



FASAB *NEWS*

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

10th Anniversary Issue

This issue of FASAB News marks the 10th anniversary of the creation of the Federal Accounting Standards Advisory Board (FASAB or the Board). In addition to our regular articles updating you on the latest Board deliberations and actions, we are featuring articles reflecting on FASAB's formation, its products, and its future.

We begin with a brief history of how the Board began, provide perspectives from the Board's past and present Chairs, Elmer Staats and David Mosso, highlight some of the significant events in FASAB's history as described by its longest-serving member, Donald Chapin, then conclude with some brief views of FASAB from the current Board members. For those history buffs, we also have provided a complete list of the former and current Board and staff members.

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How FASAB Came to Be

As readers of this newsletter know, Congress passed the Chief Financial Officer's Act (CFO Act) in 1990. That law required audited financial statements, in accordance with "applicable standards," for selected Federal reporting entities. It was a step toward the comprehensive requirement for audited financial statements established in 1994 by the Government Management Reform Act. Congress passed the CFO Act in part due to concerns about highly publicized financial management problems at various Federal agencies.

Of course, accountants, auditors, and those congressional staff who were knowledgeable about financial management understood that audited financial statements don't preclude the possibility of fraud and other financial management problems. Even so, it was reasonable to hope that the discipline imposed by the process of preparing and auditing such statements could help to reduce the frequency and size of such problems. Many individuals and organizations, including the Association of Government Accountants and the American Institute of Certified Public Accountants, contributed to this "good government" initiative.

The CFO Act did not define the source or nature of the "applicable standards." As part of the work preceding passage of the CFO Act, it was necessary for the relevant parties to agree on a mechanism for defining those standards. This was a

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Where FASAB Has Been and What It Has Done – Part 1

A Brief Interview with Elmer Staats, Former Comptroller General of the United States and First Chair of the FASAB, and David Mosso, Current Chair of the FASAB

Question: *What do you believe is FASAB's most significant contribution to improving Federal financial management?*

Mr. Staats: FASAB's major contribution has been its ability to bring together all the divergent views in the executive branch with respect to the issues that have been identified by the Congress, the General Accounting Office, the Office of Management and Budget, the Department of the Treasury, and any of the

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difficult challenge. The Budget and Accounting Procedures Act of 1950 had provided for the General Accounting Office (GAO) to set accounting standards for Federal agencies. GAO subsequently published such standards as “title 2” of its Policies and Procedures Manual for the Guidance of Federal Agencies. Several agencies adopted those standards, but the Office of Management and Budget (OMB) did not require agencies to do so.

Indeed, some OMB officials asserted that the provision of the 1950 Act giving GAO this authority was unconstitutional (that is, for a legislative agency to define accounting standards for an executive agency). Furthermore, as always among accountants, there were different opinions about what accounting principles were appropriate for Federal agencies. Although “title 2” defined and discussed fund account-

ing, did not require depreciation of all capital assets or recognition of social insurance liabilities, and differed in other ways from the traditional “business accounting model,” some accountants asserted that it was too much like commercial accounting to be relevant to the Government.

The constitutional gap was bridged in October 1990, when Secretary of the Treasury Nicholas Brady, Director of OMB Richard Darman, and Comptroller General Charles Bowsher jointly agreed to create and sponsor the Federal Accounting Standards Advisory Board. The Board would consider and recommend the appropriate accounting standards for the Government. For the first time, the legislative and executive branches agreed to work together in an agreed framework, with an open, public process, to determine the accounting standards that Federal agencies should follow.



Ten Defining Moments in Board History

By Donald H. Chapin

Founded in Law

The Chief Financial Officers Act (CFO Act) of 1990 passes and the Central Agencies establish the Board.

