



FASAB news
Federal Accounting
Standards Advisory Board

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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.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Current Board Projects

Natural Resources

Representatives from the Department of Interior and the Energy Information Administration will be present at the June 2005 Board meeting to discuss issues raised by the Board related to proved oil and gas reserves issues.

Point of Contact: Rick Wascak, 202 512-7363, wascakr@fasab.gov

Heritage Assets and Stewardship Land

The *Heritage Assets and Stewardship Land* draft statement of federal financial accounting standards was forwarded to the sponsors for review in April 2005. Although the Board vote is final, there is a 90 day clearance for OMB and GAO to offer an objection. Additionally, since this standard relates to capital assets, the CFO Act requires a 45 day Congressional review period. FASAB anticipates the release of the final standard in July 2005.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

Fiduciary Activity

The Board continued its review of a draft exposure draft. The members recommended several editorial changes including consistent usage and clarification for terms referring to the “fiduciary entity” and “notes to the financial statements.”

In addition, the Board discussed two issues raised by staff. One related to the audit coverage afforded notes. The other related to seized monetary assets. The Board decided against any modifications to the previously approved provisions.

Staff will incorporate recommended changes and send the Board members a preballot draft ED prior to the next Board meeting.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Concepts Project

Staff is proceeding with drafting a white paper based on the outline approved by the Board. With respect to elements, staff plans to present information regarding recognition criteria at the June meeting.

Point of Contact: Melissa Loughan, 202 512-5976, loughanm@fasab.gov

Social Insurance Liabilities

At the May FASAB meeting the staff explained that in its view the key distinction between the eligibility and performance is the emphasis on “equity.” Eligibility focuses on the terms of the program under current law – the legislative agreement between those eligible to participate in the program and the Government. Performance introduces a notion of fairness by describing the reasonable expectations induced by the program and the reliance of the participants on a future payment being made in return for their current actions. The staff explained that in its view the equity notion introduced in the performance characteristic may be relevant to members if they believe the likelihood that the Government will alter the program in the future is relevant to assessing whether a liability exists today. The strength of reliance and the “exchange-like” characteristics weigh on individual’s judgments about possible future changes. Because staff believes that changes in law that may occur in the future are not relevant, staff recommends that the equity notion embodied in the performance characteristics should not be a factor in the basis for the Board’s conclusions.

In addition to the equity notion, the performance characteristic emphasizes the connection between current effort and future compensation to a greater degree than the eligibility characteristic. The fact that work in covered employment for a set wage during the period and the worker’s future benefits are related causally is relevant to the notion that a present obligation exists as a result of a past transaction or event. Staff recommended this notion as relevant for the Board’s conclusions.

The Board agreed that the eligibility is the key characteristic. The Board approved the staff’s recommendation regarding the description of eligibility, which included the notion of achieving eligibility through fulfilling conditions. The Board directed the staff to clarify that performance meant simply to meet conditions.

The staff also presented an issue with respect to the Board’s majority view that the obligating event for Social Security liability is “threshold eligibility.” The staff

noted the similarity between “threshold eligibility” and the notion of vesting. The staff explained that vesting is not an obligating event with respect to pension accounting in the private, municipal, or federal sectors. Staff asked the Board to consider whether the “threshold eligibility” obligating event missed an important element of accrual cost” that the “beginning of work in covered employment” obligating event captured. The Board discussed the concepts and affirmed its focus on the “threshold eligibility” notion.

