

## ***FASAB Issues Exposure Draft "Amendments to Accounting for Property, Plant, and Equipment"***

On February 13, 1998, FASAB issued an exposure draft seeking comments on its proposed amendments to Statements of Federal Financial Accounting Standards (SFFAS) 6 and 8 relating to property, plant, and equipment (PP&E). The proposal would affect both recognition and measurement of general PP&E (e.g., through changes to the definition of federal mission PP&E and to accounting for multi-use heritage assets) and stewardship reporting on federal mission PP&E. The Board wishes to encourage comments from a wide variety of users since the proposals would affect most agencies in some way and would alter reporting for significant investments in PP&E used in national defense.

As with any large document, staff has noted some errors in the final published document. We apologize for any inconvenience this may have caused you. Listed below are the errors of substance:

- The transmittal memo incorrectly requests comments by March 24; the correct due date, as reflected on the cover, is May 13, 1998.
- p. 11; paragraph 31, in the parenthesis, the "e.g." should be "i.e."
- p. 42; paragraph 91, reference to paragraph "20" should be to paragraph "16"
- p. 43; paragraph 96, reference to paragraph "54" should be to paragraph "37"
- p. 53, Glossary; "Military mission" definition is not correct. See paragraph 12.b, which is correct.
- p. 53, Glossary; "Principal end items" definition is not totally consistent with definition in paragraph 13.b, which is correct.

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Copies of FASAB Documents Available at:  
***<http://www.financenet.gov/fasab.htm>***

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## ***FASAB Approves Interpretation 4***

OMB published the FASAB approved Interpretation 4, *Accounting for Pension Payments in Excess of Pension Expense*. The interpretation provides guidance on accounting at the agency level for employer agencies' payments to the pension trust fund in excess of pension expense (based on an allocation of the total service [or "normal"] cost by the Office of Personnel Management). Due to (1) planning and operational requirements of budgetary administration and (2) recent legislation, the employer entity's Federal Employees Retirement System (FERS) pension expense may be **less than** the FERS-related employer payments to the pension trust fund. This is a situation that was not contemplated in Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

When the employer entity's total payment for FERS and Civil Service Retirement System (CSRS) exceeds the related total pension expense as defined in SFFAS 5, Interpretation 4 calls for the entity to account for the excess payment as a transfer-out. The entity is to include the transfer-out when determining results of operations on its statement of changes in net position.

Further guidance is provided in the Interpretation on excess FERS-related payments being offset against any imputed financing resulting from a CSRS-related payments and administrative entity accounting for funds received from employer entities in excess of the normal cost of pension expense. This interpretation applies to employer entity pension (and, if applicable, to retirement health care) expense, and to administrative entity's receipt of funds from employer entities, accounted for in accordance with SFFAS 5. It is effective for reporting periods that end on or after September 30, 1997.

For further information, contact Rich Fontenrose, 202-512-7358, or email [fontenrosr.fasab@gao.gov](mailto:fontenrosr.fasab@gao.gov).

## ***Natural Resources***

At the October Board meeting, the Natural Resources Task Force had presented a brief summary of its work over the previous ten months. In that summary, the task force had described the management "stages" and possible reporting options for natural resources, in general, and had identified the specific natural resources addressed within the scope of the project. They are:

- Timber
- Outer Continental Shelf Oil & Gas Resources

- Leasable minerals (e.g., oil, gas, coal, oil shale, geothermal resources, gilsonite, phosphate, potassium, potash, sodium)
- Locatable minerals (e.g., gold, silver, nickel)
- Mineral Materials (e.g., sand, stone, gravel, pumice, and other volcanic stone, clay, and rock).
- Grazing Rights
- Electromagnetic Spectrum
- Water Rights

At the January Board meeting, a preliminary draft of a natural resources fact-finding paper was presented to the Board. While the outline of the paper identified nine major sections, the paper presented to the Board addressed only three of the sections. Members of the task force were looking for feedback during the meeting from Board members on general concepts contained in the paper before finalizing the application of the concepts to each individual natural resource.

The first section of the paper provided overview and background information about the project, including the purpose and responsibilities of the natural resources task force, the scope of the natural resources project, a brief description of each natural resource or category of natural resources addressed by the task force, and a general discussion on the objectives of reporting for natural resources. The second section provided the framework for analyzing the natural resources, including a description of the management stages of natural resources and the stocks and flows, both physical and financial, relating to the natural resources. The third section described the possible recognition and reporting options for natural resources owned by the federal government with proposed recommendations.

