

## ***FASAB Holds Public Hearing on Proposed Amendments to Property, Plant, and Equipment***

On June 26, 1998, FASAB had a public hearing on its proposed amendments to the standards on property, plant, and equipment (PP&E). Public hearings are a component of the due process that FASAB follows for developing accounting standards. The hearings provide a forum for interested parties to express their opinions on the accounting principles and standards proposed in FASAB exposure drafts. Notices of public hearings are published in the *Federal Register*.

The proposed amendments to the PP&E standards in Statement of Federal Financial Accounting Standards 6 (SFFAS 6), *Accounting for Property, Plant, and Equipment* were published in the exposure draft, *Amendments to Accounting for Property, Plant, and Equipment*, dated February 1998. The proposals covered recognition and measurement of stewardship PP&E through changes to the definition and reporting of national defense PP&E and to accounting for multi-use heritage assets. Those testifying, however, chose to speak only on the proposed changes to national defense PP&E. In particular, several speakers expressed concern that some fundamental program information would be lost by replacing reporting national defense stock values with quantities and acquisition cost trends. Following is a brief summary of each speaker's remarks.

*Ralph DeGennaro*, Executive Director, Taxpayers for Common Sense, said that his organization opposed the proposed amendments. His organization believes the amendments, by eliminating information on the value of national defense PP&E stocks, would reduce information of value to users of financial statements. Further, his organization believes that these actions must be based on flawed assumptions, such as: 1) taxpayers not caring how their money is spent; 2) Congress not caring if the Government's bookkeeping is poor; 3) the Department of Defense not being able to provide Congress and citizens with accurate information on the relevant current and historical costs of weapons systems; and 4) the Department of Defense being content to be like entities who are failing to maintain auditable books or sufficient detail about expenditures.

*Lisa G. Jacobson, Donna M. Heivilin, and Kristi Karls*, of the General Accounting Office, testified as private citizens. Ms. Jacobson summarized their position as

believing that the standards in SFFAS 6 for reporting latest acquisition or historical cost for national defense PP&E stocks would be appropriate if: 1) additional quantity data would be required; 2) use of latest acquisition cost were replaced by program acquisition cost, and 3) both cost and quantities of individual weapon systems were required.

*Thomas V. Fritz*, President and Chief Executive Officer, Private Sector Council, accompanied by *George Broadhead*, from the Private Sector Council, stated that the Private Sector Council strongly believes the proposed amendments should not be adopted. His organization believes the proposals would result in 1) eroding clarity of the reported information; and 2) leaving out valuable information, such as cost data, from the financial statements.

*Kenneth Flamm*, Senior Fellow, Brookings Institution, presented his organization's views in the following remarks: 1) current public data are inadequate for informed discussions of the Department of Defense's acquisition policy; 2) SFFAS 8, *Supplementary Stewardship Reporting*, though insufficient, is a significant improvement in transparency and availability of data on acquisition policy; 3) different organizations within the Department of Defense use inconsistent and contradictory definitions in reporting cost concepts; 4) internal Department of Defense cost evaluations and analyses typically are not exposed to outside analysis and comment, even when such data can be presented in unclassified and nonproprietary form; 5) a minimal level of detail -- preferably exceeding that prescribed in SFFAS 8 -- made public on a routine basis for major acquisition programs would improve public discussion and analysis of significant budgetary and national security policy issues; and 6) greater disclosure of unclassified and nonproprietary acquisition cost data in a consistent and uniform format also would improve decision-making within the Department of Defense.

*William J. Lynn*, Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, was accompanied by *General George T. Babbitt*, Commander, Air Force Materiel Command, and *Brigadier General Roger W. Searce*, Deputy Director, Defense Finance and Accounting Service. Mr. Lynn said the Department of Defense supports adopting the proposed amendments for reporting quantities and cost trends for national defense PP&E for three reasons: 1) historical cost data is not useful to the Department since

such data does not measure the financial value of the assets; 2) the primary value of national defense PP&E is not necessarily financial; the value of national defense PP&E lies in its capability to defend or deter armed conflict, and 3) from a practical standpoint, since there had been no requirement to maintain historical cost data on weapons systems prior to SFFAS 6, the data do not exist or are beyond the record retention time frame that the Department uses. Mr. Lynn addressed one other issue exposed for comment with the proposed amendments: whether ammunition should be considered national defense PP&E or operating material and supplies. Mr. Lynn said that the Department of Defense strongly believes that ammunition should be categorized as national defense PP&E since it is integral to the weapon system. General Babbitt and Brigadier General Searce reiterated support for these positions.

*Dr. Jesse W. Hughes*, Chair, Federal Subcommittee, Standard Setting Committee, Government and Nonprofit Section, American Accounting Association, said that his organization favored historical cost and the accumulation of cost by weapon system. He encouraged the Board to look more closely to the alternative view presented in the exposure draft of the proposed amendments. The alternative view provided that valuation is a part of accountability and should be reported for audit scrutiny.

