U.S. Standard General Ledger (USSGL)

Issues Resolution Committee (IRC) Meeting Minutes

February 15, 2023

LOCATION: **Call in only**

TIME: 9:30 a.m. to 11:30 a.m.

HANDOUTS:

- Summary of Changes
- Lease Scenarios
- Current Scenario Projects
- OMB Update
- Part 1 & 2, Section III, FY 2023 & 2024: Transaction Codes
- Part 1 & 2, Section IV, FY 2023 & 2024: Attribute Table
- Part 1 & 2, Section V, FY 2023 & 2024, SF133 & Schedule P Report on Budget Execution and Budgetary Resources & Budget Program and Financing Schedule,
- Part 1 & 2, Section V, FY 2023 & 2024: Statement of Budgetary Resources
- Part 1 & 2, Section V & VI, FY 2023 & 2024: Balance Sheet/Reclassified Balance Sheet
- Part 1 & 2, Section VII, FY 2023 & 2024: Validations Summary, Validations Detail, Edits Detail, Edits Summary

All handouts can be found at https://fiscal.treasury.gov/ussgl/resources-meeting.html

GENERAL ITEMS:

Manager**, Steve Riley (Fiscal Service),** welcomed everyone to the IRC Meeting, and asked everyone to cite their attendance in the meeting chat.

AGENDA ITEMS:

Brian Casto (Fiscal) presented *Leases Scenarios*: **Brian** stated that lease posting logic scenarios have a limited scope: at Fiscal Service, we can only show the SGL accounting and reporting impact of decisions that agency management has already made. We can't step outside our level of authority to offer guidance on non-accounting activities, or help management make decisions on lease contracts. Much like guidance for custodial/fiduciary activity today, we will offer accounting guidance based on the facts provided once the central decisions have been made by the agency.

As we've said in the Lease working group, if you've been waiting for posting logic scenarios to start implementation activities, your agency might find itself behind, because entity management must first collaborate within its agency to reach determinations of lease activities on a lease-by-lease basis before establishing accounting treatment. The guidance needed for these activities is already housed in FASAB standards, or Implementation Guidance, and OMB guidance.

We added references in our scenarios to these Proprietary and Budgetary Decision Points that agencies will have to make before they even consider posting logic-Brief background; then refer to FASAB and OMB guidance:

Proprietary:

1) Lease Term, with consideration for Options, Renewals/Terminations, and Cancellation Clauses;

2) Calculation of Lease Asset/Liability; with consideration for Fixed vs. Variable Payments;

3) Interest Rates - Amortization of Discount on Lease Liability/Receivable; and

4) Modifications, Terminations, and any respective remeasurements.

Budgetary:

1) Operating vs. Capital Lease (as defined by Appendix B of OMB Circular No. A-11);

2) Budgetary Lease Term, with consideration for Cancellation Clauses; and

3) Budget Authority and Outlays.

- FAR (Federal Acquisition Regulation, pursuant to the Office of Federal Procurement Policy (OFPP) Reauthorization Act)
- FASAB Technical Release 20, Implementation Guidance for Leases.
- OMB Circular No. A-94, Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs – Guidance for selecting rates for budgetary amortization of leases.
- SFFAS 54, Pars. 42-43, as amended by SFFAS 60, Par. 19 (Also see Draft SFFAS 61, Pars. 6-7, *https://files.fasab.gov/pdffiles/22_12_Topic_C_Leases_Omnibus_Combined.pdf*) - Guidance for selecting rates for proprietary amortization of leases.
- OMB Circular No. A-11, Appendix B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets, 1c. "Changes to existing contracts", and 1d. "Options to renew or purchase" – Budgetary guidance for determining lease terms, including options.
- SFFAS 54, Paragraphs 14-21 – Proprietary guidance for determining lease terms, including options.

The posting logic is intended to serve only as a guide based on a finite number of underlying assumptions. It's not intended to provide a comprehensive posting logic for every leasing activity. That said, there may be some levels of customization needed; for example, the lease scenarios show a contract with payment due on the last day of the month. If you have payments at different points in the month, the accruals and disbursement entries could of course change.

Letha Meyers (**NASA)** asked a question regarding the interest and amortization on entry 6a: "When the interest expense is recorded, there is no budgetary entry, which is tie-point 4. It was mentioned that tie-points are internal to agencies, so would that imply that agencies no longer have to comply with the tie-points?"

