

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
July 11, 2013**

The meeting was convened at 9:00 AM in room 7C13 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

• **Attendance**

Present: Ms. Payne (chairperson), Ms. Anderson, Mr. Brewer, Ms. Gilmore, Ms. Ho, Mr. Marchowsky, Mr. Rymer and Mr. Eric Rivera (substituting for Mr. Zane).

FASAB/AAPC project director, Ms. Valentine was present at the meeting.

Absent: Ms. Kearney and Mr. Zane

• **Minutes**

All previous meeting minutes have been approved.

• **Administrative**

PROJECT MATTERS

Project Agenda

General PP&E

- **Review Pre-Ballot Technical Release Draft -- *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation***

Ms. Valentine began the discussion by first introducing Mr. Roger Hill and Mr. Lee Richardson of Deloitte and who work with Ms. Sandy VanBooven (NGA). Ms. VanBooven, who attended the meeting via teleconference, serves as the leader for the AAPC G-PP&E Costing Accounting Issues subgroup. Mr. Hill gave the Committee an overview of the current status of the draft Technical Release (TR). He mentioned that once all of the comment letters from the exposure draft (ED) were received the team, under Ms. Valentine's leadership, thoroughly reviewed each comment letter and provided responses to all comments requiring a response. In addition, the comments were analyzed to determine if additional clarification language or other edits were necessary to the draft technical release. He noted that there were minor adjustments made to the draft based on comments received to clarify certain points and to ensure continuity throughout the document, however the "spirit" of the overall objectives of the guidance did not change.

Ms. Valentine noted that there were a few comments on the notion of flexibility in the ED and how that could affect comparability. Ms. Ho asked staff how those comments were addressed in the draft. Ms. Valentine pointed out a couple of revisions in the draft where staff added/revised language to address the respondents' concerns. Ms. Payne noted that the revisions need to explain that the guidance provides a framework that acknowledges that different organizations have different missions. Mr. Hill stated that the revisions reiterate that entities need to be mindful of comparability as they consider their accounting policies.

Ms. Ho also asked how staff addressed the comments received on the three principles management may use to determine their stakeholder's financial management information needs noted in the introduction section of the draft guidance. Mr. Hill noted that there were no changes made to the actual principles, however an explanatory paragraph was added to give context to the use of the principles. One of the points the guidance is attempting to relay is that the flexibility applies to the differences in the inherent missions and business environments of federal entities, as opposed to a preference in how to apply the standards and that there is a basis for how the standards are applied.

Mr. Marchowsky asked if additional edits had been made to the decision framework flowchart in Appendix C of the draft TR. Mr. Hill noted that based on several comments received on the ED there were revisions made to flowchart to clarify the decision points. Ms. Payne commented that the "No" action points on the flowchart state that items not meeting the capitalizable G-PP&E criteria should be "expensed in accordance with GAAP." She pointed out that action point could lead the reader to disregard other capitalizable items such as internal use software or reductions in environmental cleanup cost. Ms. Valentine suggested returning to the ED language which stated "expense or capitalize in accordance with other standards." Mr. Brewer noted that the ED language could lead to more questions. He also wanted to make it clear that IUS was not within the scope of the guidance. Ms. Payne suggested that the "No" action points be revised to say "Do Not Capitalize as G-PP&E." The Committee agreed with Ms. Payne's suggestion. Ms. Payne also suggested that staff re-circulate the revised flowchart to those ED respondents that had comments/suggestions on the flowchart. The Committee agreed with Ms. Payne's suggestion.

Ms. Valentine also noted that based on one respondent's concerns over the accuracy of the agency-specific examples/illustrations in Appendix B of the draft, staff has formally requested confirmation from each of the five federal entities illustrated in that appendix. Staff noted that as the guidance was being developed information to compile the illustrations was gathered from the five federal entity representatives on the subgroup and verified each time edits were made to the illustrations. Ms. VanBooven asked how the illustrations were being validated based on the organization policies that were provided by the entities. Ms. Valentine explained that staff is simply looking for confirmation of the illustrations as they are currently presented in the draft TR. Ms. Payne explained that in FASAB's standards illustrations normally do not include specific entity names, however in the case of implementation guidance it is sometimes necessary to identify entities by name in order to gain full context of the illustration.

However, the point to the specific entity illustration is not to appear to “lock” an entity into a set policy or to give the impression that the AAPC or FASAB has “blessed” the particular policy. Ms. VanBooven noted that one of the points to the illustrations is to show the contrasts between the varying business models and missions among the entities illustrated. Ms. Valentine noted that staff will not provide the Committee with a ballot draft until all illustrations have been verified by the applicable federal entity officials.

Ms. Valentine asked the members if there were any other comments or edits to the draft or concerning the comment letters received. Ms. Anderson noted that she will provide Ms. Valentine with a few minor edits to the draft. There were no other comments or edits on the draft.

Conclusions: Ms. Valentine will make the necessary edits to the draft based on the meeting discussions and then send an updated TR draft to the members for review. Once all edits are accepted by the Committee a ballot draft TR will be sent to the members for voting on the release of the TR to the FASAB. The next steps will be to get a “no object” approval from the FASAB before it can be release as a final TR.

- **Agenda Committee Report**

None

- **Administrative Matters**

Ms. Valentine informed the Committee that due to the lighter workload of projects being brought to the AAPC staff is suggesting adjusting the meeting schedule from six meetings per year to four meetings per year (one per quarter) beginning in 2014. The Committee did not object to the changes in the meeting frequency.

- **New Business**

Ms. Payne commented to the Committee on the outcome of the FASAB Roundtable held on January 29, 2013. Ms. Payne noted that there was some interest by the participants in implementation guidance on deferred maintenance and repairs, but not much on asset impairment right now. She stated that she will begin steps to formulating a proposal to the Agenda Committee for a project to develop implementation guidance for deferred maintenance and repairs.

The meeting adjourned at 9:30 am.