



Federal Accounting Standards Advisory Board

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

Technical Bulletin 2011-2

EXPOSURE DRAFT

Written comments are requested by August 3, 2011

July 13, 2011

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 October 2010, 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 Government Accountability 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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July 13, 2011

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, *Extended 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 August 3, 2011.

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. 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. Technical Bulletin 2006-1 was to be effective for reporting periods beginning after September 30, 2009. [Technical Bulletin 2009-1, Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs](#), subsequently deferred Technical Bulletin 2006-1 for two years, making it effective for reporting periods beginning after September 30, 2011.

- II. In April 2011, FASAB received a letter from the U.S. Department of the Interior (DOI), requesting that the information required by Technical Bulletin 2006-1 be reported as required supplementary information (RSI) for several fiscal years until more data becomes available to make a more reliable estimation for asbestos-related cleanup costs.

- III. Because of the importance of estimating and reporting on asbestos-related cleanup costs, instead of requiring the information to be reported as RSI for several years, staff proposes to defer the effective date of Technical Bulletin 2006-1 for one additional year to enable DOI and other agencies to finalize their methodology and develop an estimate. Early implementation is strongly encouraged.

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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
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by August 3, 2011.

Q1. Do you agree or disagree with the proposed additional one-year deferral of Technical Bulletin 2006-1? The new effective date would be for reporting periods beginning after September 30, 2012. Please explain the reasons for your position in as much detail as possible (see discussion in pars. A1 through A9).

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 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*.

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, ~~2011~~2012. Earlier adoption is encouraged.

Effective Date

3. This Technical Bulletin is effective upon its issuance.

**The provisions of this Technical Bulletin need not
be applied to immaterial items.**

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. On April 15, 2011, staff received a formal letter from the U.S. Department of the Interior (DOI), requesting that the board revisit [Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs](#), to consider permitting agencies to report the estimated asbestos-related cleanup liability in required supplementary information (RSI) for several fiscal years until more data becomes available to make a more reliable estimation for asbestos-related cleanup costs (see Appendix B for a copy of DOI's letter).
- A2. The request stated, "To comply with the requirements of SFFAS 6 and TB 2006-1, the Department of the Interior (Interior) began compiling cost data related to the cleanup of friable and non-friable asbestos. To date, Interior has surveyed more than 3,000 buildings and structures at a cost of more than \$2.5 million. Interior owns approximately 160,000 buildings and structures. To estimate the total asbestos-related cleanup costs for this large inventory of real property, Interior has chosen the cost modeling approach based on existing survey data. The modeling approach, though the least costly of all methodologies, poses several problems for Interior. First, the cost factor developed based on existing surveys is not representative for all asset types. Actual surveys performed by Interior were primarily on buildings, and Interior owns more than 106,000 structures, for which little or no actual cleanup data is available. Second, although Federal Accounting Standards Advisory Board (FASAB) allows the use of information from industry-specific cost estimation publications or standardized costs factors developed for each state, there is little or no actual asbestos cleanup data available for certain asset groups. For example, there is no actual asbestos-related cleanup data available for monuments and other types of heritage assets owned by Interior."
- A3. DOI's request went on to state, "In order to continue with this approach, Interior would need to perform a significant number of additional surveys for certain assets groups and this presents a major challenge. In light of current resource constraints, coupled with probable future budget cuts, the requirement to complete additional surveys would impose a significant financial hardship for Interior. We also need to consider the impact to our financial statements audit. Interior will likely face hurdles with our

external auditors due to the inability to dedicate more resources to the performance of more surveys. Because of resources constraints, Interior may experience adverse action during the financial statement audit once TB 2006-1 becomes effective as written.”

- A4. Members had an opportunity to ask representatives from DOI questions about its request at the April 28, 2011, board meeting during a separate discussion related to Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*. At that meeting, several of the board members agreed that they would like to have a status of what other agencies were doing before they made a decision on it.
- A5. In addition to obtaining more specific information on DOI’s methodology and its facilities, staff performed the following research and outreach regarding reporting for asbestos-related liability costs following the April 28, 2011, FASAB meeting:
- a. Researched and reviewed how other federal agencies (entities that primarily apply standards issued by the nongovernmental Financial Accounting Standards Board (FASB) and early implementers of FASAB requirements) have reported asbestos-related liability costs;
 - b. Researched and reviewed how respondents to FASB Interpretation No. (FIN) 47, *Accounting for Conditional Asset Retirement Obligations* (now FASB Accounting Standards Codification (ASC) 410-20), *Asset Retirement Obligations*, and others, have reported asbestos-related liability costs;
 - c. Sent a poll on agency readiness for implementation of Technical Bulletin 2006-1 to Agriculture, Commerce, Defense, Energy, General Services Administration, Health and Human Services, Homeland Security, Housing and Urban Development, DOI, Justice, Labor, National Aeronautics and Space Administration, National Science Foundation, State, Transportation, Treasury, Veterans Affairs, the Financial Statement Audit Network listserv, and participants of the Accounting and Auditing Policy Committee Asbestos Subgroup;
 - d. Organized an agency roundtable on implementation of Technical Bulletin 2006-1 to provide an opportunity for the federal community to:
 - i. learn about others’ experiences and methodology for estimating asbestos cleanup costs per the requirements of:
 1. FASAB Statement of Federal Financial Accounting Standards 6, *Accounting for Property, Plant, and Equipment, Chapter 4, Cleanup Costs*; and Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*; and,
 2. FASB ASC 410-20, *Asset Retirement Obligations*

