

FASAB News

Federal Accounting Standards Advisory Board, 441 G St., 3B18, NW.Washington, DC 20548
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FASAB Welcomes Two New Board Members

At its July meeting, the Board welcomed James M. Patton, who replaced Dr. Linda Blessing, and Robert N. Reid, who replaced Don Hammond. Mr. Patton is a Professor of Business Administration at the Joseph M. Katz Graduate School of Business of the University of Pittsburgh. His professional experience includes Academic Research Fellow for the Governmental Accounting Standards Board, Visiting Scholar for the George Washington University, and Faculty-in-Residence for Coopers and Lybrand, Mellon Bank, and FASAB. He has been a member of numerous boards of review for professional publications and has been extensively published. He teaches financial, governmental, and international accounting. His research in progress includes extensive analysis of Federal financial accounting and reporting.

Mr. Reid joined the Department of the Treasury in June 1999 as the Deputy Assistant Secretary for Accounting Operations. He provides policy oversight for governmentwide accounting, including oversight of the preparation of the Government's annual consolidated financial statement. He also is the Department's representative on the FASAB. Before joining the Treasury, he worked for the District of Columbia Government as Controller of the City, and Deputy Director and Chief Financial Officer of the DC Lottery. Prior to that, he was a key member of the financial staff that established Conrail. Mr. Reid began his career auditing commercial accounts for Arthur Andersen and Co.

FASAB welcomes its newest members.



Board Tentatively Approves Standards on Social Insurance

At its July meeting, after further discussion and some modifications, the Board agreed to proceed with the draft standard on social insurance. The draft, as discussed by the Board, included provisions for reporting the *net* actuarial present value of future benefits over future contributions for current program participants. The Board changed that to require the reporting of a statement of the actuarial present value of future contributions and future benefits to current and future program participants. Presentation of the Individual components should facilitate analysis and accommodate diverse user needs.

The Board further agreed that the reporting of Social Insurance information should be considered Required Supplementary Stewardship Information (RSSI). Staff will circulate the revised final draft standard to the Board for a ballot draft. The effective date of the standard will be fiscal year 2000.

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

Board Indicates Direction on National Defense Property, Plant, & Equipment (PP&E)

In July, the Board continued its discussion of how best to report meaningful information for users of national defense PP&E information. The Board considered staff proposals to 1) let *Supplementary Stewardship Reporting*, Statement of Federal Financial Accounting Standards 8 (SFFAS 8) stand un-amended; 2) issue the proposed draft amendment to require information on quantities, additions, deletions, investment trend data, and condition; or 3) issue the proposed draft

amendment as interim guidance pending the completion of the PP&E task force's assessment of user information needs.

After considerable discussion, the Board agreed to a fourth, combination approach that would a) keep the current SFFAS 8 requirement to report stock values as RSSI; b) keep the requirement from the proposed draft amendment to report quantities and investment trend data; c) keep the current SFFAS 8 requirement to report condition assessments; and d) develop a plan to complete within a year a review of budget and cost information associated with the alternative view expressed in the proposed draft amendment, and to complete within two years the clarification by the PP&E task force of user needs for cost data on national defense PP&E.

Staff will send a revised proposed draft amendment to the Board for consideration. Staff also will develop for presentation at the Board's September meeting sample reports based on the information displays (based on Department of Defense Selected Acquisition Reports) included in the alternative view to the proposed draft amendment.

In a related matter, the Board agreed to separately issue the portion of the proposed draft amendment that dealt with reclassifying multi-use heritage assets as general PP&E. That portion of the amendment was issued as Statement of Recommended Accounting Standards 16, July 1999, *Amendments to Accounting for Property, Plant, and Equipment; Measurement and Reporting for Multi-Use Heritage Assets*. It is available on the FASAB web page, <http://www.financenet.gov/fasab.htm>.

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

Board Conducts FY 1998 Report Review and Initiates Project on Stewardship Reporting Modifications

The Board has asked the FASAB staff to analyze the agency FY 1998 financial reports to assess how effective agencies were in implementing the FASAB standards and the general purpose Federal financial report (GPFRR). The short run objectives of the project are to identify implementation issues,

inconsistent application of standards, and innovations that enhance presentation. The long run objectives are to analyze basic agency presentation information, performance measurement information, and report understandability. The Board expects to use the results of the analysis as a basis for further consideration of the current and future standards.

In conjunction with its review of the implementation of the current standards and their effect on preparers and users of Federal financial information, the Board has begun a project to review the supplementary stewardship reporting category. It is analyzing the stewardship category definitions, measurement, and reporting areas. It also is researching whether the current reporting requirements are the most effective way to report on stewardship information, and how best to report on required supplementary stewardship information. This area will be on the Board's agenda for its September meeting.

AAPC Meeting Highlights

The highlights of the July 8 AAPC meeting are:

- **Clarifying the Definition of Liabilities Covered by Budgetary Resources.** Statement of Federal Financial Accounting Standards 1 (SFFAS 1) and OMB Bulletin 97-01 require reporting liabilities covered and not covered by budgetary resources on the balance sheet. The AAPC is working with OMB to clarify the definition of liabilities covered by budgetary resources. It is currently reviewing the following proposed definition:

Liabilities incurred that are covered by realized budgetary resources as of the balance sheet date: Budgetary resources encompass not only new budget authority but resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: 1) all budgetary resources available for obligation; 2) all permanent indefinite budget authority with appropriations available to be converted to

budgetary resources. 3) Federal account receivables for which an obligation against the ordering account is available, and 4) trust fund resources for which its collections are available to be converted into budgetary resources.

➤ **Allocating costs and liabilities resulting from legal claims.** The AAPC is addressing liabilities involving more than one Federal entity and liabilities where a Federal entity believes that its actions were not the cause of the legal costs being incurred. The Committee is reviewing current guidance in SFFAS 5, *Accounting for Liabilities of the Federal Government*, SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation*, and Interpretation 2, *Accounting for Treasury Judgment Fund Transactions*. The Committee is addressing several issues, including the following:

- 1) Where the allocation of legal liability is not apparent, and the involved entities cannot reliably measure their portion of the liability, would that non-measurability change the need to report a liability to the need to simply disclose the transaction in a note to the financial statement?
- 2) Where actions of the Government as a whole or Acts of Congress yield legal liabilities, are the entities that administered the affected programs responsible for reporting the related legal liabilities and costs?
- 3) Are all duties assigned by legislation to a Federal entity considered "within a Federal entity's operating mission" for reporting purposes? When are actions (committed by Federal entities that lead to legal claims) "outside a Federal entity's operating mission" for reporting purposes?
- 4) If an entity's actions are ruled unconstitutional by the Supreme Court or other Federal courts, where should the related liability and costs be reported if the outcome of the litigation is probable and estimable?
- 5) Are there circumstances where reporting legal liabilities and costs is appropriate only

at the governmentwide or consolidated level?

To assist the AAPC is developing its broad guidance on the above issues, it encourages readers to comment on these issues. Comments should be addressed to Monica Valentine, 202-512-7362, or email valentinem.fasab@gao.gov.

The next meeting of the AAPC will be Thursday, September 23, 1999, at 1:30, in room 4N13 of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548.

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 September 16-17, 1999, in room 7C13, of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548. Items to be discussed will be direct loans and loan guarantees, national defense PP&E, stewardship reporting, and the Report Review Project. The agenda 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.

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

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, recommended standards are not effective Statements of Federal Financial Accounting Standards until they have been officially approved by the Board's principals, and issued by the Office of Management and Budget. GAO issues the Codification of those standards.

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