*David Cotton*, CPA, representing the Federal Accounting and Auditing Subcommittee, American Institute of Certified Public Accountants, was accompanied by representatives, *Joseph L. Peterson*, CPA, CGFM and *Dan Murrin*, CPA. These speakers testified that their organization believes that, the unique mission of the Department of Defense notwithstanding, national defense PP&E is not unique. Therefore, they do not believe that national defense PP&E warrants unique accounting and reporting. In fact, they argued, abandonment of reporting historical cost information could have negative consequences on the accountability of the property at the unit level.

*Marcus C. Corbin*, Program Coordinator, Military Industrial Complex Initiative, Project On Government Oversight, said that his organization opposed the proposed amendments that would limit the cost reporting on weapon systems. He said the his organization believes the standards need to tightened, not loosened. He supported the alternative view presented in the exposure draft of the proposed amendments. He believes that view would strengthen the reporting requirements by requiring reporting the full

cost of weapons systems, with certain cost-related information about weapons systems being reported as supplementary stewardship information.

Issues arising from the exposure draft hearing testimony and respondent comments will be analyzed by the Board and discussed at the August Board meeting.

For further information, contact Rick Wascak, 202-512-7363, or email at [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov).

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### **Reporting Subsidy Expense Components for Direct Loans and Loan Guarantees**

The Board continued discussing the AAPC Credit Reform Task force's proposal to amend paragraph 25 of Statement of Federal Financial Accounting 2 (SFFAS 2), *Accounting for Direct Loans and Loan Guarantees*. That paragraph requires reporting the **amounts** of expense by separate component (interest subsidy expense, default expense, fees, and other costs) for direct loans and loan guarantees **disbursed** during the reporting year. Rather than report the separate amounts of subsidy components actually disbursed, the AAPC Task Force proposed that loan programs disclose **rates** of individual subsidy components **budgeted** for the current year cohort. (For background, see *FASAB News*, Issue 51, Apr.-May 1998, pages 2-3.)

At its April meeting, the Board had indicated that it would like to assess the 1) usefulness of and 2) difficulty in preparing the subsidy component information required in paragraph 25 of SFFAS 2. At its June meeting, representatives of two of the major Federal lending agencies, the Small Business Administration and the Department of Education, made presentations intended to address the work required to comply with paragraph 25 and the procedures or systems that these agencies have in place to produce the required data.

### **The Small Business Administration**

John Kushmen, Director for Financial Administration, lead the presentation, with support from Robert Montgomery (accounting staff) and Anthony Robinson (budgeting staff). They told the Board that the Small Business Administration has built a data base for credit reform loans and loan guarantees. The data base system was established to meet the credit reform budget requirements, but serves both budgeting and financial reporting purposes. Transaction data are coded and stored in the data base, with information on credit activities available for retrieval in various

combinations and levels of aggregation. From the data base, subsidy costs and component rates for credit programs or sub-programs can be easily retrieved, and the amounts of subsidy components can be calculated. Since the system capability is readily available, no significant extra effort is required to meet the financial reporting requirements of paragraph 25 in SFFAS 2.

### The Department of Education

Maureen Smith, Director for Financial Management Operations, lead the Department of Education's presentation, with support from William Graham (budgeting staff), William Fleming (Loan Reporting), and Eileen Parlow (accounting staff). William Graham said that the Department has a computerized subsidy estimation model for loans and loan guarantees that uses more than two thousand assumptions. Subsidy estimates are prepared from the bottom up, that is, from risk category level, to cohorts, and to programs. The model's data output is used in budgeting, financial reporting, and program management. The staff continuously reviews and updates the model's assumptions and subsidy rates.

Mr. Graham further provided that management focuses on risk areas, especially for high risk loans. As a result, providing default information is the system's top priority for "gate-keeping," with the goal of discontinuing making loans that have unacceptable default risks. However, he said this information is provided to management directly from the system rather than through financial statements. He believes that financial statement information is too aggregated for management to use for making program decisions.

Board members thanked the presenters for providing information on how entities could comply with the SFFAS 2 component information reporting requirements. The Board asked staff to continue researching whether and how the component information required in paragraph 25 is of use to readers of Federal agency financial statements. FASAB staff will continue to gather information from potential users, such as Congressional staff members, and others who might be knowledgeable about users' needs, such as the American Institute of Certified Public Accountants (AICPA) Subcommittee on Government Accounting and Auditing.

For further information, contact Richard Mayo, 202-512-7356, or email, [mayor.fasab@gao.gov](mailto:mayor.fasab@gao.gov), or Lucy Lomax, 202-512-7359, or email [lomaxm.fasab@gao.gov](mailto:lomaxm.fasab@gao.gov).

