

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
September 18, 2008**

The meeting was convened at 1:05 PM in room 7C13 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

• **Attendance**

Present: Ms. Payne (chairperson), Ms. Carey, Ms. Chadwick, Ms. Gilmore, Ms. Hug, Ms. Dorrice Roth (substituting for Mr. Sturgill), Messrs. Brewer, Fletcher, Carlton Parker (substituting for Mr. Bragg), Rippey and Synowiec. FASAB/AAPC project director, Ms. Valentine and general counsel, Mr. Dymond, were also present.

Absent: Messrs. Bragg and Sturgill

• **Minutes**

The minutes of May 15, 2008 were previously approved as final, having been circulated by E-mail to members.

• **Administrative**

Ms. Payne introduced the two new PCIE representatives, Alice Carey (Deputy Assistant Inspector General, DoD - Defense Financial Auditing Service Department of Defense, Office of Inspector General) and George Rippey (Deputy Assistant Inspector General for Audit, Office of Inspector General, U.S. Department of Education) to the AAPC. Ms. Carey and Mr. Rippey replace PCIE representatives Mr. Michael McFadden and Mr. Stephen Dingbaum. Mr. McFadden, left his position at Labor for a non-OIG and non-CFO-related position within NASA and Mr. Dingbaum completed his maximum 6 years on the AAPC. Ms. Payne and the other members of the Committee welcomed Ms. Carey and Mr. Rippey to the AAPC.

PROJECT MATTERS

• **Project Agenda Status**

General PP&E

Ms. Valentine noted that the general PP&E (G-PP&E) task force was very active in its work and was progressing towards providing implementation guidance on several G-PP&E issues. She also noted that there has been tremendous interest in the community on the topic of G-PP&E. She then turned the discussion over to Ms. Gilmore and Mr. Fletcher to give a more detailed task force update.

Ms. Gilmore, co-chair of the G-PP&E task force provided an update on the current work of the group. She noted that the task force membership was up to 64 members, including 21

federal agency representatives and 4 contractors. Ms. Gilmore noted that the task force is meeting monthly and has separated into four sub groups that are named for the group of issues to be addressed by each sub group. The G-PP&E sub groups are Acquisition, Use, Disposal, and Records Retention and are also meeting monthly separate from the full task meetings. Ms. Gilmore noted that her update would answer the following three questions as it related to each of the four sub-groups:

1. What is the sub-group doing?
2. What issues are they dealing with?
3. What is planned for the future?

The **Acquisition** sub group is being chaired by Alice Carey, DoD – OIG, and Anitra Akanbi, DoD – Army. The issues being addressed by the Acquisition sub group include:

- Historical cost implementation issues (including estimating),
- Capitalization thresholds,
- Spare Parts, and
- Lease/Preponderance of use.

The sub group has made significant progress on the historical cost document; however they have encountered a few issues. Specifically, a challenge with the modifications portion of the document as it relates to the need for more specific guidance beyond that which is in the standards. Historical cost issues included estimating historical costs, assets not billed individually by contractors, assets that lack auditable documentation, donated assets, rebuilt/modified assets, and assets transferred between federal entities. The sub group is working closely with how Interior, NASA, NRO, & DHS all use estimates to value G-PP&E.

Other topics to be addressed by the Acquisition sub group include:

- Cost accounting (joint project with Use sub group),
- Reporting of fully depreciated assets at the implementation date,
- Capitalization thresholds,
- Capital/operating leases,
- Spare parts, and
- Reporting entity for real and personal property.

The **Use** sub group is being co-chaired by Fredrick Carr, DoD – Air Force and Kyle Fugate, DoD – Navy. The Use sub group of the AAPC G-PP&E is tasked with researching and determining the challenges to implementing SFFAS 6 in the areas of construction-in-progress, work-in-progress, useful life, and composite/group depreciation. The Use sub group is preparing a construction-in-progress and work-in-process (WIP) white paper. The sub group is also working with Dept of Interior to get an understanding of how DOI develops the WIP balance reflected on their balance sheet. DOI representatives are researching the Bureau of Reclamation's turbines for dam projects and USGS satellite projects to determine any significant WIP impact.

The **Disposal** sub-group is being chaired by Alaleh Amiri, Department of Defense – OUSD. The sub group has met several times and is developing working drafts for each of the following areas.

- Disposal of G-PP&E as it relates to associated environmental liabilities and friable/non-friable asbestos. The latest draft document has been modified since the last sub group meeting and will be circulated again to the sub group before being submitted to the full task force for review.
- A draft document that addresses triggers for removal from service of G-PP&E will also be sent to the sub group for another review.

The **Records Retention** sub group is being chaired by John Lynskey, National Science Foundation. The Records Retention sub group is tasked with researching the issue of maintaining PP&E records. Their research is focusing in on reasonable records retention requirements for various entities and for different requirements. Issues the Records Retention group is dealing with include:

- The level of documentation to be addressed,
- Years of required retention,
- Format of the documentation (electronic vs. paper), and
- Other considerations – types of property – generic and not based on type of GPP&E.

The sub group is researching various other standards and practices on record retention. Some of the standards/practices being reviewed are:

- International accounting standards
- AICPA standards
- Audit Agency – DCAA requirements
- Government wide existing requirements and guidance such as requirements in the current FASAB standards
- Record keeping and record retention requirements for agencies' financial statements audit
- NARA's record retention requirements – partnering with NARA's to assist in bridging the gap between their guidance and current financial statement perceived requirements
- Each agency's unique record management and retention systems and requirements
- Private sector record retention practices such as banking and insurance companies

In general, the sub group surmised it is not a feasible practice for the agencies to store and maintain paper documentation of purchase, payment and other accounting and financial records for PP&E assets for extended periods of time and in some cases permanently.

Mr. Fletcher encouraged all federal agencies to participate at some level on the work of the task force. He also noted the importance of the guidance that will come out of the task force's work. Both Mr. Fletcher and Ms. Gilmore praised the dedication and hard work of the task force participants.

Ms. Payne asked the members if they had any comments or concerns about the task force as far as its issues or the participation on the task force. Ms. Payne asked if any specific timelines had been established for the initial review of the issues being addressed. Ms. Gilmore noted that the expectation is to have as many of the issues to a point where they are ready for the AAPC's review by December.

Ms. Payne mentioned that the FASAB would be taking on a new project to evaluate existing standards. The project is designed to determine where the current FASAB standards may need to be revised, clarified or some other needed action. She also mentioned that SFFAS 6 will most likely be one of the first to be reviewed. Mr. Rippey asked if the task force

envisioned the final product to be one all-encompassing document or if it would be issued as several guides. Ms. Gilmore noted that with the vast number of issues being addressed, the goal would be to issue several guides to address the issues.

Ms. Payne then asked Ms. Valentine to give a brief update on the FASAB G-PP&E project. Ms. Valentine informed the Committee that the FASAB project was centered on a proposal to amend SFFAS 6 and 23 to provide guidance for estimating the original transaction data historical cost and accumulated depreciation of G-PP&E upon initial capitalization. The proposed amendments also provide guidance for estimating the historical cost of G-PP&E acquired before the reporting period. The previous draft ED included qualifiers as to when estimates of historical cost could be used (i.e., if obtaining historical cost based on the original transaction data is not practical, or not cost effective or supporting historical cost original transaction data documentation does not exist). Ms. Valentine noted that the Board instructed staff to remove those qualifiers from the proposal. The plan is to re-circulate a ballot draft of the ED to the Board before the October meeting and to release the ED for comment by the end of October.

- **Agenda Committee Report**

No Report

- **New Business**

None