

FASAB News

Federal Accounting Standards Advisory Board, 441 G St., 3B18, NW.Washington, DC 20548
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Issue 55, January-March,1999

FASAB Bids "Hail" and "Farewell"

The Board takes this opportunity to wish a fond farewell to several departing members, and offer a hardy welcome to several new ones.

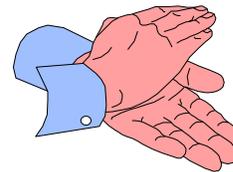
Departing Members

Dr. Linda Blessing – Dr. Blessing joined the Board in December 1996. While serving as a Board member, she was Director of the Arizona Department of Economic Security, the largest state agency in Arizona. She had also served as Deputy Director and Chief Operating Officer there. Prior to that, she was Deputy Executive Director of the Arizona Board of Regents, to which she has now accepted an appointment as Director. Dr. Blessing is a Certified Public Accountant, has an MBA from California State, and a Doctorate in Public Administration from Arizona State University. While on the Board, Dr. Blessing was involved in the Board's issues on social insurance; revenue reporting for the Internal Revenue Service; and Property, Plant, and Equipment (PP&E) issues.

James Blum – Mr. Blum was one of the original Board members, appointed to the Board in January 1991, and serving until his retirement in January 1999. While serving the Board, Mr. Blum held the position of Deputy Director of the Congressional Budget Office, where he earlier also served as Assistant Director. He also formerly held executive positions for the Council on Wage and Price Stability, the Department of Labor, the Office of Management and Budget and the Organisation for Economic Co-operation and Development. He has an AB and an MA in Economics and has satisfied all requirements except completion of a dissertation for a PhD in Economics from the University of Michigan. As an original Board member, he played a dynamic role in all of the Board's concepts and standards.

James Reid – Mr. Reid joined the Board in October, 1994 and served the Board until his retirement in September, 1998. During his tenure on the Board, Mr. Reid was Deputy Controller of the Department of Energy, where he had served in a number of other financial management positions since 1975. Prior to that, he spent 15 years in the private sector, and held senior level financial positions in companies involved in research, manufacturing, and construction. Mr. Reid has a BS in Accounting from the University of Maryland and is a Certified Public Accountant. Mr. Reid was particularly instrumental in helping to ensure that the needs and requirements of the non-defense Federal agencies were considered in the development of accounting standards.

The Board extends its sincerest congratulations to all of the departing members as they move to varied and continued challenges and successes. It also thanks them for their time, experience, and service in assisting the Board in its collaborative effort to improve Government financial management.



New Members

Barry B. Anderson – Barry B. Anderson has had a lengthy career in the Federal Government. He was appointed Deputy Director of the Congressional Budget Office in February 1999. Before that, he was a vice president with the Jefferson Consulting Group. From 1988 to 1998, he was the senior career official at the Office of Management and Budget where he directed the

analysis behind and the production of the President's s budget proposals. At OMB, he also held various management and analytic positions, and for the General Accounting Office, he was an economist. Mr. Anderson has a BS from the University of Illinois, an MBA from the University of Washington at Seattle, and has done postgraduate work in econometrics at George Washington University.

Donald V. Hammond – Mr. Hammond was appointed Fiscal Assistant Secretary of the Treasury in September 1998. In this position, he provides policy oversight of the activities of the Financial Management Service, including preparation of the Consolidated Financial Statements of the Us, and the Bureau of the Public Debt. Prior to his appointment, he served as the Department's Deputy Fiscal Assistant Secretary and as Assistant Director of its Government Securities Regulations Staff. Mr. Hammond has a Masters Degree in Finance and Accounting from Northwestern University's J.L. Kellogg Graduate School of Management and has a BA in Chemistry and Economics from Duke University.

Kenneth J. Winter – Mr. Winter has been the Deputy Chief Financial Officer at the US National Aeronautics and Space Administration since 1994. Prior to that, he was Deputy Chief Financial Officer of the US Mint, a Computer Specialist at the Office of the Secretary of Defense, and a Systems Evaluator and Auditor at the General Accounting Office. He holds a Bachelors Degree in Economics from the University of New Hampshire, and an MBA from Suffolk University. Mr. Winter is a Certified Public Accountant and a Certified Government Financial Manager.

The Board would like to welcome all of the new members to the challenging and rewarding job of Federal accounting and reporting standard setting. It looks forward on drawing on the many talents of its new members.



