



*FASAB News*  
*Federal Accounting Standards*  
*Advisory Board*

**AUGUST/SEPTEMBER 2010**

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**Tom Allen Reappointed to a Second Five-year Term as Chairman**



Tom Allen has been appointed to a second term as chairman of the Federal Accounting Standards Advisory Board beginning January 1, 2011. His appointment was a joint action of Timothy Geithner, Secretary of the Treasury; Peter Orszag, then Director of the Office of Management and Budget; and Gene Dodaro, acting Comptroller General of the United States. Their action followed the unanimous recommendation of the FASAB Appointments Panel that he be reappointed. He began his first term as a member on January 1, 2006. The following January, his tenure as chairman began.

Mr. Allen, in addition to his service to FASAB, is on the accounting department faculty at Weber State University. Prior to joining Weber, he retired in 2004 as Chairman of the Governmental Accounting Standards Board (GASB) after serving in that capacity for nine years. Prior to becoming the GASB Chairman on July 1, 1995, he served one

year as a part-time member of the Board. Mr. Allen was elected as Utah State Auditor in 1984 and served as the State Auditor of Utah until he resigned to chair the GASB.

At the August meeting, the members and staff expressed their appreciation for his service and welcomed him back for another five-year term.

## Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

### **Disclaimer**

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. 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 Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@fasab.gov).

### Federal Entity

The Board discussed the following issues at the August meeting:

- *Issue 1- Wrap up of Conclusive Principle Open Items*
- *Issue 2- Approach for Considering the Indicative Principles for INCLUSION*
- *Issue 3- Indicative Principles Comparison to SFFAC 2 Criteria*
- *Issue 4: Indicative Principle—Majority Ownership (Board decided at the June Board meeting to address Minority Interest in the Proposed Statement)*

The Board resolved issue items 1, 3 and 4. Specifically, the Board agreed to be silent regarding financing accounts not listed in the budget which is similar to how the Board agreed it would address the issue of entities partially in the budget. Instead, staff may include additional explanation in the basis for conclusions. The Board appeared in agreement that the indicative principles are consistent with the criteria presented in SFFAC 2. There is some question regarding how the current indicative criteria 'exercising sovereign power' aligned with control. The Board agreed minority interests would not be addressed in the entity standard, instead there would be a footnote simply stating for interest less than 50 apply the GAAP hierarchy.

The Board did not resolve issue 2 and requested staff to work on several items for the December Board meeting. Staff will reconsider if the Statement should have a distinction between conclusive and indicative principles.

Staff will develop approximately three total packages or versions for the Board's consideration: 1.) One version would be similar to the Draft presented with refinements, and clarifications about the exclusions, developed presentations and disclosures and possibly some related party options. 2.) One version would allow more judgment up front in determining the boundary of what's in the reporting entity by considering principles in the aggregate and 3.) One version would focus more directly

on Related Parties with more fully developed presentation options and the 'established by' principle would be deemphasized or dropped.

**Point of Contact:** Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

#### The Financial Report: MD&A, Statements, Notes, RSI and OAI

At the August 2010 meeting, the Board discussed the progress of the federal reporting model task force. The task force is developing a report to the FASAB. The report would not be the final product of the project, but it would convey recommendations that relate to the reporting model broadly rather than narrowly focusing on the aspects governed by accounting standards issued by the FASAB. Recognizing that the benefit to be obtained from federal financial reports is affected not only by the content of the reports but also by outreach to users and potential users, cultural factors, and delivery mechanisms (e.g., electronic innovations), the task force believed the broad view would be most helpful to FASAB, its sponsors and the larger federal financial management community. The task force plans to meet on September 21, 2010, to finalize the report.

In addition, in response to concerns that disclosures had become too detailed, the Board believed it would be beneficial to begin a project to reconsider disclosures. The Board discussed different research approaches for conducting the project and believed that interviewing experts would be beneficial. Staff plans to develop an approach to discuss at the October 2010 meeting.

**Point of Contact:** Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

#### Managerial Cost Accounting – Federal Reporting Model

As a result of the board's deliberations in June, staff was directed to contact the Office of Management and Budget (OMB) to inquire about partnering with OMB and / or the CFO Council to promote managerial cost accounting within the federal government. Members indicated that having OMB and/or CFO Council support and leadership for the development and distribution of a best practices guide would be essential to its success. The board did not want to continue to allocate staff resources to the project unless staff was working in a joint effort with OMB and/or the CFO Council.

After staff consultation with OMB, OMB concluded that a joint effort was not necessary. Instead, the CFO Council would develop any desired tools and/or guides in the future.