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### **Management's Discussion & Analysis (MD&A) to be Reexposed**

At its June meeting, the Board considered a draft statement of concepts and standards for management's discussion and analysis (MD&A). The draft reflected changes the Board discussed at its April meeting. The new draft standard defines MD&A as required supplementary information (RSI) instead of other accompanying information (OAI), but the standard is general rather than prescriptive. (For background information, see **FASAB News**, Issue 51, Apr.-May 1998, pages 1-2)

The proposed standard indicates that a report that presents a Federal reporting entity's financial statements in conformance with Federal accounting principles should include management's discussion and analysis of the financial statements and related information. MD&A should provide a clear and concise description of the reporting entity and its mission, activities, program and financial performance, and financial position. MD&A should provide a balanced presentation that includes both positive and negative information about performance, trends, systems, and controls.

MD&A should contain sections that address:

- mission and organizational structure;
- performance goals, objectives, and results;
- financial statements; and
- systems and controls.

MD&A should include forward-looking information. Forward-looking information may comprise a separate section of MD&A or may be incorporated with the sections listed above. MD&A should address important problems that need corrective action, and corrective actions that have been taken or planned. Corrective actions needed, planned, and taken may be discussed within the sections listed above or in a separate section of MD&A.

The draft standard is intended to provide flexibility for preparers, but some people have expressed concern about possible implications for auditors. Some implications might arise from the innovative reliance on reports that are incorporated in the general purpose Federal financial report by reference, and are part of what must be discussed in MD&A. Such reports could include, for example, performance reports published pursuant to the Government Performance and Results Act.

The draft statement of concepts says that whatever is incorporated by reference is subject to the audit

requirements that apply to the other report. The proposed standard refers to the MD&A itself as required supplementary information, but the Board expects that the material incorporated by reference will be treated like other accompanying information unless other requirements are imposed.

Other implications for the auditor may arise from the references to forward-looking information and from the definition of "probable." The word "probable" is used in the draft MD&A document, and FASAB's proposed guidance differs from the Securities and Exchange Commission's in that regard. In calling for management to present forward-looking information, the Securities and Exchange Commission uses "likely" to indicate a threshold lower than the subjectively assessed 80% or 90% probability that, academic research has indicated, is often used in private sector practice when auditors and preparers are applying FASB 5. The Securities and Exchange Commission wants to encourage preparers to be more forthcoming in their forward-looking information. The glossary entry for "probable" in the draft document on MD&A notes that FASAB, unlike the Securities and Exchange Commission, does not use the term "likely" when discussing forward-looking information, but rather uses "probable," which is defined as "more likely than not," or more than a 50% chance of loss occurrence.

FASAB's draft document on MD&A will be split into two documents and reexposed for 60 days. One exposure draft will be a statement of standards, the other a statement of concepts.

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

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### ***Board Briefed on Results of Survey on Statements of Financing and Budgetary Resources***

At the June Board meeting, Executive Director Wendy Comes reported on responses to her survey of Departmental Chief Financial Officers regarding their experiences with the Statement of Financing and the Statement of Budgetary Resources. Centralized departments with only a few bureaus seem to be able to prepare the statements. Larger departments with more complex structures have encountered problems.

Federal agencies have always reported on budget execution by appropriation account; they were not asked to identify obligations across these budgetary accounts. The Standard General Ledger requires that proprietary accounts

identify interagency transactions, because the Government has long had a goal of preparing consolidated financial statements. There was no need to code budgetary accounts in the same way to prepare a consolidated budgetary statement, however, until FASAB called for this information. Therefore, there has been no requirement to distinguish intra-governmental budgetary transactions. The problem is one of display, not control. The Government has obligatory control at the level of budgetary control.

Some people have suggested that, as a practical matter, larger departments will not be able to prepare consolidated Statements of Budgetary Resources until changes have been made to their computerized accounting systems. They have further suggested that such changes should be deferred until after the "year 2000 problem" has been resolved.

It was suggested that a combined Statement of Budgetary Resources (i.e., without eliminations of intra-governmental obligations) could provide much of the same benefits of auditing the budgetary information that would be provided by a consolidated Statement, and would serve as a starting point for the Statement of Financing. Permitting combined reporting and allowing Required Supplementary Information status for the Statement of Financing for a couple of years, would allow preparers time to implement needed changes.

On the other hand, it is true that combining without eliminating intra-entity transactions may raise questions or create confusion. There could be numbers that might make it appear that obligatory authority had been exceeded. Both Congress and managers are accustomed to dealing with budgetary information only at the appropriation level; they are not accustomed to using combined or consolidated budgetary information. Suitable disclosures would be needed to explain the significance of the combined numbers.