Board Proposes Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2

At its February 1999 meeting, the Board reviewed a draft Exposure Draft: *Amendments to Accounting for Direct Loans and Loans and Guarantees in SFFAS 2*. As previously reported, in 1998 the Board discussed issues related to reporting subsidy expense and subsidy reestimates for direct loans and loan guarantees. At its December meeting, the members agreed to amendments requiring:

- ◆ Reporting subsidy reestimates in two distinct components: interest rate reestimate, and technical/default reestimate;
- ◆ Reconciling beginning and ending balances of subsidy cost allowance for direct loans and liability for loan guarantees at the entity level;
- ◆ Discussion and disclosure for (i) the amounts of direct or guaranteed loans disbursed in each program during the reporting year, (ii) the estimated subsidy rates for the total subsidy and subsidy components at the program level in the current year's budget for the current year's cohorts, and (iii) events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a significant impact on subsidy rates, subsidy expense, and subsidy reestimates, and that have occurred and are more likely than not to have a significant impact but the effects of which are not determinable at the reporting date.

The Board agreed to issue a finalized exposure draft. Interested parties will be encouraged to provide their comments to: Wendy M. Comes, Executive Director, Federal Accounting Standards Advisory Board, 441 G Street, NW, Suite 3B18, Washington, DC 20548. Electronic comments may be sent by (1) e-mail to major.fasab@gao.gov, or (2) diskette in Word or WordPerfect format to the above address.

For further information, contact Richard Mayo, 202-512-7356, or email major.fasab@gao.gov.

Board Concludes Open Issues for Social Insurance Standard

At its February meeting, the Board addressed the remaining issues raised by respondents to the social insurance exposure draft. The Board considered the difficulties of developing criteria broad enough to cover all the current included programs yet narrow enough to prevent future questions about other programs. It reaffirmed its position that the standard should continue to specifically identify the programs to which it applies, rather than be changed to require that programs meet certain general criteria.

The Board discussed the concerns of some members regarding the sufficiency of the rationale in the exposure draft regarding liability recognition. After considering expanding the arguments and/or comparisons (for example, with private sector standards) to facilitate understanding the rationale, the Board decided that the current basis for conclusions is a clear and succinct explanation of the issues and the rationale.

When polled, all but two members were satisfied with the standard. Those two members expressed concerns regarding reporting an additional liability accrual and reporting the closed group estimate as required supplemental stewardship information. Staff will prepare a ballot draft of the recommended standard for the Board's consideration in April.

For further information, contact Richard Fontenrose, 202-512-7358, email fontenrosr.fasab@gao.gov.

Board Prepares for Natural Resources Report

In late 1996, the Federal Accounting Standards Advisory Board (FASAB) created the Natural Resources Task Force. The task force was charged with researching information on the natural resources of the Federal Government, developing options to account for and report on those resources, and identifying implications, in relation to the options, for existing FASAB standards and laws.

The task force, chaired by R. Schuyler Leshner, Deputy Chief Financial Officer of the Department of the Interior, includes representatives from the Office of Management and Budget, General Accounting Office, the Departments of the Interior, Treasury, Defense, Energy, Interior, the Forest Service, and FASAB.

During its fact-finding mission, the task force gained understanding of Federal Government natural resource programs by hearing from experts in these areas. As a result of its research, the task force has prepared a draft report for comment by members of the Chief Financial Officers Council and the President's Council on Integrity and Efficiency. After receiving comments, the task force will finalize the report for presentation to the FASAB. Comments on the draft are due by May 3, 1999.

For further information, contact Monica Valentine, 202-512-7362, or email valentinem.fasab@gao.gov.

AAPC Requests Agency Input on Potential New Projects

The Accounting and Auditing Policy Committee (AAPC) is considering several projects to address issues raised by agencies during preparation of the 1998 financial statements. The projects will address:

- ◆ Allocating contingent liabilities and costs arising from litigation involving more than one agency. This issue arises because of the reporting requirements in Interpretation 2, *Accounting for Treasury Judgment Fund Transactions*.
- ◆ Classifying liabilities covered by permanent indefinite appropriations and other budgetary arrangements as either Covered or Not Covered by Budgetary Resources. This issue arises because of the reporting requirements in SFFAS 1, *Accounting for Selected Assets and Liabilities* and OMB's *Form and Content of Agency Financial Statements*.
- ◆ Recognizing an "imputed liability" (along with an imputed cost) rather than an imputed financing source in instances where a Federal entity receives goods and services

on a non-reimbursable basis from another Federal entity (we are aware of only one entity that recognizes an "imputed liability"). This excludes Treasury Judgment Fund transactions specifically addressed by Interpretation 2.

To assist the AAPC in its attempts to provide general guidance on these issues, the committee is requesting that agencies with experience in addressing or attempting to resolve these areas share this information with the AAPC so that agency efforts and impact will receive thorough consideration. Moreover, such input should assist the AAPC in developing guidance that will have the broadest application.

