



FASAB News
Federal Accounting Standards
Advisory Board

FEBRUARY/MARCH 2009

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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.)

Federal Entity

The Federal Entity project was not discussed at the February Board meeting. Staff is continuing work toward an Exposure Draft for the Board's consideration.

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

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

Staff is continuing a series of focus group discussions regarding the information needs of federal financial report users. After several years of substantial progress in financial reporting, the Board believed that it was time to revisit user information needs and

decided to engage the community through a series of focus group discussions. The discussions would ultimately help the Board better understand what information should be presented in federal financial reports today. Discussions have been conducted with deputy chief financial officers, auditors, and other experts in federal financial reporting and more discussions are planned throughout March and April 2009.

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

Fiscal Sustainability Reporting

Comments on the exposure draft (ED), *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government*, were requested by January 5, 2009. A public hearing was held on February 25, 2009.

On February 26, 2009, the Board discussed significant areas where respondents and/or public hearing speakers expressed disagreement with the Board's proposals in the ED, as well as the responses to the minority proposals in the ED:

- Areas of Respondents' Disagreement with Board Proposals
 - Reporting as Required Supplementary Information (RSI) (permanently) may be more appropriate than basic information for the proposed reporting [Question 12c]
 - Time Horizon for Projections [Question 5]
 - Review guidance on alternative scenarios for clarity [Question 9]
 - Clarify that "major programs" are not limited to social insurance programs [Question 7]
 - Illustrative Disclosure for "Fiscal Gap" (Illustration 8 in Appendix B) is unacceptably confusing [Question 4]
 - Clarify whether Treasury is encouraged to include the FAQs in the CFR [Question 11]
 - GAO recommended flexibility regarding consistency of economic and demographic assumptions with Social Security and Medicare in the Statement of Social Insurance [Questions 2 & 3]
 - GAO recommended additional disclosures [Question 3]

- Respondents' Reactions to Minority Board Proposals
 - Requirements for RSI should address foreign holdings of U.S. Treasury debt [Question 13]
 - Analysis of potential policy proposals should not be included [Question 14]
 - Majority of respondents advised against developing reporting requirements relating to inter-generational equity [Question 15]

Staff is preparing a draft Statement of Federal Financial Accounting Standards based upon the Board's decisions on the above issues.

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

Natural Resources

The project was not discussed at the February board meeting.

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

Social Insurance

At the Board meeting on February 26th the Board briefly reviewed the comments received in response to the exposure draft *Accounting for Social Insurance, Revised*, and considered issues raised by respondents. The vote tallies from the comments received as of February 18, 2009, although merely “raw” data, indicated three “broad issues” that constitute the respondents’ main areas of disagreement with the proposed standard, and with each other. They involve the appropriateness of (1) the closed group measure for social insurance, as a concept, (2) its display on the balance sheet or any basic financial statement or, indeed, anywhere in a financial report; and (3) the note disclosure of the accrued benefit obligation.

The closing date for comments on the social insurance ED had been very recent, and the staff had accelerated consideration of the social insurance issues in order to have a joint hearing for both EDs. Thus, a full staff analysis of all the social insurance issues was not possible. On the other hand, the Board had considered many of the issues previously. The exposure draft included an extensive basis for conclusions that explores the main issues raised by the respondents.

The Board discussed options for basic financial statement presentation. It directed the staff will explore some options. An early draft of the “options paper” will be sent to all Board members for comment and those members that have comments will provide them before the April meeting.

The Board voted not to go forward with either a liability recognized on the balance sheet, other than that based on the “due and payable” approach; or a line item on the balance sheet for social insurance commitments as proposed in the exposure draft. Other issues will be addressed in due course.

The Board also asked the staff to provide feedback on the proposal that the statement of changes in social insurance amounts focus on the open group measure rather than the closed group measure. This will be a component of the options paper.

