



Federal Accounting Standards Advisory Board

**Deferral of the Effective Date of
Technical Bulletin 2006-1, *Recognition and Measurement
of Asbestos-Related Cleanup Costs***

Technical Bulletin 2009-1

EXPOSURE DRAFT

Written comments are requested by July 17, 2009

June 4, 2009

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

FASAB has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board’s rules of procedure, as amended and restated through December 2003, and the procedures described in FASAB Technical Bulletin 2000-1, “*Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.*” The provisions of Technical Bulletins need not be applied to immaterial items.

Additional background information is available from the FASAB or its website:

- ◆ “Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”
- ◆ “Mission Statement: Federal Accounting Standards Advisory Board”, Exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

June 4, 2009

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the board) staff is requesting comments on the exposure draft of a proposed Technical Bulletin entitled, *Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs*. A specific question for your consideration appears on page 1 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the board if you explain the reasons for your position and any alternative you propose. Responses are requested by July 17, 2009.

All responses received by the FASAB are considered public information and will be posted to the FASAB's website and added to the project's public files.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses should be sent by e-mail to fasab@fasab.gov. If you are unable to e-mail your response, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your response to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

The board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

Wendy M. Payne
Executive Director

Executive Summary

- I. In September of 2006, FASAB issued Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*. Technical Bulletin 2006-1 clarified the required reporting of liabilities and related expenses arising from asbestos-related cleanup costs. Technical Bulletin 2006-1 was to be effective for reporting periods beginning after September 30, 2009. Standards issued by FASAB have precedence over other authoritative guidance for federal entities. Technical bulletins supplement any relevant federal standards, but are not a substitute for and do not take precedence over standards and interpretations issued by FASAB.
- II. In March 2009, FASAB staff members received a request from the federal agency members of the Accounting and Auditing Policy Committee (AAPC) disposal subgroup, excluding the audit representatives, that the implementation of Technical Bulletin 2006-1 be delayed because of the reporting complexity, limited resources, and shifting priorities within the federal government due to the American Recovery and Reinvestment Act.
- III. While noting the importance of estimating and reporting on asbestos-related cleanup costs, staff agrees that the current effective date is not feasible in light of the implementation issues that have been identified. Therefore, the effective date is deferred for two years.

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Question for Respondents

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Question for Respondents

Respondents may offer a response to the specific question posed below, raise new issues, or respond generally. It is most helpful if your response includes an explanation for your position and any alternatives you propose. All responses received will be publicly available on the FASAB website and at the FASAB offices.

Your response should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by e-mail, please fax your response to (202) 512-7366 and follow up by mailing your response to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
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All responses are requested by July 17, 2009.

Q1. Do you agree or disagree with the proposed two-year deferral of Technical Bulletin 2006-1? Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A10).

Proposed Technical Guidance

Scope

1. This guidance affects all federal entities that own buildings, facilities, ships, or other tangible property, plant, and equipment (PP&E) that contain any form of asbestos and present general purpose financial reports in conformance with proposed Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.¹

Amendment of Technical Bulletin 2006-1

2. The effective date of the guidance on recognition and measurement of asbestos-related cleanup costs provided in par. 50 of Technical Bulletin 2006-1 is amended as follows:

This technical bulletin is effective for reporting periods beginning after September 30, ~~2009~~2011. Earlier adoption is encouraged.

Effective Date

3. This technical bulletin is effective upon its issuance.

The provisions of this bulletin need not be applied to immaterial items.

¹ SFFAS 34 was approved by the Board and sent to the principals for a 90-day review period; the Board expects to issue SFFAS 34 as final in July 2009.

Appendix A: Basis for Conclusions

The Federal Accounting Standards Advisory Board has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the board's rules of procedure, as amended and restated through April 2004, and the procedures described in FASAB Technical Bulletin 2000-1, "*Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.*" The provisions of Technical Bulletins need not be applied to immaterial items.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this Technical Bulletin. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the technical guidance section – not the material in this appendix – should govern the accounting for specific transactions, events or conditions.

- A1. In March 2009, FASAB staff members received a request from the federal agency members of the Accounting and Auditing Policy Committee (AAPC) disposal subgroup, excluding the audit representatives, that the implementation of Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, be delayed until October 1, 2011 because of the reporting complexity, limited resources, and shifting priorities within the federal government due to the American Recovery and Reinvestment Act (ARRA). This request was not supported by all members of the AAPC disposal subgroup.
- A2. The request stated that when Technical Bulletin 2006-1 was released with an effective implementation date for reporting periods after September 30, 2009, federal agencies began to evaluate their ability to estimate their asbestos-related cleanup cost liability. The subgroup's research into facility management practices has shown that agencies do not track asbestos in buildings, structures, or equipment except on a limited basis. Asbestos in building materials is only federally-regulated under limited conditions. Most asbestos is regulated by states resulting in decentralized data collection and management to address state-specific requirements. Additionally, there is limited guidance available on the collection and reporting of asbestos-related cleanup costs. For example, there is some confusion as to whether federal agencies will be able to model costs or whether they will need to assess each building and structure individually. Once AAPC completes and releases its implementation guidance on asbestos, agencies will need to develop agency-specific guidance, collect data, and prepare their cost estimates. In many cases, new or substantially modified tracking systems may be required.
- A3. The request also noted that federal agencies now face the implementation of ARRA and its impact on federal land managers. For example, the Department of the Interior (DOI) has received more than \$3 billion for infrastructure and other projects. This is a two-year funding that must be executed for creating jobs and boosting the economy. Many of the facility, engineering, and environmental staff that would work to develop asbestos cost estimates are now committed to executing this historic endeavor and would not be able to shift priorities to work on asbestos-related liability estimates.