Please provide your comments to: Monica R. Valentine, Federal Accounting Standards Advisory Board, 441 G Street, Suite 3B18, Washington, DC 20548, 202-512-7362, or FAX 202-512-7366, or email, valentinem.fasab@gao.gov.

Management's Discussion and Analysis

During the January meeting, the Board considered comments received in response to the exposure drafts *Concepts for Management's Discussion and Analysis* and *Standards for Management's Discussion and Analysis*. The Board agreed that the effective date for the recommended standard should be fiscal year 2000, with early implementation encouraged. The Board asked staff to expand the discussion of the "Accountability Report" in the *Concepts*, to note that performance reporting is evolving, and to make other minor editorial changes to the standards and concepts exposed for comment.

For further information, contact Robert Bramlett, 202-512-7355, email bramletr.fasab@gao.gov.

Board Proceeds with Amendments to Stewardship PP&E

The Board continues its work on issues relating to amendments to stewardship property, plant, and equipment (PP&E). To bring you up to date, we'll recap the most recent history of this issue.

In February 1998, the Board published an exposure draft, *Amendments to Accounting for*

Property, Plant, and Equipment. This document proposed amendments to the PP&E standards in Statement of Federal Financial Accounting Standards 6 (SFFAS 6), *Accounting for Property, Plant, and Equipment*, and SFFAS 8, *Supplementary Stewardship Reporting*. In this exposure draft, the Board proposed:

- ◆ re-defining "Federal mission PP&E" as "national defense PP&E;"
- ◆ reporting the annual acquisition cost for current and previous years, plus quantities;
- ◆ reporting stewardship asset condition, including a note addressing deferred maintenance (no change from SFFAS 6 and 8); and
- ◆ not splitting the cost of acquisition, reconstruction, or betterment of multi-use heritage assets between operational (capitalized and depreciated) and stewardship (expensed) PP&E; costs would be accounted for as general PP&E, and depreciated.

In June 1998, the Board held a public hearing on the issues. (See **FASAB News** issue 52, Jun-Jul. 1998.)

In August 1998, the Board decided to go forward with the amendments proposed in the ED as a statement of recommended accounting standard (SRAS) and to further study the need for and usefulness of national defense PP&E information. It would establish a task force to study user information requirements.

In October 1998, because of the complexity of subsequent issues, the Board decided to publish the amendments as two SRASs – the first to address the definition of national defense PP&E, and the second to address measurement and reporting for national defense PP&E and multi-use heritage assets.

The Board and its principals approved the first of the two SRAS's, SRAS 11, *Amendments to Accounting for Property, Plant and Equipment--Definitional Changes*. It was issued on December 15, 1998 as Statement of Federal Financial Accounting Standard 11 (SFFAS 11). As a result of the change to national defense PP&E, space exploration equipment is now considered general PP&E.

The second SRAS, SRAS 14, *Amendments to Accounting for Property, Plant and Equipment--Measurement and Reporting for National Defense PP&E and Multi-Use Heritage Assets*, is still being deliberated by the Board. The Board continues its efforts to establish a task force to study information needs and uses for national defense PP&E.

For further information, contact Rick Wascak, 202-512-7363, email wascakr.fasab@gao.gov.

Board Discusses Issuing Governmentwide Stewardship Standard

At its February meeting, the Board discussed issuing a standard for the governmentwide, or consolidated level of Federal financial reporting. In June 1997, the Board had issued an exposure draft, *Governmentwide Supplementary Stewardship Reporting*. The exposure draft had addressed consolidated issues of stewardship reporting based on SFFAS 8, *Supplementary Stewardship Reporting*. The proposals in that exposure draft had raised no objections from respondents or Board members. However, a SFFAS had not been issued because:

- ◆ There was to have been a consolidated SFFAS to combine SFFAS 6 and 8, the amendments to 6 and 8, and the Governmentwide standards. However, because of the complexity of the stewardship PP&E issues, the amendments have taken more time and are being addressed separately; and
- ◆ The standards affect only the Consolidated Financial Statement of the Federal Government and its preparer, the Department of the Treasury; experience with the stewardship reports from individual entities should highlight areas that the consolidated standards should address.

After some discussion, the Board agreed to reconsider this issue after Treasury has had an opportunity to review stewardship information in agency financial statements.

For further information, contact Lucy Lomax, 202-512-7359, email lomaxm.fasab@gao.gov.

March 1999 Update of Special Edition 1 of FASAB News

In August 1998, FASAB published its first special edition of the FASAB News devoted to articles of special interest to its readers. Special edition number 1, August 1998, is devoted entirely to the Statement of Financing and features an article written by J. Thomas Luter, one of the principal developers of the Statement. The article discusses the purpose, background, and nature of the Statement and provides a more comprehensive illustration of it than previously available. It also discusses the major sections of the Statement and provides illustrations of reporting for selected transactions.