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- ii. discuss best practices and issues surrounding the implementation of Technical Bulletin 2006-1; and,
 - e. Actively sought participants that would be willing to share different methodologies and best practices related to reporting of asbestos-related liabilities at the roundtable.
- A6. Based on staff's research and outreach, the majority of agencies believe they have taken the steps necessary to implement Technical Bulletin 2006-1 for fiscal year 2012. However, of the agencies responding to staff's readiness poll, the three agencies that responded that they would not be ready for a 2012 implementation data, collectively own over 60% of the total number of buildings and over 49% of the total square footage reported on the fiscal year 2009 Federal Real Property Statistics Report.¹
- A7. At the June 22, 2011, meeting, staff briefed FASAB board members on the results of its research and outreach and answered questions related to DOI's request and staff's recommendation. A representative from DOI who was observing the meeting responded to members' questions about the current status of its efforts and plans for implementation.
- A8. DOI is actively working towards developing a reasonable estimate of their asbestos-related liabilities, but has formally requested a little more time to finalize it. In addition, several other agencies that collectively own over half of the federal real property are not yet prepared for a 2012 implementation. With the information shared at the recent roundtable on implementation of Technical Bulletin 2006-1 and the expectation that the CFO Council will lead an effort to coordinate implementation through the sharing of relevant data and experience, staff believes DOI and other federal agencies will be more effectively implement the reporting requirements. The planned joint efforts will likely lead to more cost effective implementation as well as more comparable results. To allow time for such efforts, a fiscal year 2013 implementation date is needed.
- A9. For those reasons, staff recommends that the effective date of Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, be deferred for one additional year to enable DOI and other agencies to finalize their methodology and develop an estimate. Early implementation is strongly encouraged.
- A10. In addition, to ensure that issues arising during the implementation effort are identified timely, staff plans to host an additional roundtable in early 2012.

¹ Available online at www.gsa.gov/graphics/ogp/FY2009_FRPR_Statistics.pdf; last accessed April 21, 2011.

Appendix B: Letter from DOI



United States Department of the Interior
OFFICE OF THE SECRETARY
Washington, DC 20240



APR 15 2011

Ms. Wendy M. Payne, CPA, CGFM
Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, D.C. 20548

Re: Request for Presentation of Asbestos-Related Liability in the Required Supplementary Information Section of the Agency Financial Report

Dear Ms. Payne:

Statement of Federal Financial Accounting Standards (SFFAS) 6: *Accounting for Property, Plant, and Equipment* requires federal agencies to recognize a liability for cleanup costs associated with hazardous waste removal, containment, or disposal and provides guidance on inter-period cost allocation for cleanup costs. Technical Bulletin (TB) 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, restates the requirements in SFFAS 6 and specifically applies them to asbestos. It clarifies the required reporting of liabilities and related expenses arising from asbestos-related cleanup costs for federal agencies. TB 2009-1 deferred the effective date of TB 2006-1 to periods after September 30, 2011. Technical Release 10: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* provides additional clarification of SFFAS 6 and TB 2006-1 for identification and recognition of asbestos-related cleanup costs and provides a methodology for identifying and recognizing asbestos liabilities associated with federal real property.

To comply with the requirements of SFFAS 6 and TB 2006-1, the Department of the Interior (Interior) began compiling cost data related to the cleanup of friable and non-friable asbestos. To date, Interior has surveyed more than 3,000 buildings and structures at a cost of more than \$2.5 million. Interior owns approximately 160,000 buildings and structures. To estimate the total asbestos-related cleanup costs for this large inventory of real property, Interior has chosen the cost modeling approach based on existing survey data. The modeling approach, though the least costly of all methodologies, poses several problems for Interior. First, the cost factor developed based on existing surveys is not representative for all asset types. Actual surveys performed by Interior were primarily on buildings, and Interior owns more than 106,000 structures, for which little or no actual cleanup data is available. Second, although Federal Accounting Standards Advisory Board (FASAB) allows the use of information from industry-specific cost estimation publications or standardized cost factors developed for each state, there is little or no actual asbestos cleanup data available for certain asset groups. For example, there is no actual asbestos-related cleanup data available for monuments and other types of heritage assets owned

by Interior. In order to continue with this approach, Interior would need to perform a significant number of additional surveys for certain asset groups and this presents a major challenge. In light of current resource constraints, coupled with probable future budget cuts, the requirement to complete additional surveys would impose a significant financial hardship for Interior. We also need to consider the impact to our financial statement audit. Interior will likely face hurdles with our external auditors due to the inability to dedicate more resources to the performance of more surveys. Because of resource constraints, Interior may experience adverse action during the financial statement audit once TB 2006-1 becomes effective as written.

Based on these concerns, Interior respectfully requests that the FASAB staff examine the requirements of SFFAS 6 and TB 2006-1 and consider the cost and benefit of acquiring more cleanup cost information when resources are scarce. Based on cost-benefit ratio consideration described in FASAB Statement of Federal Financial Accounting Concept 6: *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, Interior is requesting that FASAB consider allowing for presentation of the asbestos-related cleanup costs in the Required Supplementary Information instead of the Basic Information of the Agency Financial Report for several fiscal years until more data becomes available to make a more reliable estimation for asbestos-related cleanup costs.

For questions or concerns on this request, please contact Edward King at ed_king@ios.doi.gov or at (202) 208-3425, or Eric Eisenstein at eric_eisenstein@ios.doi.gov or at (202) 208-3417.

Sincerely,



Eric Eisenstein,
Acting Director, Office of Financial Management, and Acting Deputy Chief Financial Officer

Appendix C: Abbreviations

ASC	Accounting Standards Codification
DOI	U.S. Department of the Interior
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation Number
PP&E	Property, Plant, and Equipment
RSI	Required Supplementary Information
SFFAS	Statement of Federal Financial Accounting Standards

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