Finally, with respect to Medicare, the staff recommended and the Board did not object to applying the “threshold eligibility” obligating event to Medicare Hospital Insurance. Also, the staff recommended and the Board did not object to the point when the participant decides to enroll as the obligating event for Supplemental Medical Insurance.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Research into the Application of the Liability Definition

At the May 4, 2005 meeting, staff presented a discussion of alternative obligating events for two farm support programs administered by the Farm Service Agency – the Milk Income Loss Contract program and the Feed Grains Direct and Counter-Cyclical Payment program. Staff presented an analysis of several potential obligating events and recommended that the submission of the contract and documentation of supporting evidence be selected as the obligating event for both programs. Board members did not make a formal decision on the obligating event at this meeting, but tentatively agreed that the government’s determination of eligibility could be considered a measurement issue rather than a necessary step in determining whether or not a liability exists. Some members also discussed whether the point that the program is created could be considered a valid alternative obligating event. Staff plans to provide the board with an analysis of the views presented at this meeting as well as a presentation on the Corporation for National and Community Service’s Service Award Liability.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

Inter-entity Project

The Board approved the *Inter-Entity Cost Implementation* draft statement of federal financial accounting standards for issuance. The statement was forwarded to the sponsors for review. Although the Board vote is final, there is a 90 day clearance for OMB and GAO to offer an objection. FASAB anticipates the release of the final standard in August 2005.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

Stewardship Investments

The Stewardship Investments Project was introduced at the May Board meeting. The Stewardship Investments Project relates to the reclassification of Stewardship Investments information (which includes Nonfederal Physical Property, Human Capital, and Research and Development) that is now currently classified as RSSI. The project evolved as part of the Board's overall project of reviewing and reclassifying the stewardship information to fit the categories within the traditional reporting model.

Several Board members believed that eliminating the information should be considered an option in the project because they believed the information was being reported for other requirements and may not be as useful as originally intended. However, other Board members were concerned with reversing the action of any Board without due process and deliberation.

The Board noted that the stewardship investment information ties closely with the stewardship objective as this information is intended to provide information about the productive capacity and the long-term benefit of these costs. The Board decided to maintain the stewardship investment information until the Board has an opportunity to look at that objective in detail and make decisions at that point. Therefore, the Stewardship Investments Project has been placed on hold until the Board considers the stewardship objective in the Concepts project.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

Other FASAB Information

FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 3 2005	Quarter 4 2005	Quarter 1 2006	Quarter 2 2006	Staff Contact
Natural Resources		Oil & Gas Research	Oil & Gas ED	Oil & Gas DP	Oil & Gas UR	Rick Wascak, 202 512-7363
Heritage Assets and Stewardship Land	ED-2003 PH-2004	Final				Melissa Loughan, 202-512-5976
Fiduciary Activity	ED-2003 PH-2003 Decision to re-expose – 12/2004	DP	UR	Final		Eileen Parlow 202-512-7356
Concepts Project		Research	Research	Research	Research	Melissa Loughan, 202-512-5976
Social Insurance Liabilities		Research	Research	Research	Research	Richard Fontenrose, 202-512-7358
Research into the Application of the Liability Definition		Research	Research	Research	Research	Julia Ranagan, 202-512-7377
Inter-entity Project	ED-2004 PH-2004	Final				Melissa Loughan, 202-512-5976

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

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

The next AAPC meeting is scheduled for Tuesday, May 24, 2005 at 1:00 pm in the GAO Building conference room 6N30. The Committee will be discussing Inter-Entity Cost Implementation and Heritage Assets & Stewardship Land Guidance. Meeting agenda and materials can be found on the AAPC webpage at <http://fasab.gov/aapc/aapc.html>.

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

FASAB Meeting Schedule

Schedule for 2005 Meetings:

Wednesday, June 22nd and Thursday, June 23rd
Wednesday, August 17th and Thursday, August 18th
Wednesday, October 5th and Thursday, October 6th
(No December meeting is scheduled for 2005.)

Schedule for 2006 Meetings:

Wednesday, January 11th and Thursday, January 12th
Wednesday, March 29th and Thursday, March 30th
Wednesday, May 24th and Thursday, May 25th
Wednesday, July 26th and Thursday, July 27th
Wednesday, September 27th and Thursday, September 28th
Wednesday, November 15th and Thursday, November 16th

Unless otherwise noted, meetings begin at 9 AM and conclude at 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 **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.