Brian answered that formal tie-points, such as "tie-point 4" that NASA mentioned, are not in authoritative FASAB guidance. They are not something that is mandated in Treasury. We searched in the GTAS validations, edits, and closing edits, and found no tie-point relationships between the 490000 budgetary accounts and 600000 expense accounts; These would be considered internal tie-points. OMB has been clear that their budgetary guidance on Leases from Circular A-11, Appendix B is not changing because of SFFAS 54. Therefore, based on budgetary accounting guidance provided by OMB, the lease activities would be reconciling items between any 490000-series and 600000 series tie-points.

Teresa Tancre (OMB) added that this does not put it off the table for future edits or validations, as it has been discussed at previous IRC meetings; there was a project highlighting the tie-points, and to say that they are internal is concerning.

Brian inquired as to where they would be if they aren't internal? "Tie-point 4" that NASA mentioned and others are not in authoritative guidance or OMB Circulars.

Teresa replied that they would not be in OMB Circulars. A-136 and A-11 do not go into the SGL, but there are tie-points that we all know exist between the budgetary and proprietary.

Steve mentioned that agencies should maintain those tie-point relationships, because one of the values of keeping them allows in certain situations where things don't match up budgetary and proprietary relationship-wise. These gaps would be recorded and documented proof if there were ever any questions. One example would be reconciling items for lease activities between any 490000-series and 600000 series accounts.

Paul Webster (SSA) echoed Teresa's thoughts because auditors regularly review the tie-points. While it might not be an official piece of guidance on Fiscal Service's website, people look at it and maintain a large list of discrepancies going forward.

Carol Johnson (OMB) stated that the tie-points seem to be relevant to the mandated budget to accrual reconciliation that is done at the entity and government level.

Steve affirmed that is why agencies should maintain the tie-point relationship. There are a lot of items going forward that become material, and edit functionality with certain thresholds that, with these gaps, we will develop in the future to make things as accurate as we can going forward.

Letha Meyers asserted that these scenarios and the posting logic all assume that your lease amortization and interest expense are equal, but from a NASA perspective, we do not have stated interest in our leases whether it is in grant or our grant. The logic implies that we should be reporting and interest expense even though an interest expense is not one of the terms outlined in the lease. The other issue is that, because we must calculate interest expense and principal payable, those are not always equal to the payment made or received, which could result in a long-term interest payable/receivable on the books that could then age and hit the TROR. On the out grants side things for NASA, for example, we have one of our 50-year leases: we continue to build a long-term interest receivable for the first 20 years of the lease that will grow and become reportable but age and present audit challenges. **Letha** asked, "Is it really appropriate for us to be reporting an interest expense in the financials if the lease itself does not contain it?"

Brian responded that it was a good question, specifically about Leases with no Stated Interest, that we can bring up in the lease working group or possibly in an internal meeting with OMB, NASA, and Fiscal. The presentations today, however, are a walkthrough of the scenarios on Right-To-Use Leases, determined to be Operating Leases for Budgetary Treatment.

Carol replied that it would be a suitable question for FASAB because it is a good fundamental question of the purpose of the standard. Do we want to reflect on the statement something that is not reflected in the lease agreement?

The following questions were asked and answered in the chat:

Edwin Walker (HUD) asked whether Treasury could look into publishing a list of tie-points.

Steve responded that there will be internal discussion to look into the previous project from years ago and explore reviving that project, and we will let you know about it.

Terrance Alfred (NASA) asked whether Treasury would address the AFR Footnote, "Reconciliation of New Cost to Net Outlays," potential out of balance since tie points will not reconcile?

Brian suggested checking with Carol Johnson at OMB to see how this will be addressed in the A-136.

Adam Liu (U.S. Courts) replied that, if we check with OMB on A-136, he hope OMB will also address whether we need to report operating/capital leases in a footnote because of the A-11 requirement.

Letha Meyers stated that, on the Lease front, we need 1. scenarios to address Advance payments received throughout the term of the lease (which will result in overstating liabilities for the Lease Liability and the Advance Unearned Liability until amortized and earned, and 2. scenarios to address the non-monetary component outlined in the standard.

