

## **Board's November Meeting Cancelled**

The Board's November meeting, scheduled for November 7, just two weeks after its October 24 meeting, has been cancelled. Staff needed time to research several issues on the Board's agenda, and the Board needed time to review the results of that research prior to its next meeting. That meeting is scheduled for December 19, 1997. Additionally, there may be a half-day session on either December 17 or 18 for a public hearing on internal use software. Please check the "Notices" section of the FASAB web page (<http://www.financenet.gov/fasab.htm>) within the next few weeks for more information on this public hearing.

## **Guidance on Pension Accounting**

The Office of Personnel Management had requested accounting guidance where Federal employer entity pension payments for Federal Employees' Retirement System (FERS) employees' exceed the employer entity's pension expense as defined in SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. The Board discussed possible treatments, such as pension expense, prepaid expense, and negative imputed financing. After considerable discussion, the Board agreed with staff's recommendation that excess payments be treated as transfers-out rather than expenses. Staff will prepare a final version of an interpretation on this issue to be signed by the Board's principal agency representatives.

For further information, contact Richard Fontenrose, 202-512-7358, or email [fontenrosr.fasab@gao.gov](mailto:fontenrosr.fasab@gao.gov).

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## **Board Continues Discussion of Social Insurance Issues**

The Board continued its discussion of issues associated with reporting on social insurance programs. For background information and an explanation of terms, see recent coverage in *FASAB News* issues 42, 43, 45 and 46.

## **Unemployment Insurance**

The Board discussed illustrations provided by the Department of Labor of required supplementary stewardship

information for the Unemployment Insurance program for inclusion in the current draft of the social insurance standard. Program information emphasizing sustainability would not be conveyed by the "due and payable" liability on the balance sheet.

The Board discussed required supplementary stewardship information for large versus relatively small social insurance programs, noting that such information displays would not have to be the same for all social insurance programs. The Board agreed to include the Unemployment Insurance program in the social insurance standard, with tailored information displays.

## **Closed Group Estimate**

The Board continued earlier discussions of whether to require a "closed group," measure along with other supplementary stewardship information ("open group" cash flow, dependency ratio, etc.) for social insurance programs. The Board debated whether most professional accountants find the closed group number useful. Most members supported requiring that such a measure be reported as required supplementary stewardship information. The issue is scheduled for final review at the next Board meeting.

For further information, contact Richard Fontenrose, 202-512-7358, or email [fontenrosr.fasab@gao.gov](mailto:fontenrosr.fasab@gao.gov).

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## **Status of Governmentwide Supplementary Stewardship Project**

The Board reviewed the staff's analysis of comments on the exposure draft, *Governmentwide Supplementary Stewardship Reporting*. The analysis showed that overall response to the exposure draft was favorable, that the few comments requesting clarification of certain areas could be accommodated, and that there were no major issues. The Board agreed that the standards for governmentwide supplementary stewardship reporting could be finalized. However, the Board will hold off on issuing a separate statement of standards for governmentwide supplementary stewardship reporting at this time (see the following article).

For further information, contact Lucy Lomax, 202-512-7359, or email, [lomaxm.fasab@gao.gov](mailto:lomaxm.fasab@gao.gov).

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## **FASAB to Consolidate Standards for Property, Plant, and Equipment and Supplementary Stewardship Reporting**

In this and the past several issues of *FASAB News*, we have told you of the status of the proposed changes to Statement of Federal Financial Accounting Standards 6 and 8 (SFFASs 6 and 8), *Accounting for Property, Plant, and Equipment*, and *Supplementary Stewardship Reporting*, respectively. These proposed changes soon will be issued for comment as an exposure draft. Moreover, many of the issues exposed for comment will affect portions of the proposed governmentwide supplementary stewardship reporting standards just agreed to by the Board (see above article).

For the benefit of preparers and auditors of Federal financial reports, the Board has decided that after it issues the exposure draft described above, it will analyze the responses to the exposure draft, and incorporate the recommend changes to the standards in SFFAS 6, 8 and the governmentwide supplementary stewardship reporting in the following manner:

- Rescind SFFAS 6 and 8.
- Issue a single Statement of Federal Financial Accounting Standards that will include:
  - standards for PP&E from SFFAS 6 plus modifications as a result of the above exposure draft;
  - standards for entity level and current services estimate stewardship reporting from SFFAS 8 plus modifications as a result of the above exposure draft; and
  - standards for governmentwide (consolidated level) supplementary stewardship reporting standards agreed to by the Board subsequent to the exposure draft, *Governmentwide Supplementary Stewardship Reporting*.

