



December 6, 2023

Federal Accounting Standards Advisory Board
441 G Street NW, Suite 1155
Washington, DC 20548

RE: Comments on FASAB Exposure Draft – *Management’s Discussion and Analysis*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board’s proposed standards. Our responses to the questions posed by the Board are as follows:

Q1. Do you agree that proposed standards will provide adequate guidance for MD&A that is balanced, integrated, concise, and understandable about the reporting entity’s organization and mission, financial position and condition, operating performance, opportunities and risks, and systems, internal controls and compliance?

Agree.

We do not see any significant changes to the purpose or content of MD&A in the proposed standard. Regarding the concern expressed in paragraph A50, we would encourage the Board to add a sentence to the executive summary that explicitly states that no substantial changes were made to the overall purpose, characteristics, and information to be discussed and analyzed. We think this clarification in the executive summary would be helpful to preparers in understanding the intended effects of the proposed standard.

Q2. Do you agree that proposed standards will reduce preparer cost and burden?

Unsure.

Given that requirements did not significantly change, we speculated that improvements seen in the pilot group had more to do with thoughtful and careful re-evaluation of the MD&A contents by agency staff and guidance from FASAB staff. While the pilot group achieved an amazing reduction in the number of pages in the MD&A, we are unclear as to whether it took less time to prepare. In our experience, it can sometimes require more effort from the preparer to produce a well-written and concise 15-page MD&A than to put together a 100-page one that is compiled from multiple sources.

Of course, we think that consolidating guidance will be helpful to preparers. Also, moving from prescribed sections to a principle-based list of information requirements may help agencies to focus on the purpose of MD&A rather than making it a lengthy “box-filling” exercise. In other words, we would expect that management is already discussing and analyzing this information for their own internal purposes – so perhaps there will be a

burden reduction to the extent the proposed standard helps agencies focus on presenting management's actual (and presumably existing) discussion and analysis, rather than performing a separate reporting exercise.

That said, we would emphasize that since the purpose of MD&A is to “increase the understandability and usefulness of a reporting entity's GPFFR” that the focus for burden reduction from overly long, duplicative, dense, and complex MD&A should be evaluated from the perspective of the user rather than the preparer. The user is the customer for the MD&A; therefore, waste needs to be evaluated from the customers' view.

Q3. Do you agree that paragraphs 8-11 provide adequate guidance on how management should present information in MD&A?

Agree.

Q4. Do you agree that paragraphs 12-13 provide adequate guidance on information to include in MD&A?

Partially Agree.

We observe that preparers can struggle with providing meaningful information related to operating performance. We see an opportunity to provide more clarification on this in the standard. For example, paragraph 8 might reference Concept Statement 1 paragraph 14 for a definition of operating performance. Or as another example, further detail might be given regarding key performance results similar to the Board's expectations in paragraph A25.

We also noticed the heavy use of footnotes used to define key terms or add requirements, especially for paragraph 12. While footnotes are a helpful means of referencing related standards or providing reminders, definitions and requirements might be better incorporated into the standard itself rather than as a footnote. For example, footnote 7 appears to be creating a new requirement to notate any unaudited information that is referenced in MD&A – this may be easier for readers to recognize if it were a numbered paragraph instead.

Finally, we noticed that paragraph 12.d and e and the associated footnotes refer to “performance results” rather than “key performance results.” We were unsure whether this difference was intentional or not.

Q5. Do you agree or disagree with the alternative views?

Disagree.

While we agree with the sentiment of paragraph A48 that there are no significant differences between the current and proposed guidance for MD&A, we disagree with the suggestion in paragraph A55 to simply amend SFFAS 15. On the contrary, we see the following benefits in the proposed standard:

- 1) Elevating certain details from a concept statement to a standard.
- 2) Presenting information requirements directly rather than indirectly as prescribed sections.
- 3) Consolidating guidance into a single standard. As we have expressed in previous comment letters, we remain concerned about the accessibility of standards to the next generation of learners. Therefore, we are supportive of efforts to better organize standards and ensure they are concise, clearly expressed, and stand on their own to maximize the ability for new learners to find, understand and apply them.

We also disagree with the notion of a tiered approach suggested in paragraph A54. We believe all agencies can and should be able to discuss and analyze the information described in paragraph 12-13. If an agency or component is smaller, then the burden should naturally be reduced since they would have less complexity or activity to discuss or analyze. We would further point out that MD&A is Required Supplementary Information, rather than basic information. This means that if a preparer concludes that the MD&A is overly burdensome, not valuable, or not applicable for a component entity, management could choose not to report MD&A and still receive a clean audit opinion on its basic financial statements. We think these choices are more appropriate and more flexible to meet agency and user needs than attempting to create a tiered reporting model in standards.

Q6. Other Comments

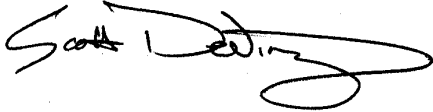
We see Management's Discussion & Analysis as an important communication method that is particularly valuable for users. Therefore, we affirm the Board's decision to maintain extant requirements without significant changes in the proposed standard.

We also affirm the principles-based approach in the hopes that this will help agencies to prepare more meaningful MD&A that accomplishes the intended purpose for users and avoid redundant, overwhelming, or boilerplate information that does not serve users.

While the changes in the proposed standard can help, we believe that real improvement will only come from agencies thoughtfully re-evaluating the contents of their MD&A. Any change in standards brings with it a risk of misunderstanding – but we see the risk of misunderstanding as being particularly acute for this proposed standard due to the move to principles as well as the heavy reliance on judgment. We agree this is necessary due to the nature and purpose of MD&A, but it means the inherent risk of misunderstanding is higher. As discussed in paragraph A53, there may be a need for additional training by FASAB staff similar to what was provided to pilot agencies.

We also want to emphasize the importance of OMB Circular A-136 and AGA's Certificate of Excellence in Accountability Reporting (CEAR) program in achieving positive change through guidance, feedback, and training. Footnote 17 describes how these resources were not included in the MD&A pilot, which we presume was to appropriately allow pilot agencies to focus solely on the proposed standard. However, we would encourage outreach and close communication with these groups at this juncture to ensure a shared understanding and a concrete game plan on how to help agencies with implementation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott DeViney', with a large, sweeping flourish at the end.

Scott DeViney, CPA
Chair, Financial Management Standards Board



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