The Board indicated that the task force had provided valuable research that should be helpful in providing a foundation for the Board's discussions. However, the Board reminded the task force that it was not obligated to make recommendations and that the Board was most interested in the analysis and reasoning of the task force. The Board also asked that information to be reported about natural resources include: depletion of non-renewable natural resources; revenue generated by the sale of natural resources and its link to the budget; timing for recognizing the value of a natural resource; recognition of costs associated with the sale of natural resources; and linking of information about natural resources to performance measures, for example, the quality of stewardship of the resources. With these guidelines, the task force expects to complete work on the remaining detailed sections of the natural resources fact-finding paper in about 6 weeks.

For further information, contact Rick Wascak at 202-512-7363, or email at wascakr.fasab@gao.gov.

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### ***FASAB Issues Exposure Draft "Accounting for Social Insurance"***

The Board approved the social insurance exposure draft for publication. Approval came after minor changes resulting from January 1998 deliberations described below. The exposure draft was published February 20 1998, with comments due by June 20, 1998.

At the January Board meeting, FASAB staff presented the pre-ballot social insurance exposure draft ("social insurance ED") including new sections on sensitivity analysis and questions for respondents. Results of the Board's discussion of the exposure draft are addressed in the paragraphs that follow.

**Sensitivity Analysis:** The Board discussed whether the requirement for a sensitivity analysis would unnecessarily cause users concern about uncertainty; the reader might not understand that such projections are inherently uncertain. However, the Chairman said that notwithstanding that objection, sensitivity analyses seemed necessary for a full understanding of long-term projections.

**Questions for Respondents:** The Board discussed and revised the questions for respondents. It agreed to ask respondents to consider and justify alternatives rather than merely select an alternative offered by the Board. This would help respondents "think outside the box."

**CFS Requirements:** The Board also discussed the extent of requirements for reporting on social insurance in the governmentwide or Consolidated Financial Statements (CFS). The CFS illustration in Appendix C of the exposure draft included only reporting on Social Security and Medicare.

The Board discussed possible approaches to reporting on social insurance in the CFS. These included: 1) acknowledging that different units cannot be added together and different time frames cannot be combined, and providing a general requirement to summarize the component entities' information; 2) focusing the CFS requirement on Social Security and Medicare; and 3) realizing that the materiality requirement might limit the extent of the CFS presentation.

The Board agreed to develop a CFS presentation using actual data over the next several months while the social

insurance exposure draft is out for comment. Such a presentation would reveal what was possible to report based on existing data, and the final recommended requirement could be reduced in scope based on an analysis of the presentation. Moreover, the Board would be able to factor in to its analysis the responses to the CFS presentation in the exposure draft.

The exposure draft is being mailed to the FASAB mailing list and is posted on the FASAB home page at Financenet. To request a hard copy, call 202 512-7350. For further information on the ED, contact Rich Fontenrose at 202-512-7358, or email at fontenroser.fasab@gao.gov.

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### **Internal Use Software**

FASAB staff presented a summary of the responses received on the internal use software exposure draft ("software ED"). The summary showed that most respondents supported the accounting standard. Based on responses, staff proposed adding more explanatory material to the introduction and/or basis for conclusions and more guidance on how to apply the standard, including case studies and illustrations.

Staff explained the status of the American Institute of CPAs draft Statement of Position (SOP). It also asked for comments on its project plan, including its goal of having a pre-ballot exposure draft ready for the next Board meeting in April. It suggested that one issue the Board might want to consider was whether indirect costs should be capitalized along with direct costs.

**Direct and Indirect Costs:** The Board discussed whether the guidance in the software exposure draft was sufficient to identify direct and indirect costs. It also discussed the areas of multiple systems that are not always capable of tracking indirect costs, unassigned costs in agencies that do not capitalize indirect costs, and justification for cost allocation. The Board generally agreed that many of the questions on indirect costs related to other areas besides software, and that ultimately, agencies would have to identify indirect costs to be in compliance with SFFAS 4, *Managerial Cost Accounting*.