Brian suggested we see SFFAS 54, Par. 5, Footnote 2a: "For leases other than short-term leases and intragovernmental leases, the lessee would account for payments prior to commencement of the lease term as advances paid in contemplation of the future receipt of the lease asset. The lessor would account for receipts prior to commencement of the lease term as advances received. These advances would be accounted for in a manner consistent with SFFAS 1, Accounting for Selected Assets and Liabilities, par. 57-61, prior to the lease commencement date. Such advances would be considered assets of the lessee and liabilities of the lessor. At lease commencement, the lessee would then reclassify the asset and include it in the measurement of the lease asset in accordance with SFFAS 54, par. 49, and the lessor would reclassify the advances received as unearned revenue in accordance with par. 64.b."

Eric Peters (NASA) stated the postings for 7a has a budgetary expense and consumes unexpended appropriations but does not record a proprietary expense.

Brian stated that was based on guidance provided by OMB. OMB has consistently communicated that their budgetary guidance found in A-11, Appendix B, is not changing because of SFFAS 54. OMB's BRD will be able to answer any questions about this.

Josh Hudkins (Fiscal) presented *Current Scenario Projects.* **Josh** suggested that, for a full list of the scenarios that we are currently working on, please review the handout. We wanted to start with some from the past, as you can see that some are from the late 1990s to early 2000s. Some basic changes are the 4-digit to 6-digit USSGL account numbers, updated guidance, and updated TCs. There is also a tentative release date on the handout. If you have special knowledge or interest in any of these topics, please reach out. We are always looking for input from those that use these more often than we do. If there are certain scenarios that you would like to see updated next, please reach out to us.

Teresa affirmed that Josh did reach out to talk to OMB to get our input for the budgetary scenarios. The reason we identified the non-expenditure transfers is that we are beginning to edit check more of the non-expenditure transfer lines in our budget database and we will continue to expand those edit checks in the upcoming fiscal. The reason for the advance appropriation being highlighted is that classification of advanced appropriations are only for advanced appropriations that are in appropriations acts that come from the annual appropriation bill. There have been some current issues with some of the unique language that has been approved in bills that are not considered appropriation bills. We are working with Fiscal Service to address those issues so that in the reporting it is communicated in GTAS.

Melissa Stanley (DOT) inquired about the process as far as presenting and comment period for the scenarios.

Josh stated that, once there is a draft version, there are roughly 21 days for agencies to make comments. Once the comments come back, we look them over and sometimes reach out to the agencies that had comments to see whether we have questions. The comments are updated and incorporated as necessary. Depending on the time of the next IRC, there would either be a brief presentation at the next IRC meeting, but if the next meeting wasn't scheduled close to this comment period, there would just be an email sent, and then it would be put onto the web.

Scott Young (DOD) asked whether data attributes could start being added in the scenarios with the USSGL growing and becoming far more detailed; it would be great to show the attributes when doing the journal entries so that it aligns closer to the reports.

Josh said that we will take that into consideration and talk internally.

Scott thanked Fiscal for the consideration because, as we build our system updates to comply with these scenarios, we have to build those system requirements at the detailed data attribute level. When Treasury issues a scenario without attributes, we must essentially rewrite the scenario at the detailed level before our systems are able to implement.

Teresa presented *OMB Update.* **Teresa** affirmed that every agency has helped with the reduction of budgetary abnormal balances, as you can see from the slides showing where we stood in 2021-08 and where we are now, so thank you to you all. We are currently working on a case-by-case basis with specific agencies where there is a one or two usage of certain SGLs and abnormal balances. Some agencies have accounting scenarios that will be implemented soon that will take care of these. Period 8 is the next deadline that is coming up for **445000** "Unapportioned - Unexpired Authority" and **465000** "Allotments - Expired Authority". We are scrutinizing ending balances for any new request and those will be addressed on a case-by-case balance. If you had a balance that was approved, it will carry to period 12. There will be some sort of closing edit for **445000** because you have **451000** "Apportionments", **461000** "Allotments - Realized Resources", **470000** "Commitments - Programs Subject to Apportionment" that close and, even though the **445000** is not abnormal, those can lead it to become abnormal when you do closing.