The CFO Act was the first in a series of legislative efforts to improve the financial management and systems of the Federal Government. Its provisions, which established the Chief Financial Officer (CFO) structure, included a pilot program for audited financial statements. The law also expressed Congress’s continuing interest in financial reporting by requiring that any proposed capitalization standards be reported to Congress. Then, the central agencies – the Department of the Treasury, the Office of Management and Budget (OMB), and the General Accounting Office (GAO) – set aside their respective legal prerogatives for accounting and joined together to establish an advisory board, most of whose members would be knowledgeable of the special needs of Government.

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FASAB’s Roster of Board and Staff Members

Original Board Members

Chair

Elmer B. Staats, 1991-1997

Department of the Treasury
Gerald Murphy, 1991-1998

Office of Management and Budget
Susan Gaffney, 1991

General Accounting Office
Donald Chapin, 1991-1997

Congressional Budget Office
James L. Blum, 1991-1998

Defense & International Agencies
Alvin Tucker, 1991-1997

Non-defense Agencies
William L. Kendig, 1991-1994

Non-federal Representative
Martin Ives, 1991-1997

Non-federal Representative
Cornelius E. Tierney, 1991-1997

Subsequent Board Members

Chair

David Mosso, 1997-present

Department of the Treasury
Donald V. Hammond, 1998-1999

Department of the Treasury
Robert Reid, 1999-present

Office of Management and Budget
Edward J. Mazur, 1991-1993

Office of Management and Budget
Harold I. Steinberg, 1993-1994

Office of Management and Budget
Norwood Jackson, 1995-1999

Office of Management and Budget
Joseph L. Kull, 2000-present

General Accounting Office
Phillip T. Calder, 1997-present

Congressional Budget Office
Barry B. Anderson, 1999-present

Defense & International Agencies
Nelson Toye, 1997-present

Non-defense Agencies
James E. Reid, 1994-1998

Non-defense Agencies
Kenneth J. Winter, 1999-present

Non-federal Representative
Donald H. Chapin, 1997-present

Non-federal Representative
Linda J. Blessing, 1997-1999

Non-federal Representative
James M. Patton, 1999-present

Original Staff Members

Executive Director

Ronald S. Young, 1990-1996

Deputy Executive Director

Jimmie D. Brown, 1990-1993

Robert W. Bramlett, 1991-present

Wendy M. Comes, 1991-1996

Richard L. Fontenrose, 1991-present

M. Lucy Lomax, 1991-present

Richard C. Mayo, 1991-present

Frank Rexford, 1991-1993 (deceased)

Monica R. Valentine, 1991-present

Richard Wascak, 1991-present

Richard S. Tingley, 1991-present

Marian Nicholson, 1991-present

Alice Keels, 1991-1993

Allison Powell, 1993-1997

Subsequent Staff Members

Executive Director

Wendy M. Comes, 1996-present

Andrea Palmer, 1997-present

FASAB Awarded the Einhorn-Gary Award

On September 16, 2000, at the Association of Government Accountants 50th Anniversary Gala Dinner, the Association awarded the Einhorn-Gary Award to the FASAB. The National President of the Association, W. A. Broadus, Jr. and the Association's Executive Director, Charles W. Culkin, Jr., presented the award to FASAB for its significant contribution to advancing accountability in the Federal Government. On hand to receive the award were Elmer Staats, FASAB's first Chair and David Mosso the current Chair. Also on hand to join in the celebration were Wendy Comes, the Executive Director of FASAB, and Lucy Lomax, staff member and an Assistant Director of FASAB.

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A Fresh Start

The Board decides to focus on the unique needs of the Federal Government.

The Board's first substantive act was to reject the General Accounting Office's (GAO's) Title II as a starting point for setting accounting standards. The Title II codification of Federal standards was thought to be too close to private sector standards. A "clean slate" was deemed necessary. The Board's second substantive act was to commission a User Needs study. The resulting Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, (a) defined users to include management and Congress in addition to the public, and (b) broadened the scope of Federal financial reporting to include budgetary integrity, performance measurement, stewardship and systems and controls.

