



FASAB Newsletter

Federal Accounting Standards Advisory Board

October/November 2016 TABLE OF CONTENTS

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Member News

Patrick McNamee has been appointed by Jacob Lew, the Secretary of the Treasury; Shaun Donovan, the Director of the Office of Management and Budget; and Gene Dodaro, the Comptroller General of the United States to serve a five-year term on FASAB. Mr. McNamee's term will begin January 1, 2017, when current member Sam McCall completes his term.

Mr. McCall brought a unique perspective to the Board thanks to his substantial experience in state and local government and his focus on performance reporting by governments. He has over 45 years of experience in governmental auditing, having served as the deputy state auditor for the state of Florida, the city auditor in Tallahassee, and the chief audit officer for Florida State University. He helped address complex issues such as the scope of the federal reporting entity, public-private partnerships, and tax expenditures. His service significantly improved federal financial reporting and his contributions will be missed.

Mr. McNamee, recently retired partner at PricewaterhouseCoopers (PwC), is well known for his contributions to standard setting. Early in his career, he supported the American Institute for Certified Public Accountants' Auditing Standards Board and the

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter 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 this is 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 Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or wug@fasab.gov.

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or parkerr1@fasab.gov.

Government Accountability Office's Government Auditing Standards. For the six years prior to his retirement from PwC, he worked in the national office on development of policy, guidance, and training. In addition, Mr. McNamee has extensive experience serving as engagement partner on the audits of federal agency financial statements. He led the audits of agencies such as the Social Security Administration, NASA, the Department of Justice, the General Services Administration, and the U.S. House of Representatives. Mr. McNamee is a certified public accountant and a certified government financial manager. He earned a bachelor's degree in accounting from the University of Southern California and a master's degree in management information systems from the University of Virginia.

Current Board Projects

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

Accounting and Reporting of Government Land

At the October 2016 Board meeting, members generally agreed on two major points: (1) greater clarity and uniformity in land reporting seems warranted and would foster greater transparency and (2) additional information is needed from users to inform deliberations.

Specifically, some members made the following observations:

- The importance of knowing how many acres an agency holds for the benefit of future generations
- Acreage information seems to be the common denominator needed by most, if not all, users
- The presentation of unit information alone has limited value
- Some level of audit assurance is needed
- A better grasp of overall user needs, including those of Congress, is warranted to help mitigate or reduce agency burden

Also, certain members expressed interest in better understanding the role of cost information and its relative importance to users.

Members noted that there seems to be competing interests among users. Specifically, there are users who desire better accountability over land reporting, users who desire specific property/parcel information for economic/financial exploitation, and users with local concerns over land holdings in their immediate jurisdictions.

Some members felt that in-depth deliberations could not commence until they had a broader understanding of user needs. However, other members noted that deliberations could begin by initially providing some clear guideposts or principles that were supported by task force discussions. For example, the Board could explore topics such as incorporation of non-financial information maintained by agencies and where such information should reside in the financial statements—as basic information, required supplementary information, or other information. Additionally, members expressed that deliberations could also commence predicated on FASAB's reporting objectives. Simply put, discussions could be based on what the Board considers to be effective reporting. For example, the Board could discuss reporting the total inventory of an agency's land holdings from the standpoint of what citizen-users expect from their government: accountability and stewardship.

In conclusion, members agreed to have staff contact additional users to obtain additional (or more specific) information about their requirements/data points. This additional outreach to the user community will better guide deliberations. As such, members of the user community are welcome and encouraged to contact staff to offer input or to join the existing task force. Regarding user input, staff expects to compile results from a brief 12 question survey by the end of December. If you or anyone you know would like to be part of this user survey or join the task force, please contact Mr. Domenic Savini as soon as possible. Thank you.

Point of Contact: Domenic Savini, 202-512-6841, savinid@fasab.gov

Department of Defense (DoD) Implementation Guidance Request

Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, amended SFFAS 6, *Accounting for Property, Plant, and Equipment*, and SFFAS 10, *Accounting for Internal Use Software*, and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending SFFAS 6 and 23*.

In August, the Accounting and Auditing Policy Committee (AAPC) approved two projects related to SFFAS 50. At the upcoming November meeting, the AAPC will consider a draft Technical Release (TR) to amend previously issued TRs. Amendments would acknowledge the rescission of SFFAS 35. Other amendments would also clarify that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6, as amended.