The Statement of Financing presents additional problems for the larger departments. They are concerned about constraints on programming resources and accounting staff. In some cases, cross-walks from existing Standard General Ledger accounts to lines in the Statement are not sufficient to prepare the Statement; trained accountants will need to do account analysis. In some cases very extensive analysis would be needed if the accounting system has not been modified better to support preparation of the Statement.

The Board will consider a draft exposure draft that would propose to defer the Statement of Financing for two years, with the understanding that the Office of

Management and Budget would work with agencies to assure they can implement the standard in subsequent years. It was noted that four new standards became effective in fiscal year 1998; the Board can now see the incremental workload involved more clearly. Because there was no comprehensive field test of the new standards, neither the Board nor the departments were fully aware of their impact.

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

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### ***Internal Revenue Service Issues***

The Board heard a presentation on the work of a task force dealing with implementing Statement of Federal Financial Accounting Standards 7 (SFFAS 7), *Accounting for Revenue and Other Financing Sources*, at the Internal Revenue Service. Presenters included Lisa Fiely, Controller and Director for Financial Management, Internal Revenue Service; Greg Kane, Chief, Office of Accounts Receivable, Internal Revenue Service; Gregory Kutz, Associate Director Accounting and Information Management Division, General Accounting Office; and Stephen Sebastian, Assistant Director, Accounting and Information Management Division, General Accounting Office.

The task force prepared a slide presentation, issues papers, and a "marked up" version of the section on nonexchange revenue of SFFAS 7, to show possible technical corrections and amendments. Mr. Kutz noted that last year, the Internal Revenue Service received an unqualified opinion on its financial statements, thus establishing a reliable baseline for collections and other information. Taxes receivable were estimated based on a statistical sample in the aggregate, because there is no general or subsidiary ledger for taxes. The Internal Revenue Service plans further implementation of SFFAS 7, including the accrual adjustment and enhanced disclosures.

The Board discussed issues regarding reporting tax collections and taxes receivable by tax type. The Office of Management and Budget's Bulletin 97-01, *Form and Content of Agency Financial Statements*, illustrates reporting taxes by type of tax. Paragraph 63 of SFFAS 7 refers to Appendix B of SFFAS 7, "Guidance for the Classification of Transactions," which classifies revenues, including various types of taxes, as exchange or nonexchange revenues. The Office of Management and Budget's guidance on Form and Content was based on the assumption that display should follow the categories identified in appendix B. However, Appendix B was intended only to distinguish exchange from nonexchange revenue; it

is authoritative for that purpose only. The Office of Management and Budget will change its Form and Content guidance to avoid the implication that display by tax type is required.

The Board also discussed the disclosures required by SFFAS 7 regarding material revenue-related transactions, e.g., penalties, interest, abatements, etc. during the year. Mr. Sebastian noted that some people interpret the standard to require a crosswalk from beginning to end-of-year balances of taxes receivable and tax refunds payable, but the Internal Revenue Service has problems in providing this information regarding the specific components of the pool of unpaid assessments. The Internal Revenue Service had a pool of unpaid assessments of \$214 billion at the end of 1997. Only \$28 billion represented net taxes receivable, i.e., acknowledged by taxpayer or court and probably collectible. (Gross taxes receivable was projected to be \$90 billion at September 30, 1997.) This was determined by sample because the Internal Revenue Service does not have subsidiary ledgers to track transaction-by-transaction. The General Accounting Office projected both the properly classified balances and the net collectible amount for taxes receivable.

Mr. Kane explained that the Internal Revenue Service must retain 10 years of unpaid assessments on the books by law. Pursuant to the provisions of SFFAS 7, the Internal Revenue Service divides this pool into three components for financial reporting: taxes receivable, compliance assessments, and write-offs. Then the General Accounting Office tests the classifications and projects the results. To provide this information, the Internal Revenue Service takes a snapshot of the master file every month. The master file is not a subsidiary ledger; each month the old snapshot disappears. This makes it difficult to gain audit assurance regarding the transactions as they affect each of the three components of the total pool of unpaid assessments. Mr. Sebastian suggested revising SFFAS 7 to require this information as Required Supplementary Information instead of basic information, while allowing for the fact that more detailed information may become available for audit over time as the information system that supports tax collection is improved.

One Board Member expressed concern about this proposal, because he believes the information is essential for performance evaluation and accountability. He believes there would be insufficient accountability over abatements and other Internal Revenue Service exercises of discretion without it. He thinks the information should be basic information rather than Required Supplementary Information, because it needs to be audited. Another Member suggested that it might be feasible to make the

disclosure for the population of unpaid assessments taken as a whole, rather than for the three components. The Board agreed that more work needs to be done to develop and evaluate alternatives before it decides whether SFFAS 7 should be amended. Further discussion of this and other issues was deferred to the next FASAB meeting.