The Board discussed that it was attempting to isolate the costs to be capitalized. Some members thought that, if that isolation were sufficiently defined, indirect costs could and should be capitalized. The Board discussed whether doing so would be consistent with SFFAS 4, *Managerial Cost Accounting*, and would be the same for other general property, plant, and equipment (PP&E).

The Board further discussed responses to the software exposure draft and the interaction between cost requirements in SFFAS 4 and those in the exposure draft. It discussed the responses of those who had interpreted SFFAS 4 as requiring indirect costs to be allocated to general PP&E and who believed that the software ED was inconsistent with SFFAS 4 and whether the materiality threshold would limit capitalization of indirect costs. It also expressed concerns that the internal use software standard should not impose requirements for cost accounting above those in SFFAS 4.

Discussion concluded with the idea that a standard cannot answer all conceivable questions. The document says that software costs should be capitalized, that direct costs should be capitalized, and that capitalization starts and stops at given points. It is expected that the reporting will come out within a given range based on the natural tension that exists between preparers and auditors to force reporting toward an acceptable range.

**The Year 2000:** The Board discussed accounting for the costs of changes resulting from year 2000 (Y2K) requirements. Changes associated with Y2K may have large costs and may not be treated the same in the various Federal agencies. For example, some agencies may repair existing systems and those costs would be expensed. However, other agencies may buy new systems with additional functionality and capabilities, and those costs might be capitalized. Staff was directed to add this issue to the project plan.

Staff will proceed with the project plan, including adding the Y2K issue, reviewing the Cost Accounting Standards Board (CASB) and state government capitalization practices in response to Federal regulations, forming an ad hoc task group to develop the working capital fund issue raised by the Agriculture Department, and contacting Board Members, staff, and Federal agencies regarding other possible clarifications and examples for the standard.

For further information, contact Rich Fontenrose at 202-512-7358, or email at fontenroser.fasab@gao.gov.

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### **Management's Discussion & Analysis**

At its meeting in January, the Board reviewed a draft of a proposed statement on Management's Discussion and Analysis (MD&A). The draft combined material now in the Office of Management and Budget's (OMB) guidance for preparing the Overview (contained in Bulletin 97-01) and

material exposed for comment last year in FASAB's exposure draft on MD&A.

Respondents to the exposure draft expressed concern regarding how the MD&A would relate to Accountability Reports being piloted by several agencies. Accountability Reports are broader than traditional financial reports and include other mandatory reports. The pilot is intended to study assess the feasibility of combining several separate mandatory reports into one annual report. Mr. Jackson, OMB's representative on the Board and Chairman of FASAB's MD&A task force, observed that federal financial statements are legally required and carefully defined, but the Accountability Report are evolving through the efforts of the pilot program. He indicated that it may be time to seek legislation to mandate Accountability Reports for all agencies covered by the Government Management Reform Act (GMRA) and to define the contents of the reports.

The pilot Accountability Reports now are a mixture of things including lengthy reports by the Inspector General. Mr. Jackson suggested that FASAB could be explicit about what its statement of concepts or standards for MD&A would cover, regardless of possible changes in the content or composition of other reports, and that MD&A should address:

1. the financial statements
2. performance measures
3. internal controls and compliance, perhaps including management's assertions about these subjects and/or the auditor's report on these subjects and management's response [i.e., corrective action taken or planned].

He would favor a requirement that MD&A address these subjects, even if items 2 and/or 3 were included in a separate document, because they are essential to address FASAB's objectives regarding stewardship and regarding systems and controls.

Mr. Jackson led discussion of several issues, including the following:

**Issue:** should the document be published as a recommended statement of accounting standards or as a recommended statement of concepts? If the document is published as a recommended standard, how should the information in MD&A be defined, i.e., as

other accompanying information (OAI), required supplementary information (RSI) or required supplementary stewardship information (RSSI)?

Using the RSI category or designation presumes that authoritative guidelines have been defined, because the auditor must do certain things. Therefore, the information must be based on data and/or systems that meet certain criteria. The procedures specified for the auditor are at a higher level, i.e., less extensive, than is true for an examination or audit of "basic" information. The required review procedures include inquiry of management and comparing the information with supporting documentation and with the financial statements. The Board must therefore consider whether the criteria or guidelines for MD&A are defined sufficiently to justify the RSI designation, and whether this would lead to cost/beneficial results?

Mixed views were expressed on these issues. The Board agreed that staff would discuss them in staff memos and/or in the basis for conclusions to clarify the issues prior to the next meeting.