Standards for Management and Congress

The Board's early Standards seek to implement Statement of Federal Financial Accounting Concepts 1

A number of the early standards responded to the needs of management and Congress and to the performance

measurement and budgetary integrity objectives. The standards for cost accounting and loans and loan guarantees were especially notable in this regard. Those standards sought to facilitate the determination of the cost of government goods and services and to aid the budget execution process. Requiring systems support for cost information, a response to the systems and controls objective, was considered. But, the Board acceded to arguments made during the exposure period that the required information could be calculated without incurring the expense of establishing cost accounting systems.

Financial Statements for Governance

Disclosure requirements frame information needed for planning and control.

By working closely with the Office of Management and Budget (OMB), the Board was able to set disclosure requirements without infringing on OMB's ability to determine the form and content of agency financial statements. The resulting financial statements report on the budget execution process and on the net costs of government programs and activities. The Government's financial resources

and obligations shown in these statements also provided useful information for the budget. In recommending these standards, the Board recognized that while the budget remains the principal tool for planning and control, accrual based information could provide additional useful information for better governance.

Stewardship – Another Dimension

Response to the Stewardship Objective results in a separate category for reporting and auditing.

The Board decided that the dollar information that might be derived from accounting and budgetary systems was insufficient to report fully on the Government's stewardship of National defense property, plant, and equipment (PP&E); Federal land; heritage assets; investments in human capital, research and development, and infrastructure: and on the question of whether government resources would be sufficient to support its programs in the future. The standards it adopted required the use of physical unit records, condition reporting, performance evaluations, and forecasts. The Board also concluded that the Office of Management and Budget and the General Accounting Office should

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participating agencies. FASAB is the logical extension of the work of the Joint Financial Management Improvement Program, which had its origin in the Budget and Accounting Procedures Act of 1950. FASAB obviously could not be given regulatory authority directly but had to rely on the Office of Management and Budget and the Department of the Treasury for compliance. However, an important point in this respect is the action of the American Institute of Certified Public Accountants extending its Rule 203 to the issuances of FASAB after approval by the Office of Management and Budget and the Treasury. This development lends even greater importance to the work of the FASAB.

Mr. Mosso: I believe FASAB's major contribution has been to supply the mechanics, if you will, to the legislative framework for Federal financial management provided by the Congress: the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994. By the time that I became Chair, FASAB had produced a "core" set of accounting standards that addressed the basic elements of a traditional business reporting model. It also had tackled the area of cost accounting and had begun addressing some of the more "unique" areas of Federal accounting, areas it categorized as "stewardship," such as national defense assets, infrastructure assets, and cultural and educational items. These 8 core standards, the 10 that we have issued since then, and the work that we are continuing provides a standardized accounting and reporting format that enhances Federal management and accountability. The financial state-

ments resulting from these standards have to withstand audit scrutiny. As users, decision-makers, and the American citizens at large become more familiar with these audited financial statements, they should be able to better understand how and where the Federal Government's resources are being used, assess Government performance, and ask questions that further stimulate the accountability process.

Question: *Do you believe the Board has changed since its inception in 1990?*

Mr. Staats: I do not believe that the Board has changed its focus or emphasis since its inception in 1990. In the early years of FASAB, considerable time and effort was devoted to making certain that all the Board members were in agreement with the mandate that was given to FASAB and agreed on the appropriate procedures and priorities and making the member agencies an integral part of the process. There were differences among the agencies as to priorities, but these never developed into major disagreements. Our objective was action to arrive at a consensus rather than to leave issues unresolved. The consensus was fundamental to the effectiveness of the Board. Given the fact that it was made up of diverse interests and sometimes strongly held points of view, we decided early on not to follow a voting procedure.