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

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### **AAPC News: Highlights of the June 11 Meeting**

#### **Credit Reform**

Accounting and Auditing Policy Committee (AAPC) members discussed issues in the draft Technical Release, *Government-Wide Financial Statements Task Force*. The purpose of the proposed technical guidance will be to provide specific guidance for agencies and auditors to prepare, use, report, and audit credit subsidy estimates.

Discussion centered on the flexibility allowed to auditors in auditing agencies' credit subsidy estimates. It was agreed that the auditor should be given latitude on whether to perform sensitivity analysis of credit subsidy assumptions. Also discussed was the materiality of events following a June 30 reestimate. The AAPC Credit Reform Task force members will revise the proposed guidance and send it to AAPC members for review pending approval at the August AAPC meeting.

#### **New Issues**

Bill Pugh, Chairman of the Agenda Committee, provided the items for possible addition to the AAPC's agenda:

- Issue -- Should the AAPC address when bills issued by the Royalty Management Program of the Mineral Management Service, Department of the Interior, should be recorded as accounts receivable? AAPC Chair Comes will respond to the request for guidance saying that the AAPC will delay addressing this issue now as it might require an amendment to SFFAS 7, *Accounting for Revenues and Other Financing Sources*.

- Issue -- Should the AAPC sponsor a task force to consider guidance on reporting stewardship land and heritage assets? The AAPC agreed to address these issues, but said that the issues should be further developed. To ensure equitable representation on a task force on the

issues, Ms. Comes recommended that AAPC member Bob Dacey of the General Accounting Office and a representative of the Department of the Interior serve as co-chairs of the task force.

- Issue -- Should the AAPC address issues of consistent reporting of non-valued and forfeited items in accordance with SFFAS 3, *Accounting for Inventory and Related Property*? The issues were raised by a task force of representatives from agencies with seizing authority, primarily the Departments of the Treasury and Justice. The AAPC agreed to add this item to its agenda. Mr. Pugh agreed to chair the group and to review the issues and recommendations it develops for the AAPC. Additional members will include AAPC members Allan Lund, FASAB staff member Rick Wascak, and representatives from other affected agencies, such as the Coast Guard, the National Oceanic and Atmospheric Administration, the Departments of the Treasury, Justice, and Defense.

#### **AAPC Welcomes Allan Lund**

The AAPC welcomes its second new member in as many meetings. Allan Lund, is from the Financial Management Service, Department of the Treasury. He will fill the vacancy left by Ron Longo. (See **FASAB News**, Issue 51, Apr.-May 1998, for information on other recent AAPC personnel changes.)

Mr. Lund is a systems accountant with the Financial Management Service, where he has worked since 1976 on a variety of projects including those related to governmentwide accounting and reporting. He also has provided staff support to FASAB Board Member, Gerald Murphy, since FASAB's inception, and has served on many FASAB task forces. Prior to joining the Financial Management Service, Mr. Lund worked for Deloitte, Haskins, and Sells as an auditor in Boston.

Mr. Lund has a BA from Tufts University, with majors in Economics and Political Science, a JD from the University of Pennsylvania Law School, and an MBA from Rutgers University Graduate School of Business. He is a CPA, a CGFM, and an attorney. He is a member of the American Institute of Certified Public Accountants and the Association of Government Accountants.

The AAPC looks forward to working with Mr. Lund and drawing on his extensive financial management experience.

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

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### **Latest News from the Advisory Council on Government Auditing Standards**

The Advisory Council on Government Auditing Standards has issued the following documents:

- 1) Exposure Draft, *Government Auditing Standards: Auditor Communication*, GAO/GAGAS-ED-2, July 8, 1998. This exposure draft proposes a revision to *Government Auditing Standards* (GAGAS, or the "Yellow Book") to add a new field work standard for financial statement audits on auditor communication and to revise the reporting standard for reporting on compliance with laws and regulations and on internal control over financial reporting.

This exposure draft requires specific communication with the auditee, including the audit committee if applicable or other equivalent group, regarding the scope of compliance and internal control work to be performed under government auditing standards, and strengthens the linkage of the auditor's report on the financial statements with the auditor's reports on compliance with laws and regulations and internal control over financial reporting when these reports are issued separately. Comments will be accepted through September 30, 1998.

- 2) Exposure Draft, *Government Auditing Standards: Additional Documentation Requirements When Assessing Control Risk at Maximum for Computer-Related Controls*, GAO/GAGAS-ED-3, July 8, 1998. This exposure draft proposes a revision to *Government Auditing Standards* (GAGAS, or the "Yellow Book") to add a new field work standard for financial statement audits prescribing additional documentation requirements for (1) the assessment of control risk at maximum for assertions significantly dependent on computer applications and (2) the basis for concluding that resulting audit procedures are designed to effectively achieve audit objectives and appropriately limit audit risk.