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

Appropriate Source of GAAP

The second phase of this project will commence after the board finishes deliberating on the comments received on the ED, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. Comments were requested to be received by February 2, 2009. The initial analysis of comments was discussed at the February board meeting.

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

General PP&E Valuation

At the February 26, 2009 meeting the FASAB discussed the Exposure Draft (ED) Statement of Federal Financial Accounting Standards entitled, *Estimating the Historical Cost of General Property, Plant, and Equipment – Amending Statements of Federal Financial Accounting Standards 6 and 23*. The proposed statement amends SFFAS 6 and 23 to provide for reasonably estimating the historical cost and accumulated depreciation of G-PP&E.

Staff presented to the Board a brief summary of the exposure responses, a compilation of the respondent answers and comments by question, the full text of comment letters, and staff's analysis of the responses. As of the meeting date 31 comment letters had been received on the ED. Staff identified four broad issues based on the ED responses for the Board's discussion on revising the ED to convert it to a draft final standard. The identified issues were:

- The applicability of estimating G-PP&E guidance to internal use software (SFFAS 10);
- The use of estimates for previously reported G-PP&E;
- The use of a hierarchical list of acceptable estimation methods; and
- The inclusion of qualifiers in the standard to identify when the use of estimates is acceptable.

The Board agreed to specifically identify internal use software (SFFAS 10) in the standard as allowing the use of estimates and allowed the use of estimates for previously reported G-PP&E.

The Board directed staff to make the revisions to the draft standard to prepare it for pre-ballot review before the April Board meeting. The Board did not recommend a public hearing for this proposed standard.

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

Fiduciary Activities

The public comment period for draft Staff Implementation Guidance (SIG) for the implementation of SFFAS 31, *Accounting for Fiduciary Activities*, ended on December 3, 2008. On March 3, 2009 a revised final draft was forwarded to the Board for a 15-day review period, after which, absent objections from a majority of the Board, the SIG will be issued.

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

GAAP Hierarchy

At the February 2009 meeting, the FASAB discussed comments received in response to the exposure draft (ED), *The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*. The ED included proposals to: (1) incorporate the hierarchy of generally accepted accounting principles (GAAP) into the FASAB's authoritative literature; (2) clarify GAAP for those federal entities that are currently applying financial accounting and reporting standards issued by the Financial Accounting Standards Board (FASB); and (3) clarify that a federal entity that is preparing GAAP-based financial statements for the first time is required to implement FASAB standards unless the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards. Respondents generally agreed with the proposals in the ED and the Board agreed that a public hearing would not be conducted.

Also, the Board discussed concerns that staff should address while developing the final standard. Those concerns included (1) clarifying the location of administrative directives from organizations such as the Office of Management and Budget (OMB) within the hierarchy; (2) stating the Board's plans for revisiting the source of GAAP issue; (3) discussing the approval process for newly created entities that wish to follow FASB GAAP; and (4) removing discussions that appear to treat the legislative and judicial branch entities different from executive branch entities. Staff will address these issues in a pre-ballot draft for the April 2009 meeting.

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

Deferred Maintenance & Asset Impairment

Although the project was not discussed at the February board meeting, several volunteers as well as interested parties will begin meeting as a Task Force later this month. The goal will be to help identify enhancements that will improve compliance with FASAB's reporting objectives. Should you or someone you know be interested in joining the Task Force, please contact the staff member listed below.