Mr. Mosso: I agree that the Board has not changed its primary focus or emphasis – setting sound, comprehensive and complete accounting standards remains its top priority. Keeping the Board focused and moving projects through the due process procedure continues to be a challenge, especially

given the diverse opinions of our very experienced Board members. However, during my tenure, we have had the luxury not to have the immense concerns of developing and producing the initial Board documentation and standards, or ensuring that the coalition would survive the formulation stages and the potential challenges from inside and outside of the Government. As such, in an effort to more specifically address all concerns on the diverse issues that FASAB handles, the Board has moved from a consensus approach to a voting procedure. Those opposing the majority position can go "on record" with their opposition.

Question: *What do you see as FASAB's role in most effectively improving Federal financial management in the future?*

Mr. Staats: FASAB's future role will, of course, be determined by the participating agencies, but particular care should be given to issues that represent new ground or future concerns. In other words, FASAB can be up-front in anticipating problems before they arise. One such issue, as I recall, was the need for standards with respect to the cost of capital. I recognize that FASAB really did break new ground with respect to many other issues.

Mr. Mosso: In addition to continuing to explore the most effective treatment for those areas and issues that are unique to the Federal Government, I believe that one of FASAB's major contributions will be to increase the awareness of the significant developments in Federal accounting and reporting and their potential to enhance accountability. FASAB already is undertaking efforts to increase its

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presence in the academic community and in the private sector. Just as important, however, is that it continue to reach out to Federal agencies and organizations to underscore the purpose and benefit of the accrual-based accounting structure on which the standards are based. Only when all who prepare, audit, and use Federal financial statements understand the nature of the information, the need to review and question what such information means, and the potential of the information for improving the resource management and stewardship of the Government, will FASAB's efforts be fully actualized.



Board Decides to Provide Preliminary Views on Stewardship Changes

The Board once again discussed a working draft document titled *Preliminary Views on the Role of Required Supplementary Stewardship Information in the Federal Financial Reporting Model*. The Board agreed to change the title to *Preliminary Views on the Elimination of the Category of Information Called "Required Supplementary Stewardship Information."* The Board also discussed other minor changes.

A "preliminary views" document is a step toward an exposure draft, but is not an exposure draft of a proposed standard. The Board would proceed to a financial Statement of Standards on this subject only after considering comments on the preliminary views document and on one or more subsequent exposure drafts of proposed standards. The Board hopes to publish these preliminary views for comment before the end of this year. The document will include the alternative views of two members.

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determine the levels of audit assurance for this stewardship information. Thus, stewardship information became "Required Supplementary Stewardship Information", or RSSI. Much of it was reported separately from the financial statements.

Incentives

The Board responds to an Administration deadline and the Agencies respond to demands for a "clean opinion."

Deadlines established in the Administration's "Reinventing Government" document provided a powerful incentive for the Board to complete in record time what were then characterized as the "basic standards", i.e. the first eight standards. This was achieved in the Board's first six years. Another incentive to succeed was the emphasis placed on getting a "clean opinion". Government agencies strove to get this good "report card" from the congressional oversight committees and from the Office of Management and Budget.

Thus, the Board's standards were implemented faster than they might have been. But, some government agencies accomplished this without making the systems and control changes necessary to produce the required information accurately, quickly and on a year round basis.

The Social Insurance Compromise

An "irreconcilable split" is resolved by a separate disclosure-based financial statement.

Perhaps the most difficult question to confront the Board was whether social insurance "obligations" were liabilities of some sort, or whether they were "transfer payments" between participants in the various social insurance systems. A compromise was negotiated in which, for the first time, the Board's principals – the Department of the Treasury, the Office of Management and Budget, and the General Accounting Office – played an active role. The resulting Statement of Social Insurance for Social Security will show forecast

information for the present value of future benefit payments and future contributions, and, at the bottom line, the net actuarial imbalance in 75 years. But, the information presented in that statement will be in sufficient detail for users to compute the present value of Social Security "obligations" to retirees or to present participants, including the so-called "intergenerational liability".

Recognition as a GAAP Standard Setter

The AICPA becomes a factor in the standard setting process.