On January 25th, there was a discussion about grants. We will implement the **480110** "Reinstated Undelivered Orders - Obligations, Unpaid" on a case-by-case basis. We will look at budget object class to determine which accounts would be applicable, but we will not automatically add agencies and accounts. We want to work with agencies to understand their business when implementing **480110**. It was also decided to add **490110** and any new TCs as appropriate. We will work with Fiscal in adding that for the April IRC meeting. For each SGL, there will be a validation that restricts the usage of them. At this point, OMB has not amended its guidance for adjustments of prior year unpaid obligations. If your agency was a part of the initial grant group discussion and identified those situations, we really need you to reach out. We want to work with you so that the additional information can be provided to the legal staff so that we can amend the current guidance.

Jerome Jackson (Fiscal) presented *Budget & Appropriations Analysis Section Update.* There was a GAO audit finding that we want to solve. On December 27th, Fiscal Service deployed a script in CARS, which was a system implementation to clean up some BETCs to make it simpler for agencies to identify and use the correct BETCs. Some of the users informed us that there was an adverse impact on some agencies, which caused a delay in making payments. We had been evaluating the use of BETCs, and limiting or removing some BETCs from agency use, through various phases We have completed the major phases of this cleanup effort. The lesson learned is that we will not embark on such an endeavor without advance notification. The remaining cleanup is more granular, so we are going to be more proactive in reaching out to the agencies in advance to provide plenty of time to comment on the impact of the changes.

Melissa asked what was GAO's finding that was being addressed.

Jerome stated that, for this specific finding, there are over 500,000 of TAS BETCs; how do we control the use and govern that they are used properly? Fiscal states that was difficult to do, but what we could do was issue guidance, and examine/analyze which BETCs are extraneous, or supply an alternative use of an already-existing BETC. We are trying to reduce the number of BETC combinations that are out there.

Yong Scott (GAO asked what the timeline was for processing warrants for PL 117-328.

Jerome stated that all are on schedule to be completed by the February accounting period.

Regina presented *Part II, Sec III, Transaction Codes*. **Regina** said that these are for the budgetary side and there were a lot of changes; for a full listing of the changes, please refer to the handout.

Melissa asked whether we could add more explanation for TCs A151 and A162 so there is more clarification on when to use these TCs.

Regina replied that she would reach out to Melissa and OMB to discuss this further.

Kyle Moore (Fiscal) and Brian presented *Part II, Sec III, Transaction Codes.* **Kyle** stated that these changes are on the proprietary side and for a full listing of the changes, please refer to the handouts.

Kent Linscott (Fiscal Service) presented *Part II, Sec IV Attribute Table.* **Kent** asked that agencies please refer to the Summary of Changes or the Attribute Table handout for the changes .

Regina presented *Part II Section V: SF-133 & Schedule P Report of Budget Execution and Budgetary Resources & Budget Program and Financing Schedule changes*. **Regina** noted that there are a lot of changes, so please refer to the handouts and feel free to reach out with any questions.

Heather Six (Fiscal) presented *Part II, Sec V Statement of Budgetary Resources*. **Heather** stated that there are a lot of changes in these, as well, so please refer to the handouts and feel free to reach out with any questions.

Josh presented *Part I & II Section V & VI: Balance Sheet/Reclassified Balance Sheet.* All the changes discussed today have been discussed in the Balance Sheet group that has been happening. Thank you to all that are in those meetings and are giving feedback about it all. For FY 23, there is just a minor change on line 15; it was agency specific, and it is being removed pursuant to OMB A-136. Every line number from 15 on is now being changed due to this. For FY 24, there is a shift of line numbers as well.

Federal Employee and Veteran Benefits Payable changes are also reflected in the 3rd handout which shows all the line movement and line title changes.

Alex Abshire (Fiscal Service) presented *Parts I & II, Section VII: Edits and Validations.* **Alex** mentioned that there are a lot of changes, so please refer to the SOC and the individual handouts.

MEETING ROUNDTABLE:

Meeting Wrap-Up:

Steve concluded the meeting.

Agencies via Conference Call:

AOC

ATF

DHS

DOC

DOD

DOI

DOJ

DOL

DOS

DOT

Education

Energy

EPA

EXIM

FASAB

FCSIC

Federal Judiciary

FERC

FTC

GAO

GSA

HHS

HUD

MCC

NASA

NLRB

NRC

NSA

NSF

OMB

OPM

PTO

RRB

SBA

SEC

SSA

State

Treasury

USACE

USAGM

USAID

USDA

USPS

VA