

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINALMINUTES
November 19, 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, Mr. Brewer, Ms. Carey, Mr. Geiger (substituting for Mr. Fletcher), Ms. Gilmore, Ms. Kearney, Mr. Marchowsky, Mr. Sturgill, and Mr. Synowiec. FASAB/AAPC project director, Ms. Valentine and general counsel, Mr. Dymond, were present at the meeting.

Absent: Ms. Chadwick and Mr. Fletcher.

• **Minutes**

The minutes of July 16, 2009 were previously approved as final, having been circulated by E-mail to members.

• **Administrative**

PROJECT MATTERS

• **Project Agenda Status**

General PP&E

Ms. Valentine gave an update on the current work 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. The acquisition subgroup was working on three implementation issues: estimating historical cost, capitalization thresholds, and capital leases. The “estimating historical cost” guidance was very close to being reviewed by the full task force, once a couple of issues were addressed and the NASA example was finalized. The disposal subgroup has two exposure drafts (ED) technical releases out for comment – comments are due December 3. Ms. Valentine also noted that as of meeting time, no comments had been received on either ED. The use subgroup is still working the contractor financing payments issue and is hopeful to come to some resolution soon so that other issues could be addressed by the subgroup. The record retention subgroup would be presenting to the Committee on its final recommendations later in the meeting.

Ms. Gilmore briefly added to the update of the G-PP&E task force. She reiterated that the acquisition subgroup was looking to receive the resubmission of the NASA example in order to finalize the draft guide to be submitted to the task force for comment. 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.

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

Ms. Valentine reminded the Committee that the draft record retention guide had originally been sent out to several federal agency accounting directors/managers along with a questionnaire that requested their comments on the draft guide and its usefulness. She also noted that at the last meeting the Committee asked that the same questionnaire also be sent to the inspector general and property communities. The questionnaire was sent to both the Council of Inspector Generals on Integrity and Efficiency and the Property Management Executive Council and a total of 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. 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. The favorable feedback indicated that they thought that standardized guidance would be helpful and that they generally agreed with the recommendation to change NARA retention guidance.

Mr. Lynskey noted that there were three specific comments from the responses that he wanted to discuss with the Committee. The first comment came from HHS-OIG. They recommended that there be no differential between “permanent” and “transactional” type records. Mr. Lynskey noted that one of the objectives of the subgroup was to recommend record retention policies specifically for G-PP&E and to differentiate between “permanent” and “transactional” type records. The Committee agreed not to remove those distinctions. The second comment came from Commerce’s property group. Their comment was to change the wording from “permanent-type records” to “long-term type records”. Commerce noted that “permanent” is used to signify records that possess historical value. Mr. Lynskey agreed with this change. The Committee did not object to the change.

The third comment came from NASA’s property group. NASA first suggested that the policies be revised by specifying the types of G-PP&E and to include more detail guidance at that level. Mr. Lynskey noted that the recommendations were never intended to be that detailed and suggested that those changes not be accepted. There was no objection from the Committee. NASA also suggested that some “non-real” property records should be retained for longer than 6 years & 3 months after final payment. The policies proposed in the document states that entities may need to keep those records longer than the 6 years & 3 months after final payment. NASA suggested that the language be changed to no less than 6 years & 3 months after disposition.

Mr. Synowiec agreed with NASA’s on retaining records until after disposal of the asset because of the possibilities of auditor changes 6 years & 3 months after final payment but before disposition. Mr. Sturgill and Ms. Kearney also agreed with the NASA comments on 6 years & 3 months after disposition. Mr. Bragg and Ms. Carey both agreed with Mr. Synowiec on the possible audit implications of not retaining property records long enough. Mr. Dymond suggested that the language be revised to retain the records at least two years after disposal. The Committee agreed with the suggested changes. Mr. Lynskey agreed to make the revision and will work with Ms. Valentine to get the document back to the

Committee for final review. Ms. Payne noted that the next steps will be to set up a meeting with NARA to discuss the Committee's recommended revisions to their guidance.

- **Agenda Committee Report**

Management's Discussion and Analysis

Ms. Payne opened the discussion by noting that the AAPC agenda committee received a project request from the FASAB on issues surrounding federal entity's reporting of Management's Discussion and Analysis (MD&A). Mr. Bragg, one of the three members of the agenda committee, presented the project request to the AAPC members for consideration (Ms. Chadwick, chair of the agenda committee, was unable to attend the meeting).

Mr. Bragg noted that the agenda committee (Mr. Bragg, Ms. Chadwick, and Mr. Sturgill) discussed the FASAB request at length. The request included a white paper that was presented to the FASAB in June on the staff research and comments from the MD&A working group. The conclusions of both the working group and the Board was that standards were satisfactory and that a "best practices" guide would be useful, so the Board decided to ask the AAPC to initiate a project to develop the guide for entities to use as when preparing their own MD&A's. Mr. Bragg noted that often MD&A sections of financial statements make great public relations documents but do not contain a lot of substantive information that you would expect to see in the MD&A. For example, "...these are the funds we were given and this is how we used those funds...". Mr. Bragg added that it is the recommendation of the agenda committee that there would be value added to federal entity's MD&A if the project were added to the agenda of the AAPC.

Ms. Payne introduced Richard Fontenrose as the FASAB project director that assembled the initial FASAB working group that addressed the issue. Mr. Fontenrose noted that the working group concluded that SFFAS 15 was adequate – it was high-level and it addressed the subject matter areas. As the working group reviewed several agency reports, they noted that some MD&A's were better than others. The working group thought it would be helpful to identify a few of the good MD&A's along with a discussion on what the preparer should include. This type of guidance would also be useful to auditors as to what they should be looking for in the MD&A.

Mr. Synowiec asked Mr. Fontenrose if there was any one or two agency MD&A's that really stood out as excellent. Mr. Fontenrose noted that the Department of Labor was identified by the working group and has also received the AGA CEAR award. For example, Labor identifies its strategic goals and the related performance measures. Mr. Sturgill noted that many agencies MD&A's are more focused on aligning with the requirements of the CEAR award as opposed to providing meaningful and useful information. He also noted that the length of an entity's MD&A just seems to expand each year; however a more concise MD&A should be stressed. Ms. Kearney made the point that a best practices guide could assist entities leverage some of the practices of entities that have effectively used technology to make additional information available that agencies would otherwise include in the MD&A. Mr. Geiger agreed that a best practices guide would be useful to the Department of Interior, especially in the area of performance measures. Mr. Fontenrose added that members of the working group also pointed that out that entities sometimes write the MD&A to comply with what their auditors would like to see in that section. It would be helpful if the point that the MD&A is RSI and not basic information could be reiterated in the guide, which could possibly lessen the level of audit scrutiny to MD&A.

Ms. Payne asked for a vote from the Committee on adding the MD&A best practices guidance to the agenda – the Committee unanimously voted to accept the project. She then asked for a volunteer to head up a task force to address the issue – Ms. Kearney volunteered to lead the project.

- **New Business**

Ms. Payne asked the members if during the year-end reporting cycle anyone encountered any accounting issues that needed further guidance from AAPC. Mr. Geiger stated that Interior had some issues with fiduciary activities that they would like to get some clarification on. Ms. Payne noted that FASAB currently has a project to evaluate existing standards that will include fiduciary activities and that she would get him in contact with the FASAB staff member that is leading that project.

The meeting adjourned at 1:45 pm.