The Board sought and received from the American Institute of Certified Public Accountants (AICPA) recognition as a body entitled to establish "Generally Accepted Accounting Principles" (GAAP). This will enable independent certified public accountants to opine, where appropriate, that government financial statements are

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Where FASAB Has Been and What It Has Done – Part 2

Board Members Reflect on FASAB's First 10 Years

As FASAB celebrates its first 10-year anniversary, we asked the current Board members to give us their thoughts on where FASAB has been and what it has done, whether it has changed, and what its future is. Their answers follow.

FASAB Most Significant Contributions and Accomplishments

“FASAB’s has successfully eliminated the confusion that existed before its creation over the application of accounting standards to executive branch agencies. In addition, its open and accessible process of standard setting has succeeded in increasing the attention and compliance of Federal agencies with accounting standards.”

Barry B. Anderson

FASAB has effectively played the role of “an enabler” by providing an accounting framework specifically tailored for the Federal Government. It has had to deal with

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Association of Government Accountants awarded the Einhorn-Gary Award to the FASAB

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The award is named after two of the founding members and former Presidents of the Association of Government Accountants, Raymond Einhorn and T. Jack Gary, Jr. If you would like to view pictures from the awards celebration, go to the Association of Government Accountants web site, www.agacgfm.org and click on the selection, “The AGA 50th Anniversary – A Grand Finale.”



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presented in accordance with GAAP. This recognition raised the question of the appropriate auditing standards for Stewardship information, i.e. RSSI, a category of audit assurance not recognized by AICPA auditing standards. This recognition also affected the operations of the Board. It modified the requirements for central agency approval of recommended standards. It also requires the Board to comply with AICPA criteria for continuing recognition, including matters such as the independence and qualifications of Board members.

Changing Composition of the Board

*Private sector accounting concepts
get more consideration.*

As a result of retirement and rotation, only one member of the original Board remains. More of the present Board members have been drawn from the

private sector and some favor greater use of private sector accounting standards. Some members do not subscribe to the idea that the Board’s accounting standards should be designed to reform financial management practices and government systems and controls. One of the results has been reconsideration of some of the standards set by prior Boards. Another observable result is lack of unanimity on issues facing the Board and a consequent slow down in resolving the Board’s unfinished business.

Unfinished Business

*Today, the Board’s future
direction is uncertain.*

Upcoming decisions on standards for National Defense property, plant & equipment and on what to do about RSSI will have a profound effect on the future direction of the Board. Will government standards and government

financial reports continue to have as many unique features or will they look more like those set by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB)? The Board has not yet taken action on its natural resources study. There are a number of other standards that seem to be called for by the Board’s concepts statements. Other standards having some foundation in these objectives are many. They include appropriate efficiency measures for use in implementing the Government Performance and Results Act (GPRA), grants, interest on capital employed, and long-range budget forecasts. Also, almost totally unattended to date are standards to implement the Board’s systems and controls objective. It remains to be seen whether the concepts statements will influence the Board’s direction as they have in the past and whether the Congress and the central agencies will continue to influence the Board’s direction.



topics that are unseen in the commercial world, such as social insurance, non-exchange transactions, and defense assets. In creating this framework for accounting and financial reporting it also has attempted to influence both the requirements for systems and for information that management will need to better manage the business of Government.

Phillip T. Calder

“One could say its greatest contribution is producing a set — any set — of accounting standards that are mutually accepted by OMB and GAO and generally followed in the preparation of audited financial statements. However, since that could have been met with Title 2 or anything else, I would rather speak to the distinguishing quality of FASAB’s work, which was in creating financial reporting objectives appropriate for the Federal Government and in developing new concepts and standards that meet these objectives such as the statement of net cost, cost accounting standards, the statement of budgetary resources, and a broad approach to stewardship reporting.”