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- A4. In considering the subgroup's request for delayed implementation of TB 2006-1, FASAB staff reviewed prior deferrals the FASAB has made in the past and discussed TB 2006-1 and the subgroup request at length with representatives from DOI's National Park Service, Office of Environmental Policy and Compliance, and Office of Finance; the Government Accountability Office; and the Department of State. Staff also attempted to talk to individuals at the General Services Administration (GSA) and the Department of Energy but did not receive a response.
- A5. When staff originally proposed the technical bulletin in 2006, the Board questioned why staff was providing such a long implementation period for a standard that was already in effect; the technical bulletin restates the requirements in Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant and Equipment*, and specifically applies them to asbestos. Staff had responded that there was some conflicting guidance in place that had resulted in inconsistent reporting among agencies.² The extended implementation period was established to provide federal entities with the time to incorporate the resource requirements into their budget requests and complete remedial investigation/feasibility studies or take similar steps in order to comply with the guidance.
- A6. However, there are several agencies that have been actively working toward compliance with the technical bulletin since it was issued in September 2006 and are encountering significant difficulties and unanswered questions. It was expressed to staff that the sheer volume of buildings and structures involved in the estimates is overwhelming. According to the fiscal year 2007 Federal Real Property Report published by GSA in May 2008, there are nearly 1,000,000 federal buildings and structures with a replacement value of over \$1.5 trillion. The top five in number belong to Army (233,000), Interior (163,000), Navy (153,000), Air Force (149,000), and Transportation (59,000) and comprise 82% of the total buildings and structures.
- A7. The individuals that staff spoke with have significant concerns about developing a methodology that will be accepted by the auditors and are working with limited resources. Agencies have encountered trouble finding contractors to assist them with developing estimates due to a number of factors, including conflict of interest concerns and a general lack of knowledge about where to begin. In discussions with staff, federal agency representatives expressed that there is not a good asbestos estimation model available to meet their purposes; many of the models out there require extensive input information and are more useful in developing a cost estimate once the extent of asbestos contamination is already known (i.e., post-survey). Agencies have received quotes on the additional costs that would be incurred to add nonfriable asbestos to condition assessment surveys (e.g., \$2,000,000) and are hesitant to invest in that expense.
- A8. Agencies have questioned whether they can eliminate from the population those buildings and structures of a smaller size that would incur significantly less asbestos

² EITF 89-13, Accounting for the Cost of Asbestos Removal

cleanup costs but are uncertain whether that would be acceptable or not. Some agencies have thought about lumping like facilities together (i.e., lumping warehouses together and office buildings together) and then obtaining data on 1% of each grouping of facilities and extrapolate the data across the groupings; however, they again question whether this methodology would be acceptable to the auditors. One agency, which has approximately 20,000 structures, has invested more than \$550,000 in contract costs to have approximately 3% of its structures estimated. From reviewing the initial contract costs and anticipating some economies of scale, the agency estimates spending between \$350 to \$500 per asset using the contractor's approach. Having only recently received the initial results from the contractor, the agency is reviewing the information to determine next steps, including data usability for modeling. The agency remains concerned about the overall implementation cost.

- A9. In addition, staff is aware that the AAPC disposal subgroup is working on implementation guidance for the technical bulletin which may prove helpful to agencies in supporting their estimation methodologies and consistently reporting asbestos cleanup costs. Staff would encourage that this guidance be issued as quickly as possible to provide agencies with sufficient time to utilize it.
- A10. Due to the reasons stated in the preceding paragraphs, staff recommends that the effective date of Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, be deferred for two years to provide federal agencies with additional time to resolve implementation issues that have been identified since Technical Bulletin 2006-1 was issued.

Appendix B: Abbreviations

AAPC	Accounting and Auditing Policy Committee
ARRA	American Recovery and Reinvestment Act
DOI	Department of the Interior
FASAB	Federal Accounting Standards Advisory Board
GSA	General Services Administration
PP&E	Property, Plant, and Equipment
SFFAS	Statement of Federal Financial Accounting Standards

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