FASAB's cost accounting project is now closed. However, since the forum on cost accounting was considered extremely useful by participants, FASAB staff plans to hold another educational session on managerial cost accounting in January or February 2011.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

## Natural Resources

Staff is drafting a technical bulletin to address accounting for other types of federal natural resources beyond oil and gas.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

## FASB Reporting by Federal Entities (Appropriate Source of GAAP)

Staff is continuing research to determine whether additional reporting should be required for any of the entities that primarily apply FASB GAAP in order to meet users' needs and federal financial reporting objectives. Further progress on this project will depend on workload demands of projects that have been designated as higher priority.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

## AICPA Omnibus

On August 4, 2010, the FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 39, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards*. The American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards (SAS) AU section 560, Subsequent Events, includes accounting and financial reporting guidance that is not discussed in the authoritative literature that establishes accounting principles. The objective of SFFAS 39 is to incorporate that guidance into the authoritative literature of the FASAB.

Events or transactions that affect the basic information or required supplementary information (RSI) may occur subsequent to the end of the reporting period but before the financial report is issued. Some of those transactions and events require adjustments to the basic information or RSI while others may require disclosure in the basic information or RSI. SFFAS 39 addresses the circumstances that may require adjustments or disclosure.

**Point of Contact:** Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

## Deferred Maintenance & Asset Impairment

At the August 26<sup>th</sup> Board meeting the Board discussed the major issues raised by respondents in comment letters on the Board's Exposure Draft entitled, *Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*.

Although the Board agreed not to hold a public hearing concerning the definition phase of the project, it believes that the measurement and reporting phase might require a public hearing. The Board acknowledged that the Exposure Draft received a robust response and that the majority of the respondents were in favor of the proposed changes.

Several respondent issues seemed to draw most of the Board's attention:

- whether deferred maintenance and repairs (DM&R) should apply to capitalized PP&E and non-capitalized stewardship PP&E or more broadly to fixed assets,
- varying degrees of interpretation among agencies resulting in inconsistent reporting; i.e. whether or not maintenance is in fact deferred or extended,
- whether or not deferred capital investments should be reported along side DM&R to reflect fiscal exposure while also helping to frame DM&R,
- (re)consideration of a useful life concept for DM&R reporting, and
- whether DM&R should be reported regardless of asset condition.

Many of the issues arising from respondent comments circled around measurement and/or reporting matters. Although the Board broached some of these issues, it agreed that such matters were premature to discuss before further task force analysis and staff review. Furthermore, the Board agreed to handle the balance of the issues identified by respondents via clarifications to the language contained in the Exposure Draft, implementation guidance or technical bulletin.

The Board noted that having a task force comprised of multi-disciplinary professionals enhances the value of the project. Specifically, this project provides an opportunity to not only make financial statement information (RSI) useful for managers in decision-making (i.e. budgeting and management), but also address concerns as to the relevance of capital asset reporting in general by recognizing that links exist between DM&R and capital asset reporting as well as costs associated with maintaining those capital assets.

Materiality and government-wide consistency were discussed to the extent that they are both relevant factors to be considered as we move into the measurement and reporting phase. Finally, the Board agreed not to hold a public hearing concerning the definition phase of the project.

Board briefing materials are found at <http://www.fasab.gov/meeting.html>; select Tab G. The Exposure Draft is at <http://www.fasab.gov/exposure.html>.

The Board wishes to thank those who took the time to respond to the Exposure Draft and invites interested parties and stakeholders to contact staff should they have any questions or desire to join the task force. Please contact Mr. Domenic N. Savini at 202-512-6841 or email at [savinid@fasab.gov](mailto:savinid@fasab.gov).

**Point of Contact:** Domenic Savini, 202-512-6841, [Savinid@fasab.gov](mailto:Savinid@fasab.gov)

## Review of Existing Standards: Earmarked Funds

At the August Board meeting, staff noted that preliminary research indicated that the predominant source of funding for earmarked funds with very large negative net position, such as civil service retirement funds, comes from general fund appropriations and not dedicated collections. Accordingly, the predominant source of funding might be a potential solution for excluding those funds from the category of earmarked funds. It was noted that OMB A-136 already provides guidance to the effect that agencies can classify funds as earmarked funds based upon the predominant source of funding, so there is already a precedent for such guidance. Staff will develop draft language for discussion at the October Board meeting. (The draft language would be part of a future exposure draft to amend Statement of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Earmarked Funds*.)

Staff reported that the Earmarked Funds Task Force had indicated that the SFFAS 27 requirements regarding eliminations at the component agency level were extremely confusing and explained the various problems. The Board agreed that staff should develop proposed revised language for eliminations with examples for the October Board meeting.