As of March 1999, the first set of changes and corrections has been posted to Special Edition 1. In addition to certain minor changes and clarifications, The updated version clarifies 1) transactions affecting lines 10 and 11 of the Statement of Financing, and 2) adjustments of credit program subsidy expenses.

This updated special edition of FASAB News is available electronically:

- ◆ in .pdf format from FASAB's web page at www.financenet.gov/fasab.htm.
- ◆ in .html format from FASAB's web page at www.financenet.gov/fasab.htm. Note: .html format does not provide the correctly aligned displays of journal entries and sample illustrative reports.

Because of the article's length and complexity of information, it will not be reformatted to a text file for transmission to FASAB's electronic mail list. Moreover, the updated version will not be printed and mailed. However, those unable to download from the Internet may request a special printed version of the updated article from FASAB by calling 202-512-7350, or FAXing your request to 202-512-7366.

For further information, contact Lucy Lomax, 202-512-7359, email lomaxm.fasab@gao.gov.

Highlights of Recent AAPC Meetings

Following are the highlights of the most recent AAPC meetings:

January 14, 1999

The committee considered:

- ◆ issuing a technical release that would address imputed liabilities, an issue raised by the Commodity Credit Corporation;
- ◆ guidance on lease accounting; and
- ◆ guidance on implementation issues raised as agencies prepare financial statements under the new accounting standards and reporting model.

March 1, 1999

The AAPC Chair, Wendy Comes, welcomed the newest member of the committee, Larry Stout.

Larry Stout is a Senior Executive in the Department of the Treasury, where he is Commissioner for Governmentwide Accounting. He is responsible for the Federal Government's central accounting and reporting and the publication of Treasury's daily and monthly reports. Mr. Stout holds a BS in Accounting from Bloomsburg State University, an extension of George Washington University. He teaches accounting principles and intermediate accounting.

The AAPC looks forward to working with Mr. Stout and drawing on his experience.

The next meeting of the AAPC will be Thursday, May 13, 1999, at 1:30, in room 4N13 of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548. Items to be discussed include: stewardship reporting, inter-entity costs, and new projects. Note that working drafts are posted on the AAPC web page, www.financenet.gov/aapc.htm and the Committee is seeking comments on a paper on determining materiality for nonfinancial information.

For further information, contact Dick Tingley, 202-512-7361, or email tingleyr.fasab@gao.gov.

FASAB's Next Meeting

FASAB's next meeting will be April 12 and 13, 1999, in room 7C13, of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548. Items to be discussed will be posted to the FASAB web page one-week prior to the meeting. FASAB's web page is at: www.financenet.gov/fasab.htm.

REMINDER

For those **FASAB News** subscribers who recently received surveys from us and have already responded:

THANKS!

For those who have not yet responded, please return either the original survey or the follow-up copy of the survey to FASAB in the prepaid return envelope that was included in the survey packet. Your response is important to us and will help to shape future Federal accounting standards.

FASAB Tackles Y2K Scheduling!

To ensure that all those watching the Y2K activities do not worry about missing a FASAB meeting, the Board has decided on its schedule for 2000! The dates for meetings in 2000 are:

February 10 and 11
April 13 and 14
June 8 and 9
August 3 and 4
October 5 and 6
December 7 and 8

For further information, contact Dick Tingley, 202-512-7361, or email tingleyr.fasab@gao.gov.

Web Sites Worth Visiting!

- "Proposed SGL Accounting Transactions," Exposure Draft, at:
www.fms.treas.gov/ussgl/
- 1999 Discount Rates for OMB Circular A-94 at:
www.whitehouse.gov/WH/EOP/OMB/html/bulletins/m99-11.html
- "Performance, Accountability and High Risk Series" by GAO at: www.gao.gov/pas.htm
- "Federal Information System Controls Audit Manual" by GAO at:
www.gao.gov/policy/12_19_6.pdf
- Legislative overview of key Information Technology legislation for the 105th and 106th Congresses at:
www.itpolicy.gsa.gov/mks/regs-leg/legoverview.htm

**1998 Consolidated
Financial Statements
(CFS) – On the Web:
at:**

www.fms.treas.gov/cfs

**(www.fms.treas.gov/cfs)
Effective April 1, 1999!**

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Note: FASAB News is a publication of the staff of the Federal Accounting Standards Advisory Board. This publication is intended to provide readers with an understanding of issues that the Board is considering by providing the highlights of proceedings of Board meetings. When an article refers to a Board decision, it should be understood that all Board decisions are tentative until a concept or standard is formally recommended by the Board to its principals, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. Moreover, formal recommendations of the Board are not considered final until they have been officially approved by the Board's principals, and issued by the Office of Management and Budget.

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