By taking these actions, the Board will ensure that the standards affecting the accounting and reporting of Federal property and investment type items at both the entity and governmentwide (consolidated) level will be found in one document.

For further information, contact Rick Wascak, 202-512-7363, email [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov), or Richard Mayo,

202-512-7356, email [mayor.fasab@gao.gov](mailto:mayor.fasab@gao.gov), or Lucy Lomax, 202-512-7359, email [lomaxm.fasab@gao.gov](mailto:lomaxm.fasab@gao.gov).

## **Board Continues Discussion of Amendments to SFFAS 6 and SFFAS 8**

As reported in recent editions of the *FASAB News* (see issues 43 - 46), the Board has been discussing proposed amendments to Statement of Federal Financial Accounting Standard 6 (SFFAS 6), *Accounting for Property, Plant, and Equipment*, and Statement of Federal Financial Accounting Standard 8 (SFFAS 8), *Supplementary Stewardship Reporting*.

The Board continued those discussions at its October 24 meeting by reviewing a draft exposure draft of the amendments. Its review and discussions focused on the definition of property, plant, and equipment (PP&E) components of weapons systems and items that were intended to be included in each component for Federal Mission PP&E, the category of stewardship PP&E which the Board is proposing to redefine as National Defense PP&E. The Board identified areas where the proposed definition was unclear. Staff and the Board member from the Department of Defense agreed to work together to revise the definition.

Some Board members expressed concern that the draft amendment removed the requirement to report the value of the stocks of national defense PP&E. This requirement was replaced by the requirement to report quantities and acquisition cost trends. Some Board members believe that valuation is part of accountability and that without reporting valuation, these amounts are out of the scrutiny of the auditors. These members will develop an alternative view for inclusion in the exposure draft.

For further information, contact Rick Wascak, 202-512-7363, or email [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov).

## **AAPC NEWS**

The most recent meeting of the Accounting and Auditing Policy Committee (AAPC) was held on October 9. The following issues were discussed:

- **Review of draft guidance on legal representation letters** - Reviewed draft guidance and progress report on resolving the completeness/internal control issues with Department

of Justice. Tentative approval was given to a draft bulletin including the final paragraph on completeness assertions by legal counsel.

- **Environmental Liabilities** - Reviewed draft guidance on environmental liabilities. Legal issues were discussed, such as "probable liability" is not necessarily the same as "legal liability." Members will work with counsel to suggest changes and resubmit the guidance to AAPC for final approval.

- **Status Report on Inter-Agency and Intra-Agency Confirmations** - The Office of Personnel Management will provide a letter certifying actuarial statements and addressing the issue of timing. Members agreed to remove this issue from the AAPC agenda.

- **Status Report on Estimation of Undocumented Property, Plant and Equipment Costs** - Although the AAPC had tentatively decided not to address this issue, some members dissented. They formed a sub-committee to review the issue. There was a consensus that additional guidance might be useful.

Members noted that the valuation of existing PP&E presents a challenge to many agencies. The committee agreed to sponsor a forum possible as soon as December or January on selected issues and case studies related to this PP&E issue. It also may issue a white paper identifying "best practices."

- **Agenda Committee Recommendations** - The Agenda Committee suggested adding Credit Reform (Issue #11) to the AAPC agenda. However, the consensus of the AAPC was that FASAB should consider this issue since it will require amending the standards.

For further information, contact Dick Tingley at 202-512-7361, or email at [Tingleyr.fasab@gao.gov](mailto:Tingleyr.fasab@gao.gov).

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### **FASAB Announces Vacancy on Staff**

There is a vacancy on the FASAB staff. The position is a Senior Accountant, Band II (salary range \$54,758 to \$83,997). The job requires an individual who is knowledgeable of Federal sector accounting and capable of participating in standard-setting; it involves planning and coordinating accounting research and drafting Board products. The vacancy announcement number is

OR400FASAB-98-1. It opened October 28, 1997 and closes November 28, 1997.

For further information on this vacancy, call 202-512-7350. The full vacancy announcement can be accessed from the FASAB web page, <http://www.financenet.gov/fasab.htm>, under "Notices."

### **Upcoming Meeting Agendas**

**December 19, 1997 FASAB Meeting:** Social Insurance, MD&A, Software, New Projects.

**November 13, 1997 and December 11, 1997**

**AAPC Meetings:** PP&E Valuation, Credit Reform Guidance, and New Projects. The meetings will be held in Room 4N30 of the GAO Building, 441 G St., N.W.

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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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