Staff reported that most of the Task Force members also strongly believed that disaggregating earmarked funds information on the face of the agency-level financial statements resulted in a presentation that is overly complex and confusing for the general public. Accordingly, the Task Force recommended placement of this information in the notes. Staff recommended and the Board agreed that there should be preparer discretion regarding placement on the face of the statements or in the notes. Staff will draft language for review at the October meeting.

The Board also agreed that SFFAS 27 is insufficiently clear that the dedicated collections must come from a non-federal source. Staff will draft language to amend SFFAS 27 for review at the October meeting.

Point of Contact: Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

## Pronouncements as Amended

The annual update of the Pronouncements as Amended is now available on the website at <http://fasab.gov/codifica.html>. Because this volume presents each pronouncement with all subsequent amendments, it is the preferred reference document. The volume includes all pronouncements issued as of June 30, 2009. Any pronouncements issued after that date are also available on the website.

Prior year's editions remain available – a link to the archived edition is available at the above page.

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 4 CY2010	Quarter 1 CY2011	Quarter 2 CY2011	Quarter 3 CY2011	Staff Contact
Natural Resources	Oil & Gas Final – April 2010	Draft Technical Bulletin	ED	Technical Bulletin UR	Final Technical Bulletin	Julia Ranagan, 202-512-7377
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
FASB Reporting by Federal Entities		Research	Research	Research	Research	Julia Ranagan, 202-512-7377
Deferred Maintenance & Asset Impairment		Research DP - Definition	Research	Research	ED on measurement and reporting	Domenic N. Savini, 202-512-6841
Earmarked Funds		Research	Research	ED	DP	Eileen Parlow, 202-512-7356
<b>Conceptual Framework Project:</b>						
Measurement Attributes		ED	DP	DP	UR	Penny Wardlow, 202-512-7350
Financial Reporting Model		Research	Research	Research	Research	Ross Simms, 202-512-2512

Key Activities or Status - Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations  
 ED—Exposure Draft Issued  
 DP—Board Due Process, including review of comment letters, etc.  
 PH—Public Hearing  
 PV—Preliminary Views Issued  
 UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review  
 Final—Final Standard, Concept, Interpretation, etc. issued final.

# Accounting and Auditing Policy Committee

## **General PP&E Project**

The July 22<sup>nd</sup> scheduled meeting of the AAPC was canceled. However, the AAPC G-PP&E task force is continuing its work. The next meeting of the AAPC is scheduled for Thursday, September 16, 2010 at 1:00 pm.

The task force was formed to assist in developing implementation guidance for federal G-PP&E as it relates to SFFAS 6, *Accounting for PP&E*, SFFAS 23, *Eliminating the Category National Defense Property Plant, & Equipment*, SFFAS 35 *Estimating the Historical Cost of G-PP&E* and other related G-PP&E guidance developed by the FASAB. The task force was separated into four subgroups that are named for the group of issues to be addressed by each sub-group. The G-PP&E subgroups are Acquisition, Use, Disposal, and Records Retention. The subgroups are working on implementation guidance in several areas, such as estimating the historical cost of G-PP&E, disposal of G-PP&E, cost allocations for G-PP&E, construction in progress using contractor finance payments, etc.

## **Management's Discussion and Analysis Project**

The AAPC is developing a "management's discussion and analysis" ("MD&A") best practices report under the leadership of AAPC member Regina Kearney. An ad hoc AAPC task group ("TG") was formed in March 2010 to review FY 2009 MD&As based on criteria developed from the Office of Management and Budget's Circular A-136. Circular A-136 MD&A guidance is essentially the same as Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, and Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*, and therefore also reflects the Association of Government Accountants' Certification of Excellence in Accountability Reporting (CEAR) review guidance, which cites Circular A-136 almost paragraph-by-paragraph.

The TG met in April, May, and August, 2010, to review and discuss selected examples of FY 2009 MD&A. The TG will conclude its work in September 2010 and a final draft of the report will be submitted to the AAPC for its consideration.

**Point of Contact:** Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)



# FASAB Meeting Schedule

## Schedule for 2010 Meetings:

Wednesday, October 27<sup>th</sup> and Thursday, October 28<sup>th</sup>  
Thursday, December 16<sup>th</sup> and Friday, December 17<sup>th</sup>

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/meeting.html> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2010 Meetings:

Thursday, September 16  
Thursday, November 18

Unless otherwise noted, AAPC meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://fasab.gov/aapc/meeting.html> approximately one week before the meetings.

# Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to staff at 202-512-7350 or [fasab@fasab.gov](mailto:fasab@fasab.gov) **at least two days before the meeting**. The Government Accountability Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.