Joseph L. Kull

The Board has had to deal with an impressive breadth of issues: accounting; external financial reporting (through trying to target diverse users); systems & controls; financial management; and managerial cost accounting. The challenge continues to be how to marshal resources and focus efforts to achieve diverse goals given the limited range of vehicles available for the Board in issuing its guidance, such as Statements of Federal Financial Accounting Concepts, Standards, and Interpretations.

James M. Patton

The Board has provided a foundation for financial management that drives the CFO community to consistent objectives and systems. Our requirements help prioritize the systems requirements and eventually will provide the framework for timely internal reporting as well as the audited year end reports.

Robert Reid

“The establishment of the FASAB, in and of itself, was perhaps the most significant contribution of the Board to improving Federal financial management. Through the promulgation of federal-wide accounting standards, the Board has laid the foundation for meaningful, consistent and comparable financial management accounting and reporting among Federal agencies and the Federal Government as a whole. It also has become a keystone for restoring public confidence in the financial management operations of the Federal Government.”

Nelson Toye

“The Federal Accounting Standards Advisory Board contributes significantly to improved Federal Government accountability. For example, the Board established comprehensive accounting standards that serve as a critical framework for improved Federal financial accountability. Consistent with Board standards, Federal agencies regularly report to taxpayers and oversight authorities on the use of Federal tax dollars. The Board also established critical managerial cost accounting concepts and standards to help guide internal Federal management processes. Such full cost practices not only support internal management efficiencies but also support external benchmarking, as well as, more complete external accountability, including annual external full cost disclosures on key Federal programs and outputs.”

Kenneth J. Winter

FASAB’s Evolution

To its credit the Board has remained steadfast in formulating standards that are uniquely suited to the Federal Government environment. It is not recycling commercial standards but rather is formulating standards that recognize the unique Federal environment. At the same time, I believe the Board is moving toward less prescriptive standards and focusing instead on communication of the most essential information in the most meaningful form.

Philip T. Calder

Although I am a newer Board member, I have observed that a major change in FASAB is its increased overall visibility due to its achieving Rule 203 status through the American Institute of Certified Public Accountants. As a result of this status, there also is an increase in FASAB’s visibility in the academic community as the Board works to increase its outreach program through such efforts as the mid-year Government & not-for-profit sector meeting and the 2000 American Accounting Association (AAA) annual meeting. I also have noticed that one facet of the Board’s support that has not changed over the last 10 years is its staff—there has been substantial staff stability over time. Such stability provides the Board with the advantage of an institutional memory that can help overcome some of the problems inherent in Board turnover.

James M. Patton

Although I was not on the Board during its formative years, I have heard some of the more tenured members of the Board speak to issues surrounding internal control, systems development, and management reform. I believe that with the increased reliance on accountability reports and systems self-evaluation the

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Board's emphasis can shift to a more tightly focused view of fair presentation and essential disclosure. That seems to be the direction we are heading and I believe that is a good thing. I am not in favor of overly prescriptive standards because they tend to direct management to one approach at the expense of genuine communication.

Robert Reid

"Generally speaking, with the exception of representatives from two agencies, the composition of the Board in its first six years did not change. With a few exceptions, the bulk of the initial accounting standards were somewhat "traditional" and generally mirrored the private sector with one major exception. The initial Board recognized a need to report a significant amount of information regarding the application of resources used by, or resources or property assets entrusted to, the Federal Government on a stewardship (accountability) report. More recently, the composition of the Board has changed, almost completely turned over. In its wake, the new Board has been revisiting the notion of stewardship. Other reversals, and deferrals, also have occurred regarding other standards or portions of other standards. Such shifts in philosophy and ideology have had the unintended consequence of causing some to question whether the Board's deliberations are steadfast. However, such shifts also point out the Board's ability and willingness to remain flexible regarding particular standards when faced with new information or new situations."

