

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
July 23, 2009**

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. Payne (chairperson), Mr. Bragg, Ms. Carey Ms. Chadwick, Mr. Brewer, Ms. Gilmore, Mr. Marchowsky, and Mr. Synowiec
FASAB/AAPC project director, Ms. Valentine and general counsel, Mr. Dymond, were present at the meeting.
Ms. Kearney and Mr. Sturgill both attended the meeting via teleconference.
Absent: Mr. Fletcher

• **Minutes**

The minutes of May 21, 2009 were previously approved as final, having been circulated by E-mail to members.

• **Administrative**

Ms. Payne opened the meeting by recognizing the new PCIE representative Joseph Marchowsky. Mr. Marchowsky was appointed Assistant Inspector General for Audit at the Pension Benefit Guaranty Corporation in March 2009. Mr. Marchowsky has over 25 years of auditing experience in the financial, performance and information security arenas.

PROJECT MATTERS

• **Project Agenda Status**

General PP&E

Ms. Gilmore gave a brief update of the general PP&E (G-PP&E) task force. She noted that the task force was very active in its work and was progressing towards providing implementation guidance on several G-PP&E issues. She noted that two of the subgroup leaders would be presenting to the Committee today. She commended all members of the task force on their dedication, as well as the spirited discussions that are resulting in useful guidance for the federal community. Ms. Gilmore noted the acquisition subgroup is working on the estimating historical cost and capitalization thresholds issues, and the use subgroup was tackling an issue that has been a concern for the Department of Defense for quite some time – contractor financing payments – and substantial progress was being made. Ms. Valentine noted that the acquisition subgroup was very close to completing its work on the estimating historical cost implementation guidance, however the draft guides would not be presented until the final release of SFFAS 35, Estimating the Historical Cost of G-PP&E.

Ms. Payne stated that the estimated timeframe of the final release of SFFAS 35 is the middle of October 2009.

▪ **Exposure Draft: Implementation Guidance on Cleanup Costs Associated with Equipment (Ballot Draft)**

Ms. Valentine introduced Alaleh Amiri, DoD, as the leader for the disposal subgroup of the AAPC G-PP&E task force. Ms. Valentine noted that the Equipment pre-ballot exposure draft had been distributed to the Committee on July 13 with comments due back on July 17. The comments received from the pre-ballot draft were reviewed and edits were made and the ballot exposure draft was sent to the members on July 21 for voting. Ms. Valentine explained that once the members vote to release the exposure draft (ED) it would be sent out for a 90-day comment period, at the end of the comment period the responses would be tallied and analyzed and then brought back to the Committee for review. After any necessary edits are made the Committee would then vote to release the final technical release (TR) to the FASAB for final approval.

Mr. Synowiec asked why the text in paragraph 21 did not discuss reasonably estimable. Ms. Amiri explained that the second example of practice did not lead to a liability as outlined in SFFAS 6. In this example the outcome was that the cleanup costs were routine in nature and occurred during ongoing normal operations and would be expensed as incurred. Mr. Synowiec concurred with her explanation. He also asked if in the flowchart we could add a decision point that also referred to non routine cleanup. Ms. Amiri explained that if it is not routine cleanup it would follow the earlier flowchart track leading to the recognition of a liability when the equipment is placed in service. No other comments were discussed on the ballot draft. Ms. Payne asked members to please submit their ballots to Ms. Valentine by August 4.

▪ **“Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment”**

Ms. Valentine noted that the Asbestos pre-ballot exposure draft had been distributed to the Committee on July 17 with comments due back on July 27. If no additional edits are needed the document will be converted into a ballot draft and the members will be asked to submit their ballots to approve the release of the technical release as an exposure draft.

Mr. Synowiec asked if the Diagram 1 flowchart could be simplified by combining some of the many decision trees. Ms. Alaleh agreed to take the suggestions back to the subgroup and revise the flowchart. Mr. Synowiec also asked if the two technical releases will make reference to one another somewhere in the text. Ms. Valentine stated that that could be done when the TRs are released as final. No other comments were discussed on the pre-ballot draft. Ms. Payne asked that staff and the subgroup make the requested revisions to the flowchart and send it back around to the members for review before the ballot draft is sent out to the members.

- **“Record Retention Timeframes for General PP&E Assets”**

Ms. Valentine reminded the Committee that the draft record retention guide had been sent out to several federal agency accounting directors/managers along with a questionnaire that requested their thoughts on the draft guide and its usefulness. She also noted that seven responses were received in reference to the questionnaire and that a brief summary of the comments was provided in the meeting materials. Ms. Valentine introduced John Lynskey, NSF, as the leader for the record retention subgroup of the AAPC G-PP&E task force, who attended the meeting via teleconference. Mr. Lynskey noted that the majority of the responses included a lot of favorable feedback in addition to a few suggestions for improving the guidance.

Mr. Lynskey noted that there were two issues noted in the comments that could be included in the Committee’s letter to National Archives and Records Administration (NARA). The first point was to suggest that NARA update its guidance to be aligned with the most current Federal Acquisition Regulation (FAR) guidance since it does refer to this guidance. The second point is to possibly suggest that more guidance be given on entities’ ownership and real property rights (e.g., fractional and mixed ownership types). There were also a few comments that lead to the subgroup suggesting changes to the actual guidance. The suggested wording included changing the non-real property guidance to “Permanent type records should be retained at a minimum until ~~the later of~~ 6 years 3 months after final payment ~~or disposal~~ of the asset for non-real property.” Mr. Lynskey went on to explain that the current NARA guidance does not consider disposal as a factor in determining record retention policies.

Ms. Kearney suggested including the functional property community in the review process before final revisions are suggested to NARA. She also agreed to provide a contact. Ms. Payne suggested getting feedback on the revisions from both the property community and the inspector general community. Mr. Bragg agreed with including the two additional communities in the review process. He also mentioned that there should be more alignment between the financial statement assertions noted in the scope and the actual suggested guidance. Ms. Carey and Mr. Synowiec also agreed with getting the additional feedback. No other members objected to the suggestions.

Mr. Lynskey made the point that the guide was specifically designed not to be viewed as audit guidance for the preparer or the auditor, but more to gain consistency in management’s record retention guidance. Ms. Payne stated that it is important to get feedback on how auditors will deal with management’s minimum requirements on G-PP&E record retention. Mr. Lynskey also noted that there was some input from the property community earlier on in the process but thought it was a good idea to solicit formal input..

Ms. Chadwick asked how Commerce’s comments on questions #5 were addressed by the subgroup. Commerce suggested that GSA’s lease file requirements be mentioned in the guidance. Mr. Dymond mentioned that there are several other federal requirements that relate in some way to G-PP&E record retention, but not all can be incorporated in the NARA guidance. It was also suggested that this reference could possibly be included in the letter to NARA.

Ms. Payne noted that the next steps will be to informally solicit comments on the proposed changes to both the inspector general and the functional property communities, and in September have a compilation of those comments for the Committee to review.

- **Agenda Committee Report**

No Report

- **New Business**

Ms. Payne gave an update on two FASAB projects that may be relevant to the AAPC's work. She stated that the exposure draft to defer the effective date of Technical Bulletin 2006-1 "Recognition and Measurement of Asbestos-Related Cleanup Costs " has received primarily positive feedback and will be included on the agenda for the August FASAB meeting and she expects that it will move forward. Ms. Payne also informed the Committee that FASAB has re-prioritized its agenda to add a project on grant accruals. The project is intended to focus on providing the community with the tools to develop more cost effective grant accruals. There is a possibility that some of the proposed guidance may be referred to the AAPC.

The meeting adjourned at 2:00 pm.