and GASB.

Materiality Though we appreciate the efforts of the FASAB to address this issue, materiality is primarily an auditing concept, undefined by other standards-setters. Only *performance materiality* is defined in the *Auditing Standards Codification* as “[t]he amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, the term performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances, or disclosures. Performance materiality is to be distinguished from tolerable misstatement.” Empirically, materiality can have quantitative as well as qualitative aspects. We ask the FASAB to consider the auditing provisions and the provisions in AU-C Sections 320 along with the recently released SAS-138 as part of the project.

MD&A Amendments – The FMSB believes the MD&A is a key component of the financial statements as it gives management an opportunity to provide a narrative beneficial to the readers of the financial statements. We encourage the FASAB to include key items in SFFAC 3 and converge them into SFFAS 15 to create a more robust and applicable standard addressing the MD&A. We agree the MD&A should promote a financially focused and integrated report of the use of resources by the entity. We also noted the FASAB is considering “potential forward-looking impact” disclosures as part of the MD&A. Forward-looking information is not currently presented in the financial statements of for state and local governments but is presented for engagements subject to Securities and Exchange Commission regulations. This is a particularly sensitive subject and we encourage the FASAB to take great care with deliberating this aspect of the MD&A. We believe that forward-looking information in an MD&A be confined to currently known facts, decisions, and conditions directly relating to the Statements of Long-Term Fiscal Projections and the Statements of Social Insurance and Changes in Social Insurance Amounts and the Statements of Changes in Social Insurance Amounts.

Note Disclosures – This project corresponds with GASB’s wide-ranging note disclosure which has resulted in a conceptual framework project to potentially streamline and improve note disclosures. While it will be difficult to achieve streamlined note disclosures for federal agencies, we encourage the FASAB to focus on information that is essential to understanding by the readers of the financial statements and to continue to work with the other standard setters for convergence when possible.

Omnibus Amendments – We support the efforts to amend multiple provisions of the standards through a single action of the FASAB. We agree this can ease the burden on preparers and auditors when issuing these amendments.

Public-Private Partnerships (P3's) – With the continued pressure on the federal government to provide services to the taxpayers, P3's are becoming more significant, especially in infrastructure finance. We support FASAB's phase II objectives in moving this issue forward and encourage FASAB to provide the necessary comprehensive guidance. We firmly believe the FASAB needs to cover all the potential topics in the project in one exposure draft rather than address a few and address others in later drafts. We also believe the FASAB needs to be concise in its guidance so the implementation across all federal agencies is consistent.

Reporting Model Project – We believe the Reporting Model Project is a high priority project that should result in significant, overarching improvements to federal financial reporting. We support the efforts to enhance the budgetary information, performance reporting and data quality and integration.

Some of our members voiced concern over the use of “helpful” as a threshold which seems vague to describe a threshold. They also noted the use of “stewardship investment concerns” and whether these are investments that meet the definition of an investment for income or profit. If not, we recommend the terminology be changed to remove the potential confusion.

Risk Reporting Project - We encourage FASAB to continue its efforts as it focuses on determining the best information regarding potential effect of the fiscal health of the federal government. As noted above there are concerns regarding the forward-looking reporting for the MD&A amendments.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, Chair at [lmiller@eidebailly.com](mailto:lmiller@eidebailly.com) or at 208-383-4756.

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller". The signature is written in a cursive, flowing style.

Lealan Miller, CGFM, CPA  
Chair- AGA Financial Management Standards Board

cc: Ernest A. Almonte, CGFM, CPA, AGA National President

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