This proposed standard will help ensure that auditors conducting financial statement audits in accordance with *Government Auditing Standards* carefully consider controls related to assertions which are significantly dependent on computer applications and appropriately limit audit risk related to such assertions. This exposure draft also presents conforming changes to GAGAS field work standards for financial statement audits to recognize, where applicable, the effect of Financial Accounting Standards Board Statement on Auditing Standards (SAS) No. 78,

*Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55*, on GAGAS for internal control. Comments will be accepted through September 30, 1998.

Copies of the exposure drafts can be obtained from the General Accounting Office, Room 1100, 700 4th Street, NW, Washington, DC 20548, by calling 202-512-6000, or from the "Yellow Book" Web page, on the General Accounting Office's home page, [www.gao.gov](http://www.gao.gov). The "Yellow Book" web page brings together links to *Government Auditing Standards* (1994 Revision), exposure drafts currently out for comment, and related information. In addition, the page will contain any new government auditing standards as they are issued. The page can be accessed from the "GAO Policy and Guidance Materials" or the "Special Publications" sections of the GAO site, or directly at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm).

At its June 8, 1998 meeting, in addition to agreeing to issue the above exposure drafts, the Advisory Council on Government Auditing Standards also discussed the following:

- Performance Auditing - what constitutes an audit, critical characteristics to auditing, possible range of audit objectives that could be performed under an audit, and how to make the yellow book standards more user friendly to non-financial auditors.
- Performance Measurement - the auditor's role in performance measurement and concurred that performance measurement is in an evolutionary stage. The Council discussed whether it would be appropriate for the group to work on guidance tools to assist auditors in providing assurance on the reliability and/or relevance of reported performance measures.

The next meeting will be September 21 and 22, 1998; the subsequent meeting will be February 22 and 23, 1999.

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### **Professional Audit Standards Update**

To help the General Accounting Office'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. The General Accounting Office 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. One item

of interest in the most current Professional Standards Update is presented as follows:

**Statement of Position (SOP) 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards***

This Statement of Position, issued March 1998, provides guidance on the auditor's responsibilities when conducting a single audit or program-specific audit in accordance with the Single Audit Act Amendments of 1996 and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (June 1997 revision). This Statement of Position supersedes Statement of Position 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*, and part VII, "Audits of Federal Financial Assistance," of the American Institute of Public Accountants Audit and Accounting Guide *Audits of State and Local Governmental Units*. The table of contents is in the May 1998 *Journal of Accountancy*.

**Cool Web Sites!**

- FASAB & AAPC Documents Issued List - [www.financenet.gov/financenet/fed/fasab/fasabtb2.pdf](http://www.financenet.gov/financenet/fed/fasab/fasabtb2.pdf)
- Standard General Ledger Crosswalk to Financial Statements - [www.fms.treas.gov/ussgl/sglfy98.html](http://www.fms.treas.gov/ussgl/sglfy98.html)
- OMB 97-01, *Form and Content* - [www.financenet.gov/financenet/fed/omb/97-01.pdf](http://www.financenet.gov/financenet/fed/omb/97-01.pdf)
- "Yellow Book" - Government Auditing Standards - [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm)
- Federal jobs, documents, laws, topics, and reinvention efforts - [www.financenet.gov/financenet/fed/usfed.htm](http://www.financenet.gov/financenet/fed/usfed.htm)

**Training on  
Federal Accounting Standards**

**Points of Contact:**

We often receive calls from readers who would like to take or arrange for delivery of training courses on the FASAB concepts and standards. Although FASAB members and staff are often featured speakers on the programs of Federal agencies and departments, professional organizations, academia, and other functions designed to provide a broad overview of Federal financial management

to groups of users and preparers of Federal financial statements, we do not provide specific training courses.

However, we are aware of and have often provided technical guidance to some of the entities that do provide such training. For information on their latest course offerings on the FASAB concepts and standards, please contact their registrars at the following numbers:

The Center for Applied Financial Management, Department of the Treasury - 202-874-9560, FAX 202-874-9629.

Graduate School, US Department of Agriculture - 202-401-9194, FAX 202-401-9417.

Management Concepts, Inc. - 703-790-9595, FAX 703-790-1371.

For information on presentations to be made by FASAB staff, contact Lucy Lomax, 202-512-7359, or email [lomaxm.fasab@gao.gov](mailto:lomaxm.fasab@gao.gov).