**Issue:** removal of some of the guidance now contained in 97-01's guidance for the overview on preparing and presenting performance measures.

The Board confirmed its decision that MD&A is not the place for "initial" presentation of information about performance or about systems and controls. Major problems in these areas should be discussed in MD&A, but information about performance, systems, and controls initially should be presented elsewhere; therefore, guidance for preparing and presenting that information should be elsewhere than in guidance for MD&A.

For further information, contact Robert Bramlett at 202-512-7355, or email at [bramlett.r.fasab@gao.gov](mailto:bramlett.r.fasab@gao.gov).

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### ***Status of Papers of the Subgroups of the Governmentwide Audited Financial Statements Working Group***

Following is the text of a January 6, 1998 letter from FASAB to public accounting firms engaged in federal consulting and audit work. The letter was prepared due to the many questions being received by staff regarding the status of issues papers developed by working groups.

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We have received inquiries on the status of papers produced by the Governmentwide Audited Financial Statements Working Group's subgroups (e.g., the Property, Plant, and Equipment Subgroup or the Environmental Liabilities Subgroup). While the subgroups produced papers analyzing Federal financial accounting and auditing issues and suggesting approaches to these issues, none of the papers have authoritative standing. As a result of the subgroup efforts, however, we developed a formal means to provide authoritative technical guidance on implementation of Federal financial accounting standards and Federal audit issues.

The Accounting and Auditing Policy Committee (AAPC) was formed in the summer of 1997 to recommend timely guidance on issues resulting from the new Federal financial accounting standards and audits of Federal financial statements. The AAPC's first undertaking has been to review the subgroups' papers and consider which should be considered for publication as technical releases. The active projects originating from the subgroups' efforts are (1) a recommended technical release on environmental liabilities, (2) a draft paper on the estimates associated with credit reform accounting, and (3) an educational forum on estimating cost for existing property, plant, and equipment (tentatively scheduled for April 1998). Other subgroup efforts have led to cooperative efforts to resolve issues outside the formal guidance arena.

I have attached a copy of two fact sheets -- "FASAB Facts" and "AAPC Facts" [available on FASAB's home page, at <http://www.financenet.gov/fasab.htm>] -- that describe the missions and operating procedures of these two organizations. I believe you will find this information helpful as you consider issues relating to the new Federal Financial Accounting Standards, Interpretations, and Technical Releases that are produced through the efforts of the FASAB and the AAPC, as well as their sponsors, the Department of the Treasury, the Office of Management and Budget, and the General Accounting Office. I urge you to support the efforts of both the FASAB and the AAPC by responding to exposure drafts, submitting issues to the AAPC, and monitoring AAPC activities. I have attached guidance on submitting issues to the AAPC [available on the AAPC's home page, at <http://www.financenet.gov/aapc.htm>].

For questions on accounting standards or interpretations, the FASAB staff is available to provide assistance to preparers and auditors as time permits. The FASAB staff can provide you with updates on projects, direct you to relevant authoritative literature, or discuss

options for addressing issues. However, the FASAB staff can not provide authoritative guidance on specific questions/issues.

Please ensure that your staff members are familiar with the operations of the AAPC and are aware of the non-authoritative nature of the papers produced by the Governmentwide Audited Financial Statements Working Group. If you have questions on these materials or if you have an issue that the AAPC might address, please contact me at 202 512-7350.

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## AAPC NEWS

### Highlights of the January 8, 1998 Meeting

**Credit Reform:** Mr. James Short, the OMB representative on AAPC, reported that he welcomes comments on the Credit Reform document. It is available on the AAPC home page. He is the contact point and will coordinate the resolution of issues raised on the issue of credit reform. It is expected that the issue will be discussed at the April AAPC meeting.

**Property, Plant, & Equipment:** AAPC member Ted David reported on plans for the PP&E forum, tentatively scheduled for April 27-28, 1998. An article addressing the topics and speakers follows.

**April Meeting:** The next meeting of the AAPC will be held April 9, 1998 in Room 4N30 of the GAO Building, 441 G St., N.W.

For further information, contact Dick Tingley at 202-512-7361, or email at [Tingleyr.fasab@gao.gov](mailto:Tingleyr.fasab@gao.gov).