Nelson Toyne

"The Board has continued to evolve over the past several years. At the outset, the Board focused on establishing a variety of basic Federal financial accounting concepts and standards. The accounting profession, through the American Institute of Certified Public Accountants,

recognized the Board in 1999 as the body governing Generally Accepted Accounting Principles (GAAP) for the Federal Government. The current Board has focused on refining the basic concepts and standards, as well as extending the concepts and standards to address a variety of Federal accounting areas, such as social insurance, national defense property, plant and equipment and stewardship matters. Future Board deliberations are likely to focus on Federal natural resources, trust funds, managerial cost accounting and the integration of financial and mission performance information.

Kenneth J. Winter

FASAB's Future Role

"FASAB's understanding of the differences between Federal and private accounting has been and will continue to be instrumental in establishing reasonable, achievable, and appropriate standards for the Federal Government."

Barry B. Anderson

We have only begun the process of communicating vital, reliable information in heavier doses to citizens, Congress, and management. Each will benefit and each will be able to make better, more informed decisions in the future. We have thus far focused mainly on financial reporting. As we combine detailed financial information with performance results and use the resulting information in the process of formulating future plans, the decision-making process will benefit.

Philip T. Calder

"FASAB must figure out a way to make the information meaningful to users. First, though, I believe the Board must reassess who the users are, and what information they need. I believe the users and their needs as perceived back in the early 90's are different than they are now;

the Board may need to stay in a dynamic state until we better understand what is useful and relevant, and to whom. In the interim, FASAB needs to continue to discuss and develop standards and/or concepts in a number of secondary but important areas such as: natural resources (following-up on a Board commissioned task force report); grants; performance measures (provided the Board does not attempt to define audit requirements); and imputed interest on capital (addressed as "cost of capital" in the Board's 1996 Invitation for Views)."

Joseph L. Kull

"The majority of the Board is pragmatic in seeking solutions. However, without investing future resources to examine the conceptual underpinnings of the reporting model, it will be difficult to continue to produce guidance that is comprehensive and coherent."

James M. Patton

Our standards provide the basis for realistic comparisons of agency results with their own prior years' results and to other agencies. As our reports mature and our standards evolve to tackle some of the finer points we will, for the first time in 200 years, provide real accountability and effective communication with our constituents. That, coupled with improved systems, will transform Federal financial management.

Robert Reid

"Over the years, the Board sometimes has been criticized as not giving enough credence to the notion of practicality, i.e., do the benefits to be derived exceed the cost of implementation. By giving additional deliberation to the benefits to be derived compared to the costs that will be required to deliver those benefits, the Board can demonstrate that its standards are practical, doable and worth every

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penny that it will cost the taxpayer to implement the standards. Additionally, the Board will continue to build upon the track record that it already has established and continue to set accounting standards that ultimately provide meaningful and useful information to the users of financial statements.”

Nelson Toye

“The Board can be expected to continue to play a key role in future Federal financial management improvements. The Board’s current financial accounting standards framework will be refined and strengthened. The framework and related concepts and standards will be integrated into Federal financial management and

resources management (budget) practices. Such strengthened practices will support Agency efficiencies and improved mission performance, including improved Federal financial accountability to America’s taxpayers.”

Kenneth J. Winter



FASAB to Update Its Codification

The FASAB is updating its codification of standards to include all concepts, standards, interpretations, technical bulletins, and technical releases issued through FY 2000. The current FASAB codification, *Volume 1, Original Statements* published in 1997, contains Statement of Federal Financial Concepts 1 and 2 and Statement of Federal Financial Accounting Standards 1 through 8.

The updated codification will be a two-volume set. *Volume 1, Original Pronouncements*, will contain standards as originally published. Volume 2 will be FASAB staff’s reorganization of the standards by subject, similar to the Financial Accounting Standards Board’s Current Text. Volume 1 will be issued first; Volume 2 is currently under development.

Volume 1, Original Pronouncements, will present each concept statement and accounting standard as a separate chapter. Each chapter will start with a cover page providing the issue and effective dates of each statement, referencing other relevant standards in *Original Pronouncements*, and listing any interpretations and technical releases that relate to the statement. A brief summary of the statement and a table of contents referenced to both page and paragraph numbers will follow the title page. The paragraph numbers will be the same as in the original statement.