**Workshop to be Offered on the Statements of Financing and Budgetary Resources:**

A "hands on" workshop to cover the Statement of Financing and the Statement of Budgetary Resources will be offered through the Center for Applied Financial Management. The workshop is to be taught by the designer, Tom Luter, a recent retiree from the Department of the Treasury and one of the principal developers of the two statements. It will be offered on September 9-10, October 22-23, and November 3-4. For more information on this workshop, contact Erika Mathis of the Center, at 202-874-9542.

**Special Edition of FASAB News  
Forthcoming**

Tom Luter (see previous article) has written a series of articles on the Statement of Financing. The articles present an overview of the statement; address the sections of the statement: resources used to finance activities, resources used to fund items not part of the net cost of operations, and components of net cost of operations that do not require or generate resources during the reporting period; and discuss and illustrate approaches to understanding and preparing the Statement of Financing.

FASAB News will publish a special edition to feature these articles.

For further information, contact Wendy Comes, 202-512-7357, or email comesw.fasab@gao.gov.

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### ***Upcoming Meetings***

**FASAB:** The next meeting will be on August 6-7, at 9:00, in Room 7C13 of the General Accounting Office Building, 441 G St., N.W. Topics will include management's discussion and analysis, the Internal Revenue Service's request for amendments to the revenue standards, new projects to be addressed by the Board, the proposed amendments to accounting for national defense PP&E and multi-use heritage assets, comments on the social insurance ED, a presentation on early warning issues, and the definition of "probable." The remaining meetings for the calendar year are scheduled for October 22-23, and December 3-4. There is also a public hearing on Social Insurance scheduled for October 5-6.

**AAPC:** The next meeting will be on August 13, at 1:30, in Room 4N30 of the General Accounting Office Building, 441 G St., N.W. Topics will include final discussion and possible approval of the credit reform Technical Release.

For further information, contact Dick Tingley at 202-512-7361, or email at tingleyr.fasab@gao.gov.

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*FASAB's Web Page:*  
<http://www.financenet.gov/fasab.htm>

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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.

## The Latest in the Certified Government Financial Manager (CGFM) Program

To assist in providing information on the latest developments in governmental financial management, this issue of the **FASAB News** features information on the status of the Association of Government Accountants (AGA) program, the Certified Government Financial Manager (CGFM). FASAB staff has provided input to the AGA during many of the phases of development of the CGFM exam and courses, and expects to continue supporting future developments in the CGFM program.

Since its inception in 1994, the CGFM program has showcased the skills of professionals who practice financial management in Federal, state, and local government environments. "CGFM" signifies individuals who have knowledge in many functional areas and know how to apply that knowledge in a governmental setting. Readers who may be unfamiliar with the CGFM designation, standing for Certified Government Financial Manager -- or with AGA, the Association of Government Accountants, which developed it -- may wish to learn more about its requirements and future plans.

AGA serves professionals in the government financial management community by providing quality education, fostering professional development and certification and supporting standards and research to advance government accountability. Founded 50 years ago, AGA developed the CGFM in response to the call for professionals who can lead the way to a more accountable, effective government.

**Certification:** To qualify for certification, candidates must pass three separate examinations. The examinations are: 1) Governmental Environment; 2) Governmental Accounting, Financial Reporting, and Budgeting; and 3) Governmental Financial Management and Control.

The three CGFM examinations are administered year-round in a multiple-choice computerized format on behalf of AGA at Sylvan Technology Centers, in more than 500 locations worldwide.

**Education:** To take the CGFM examinations, candidates must have already earned a bachelor's degree from an accredited college or university, and have completed at least 24 hours of study composed of courses in diverse public administration and financial management topics.

**Experience:** Certification candidates must have at least two years of professional-level experience in government financial management prior to designation as a CGFM. The experience requirement is not necessary to sit for the examinations, however, documentation of professional experience must be filed before the designation can be granted. A candidate's experience must involve government financial management at a professional level in Federal, state, or local government; the private sector or academia; and encompass one or more of a broad range of activities, such as accounting and auditing policy and procedure; budget formulation, execution, and analysis; financial systems

design; financial report preparation; information resource management, and other experience in governmental financial management deemed acceptable by the Professional Certification Board.

**Ethics:** Before a certificate is issued, applicants must attest by signature that they have received and read AGA's *Code of Ethics* and that they will abide by its provisions.

**Renewal:** The certificate renewal process is based upon the date that the CGFM designation is issued. Beginning on January 1 of the year following the date that certification is awarded, the CGFM will have two full years to earn 80 hours of continuing professional education (CPE).

**Courses in Government Financial Management:** Three courses based on AGA's content specification for the CGFM examinations have been developed by expert practitioners working with AGA's Professional Certification Board. The study course can help you prepare for the CGFM examinations, provide CPE hours, or simply provide important knowledge about government financial management, whether certification is a goal.

*Course 1: Governmental Environment* (1 day, 8 CPEs), covers governmental structure, accountability, and ethics.