### Technical Releases 1 and 2 to be Published

The Accounting and Auditing Policy Committee (AAPC) recommended and OMB will publish Federal Financial Accounting and Auditing Technical Releases 1 and 2. Release 1 is *Legal Representation Letters*. Release 2 is *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

Release 1 was developed by the AAPC under the leadership of William Pugh of the Treasury Inspector General's office. The issue was raised by the Department of Justice due to concerns regarding the process through which auditors would assess compliance with Interpretation

No. 2, *Accounting for Treasury Judgment Fund Transactions*.

Release 2 was originally developed by the Chief Financial Officers Council's Governmentwide Audited Financial Statement Task Force, Subgroup on Environmental Cleanup Costs. The Subgroup was set up to address issues concerning the application of accounting standards as they relate to environmental liabilities. The Subgroup, composed of representatives from Federal entities including those with significant environmental contamination, included representatives of the Department of the Treasury, the Office of Management and Budget, the General Accounting Office, the Departments of Defense, Energy, and the Interior, the Environmental Protection Agency, the American Institute of Certified Public Accountants, and the Federal Accounting Standards Advisory Board.

Highlights of Technical Release 2 include:

- Federal agencies are required to recognize a liability when a future outflow or other sacrifice of resources as a result of past transactions or events is "probable" and "reasonably estimable." Technical Release 2 is intended to assist federal agencies in determining probable and reasonably estimable liabilities related to their environmental cleanup responsibilities.

- Agencies that must deal with environmental contamination should first refer to the hierarchy of accounting standards contained in the current Office of Management and Budget Bulletin on "Form and Content of Agency Financial Statements" for guidance. Standards issued by the Office of Management and Budget and the General Accounting Office have precedence over other authoritative guidance for federal entities. Technical Release 2 supplements the relevant federal standards, but is not a substitute for and does not take precedence over the standards.

Technical Release 2 offers guidance based on *Statements of Federal Financial Accounting Standards* (SFFAS), and draws on information from other literature. The applicable federal standards are:

- SFFAS 6, *Accounting for Property, Plant, and Equipment* - SFFAS 6 addresses cleanup costs from federal operations known to result in hazardous waste. SFFAS 6 provides guidance when cleanup occurs at the end of the useful life of the property, plant, and equipment (PP&E) or at regular intervals (scheduled phase cleanup) during that life.

- SFFAS 5, *Accounting for Liabilities of the Federal Government* - SFFAS 5 applies to all environmental liabilities not specifically covered in SFFAS 6, including cleanup resulting from accidents or where cleanup is an ongoing part of operations.

When published by the Office of Management and Budget, Technical Releases 1 and 2 will be available through the Government Printing Office. Until then, the complete Technical Release is available on the AAPC Web Page at <http://www.financenet.gov/aapc.htm>.

For further information, contact Monica R. Valentine, 202-512-7362, or email [valentinem.fasab@gao.gov](mailto:valentinem.fasab@gao.gov).

### **AAPC to Hold Forum on Property, Plant, & Equipment**

On April 27 and 28, 1998, the Accounting and Auditing Policy Committee in conjunction with the Office of the Chief Financial Officer of the US Department of Agriculture, will hold a forum entitled, *Valuation and Other Selected Issues Relating to Property, Plant, and Equipment*. Historically, Federal agencies have not maintained records to fully account for property, plant, and equipment (PP&E) costs. The forum is designed to assist Federal agencies in identifying and dealing with the issues of accounting and reporting for the full costs of property, plant, and equipment.

Topics to be covered include developing and maintaining a complete inventory, techniques for determining original cost, useful life considerations, capitalization thresholds, documentation and retention, and cost/benefit considerations. Speakers include David Mosso, Chairman of the FASAB, Ed DeSeve, Director of Financial Management for the Office of Management and Budget, and Gene Dodaro, Director of the Accounting and Information Management Division of the General Accounting Office. There also will be several panel discussions featuring representatives of Federal agencies and experts in the area of PP&E accounting.

The forum will be held at the USDA Jefferson Auditorium, 1400 Independence Avenue, SW, Washington, DC., on April 27 from 12:30 - 5:00, and on April 28 from 8:30 - 4:00. A registration form is included with this newsletter. There is no charge for this event. For further information, contact Rick Wascak, 202-512-7363, or email [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov).