The AAPC also created the SFFAS 50 implementation task force, which will develop implementation guidance to assist with issues related to SFFAS 50. The task force is chaired by Mr. Mark Easton, who is deputy chief financial officer (DCFO) for the Office of the Under Secretary of Defense (Comptroller)/DCFO with the Department of Defense. The task force consists of representatives from the CFO and audit community. The first task force meeting will be held on December 7, 2016.

To ensure the implementation guidance addresses all areas, it is very important that issues be forwarded for consideration.

Issues for AAPC SFFAS 50 task force consideration should be submitted to Melissa Batchelor at batchelorm@fasab.gov by December 2, 2016, and include the following information:

- SFFAS 50 paragraph(s)
- The issue or requested clarification
- Conflicting views, if known
 - For example, are there differing views among the agency and its components or auditors? Do other organizations have the same views?
- Examples and other comments that will assist the AAPC working group in considering the issue for inclusion in the guidance
- Contact information
 - Pertinent information includes name, agency, email address, and phone number

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

Risk Assumed

At the October 19, 2016, Board meeting, staff delivered SFFAS 51, *Insurance Programs*, to sponsors for the 90-day review, which ends on January 17, 2017. FASAB expects to issue the Statement on January 18, 2017. The first phase of the risk assumed project will be completed with the issuance of SFFAS 51.

The Board reviewed staff's high-level gap analysis presented in table 1: *Analysis of Federal Accounting Standards in Relation to the IMF [International Monetary Fund] Recommendations for Disclosing Fiscal Risks* and table 2 from the Australian Statement 8: *Statement of Risks*.

The Board agreed that an extensive gap analysis is necessary to determine the risk information that the consolidated financial report of the U.S. Government includes and how it is presented, the extent to which FASAB can align with enterprise risk

management¹ (ERM), and the Board's preference for presenting risk assumed information going forward.

For the gap analysis, the Board agreed to determine the following:

- If federal government reporting is transparent enough for estimates and uncertainty around significant risks with a focus on broad risk categories, such as an economic downturn where revenues go down and benefit program costs go up
- If there is a significant gap in reporting to be addressed for individual risk items, such as treaties, commitments by the federal government, and inter-governmental dependencies with state and local governments
- How to present summarized risk events at the government-wide level for cross-cutting agency efforts, such as disaster relief, with access to detail at the agency level

In relation to FASAB aligning with the ERM effort, the Board recognizes that agencies are in different phases of development and implementation of ERM. The Board understands that ERM is not a CFO finance-focused project, but there are questions about who is doing the risk assumed project for the whole government. Therefore, FASAB appreciates agencies' efforts and their willingness to share their progress to determine if FASAB's risk assumed project can align with ERM.

In conclusion, staff will develop a gap analysis for discussion over a number of future Board meetings to determine how to present risk assumed information going forward.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

[Tax Expenditures](#)

The Board reviewed responses to the proposed standards. Generally, respondents were supportive, but many acknowledged the complexity of the topic. These respondents provided valuable suggestions for clarifying the nonauthoritative illustration. These suggestions will be helpful upon implementation by the Department of the Treasury (Treasury). However, refining a nonauthoritative illustration would not be useful to Treasury, and members decided to remove the illustration from the Statement.

Other suggestions from respondents will be addressed in the basis for conclusions. The Board expects to review and approve the final Statement in December and January.

Point of Contact: Wendy Payne, 202-512-7357, paynew@fasab.gov

¹The Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*

Budget to Accrual Reconciliation (BAR)

At the October 19, 2016, Board meeting, staff and task force members debriefed the Board on the new budget to accrual (BAR) format and the second run pilot results. After the August Board meeting, an additional seven federal agencies joined the six pilot agencies engaging in the new BAR pilot process. With the assistance of the first draft crosswalk instruction, a majority of the agencies completed their reconciliation in one month—a quick turn-around time with insignificant unreconciled differences. The second run agencies reported similar positive feedback. Both pilot results provide strong support for the issuance of the BAR exposure draft (ED).

The Board members discussed their comments on the draft ED. Members concurred on the BAR ED being effective for periods beginning after September 30, 2017, with early adoption permitted. This assumes Treasury's work on the crosswalk is completed in time. Respondents to the ED will be asked to provide feedback on the proposed timing during the ED comment period.

