



# *FASAB news*

*Federal Accounting Standards  
Advisory Board*

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## Stewardship Responsibilities

### Objective:

Information about stewardship responsibilities is currently designated Required Supplementary Stewardship Information (RSSI), a category unique to federal financial reporting. The project objective was to consider reclassifying the items to basic information, required supplementary information or other accompanying information. Stewardship responsibilities include:

- ▶ **risk assumed** information required by SFFAS 5, *Accounting for Liabilities of the Federal Government*
- ▶ the **current services assessment** (CSA) required by SFFAS 8, *Supplementary Stewardship Reporting*, and
- ▶ **social insurance** information required by SFFAS 17, *Accounting for Social Insurance*.

### 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).

## Actions and Plans:

In February, 2002, the Board issued an exposure draft entitled: *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. The exposure draft proposed that risk assumed information and the CSA be reclassified as required supplementary information (RSI). Because it is deemed essential to fair presentation, Social Insurance information would be reclassified as an integral part of the basic financial statements. The Exposure Draft also included the Alternative Views of one Board member. The exposure draft also proposed that the requirement to report the CSA be eliminated after FY 2003, because improved timeliness in issuing audited financial statements should mean that these statements will be available before the President's Budget is published. The President's Budget is the source of the CSA.

The Board considered comments on the ED at its June and August 2002 meetings. In October 2002, the Board met with representatives of the AICPA to discuss audit issues and the AICPA's proposal to address liability recognition for social insurance. Draft statements of standards were reviewed by the Board at its December 2002 and February 2003 meetings. For detailed information on Board meetings, see <http://www.fasab.gov/meeting.htm>

The Board made the following changes to the proposal in the ED:

- ▶ The Statement of Social Insurance would be presented as a basic financial statement beginning with fiscal year 2005 reports.
- ▶ Other information required by SFFAS 17 would be categorized as required supplementary information beginning with fiscal year 2005 reports.

Staff prepared a final ballot of the statement during March. After the Board completes voting and if the statement is approved by a majority of the Board, the statement will be submitted to the Board's sponsors for a 90-day review prior to issuance.

### Point of Contact:

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# Natural Resources

## Objective:

To develop an accounting standard for the oil & gas natural resources subject to the jurisdiction and control of the Federal Government. Specifically, to determine under what conditions a value and a quantity should be measured and reported for oil & gas, how revenue and the related costs should be recognized and measured, and what disclosures or supplemental information are essential to meeting the reporting objectives. The accounting standards for oil & gas shall be developed to meet the federal financial reporting objectives (SFFAC 1), subject to the pervasive constraint that benefits exceed cost.

## Actions and Plans:

The project began with the formation of a task force to conduct research. The task force produced a research report in June 2000 entitled *Accounting for the Natural Resources of the Federal Government*. (See <http://www.fasab.gov/reports.htm> to access the report.) The Board is resuming active consideration of the issues raised by the task force after a deferral to address other issues. At the October and December 2002 meetings, the Board was provided background information on the project and considered the project plan. The Board decided to proceed with developing standards for oil and gas due to the extensive literature available in other domains. In February 2003, the Board received information on selected practices as well as an update on staff research.

The Board will consider a preliminary outline of an exposure draft regarding oil and gas accounting and reporting at its April 2003 meeting.

## Points of Contact:

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# Heritage Assets and Stewardship Land

## Objective:

SFFAS 8 requires reporting of stewardship PP&E, which includes heritage assets and stewardship land (HA & SL.) As described in SFFAS 8, required supplementary stewardship information (RSSI) is a category created by FASAB and its audit status was not designated. RSSI was intended to provide information that the Board believed was necessary for the 'fair presentation' of financial statements. In practice, preparers and users have not understood that RSSI is integral to fair presentation and people often assume that the information reported in RSSI is supplementary or of a secondary nature. This is contrary to the Board's intention. Consequently, the Board is reviewing and re-categorizing the stewardship elements in the Federal financial model. (If this effort leads to reclassification of all items in the RSSI category, the Board will ultimately eliminate the

category.) The Board solicited comments on its efforts to eliminate the RSSI category through a Preliminary Views document in December 2000 (the preliminary views document can be found at <http://www.fasab.gov/pdf/rssi.pdf>) This particular project addresses appropriate categorization of two of the stewardship elements: heritage assets and stewardship land.

## Actions and Plans:

At the February 2003 meeting, staff solicited Board input on the project objective, project scope, and initial project issues. The Board reviewed the history of the project and discussed some of the issues identified in the past. The Board requested staff to prepare a summary of all remaining RSSI elements, including current standard requirements, for the Board's consideration before proceeding on the HA & SL project.

## Point of Contact:

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# Dedicated Collections (or Earmarked Funds)

## Objective:

The objective is to ensure that financial reporting clearly distinguishes between the various types of funds used or managed by the federal government. With respect to dedicated collections or earmarked funds, the project objective is to ensure that federal financial reporting objectives are addressed at both the entity and the consolidated level reports for "trust funds" that are committed to fund future Federal program activity.