### **Professional Audit Standards Updates**

To help GAO's financial auditors keep up to date with changing professional standards, the Accounting and Information Management Division of the General Accounting Office provides its staff with Professional Standards Updates. GAO has kindly provided these updates to FASAB staff and we have found them very useful. To assist our readers, we will from time to time, as space permits, provide the highlights of the most current updates. Some of those in the most current Professional Standards Update are presented as follows:

#### **OMB Report, "Progress on Year 2000 Conversion"**

This report summarizes the progress of each Federal Agency in assessing and solving the Y2K issue (as reported by the agencies under OMB Memoranda M-97-13 and M-98-02). The report is as of November 15, 1997, and is at <http://cio.fed.gov/Y2Knov97.htm>.

#### **SEC Guidance on Year 2000 Issue (Y2K)**

The SEC has a home page for its material on year 2000 issues. See <http://www.sec.gov/news/home2000.htm>. On January 12, 1998, SEC revised its disclosure guidance on Y2K. See Staff Legal Bulletin 5 (CF/IM) at <http://www.sec.gov/rules/other/slbcf5.htm>. The SEC requires disclosure in the Management's Discussion and Analysis (MD&A) about Y2K if the cost of addressing Y2K is a material event or uncertainty or the costs or consequences of an untimely or incomplete resolution of Y2K is a material uncertainty. If a company has not made a Y2K assessment or has not determined whether Y2K is material, disclosure is required. The Bulletin describes what should be disclosed. Although the SEC does not have jurisdiction, preparers and auditors may find the guidance helpful in addressing Y2K issues.

Another source for non-authoritative but useful Y2K guidance for financial institutions is the Federal Financial Institutions Examination Council (FFIEC). The Council is an interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. FFIEC issued "Safety and Soundness Guidance Concerning the Year 2000 Business Risk", dated Dec. 12, 1997. See the FFIEC web site at [www.ffiec.gov](http://www.ffiec.gov), which also has links to the five banking regulatory agencies listed above.

### **Draft standards for federal internal control**

An exposure draft was issued to update GAO's Standards for Internal Control in the Federal Government to reflect changes since they were first issued in 1983. Comments are requested by March 11, 1998. The draft (GAO/AIMD-98- 21.3.1) is on GAO's web site (<http://www.gao.gov>).

#### **Auditing Interpretation of AU 311, "Planning and Supervision" re Y2K**

This interpretation addresses the auditor's responsibility regarding the Year 2000 Issue in an audit of financial statements. The interpretation states that the auditor has a responsibility to plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Thus, the auditor's responsibility relates to the detection of material misstatement of the financial statements, whether caused by the Year 2000 Issue or by some other cause. In planning the audit, the auditor must exercise professional judgment in considering whether the Year 2000 Issue could result in a material misstatement of the financial statements, either alone or in combination with other factors. The interpretation also provides guidance on reporting internal control deficiencies related to the Year 2000 Issue. This interpretation is in the January 1998 *Journal of Accountancy*. (The AICPA also is drafting an interpretation of SAS 59, "Going Concern Year 2000 Interpretations." Issuance is expected in the Spring.)

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### **AICPA Forms Federal Accounting and Auditing Subcommittee**

In response to the rapidly expanding world of Federal accounting and auditing, the American Institute of Certified Public Accountants (AICPA) has created the AICPA Federal Accounting and Auditing Subcommittee. The AICPA created this subcommittee to consider issues and provide comments to the Federal financial community in such areas as Federal Generally Accepted Accounting Principles as developed by the FASAB, interpretations and technical releases relating to Federal accounting standards and developed by the FASAB and the AAPC, the consolidated Federal audit, Yellow Book revisions, the Government Performance and Results Act, internal controls, and other areas of Federal accounting and auditing.

Members of the subcommittee include executive level accountants and auditors from both the public and private sectors. The subcommittee will hold regular meetings and

will provide comments on Federal activities and projects as warranted.