Staff will update the draft BAR ED based on the discussion. An edited version of the draft ED will be provided to members before the December meeting with the expectation to be able to discuss the pre-ballot ED at the December meeting. If the members have any remaining technical concerns to discuss, the pre-ballot will be delayed until after the December meeting.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Reporting Model

On September 29, 2016, the Board released for comment the proposed Statement of Federal Financial Accounting Concepts (SFFAC) entitled *Federal Financial Reporting*. The proposed concepts would assist the Board in developing reporting models for the federal government and its component reporting entities and provide a platform for addressing current and evolving federal financial reporting needs.

The federal government and its component reporting entities are making an immense body of data and information available to the public. Due to this increased access to information, users of federal financial information need to better understand the relationship between information required by generally accepted accounting principles (GAAP) and other reported information. Users also need to better understand the relationship among the types of information GAAP requires, such as budget, cost, and performance information, and the relationship between GAAP-based information presented by the government-wide reporting entity and component reporting entities. “The identification and explanation of concepts provides a platform that will enhance the Board’s deliberations on the types of information that should be presented to inform users of the government’s operating performance, stewardship, and budgetary integrity,” according to Chairman Showalter.

The Board requests comments on the ED by January 6, 2017, and encourages respondents to provide responses to all of the questions raised and the reasons for their positions. The ED and the specific questions raised are available at the FASAB website in PDF and Word format, respectively (<http://www.fasab.gov/documents-for-comment/>).

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Leases

The Board is seeking input on the proposed SFFAS entitled *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment*, which was released for public comment on September 26, 2016.

The Board is proposing revisions to the existing federal lease accounting standards. The proposal would provide relevant and meaningful financial information needed by federal financial statement users. The revised standard would include a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity's general purpose federal financial reports, as well as appropriate disclosures.

The Board is proposing that federal lessees recognize a lease liability and a leased asset at the beginning of the lease, unless it is an intragovernmental lease or a short-term lease. A federal lessor would recognize a lease receivable and deferred revenue, unless it is an intragovernmental lease or a short-term lease.

The proposal also provides recognition, measurement, and disclosure requirements for intragovernmental leases. An intragovernmental lease is a contract or agreement that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration occurring within a consolidation entity or between two or more consolidation entities as defined under SFFAS 47, *Reporting Entity*.

"The Board is seeking to provide relevant and decision useful information to federal financial statement users," noted Chairman Showalter. "The Board strongly considered the costs associated with the lease proposal. Those cost considerations are especially evident with the proposed accounting for short-term and intragovernmental leases. Additionally, we were able to address some implementation issues resulting from the current standards."

The Board requests comments on the ED by January 6, 2017, and encourages respondents to provide responses to all of the questions raised and the reasons for their positions. The ED and the specific questions raised are available at the FASAB website in PDF and Word format, respectively (<http://www.fasab.gov/documents-for-comment/>).

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Accounting and Auditing Policy Committee

AAPC is seeking input on the exposure draft of a proposed Federal Financial Accounting Technical Release (TR) entitled *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*.

Statement of Federal Financial Accounting Standards (SFFAS) 50 amended SFFAS 6, *Accounting for Property, Plant, and Equipment*, and SFFAS 10, *Accounting for Internal Use Software*, and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending SFFAS 6 and 23*. This TR would provide amendments to previously issued TRs to acknowledge the rescission of SFFAS 35. It would also clarify that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6, as amended.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

Staff News

Ms. Romona Parker joined the staff on October 31 as executive assistant. She has over 15 years of administrative experience. She comes to staff from the Army Corps of Engineers, where she served as a paralegal specialist in the Office of Chief Counsel.

Ms. Parker is a welcome addition to the staff. She is available to assist you with access to FASAB or AAPC meetings, requests for records, and questions about the website. She can be contacted at ParkerR1@fasab.gov or 202-512-9680.

FASAB Meeting Schedule

Schedule for 2016 Meetings

December 19 and 20

Schedule for 2017 Meetings

February 22 and 23

April 26 and 27

June 21 and 22

August 30 and 31

October 25 and 26

December 20 and 21

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2017 Meetings

February 9

May 11

August 18

November 17

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

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.