Point of Contact: Dominic Savini, 202-512-6841, SaviniD@fasab.gov

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 2009	Quarter 3 2009	Quarter 4 2009	Quarter 1 2010	Staff Contact
Natural Resources	ED – May 2007	Oil & Gas DP	Oil & Gas ED	Oil & Gas DP	Oil & Gas DP	Julia Ranagan, 202-512-7377
Fiduciary Activity	SFFAS 31 Issued – October 2006	Q&As Finalized				Eileen Parlow, 202-512-7356
Fiscal Sustainability	ED – Sept 2008	DP	UR	Final		Eileen Parlow, 202-512-7356
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006 ED – Nov. 2008	DP	DP	UR	Final	Richard Fontenrose, 202-512-7358
Appropriate Source of GAAP		Research	Research	Research	ED for Remaining Issues	Julia Ranagan, 202-512-7377
General PP&E Valuation	ED – Nov. 2008	UR	Final			Monica Valentine, 202-512.7362
Deferred Maintenance & Asset Impairment		Research	Research	Research	Research	Domenic N. Savini, 202-512-6841
Conceptual Framework Project:						
Measurement Attributes		Research	Research	Research	Research	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

At the January 28, 2009 meeting of AAPC Ms. Payne, AAPC Chair, announced the retirement of Mr. George Rippey (Deputy Assistant Inspector General for Audit, Office of Inspector General, U.S. Department of Education) from federal service. Mr. Rippey noted that his retirement would be effective February 3, 2009. Ms. Payne and the other members of the Committee congratulated Mr. Rippey on his federal service and his brief participation on the AAPC.

Donjette Gilmore, AAPC G-PP&E task force chair, and FASAB staff member Monica Valentine provided a brief update on the current work of the AAPC G-PP&E task force. The Committee discussed a draft issue paper from the Disposal subgroup of the AAPC G-PP&E task force "Identification and Recognition of Equipment Disposal Cleanup" Ms. Alaleh Amiri, Disposal subgroup leader lead the discussion. The purpose of the issue paper is to provide implementation guidance on the disposal cleanup of equipment and when to apply SFFAS 5 vs. SFFAS 6 cleanup cost recognition. The proposed guidance includes examples and a flowchart. Ms. Amiri informed the Committee that both functional PP&E experts and accountants from several different federal entities were involved.

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*, and other related G-PP&E guidance developed by the FASAB. The task force meets monthly and has separated into four sub-groups that are named for the group of issues to be addressed by each sub-group. The G-PP&E sub-groups are Acquisition, Use, Disposal, and Records Retention and meet monthly separate from the full task meetings. The task force also has setup a web page on the FASAB website under the AAPC task forces link. The web page includes specific information about the task force as a whole, as well as each of the sub-groups, such as the list of members, list of potential issues to be addressed, and scope information for each sub-group.

The task force has over sixty members and is represented by over 20 federal entities and continues to welcome additional members to participate. Broad participation is important to ensuring that the guidance developed is appropriate for all impacted. If interested please contact FASAB Project Director Monica Valentine by email at valentinem@fasab.gov, with your information (email, phone number, etc.). Additional information on the work of the task, a list of issues being address, meetings, and other contact information can be found at the AAPC G-PP&E Task Force web portal at <http://fasab.gov/aapc/genproptaskforce.html>.

Updates on all AAPC projects can be found on the AAPC website. The minutes for all meetings can be found on the FASAB/AAPC website at <http://fasab.gov/aapc/meeting.html>.

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

FASAB Meeting Schedule

Schedule for 2009 Meetings:

Wednesday, April 22nd and Thursday, April 23rd
Wednesday, June 17th and Thursday, June 18th
Wednesday, August 26th and Thursday, August 27th
Wednesday, October 21st and Thursday, October 22nd
Wednesday, December 16th and Thursday, December 17th

Schedule for 2010 Meetings:

Wednesday, February 24th and Thursday, February 25th
Wednesday, April 28th and Thursday, April 29th
Wednesday, June 23rd and Thursday, June 24th
Wednesday, August 25th and Thursday, August 26th
Wednesday, October 27th and Thursday, October 28th
Thursday, December 16th and Friday, December 17th

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/meeting.html> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2009 Meetings:

Thursday, March 19th (**Canceled**)
Thursday, May 21st
Thursday, July 16th
Thursday, September 17th
Thursday, November 19th

Unless otherwise noted, 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 **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.