

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
July 12, 2007**

The meeting was convened at 1:00 PM in room 7C13 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

• **Attendance**

Present: Ms. Comes, Ms. Carrie Hug (for Ms. George), Ms. Chadwick, Ms. Healy, Messrs. Bragg, Dingbaum, David Horn (for Mr. Fletcher), McFadden, Sturgill, and Synowiec.

Absent: Mr. Campbell, Mr. Fletcher, and Ms. George

• **Minutes**

The minutes of May 31, 2007 were previously approved as final, having been circulated by E-mail to members.

• **Administrative**

None

PROJECT MATTERS

• **Project Agenda Status**

Inter-Entity Cost

Mr. McFadden, co-chairperson of the AAPC Inter-Entity Cost task force, gave an update on the current status of the work of the task force and the exposure draft technical release that was released for comment on June 4, 2007 and responses are due back by August 6, 2007. Mr. McFadden noted that no comment letters had been received on the exposure draft to date.

Heritage Assets and Stewardship Land

Mr. Synowiec, co-chairperson of the AAPC HA/SL task force, gave an update on the status of the exposure draft technical release that was released for comment on June 11, 2007 and responses are due back by August 13, 2007. Mr. Synowiec noted that no comment letters had been received on the exposure draft to date. Ms. Comes mentioned to the members that copies of the both exposure drafts were sent to the FASAB members to review.

• **New Business**

None

- **Agenda Committee Report**

Grant Accrual Methodologies

Ms. Comes noted that at the May meeting the AAPC's Agenda Committee brought an issue from the Department of Transportation's Federal Transit Administration (FTA) to the Committee concerning methodologies for calculating grant accruals. At that meeting, the AAPC did not vote to formally accept the issue as an agenda item; however the members did agree to discuss the issue again at the July AAPC meeting.

Ms. Comes noted that Ms. George had arranged to have representatives from the Department of Justice's Office of Justice Programs (OJP) make a presentation to the AAPC on their experiences with developing grant accrual methodologies and auditor involvement. The representatives from OJP were Melinda Morgan, Director Finance Staff; Marcia Paull, CFO OJP; and Cathy Supernaw, KPMG Partner. Ms. Morgan made the introductions and gave a brief overview of the history behind OJP's current grant accrual methodologies. Ms. Paull began her presentation by noting that OJP has approximately 14,000 grants and approximately 6,000 grantees worth \$9.3 billion (2006). She continued with the following points:

- the history of OJP's grant accruals from 2000 to 2004
- the use of a straight-line methodology
- the look-back processes
- the use of a cumulative adjustment factor
- the use of estimates and assumptions
- the continuing refinement of the accrual methodology
- the bottom line is: there is no standard way to calculate a grant accrual

Ms. Supernaw then went over some of the auditing literature governing the auditing of accounting estimates (i.e., management's responsibilities, the auditor's responsibilities, evaluating the reasonableness of an estimate, and the internal controls in place).

The OJP representatives then opened the discussion to questions from the AAPC members. The following are some of the questions asked by the Committee:

- Why are all 14,000 grants included in the accrual methodology instead of the use of samples? Ms. Paull replied that it was necessary to include all grants because of the varying nature of the types of grants.
- How long does it take to calculate the accrual on a quarterly basis? Ms. Paull replied that it takes three staff people three days.

After the OJP presentation, Ms. Comes mentioned to the members that after the May meeting Mr. McFadden arranged to have a brief questionnaire sent to the Financial Statement Audit Network (FSAN) members asking them about their experiences with grant accruals. The four responses received were provided to the members. Ms. Comes also mentioned to the members that the Department of Transportation had withdrawn the Federal Transit Administration (FTA) request for guidance as it relates to their grant accrual issue. Ms. Comes asked the members, based on the OJP presentation and the FSAN responses, if they wanted to accept the grant accrual issue as an AAPC agenda item. Mr. McFadden noted that based on what the Committee has heard on the issue it would be difficult to put together general guidance on grant

accrual methodologies that would be helpful to the Federal community. Mr. Sturgill noted that with the levels of complexity and varying types of grants Federal agencies are involved in it would be very hard to narrow down the methodologies into general guidance. Ms. Comes asked if any of the other members disagreed with the views of Mr. McFadden and Sturgill. None disagreed. Ms. Comes noted that based on those views the issue will not be added as an agenda item.

- **Next Meeting**

September 27, 2007

Adjournment: The meeting was adjourned at 1:40 PM.