In some cases the concept statements and accounting standards have been affected by subsequent concept statements and accounting standards. References will be provided on the title page of each chapter to direct the reader to the affected paragraphs and indicate the source and nature of the change. Within the text of the statements, ellipses will alert the reader to provisions explicitly deleted by subsequent statements. Original provisions modified or affected by a subsequent statement but not deleted will be noted on the title page of the chapter and double underlined in the text. New provisions added by a subsequent statement will not be inserted in the original statements. The glossaries originally published with each statement had been previously codified into a single glossary. That glossary will be an appendix to the codification update.

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Credit Program Reconciliation and Technical Amendments to SFFAS 2

At its October 5 meeting, the Board discussed responses to the exposure draft, *Amendments to Accounting for Direct Loans and Loan Guarantees in SFFAS 2*, issued in May 2000. In the exposure draft, the Board proposed displaying in financial reports a reconciliation for the subsidy cost allowance for direct loans and the liability for loan guarantees on a program-by-program basis for major programs. The exposure draft also contained a number of technical amendments to SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*.

The responses to the exposure draft were mixed. After deliberation, the Board decided to drop the proposed program-by-program reconciliation because:

“ Paragraph 11 of Statement of Federal Financial Accounting Standards 18, *Amendments to Accounting Standards for Direct Loans and Loan*

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Guarantees, requires an adequate amount of credit program information; and

“ The reconciliation data might not be useful to users of general-purpose financial reports, and

“ The cost of the requirement might exceed its potential benefits.

The Board decided to adopt the technical amendments to SFFAS 2. Most of the amendments involve word

changes to make the language in SFFAS 2 consistent with the standards adopted in SFFAS 18. However, they also include an amendment concerning the measurement of default costs. The Board agreed to make the technical amendments effective for periods beginning after September 30, 2002, with earlier implementation encouraged.

Point of contact: Richard Mayo, 202-512-7356, mayor.fasab@gao.gov.

When completed, Volume 1 of the codification will be available in PDF format on FASAB's Web site (www.financenet.gov/fasab.htm). It also will be printed and distributed to those on FASAB's print mailing list; it will be subsequently available for purchase through the Government Printing Office.

Point of Contact:
Richard Fontenrose, 202-512-7358,
fontenroser.fasab@gao.gov.



FASAB's Upcoming Meetings

2000

December 7-8 (6N30)

2001

February 22 & 23

April 26 & 27

June 18 & 19

August 23 & 24

October 18 & 19

December 13 & 14

Location

General Accounting Office, 441 G Street, NW, Washington, DC 20548.

When available, the room number is listed next to the meeting date.

Agendas are posted to the FASAB web page one week prior to meetings.

AAPC Upcoming Meetings

2000

November 9

2001

January 18

March 8

May 10

July 12

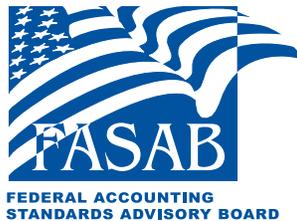
Sept 13

Nov 8

Location

General Accounting Office, 441 G Street, NW, in Room 4N30, beginning at 1:30 PM.

Point of contact: Monica R. Valentine, 202-512-7362, valentinem.fasab@gao.gov



FASAB's Web Page:

www.financenet.gov/fasab.htm

Note: *FASAB News* is published by the staff of the Federal Accounting Standards Advisory Board. This newsletter, highlighting recent Board actions, is issued after Board meetings to provide the public with an understanding of issues that the Board is considering. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Lucy Lomax, 202-512-7359, lomaxm.fasab@gao.gov

Please direct FASAB and AAPC administrative questions to Dick Tingley, 202-512-7361, tingleyr.fasab@gao.gov

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