

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING  
FINAL MINUTES  
March 17, 2011**

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. Carol Campbell (substituting for Ms. Gilmore), Ms. Kearney, Mr. Marchowsky, Mr. Synowiec, and Mr. Gary Ward (substituting for Mr. Rebich).

FASAB/AAPC project director, Ms. Valentine and general counsel, Mr. Dymond were present at the meeting.

Absent: Mr. Brewer, Ms. Carey, Ms. Gilmore, and Mr. Rebich

• **Minutes**

The minutes of January 20, 2011 were previously approved as final, having been circulated by E-mail to members.

• **Administrative**

None.

**PROJECT MATTERS**

**Project Agenda**

*MD&A*

Ms. Valentine gave a brief overview of the Committee's suggested edits to the MD&A best practices guide. At the January meeting the Committee asked that the narrative before each example indicate how that example aligns with the MD&A requirements outlined previously and suggested that the Guide also include examples of the following areas:

- High-risk,
- Trend data greater than 2 years (both performance and financial), and
- Improper payments.

Ms. Valentine went through the draft guide discussing the revisions. The members suggested a couple of minor edits and had no objections to staff's recommended revisions.

Ms. Payne reminded the Committee that the MD&A best practices guide would be issued as a report from the AAPC; as such it would not go through the public comment process. As a best practices guide it does not direct GAAP and does not provide implementation guidance as options. Ms. Kearney suggested that staff contact those agencies whose examples are used in the guide to be sure they do not have any concerns with their use.

Ms. Payne noted that once the discussed edits were made, staff would send the guide back out to the members for a final review and at the same time confirm that the agencies identified in the Guide do not object to the examples being included.

### *General PP&E*

Ms. Campbell 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 to finalize the estimating historical cost guidance (to be discussed later in the meeting). The Disposal subgroup's third project on triggering events for the disposal of equipment is to be discussed later in the meeting. The Use subgroup is still working the contractor financing payments issue and is beginning discussions on both the deployed assets and group/composite depreciation issues. The record retention subgroup recommendations had been folded into the estimating historical cost ED for comment and should move forward as recommendations to NARA now that the ED comment period has ended and there were no substantive comments opposed to the recommendations. She also noted that the task force's new project on G-PP&E cost accounting issues had its first meeting on 3/10/2011.

#### **▪ Update on Discussion Paper: Construction Work in Process and Contract Financing Payments**

Ms. Valentine gave a brief overview of the discussion paper presented to the Committee at the last meeting on "Construction Work in Process and Contract Financing Payments." The subgroup met to discuss the Committee's suggested revisions and has revised the paper accordingly. The discussion paper is currently being reviewed internally by DoD to ensure that it correctly aligns with their current positions on the issue. Ms. Valentine informed the Committee that the revised discussion paper would be brought back to the AAPC for review at the May meeting.

#### **• Update on the Cost Accounting Issue Subgroup**

Ms. Valentine informed the Committee that the cost accounting issue that was added to the Committee's agenda at the September meeting had its first subgroup meeting on 3/10. The subgroup includes several agency representatives as well as a couple of audit firm representatives. Ms. Payne suggested identifying federal entities that had a long track record of allocating costs to G-PP&E. The subgroup is being lead by Sandy Van Booven of NRO. Ms. Valentine provided the members with the project objectives developed as a guide for the subgroup's goals.

- **Review of Comments on EDs – “Implementation Guide on SFFAS 35, Estimating the Historical Cost of G-PP&E” and “Implementation Guide on the Accounting for the Disposal of G-PP&E”**

Ms. Valentine reminded the Committee that both EDs were released for comment on December 10, 2010 and the comment period ended on February 11, 2011.

*Implementation Guide on SFFAS 35, Estimating the Historical Cost of G-PP&E*

Ms. Valentine informed the Committee that as of March 3, 2011 staff received fifteen (15) comment letters on the Historical Cost ED and most of those letters were received on or just after 2/11. She noted that the comments received did not require substantive revisions to the current document. Ms. Valentine provided to the Committee a transmittal letter that included a summary of the respondent sources (i.e., federal/nonfederal and users/auditor/preparers) of responses, along with a tally of responses by question, and a quick table of responses (agree/disagree/no comment). Staff also provided the members with the actual comment letters and a compilation of respondent answers by question, which also included staff’s recommendations on each comment.

Ms. Valentine began going through the document discussing staff’s recommended revisions based on the respondent comments. A few minor edits were agreed to by the Committee. Mr. Ward asked what would now be done with the record retention references throughout the document, including Appendix B that includes a summary of the NARA record retention recommendations. After a brief discussion, the Committee agreed to remove all references to the NARA record retention recommendations and just include a paragraph in the BFC that would outline the disposition of the recommendations.

Staff will make the agreed to changes in the draft TR and send the document back to the Committee as a pre-ballot for review before the next AAPC meeting.

*Implementation Guide on the Accounting for the Disposal of G-PP&E*

Ms. Valentine informed the Committee that as of March 1, 2011 staff received seventeen (17) comment letters on the Disposal ED and most of those letters were received on or just after 2/11. She noted that the comments received on the Disposal ED will require more analysis and further deliberations with the subgroup.

Ms. Valentine provided to the Committee a transmittal letter the included a summary of the respondent sources (i.e., federal/nonfederal and users/auditor/preparers) of responses, along with a tally of responses by question, and a quick table of responses (agree/disagree/no comment). Staff also provided the members with all of the actual comment letters received for review.

Staff will provide for the member’s review staff’s recommendations on those comments prior to the May meeting.

- **Agenda Committee Report**

None

- **New Business**

Ms. Payne mentioned to the Committee that the Department of Interior contacted her concerning the upcoming effective date of Technical Bulletin (TB) 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*. The TB is effective for reporting periods beginning after September 30, 2011. Officials at Interior wanted to know if FASAB could provide additional guidance to agencies on some best practices as they implement the new Asbestos requirements. Ms. Payne suggested possibly facilitating a roundtable of agency officials to discuss their plans for implementing TB 2006-1. She wanted to give the Committee a heads-up in the event additional guidance is needed by the community.

The meeting adjourned at 2:12 pm.