## Actions and Plans:

The project research began in August 2001. In December 2001 and February 2002, the Board reviewed information on (1) reporting under current accounting standards (SFFAS 7, par. 83-87), (2) the universe of special and trust funds in the federal government and existing definitions, (3) the nature of the surpluses generated in some funds (e.g., the Social Security Trust Fund) and public confusion regarding the investments acquired with the surpluses, (4) fiduciary activities addressed in SFFAS 7, par. 83-87, (5) whether the fund balances are also liabilities to the potential beneficiaries of the funds, and (6) characteristics of these funds. The Board decided to address "fiduciary activity" through another project. In April, June, August, and December 2002, the Board reviewed issues papers, illustrations and draft definitions. The Board tentatively concluded that the surpluses or cumulative results of operations for these types of funds are distinguishable from cumulative results of operations from operations financed through the general fund. The Board requested that staff develop an exposure

draft that would (1) define the types of activities that result in a dedicated or earmarked fund, (2) segregate the net positions – cumulative results of operations – resulting from these activities from general fund activities, and (3) require disclosure of changes net assets supporting future activities. A draft exposure draft will be discussed at the April 2003 meeting.

#### Point of Contact:

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## Fiduciary Activity

### Objective:

The objective of the fiduciary activity project is to (1) define and characterize fiduciary activity in the Federal Government and (2) develop accounting and reporting standards for such activity. Federal fiduciary activity is the same as what is commonly understood to be trust fund activity in the private sector. The project will distinguish Federal fiduciary activity from other Federal activity referred to as "dedicated collection" or "earmarked funds" activity that is often referred to as "trust fund" activity but that is in fact Federal program activity.

### Actions and Plans:

The Board is currently voting on a final exposure draft. Issuance is anticipated before the end of April 2003.

#### Point of Contact:

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## Intradepartmental Costs

### Objective:

To clarify par. 110 of Statement of Federal Financial Accounting Standards (SFFAS) No. 4, with respect to recognizing imputed intra-departmental costs. Although par. 110 of SFFAS No. 4, when considered in conjunction with section 4.3 of OMB Bulletin 01-09 (*Form and Content of Agency Financial Statements*) does limit the recognition of inter-entity costs, this proposed interpretation clarifies that the limitation does not apply to recognition of imputed intra-departmental costs. This proposed interpretation further explains that intra-departmental costs should be accounted for in accordance with the full cost provisions of SFFAS No. 4, which includes the recognition of imputed intra-departmental costs.

## Actions and Plans:

The Board issued an exposure draft of a proposed interpretation, *Accounting for Imputed Intra-departmental Cost: An Interpretation of SFFAS No. 4*, on November 26, 2002 with comments by January 8, 2003. The Board considered comments at its February 2003 meeting and voted to issue the interpretation with changes to the effective date as well as some minor editorial changes to clarify the document. The Board's final interpretation has been submitted to the Board members representing the sponsoring agencies (i.e., the Department of Treasury, the Office of Management and Budget and the General Accounting Office) for a 45-day review period. That review period will end on April 17, 2003 and, absent a veto by the reviewers, the interpretation will be issued by FASAB.

### Point of Contact:

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

## Concepts Project

### Objective:

To ensure that the Federal Financial Accounting Standards are based on a sound framework of objectives and fundamental concepts regarding the nature of accounting, financial statements, and other communications methods. The framework should:

- provide structure by describing the nature and limits of federal financial reporting,
- identify objectives that give direction to standard setters,
- define the elements critical to meeting financial reporting objectives and describe the statements used to present elements,
- identify means of communicating information necessary to meeting objectives and describe when a particular means should be used, and
- enable those affected by or interested in standards to understand better the purposes, content, and characteristics of information provided in federal financial reports.

## Actions and Plans:

The Board approved a project plan at its February 2003 meeting. At the April 2003 meeting, the Board will begin discussing reporting objectives. Ms. Justine Rodriguez of OMB will brief the Board on the stewardship reporting objective and the federal balance sheet presented each year in Analytical Perspectives of the President's Budget.

### Point of Contact:

## Homeland Security Act of 2002

### Objective:

Based on inquiries to FASAB staff regarding application of (1) the change in entity provisions of Accounting Principles Board Opinion 20 and/or (2) the discontinued operations provisions of Financial Accounting Standards 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, to entities affected by the Homeland Security Act of 2003, staff developed a proposed technical bulletin.

### Actions and Plans:

The bulletin was issued for comment on March 21, 2003. Comments will be considered at the April 23-24<sup>th</sup> board meeting. Comments generally supported the proposal. Several additional questions were posed. To view the comments, click on the link below:

[Briefing Materials](#) and then the “Tab D” item shown on that page.

## Accounting and Auditing Policy Committee

### Recent Activities:

The AAPC has two active projects: (1) revising Federal Financial Accounting and Auditing Technical Release No. 3: *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act* and (2) research on inter-entity costs. Both projects are staffed by an intra-agency working group.

### Plans for Future Meetings:

The AAPC will meet on May 22, 2003 at 1:30 PM. The meeting is open to observers (see “security notice” below) and an agenda will be provided via the FASAB electronic mailing list and posted to the website shortly before the meeting. To access the agenda, visit <http://www.fasab.gov/aapc/meeting.htm>.

## FASAB Meeting Schedule

Remaining meetings for 2003 are:

April 23th & 24th  
June 18th & 19th  
August 13th & 14th  
October 8th & 9th  
December 10th & 11<sup>th</sup>

Unless otherwise noted, meetings begin at 9 AM and end before 4 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/briefingmats.htm> 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 Marian Nicholson, at 202-512-7350 or [nicholsonm@fasab.gov](mailto:nicholsonm@fasab.gov) **at least two days before the meeting**. The General Accounting 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.