*Course 2: Governmental Accounting, Financial Reporting, and Budgeting* (3 days, 24 CPEs), covers key Federal, state, and local concepts.

*Course 3: Governmental Financial Management and Control* (2 days, 16 CPEs), covers internal/management control, auditing, performance measurement, and reporting.

**New Development:** As the first live exams and courses are being offered, a new development is on the horizon. In June, Jeffrey C. Steinhoff, CGFM, chair of the Professional Certification Board, announced a partnership between AGA and the American Society of Military Comptrollers (ASMC). ASMC has recognized the CGFM as the certification of choice in the Defense financial management work force. In addition, a "Defense sub-specialty" exam will be jointly developed by AGA and ASMC to focus on the unique aspects of Defense financial management. This sub-specialty will serve two audiences. The first audience will be current CGFMs and qualified potential CGFMs who want to display additional competencies by taking the new exam. The second audience will be those who lack the academic and/or experience qualifications for CGFM certification, but would still like to display competencies within the Defense financial management arena.

For more information and links to scores of resources in governmental financial management, see AGA's home page, <http://www.agacgfm.org> or call 1-800-AGA-7211.

**Documents Issued by the  
Federal Accounting Standards Advisory Board (FASAB) and  
the Accounting and Auditing Policy Committee (AAPC)**

FASAB /AAPC	Type	Number	Title	Date	GPO #/Other Information	Price
FASAB	Concept	SFFAC 1	Objectives of Federal Financial Reporting	9/2/93	(OUT OF PRINT)	
FASAB	Concept	SFFAC 2	Entity and Display	6/6/95	041-001-00456-1	\$3.75
FASAB	Standard	SFFAS 1	Accounting for Selected Assets and Liabilities	3/30/93	(OUT OF PRINT)	
FASAB	Standard	SFFAS 2	Accounting for Direct Loans and Loan Guarantees	8/23/93	(OUT OF PRINT)	
FASAB	Standard	SFFAS 3	Accounting for Inventory and Related Property	10/27/93	(OUT OF PRINT)	
FASAB	Standard	SFFAS 4	Managerial Cost Accounting Concepts and Standards	7/31/95	041-001-00457-2 (Limited Supply)	\$7.50
FASAB	Standard	SFFAS 5	Accounting for Liabilities of the Federal Government	12/20/95	041-001-00463-7	\$7.50
FASAB	Standard	SFFAS 6	Accounting for Property, Plant, and Equipment	11/30/95	041-001-00462-9	\$6.50
FASAB	Standard	SFFAS 7	Accounting for Revenue and Other Financing Sources (plus implementation guide)	5/10/96	041-001-00475-1	\$18
FASAB	Standard	SFFAS 8	Supplementary Stewardship Reporting	6/11/96	041-001-00493-9	\$7.50
FASAB	Standard	SRAS 9	Deferral of Required Implementation Date for SFFAS 4	10/97		
FASAB	Exposure Draft		Management's Discussion and Analysis	2/97	to be reexposed	
FASAB	Exposure Draft		Governmentwide Supplementary Stewardship Reporting	6/97	due for future issuance	
FASAB	Exposure Draft		Accounting for Internal Use Software	6/25/97	recommended standard, 7/6/98	
FASAB	Exposure Draft		Amendments to Accounting for PP&E	2/98	public hearing 6/26/98	
FASAB	Exposure Draft		Accounting for Social Insurance	2/20/98	public hearing 10/5-6/98	
FASAB	Invitation for Views		Accounting for the Cost of Capital by Federal Entities	7/96	ongoing project	
FASAB	Interpretation	1	Reporting on Indian Trust Funds	3/12/97		
FASAB	Interpretation	2	Accounting for Treasury Judgment Fund Transactions	3/12/97		
FASAB	Interpretation	3	Measrmnt Date for Pension and Retirement Health Care Liabilities	8/29/97		
FASAB	Interpretation	4	Accounting for Pension Payments in Excess of Pension Expense	12/19/97		
FASAB	Report	Report 1	Overview of Federal Financial Accounting Concepts and Standards	12/31/96		
FASAB	Other	Codif. Vol. 1	FASAB Volume 1, Original Statements	3/97	GAO/AIMD-21.1.1	
AAPC	Tech. Rel.	1	Audit Legal Letter Guidance	3/1/98	041-001-00503-0	\$1.00
AAPC	Tech. Rel.	2	Environmental Liabilities Guidance	3/15/98	041-001-00504-8	\$2.00

FASAB and AAPC documents available on Internet: <http://www.financenet.gov/fasab.htm>, or <http://www.financenet.gov/aapc.htm>. Documents in print available from: FASAB, 202-512-7350, GPO, (202) 512-1800 or GAO at (202) 512-6000, as noted. Last updated: 7/28/98

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