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### **Update on FASAB Training at the Center for Applied Financial Management**

FASAB continues to work with the Center for Applied Financial Management (the Center) to train Federal financial managers on the standards and concepts developed by FASAB. As you may be aware, the Center's course schedule is periodically published in the **FASAB News**. To better serve financial managers, the Center recently updated its detailed courses on FASAB standards, as follows:

- The Property, Plant, and Equipment/Stewardship and Survey courses have been updated to include discussions on the proposed changes to SFFAS 6 and 8. This course includes distributing and discussing the exposure draft that proposes the changes.
- The Revenue standard course has been expanded from 2 to 3 days to give more depth to the coverage of the Form and Content statements. The course includes a practice case study for which the students prepare all 6 statements for a Federal agency.
- The Survey course has been expanded from 2 to 3 days to allow more time for discussions of proposed changes, emerging issues, and the standards, in general.

For further information, contact the Center's Registrar at 202-874-9560, or check out the Center's web page at [www.fms.treas.gov/center](http://www.fms.treas.gov/center) for an up-to-date listing of the Center's course offerings.

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### **Upcoming Meeting Agendas**

**FASAB:** As published in the December 1997 **FASAB News**, FASAB will be holding two-day meetings this year. The next meeting is scheduled for April 16-17, 1998. At this point, the agenda will cover management discussion and analysis, proposed credit reform amendments, internal use software, and natural resources.

**AAPC:** The next meeting of the Accounting and Auditing Policy Committee is scheduled for April 9, 1998, at 1:30, in room 4N30 of the General Accounting Office building, 441 G Street, NW, Washington, DC, 20548. The agenda will cover credit reform guidance and the discussion of new issues.

For further information, contact Dick Tingley at 202-512-7361, or email at [tingleyr.fasab@gao.gov](mailto:tingleyr.fasab@gao.gov).  
Upcoming Meeting Agendas

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**Note:** *FASAB News* is a publication of the staff of the Federal Accounting Standards Advisory Board. This publication is intended to provide readers with an understanding of issues that the Board is considering by providing the highlights of proceedings of Board meetings. When an article refers to a Board decision, it should be understood that all Board decisions are tentative until a concept or standard is formally recommended by the Board to its principals, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. Moreover, formal recommendations of the Board are not considered final until they have been officially approved by the Board's principals, and issued by the Office of Management and Budget.



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Advisory Board (FASAB) and the  
USDA Office of the CFO**

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## Why a forum on PP&E?

Federal agencies are now required to account for - and report - full costs of operations. Historically, we have not maintained records to fully account for PP&E costs. How do we deal with the issues involved in fully accounting for the costs of property, plant and equipment? What are the issues?

### Join us to hear

- \* **David Mosso (FASAB)**
- \* **Gene Dodaro (GAO)**
- \* **Ed DeSeve (OMB)**

### and others talk about...

#### ► **Developing and Maintaining a Complete Inventory**

Purpose of the inventory: accountability for property, support for amounts capitalized on the balance sheet

Sources of information: existing property records, physical inventories

Completeness

Procedures for accumulating information on capitalized leases

Procedures for accumulating information on property in the hands of contractors

#### ► **Techniques for Determining Original Cost**

The need for a valid inventory

Agreement with auditors on methodology

The need for historical values

Benchmarking values

Documenting the methodology used

Reporting on results

#### ► **Useful Life Considerations**

Routine Assets (e.g. buildings, furniture, vehicles)

-What criteria are appropriate?

-IRS tax guidance?

-Professional organizations?

-Industry

Computers, Telecommunications Equipment and Technology

#### ► **Agency-unique Assets (e.g. spacecraft)**

-What criteria are appropriate?

-Should useful life be tied to mission performance?

-Should useful life be asset-specific, or established for clusters of similar assets?

#### ► **Capitalization Thresholds**

FED-GAAP guidance on capitalization thresholds

How and why are capitalization thresholds used in private industry and State and local government?

What factors should be considered in establishing a capitalization threshold?

- treatment of bulk and aggregate purchases

- policy for capitalization or expensing of leasehold improvements

Capitalization thresholds versus item accountability-- where do we draw the line?

Federal agency "best practices" for capitalization thresholds

► **Documentation and Retention**

Records retention requirements

- How are these requirements established?
- By whom?
- Are they binding?

Documentation to support the capitalization of real property

- Acquisition cost
- Auditor-accepted value
- Assessed value
- What documentation to retain?

Audit issues

- Audit standards
- How long must documentation be retained to support existence, valuation, depreciation, and asset disposal?

Records location and audit access

► **Cost/Benefit Considerations**

The cost of determining cost

Benefits of a more precise value

**Sequence of events to perform cost benefit analyses**

**Documentation and inventory of items**

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