



FASAB News
Federal Accounting Standards
Advisory Board

August/September 2013
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Robin Gilliam Joins FASAB Staff

Ms. Gilliam joined the staff as an assistant director on September 9, 2013. She brings a wealth of financial accounting and systems experience to the task of establishing standards. She has over 27 years of accounting experience with over 16 years in the federal government. She began her career at the Census Bureau working on their audited Financial Statements. From 2000 to 2003, she worked for the Department of Commerce (DOC) on their core financial system (CFS). From 2003 to 2012, she worked for the Department of Treasury, Financial Management Service (FMS) on the Governmentwide Accounting Modernization Project. In addition, she was FMS's liaison to JFMIP and FSIO helping to develop the required Treasury CFS requirements and the Standard Reimbursable Business Processes. She also took the lead, working with a diverse group of agencies, to develop the Interagency Agreement (IAA) form to standardize reimbursable agreements across the Government. From 2008 – 2012, Ms. Gilliam worked closely with OMB and agencies to develop financial data standards and policies for which she wrote and contributed to Treasury Financial Manuals (TFMs). Prior to coming to FASAB, she worked at the Department of Labor as a systems accountant/customer liaison on their CFS. She gained significant insight into the world of shared services, cloud computing and the hard work and effort agencies encounter in implementing a CFS. Ms. Gilliam has a Bachelor's degree in Art from Goucher College and a Certificate in Accounting from UMBC. She is a Certified Public Accountant, Project Management Professional, and is a member of the Association of Government Accountants.

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 Reporting Entity

A public hearing on the *Reporting Entity* Proposed Accounting Standards was held on August 28th. Transcripts of the public hearing will be available at www.fasab.gov in late October or by contacting the FASAB office at 202 512-7350.

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Melissa Loughan, 202-512-5976, loughanm@fasab.gov.

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

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

The Board also discussed three high-level questions related to the inclusions principles, the distinction between consolidation entities and disclosure organizations and whether to consider the alternative view. The goal was to get feedback on those areas and determine if there were other issues the Board viewed as priority for direction for staff.

As a result of the discussion, staff will prepare options for the Board to consider regarding the inclusion principles. In addition, staff will address issues raised by respondents and seek members input on revisions to the proposed standards.

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

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

Task force members are being consulted on an ideal reporting model. The Board believes that an ideal reporting model should not be constrained by considering existing systems and processes, but represents what could be achieved over the long-term. Staff plans to present a draft framework for an ideal model during the October 2013 FASAB meeting.

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

Leases

At the August meeting, staff presented several questions to the Board related to the revised exposure draft released in May by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) on leases, as well as the Governmental Accounting Standards Board's (GASB) initial board discussions on leases. Ms. Roberta Reese, GASB Project Manager, participated in the discussion to provide background to the FASAB on the GASB discussion.

The discussion centered on the eight questions staff posed to the Board.

Question 1 related to the scope of the lease project and what topics should be considered. Staff recommended that all of the topics tentatively agreed to be addressed by GASB should also be addressed in the FASAB project. Also, more research is necessary to determine the extent of sale-leaseback, leveraged lease, and SCA-like transactions within the federal community. Staff also recommended adding enhanced use leases to the project's scope.

Question 2 related the definition of a lease – should the term “contract” or “agreement” be used in the FASAB definition of a lease. Staff recommended that the FASAB definition of lease use the term “agreement” as opposed to “contract”, which is what FASB is proposing, because using “contract” could narrow the scope of the lease standards and not capture all leasing transactions involving federal entities. The Board tentatively agreed to leave the “terminology” question open and to concentrate on the substance of a lease.

Question 3 also related to the definition of a lease – should the term “asset” or “property, plant, & equipment” be used in the FASAB definition of a lease. Staff and the Board agreed with GASB's tentative decision to use the broader term “asset” as opposed to “property, plant, & equipment” which could narrow “leases” in a way that leads to similar activities being excluded from coverage of the standards. Staff believes narrowing should be accomplished through specific exclusions (the approach taken by the FASB and IASB) as they are likely to be clearer to the reader.

Question 4 related to the definition of a lease – should staff assess the prevalence of nonexchange and “exchange-like” (as defined by GASB standards) leasing transactions and whether “control” of a resource is generally conveyed in such transactions in the federal environment. Staff also noted that “exchange-like” transactions are generally included in “exchange transactions” under the current federal standards. It was noted that in situations where we have one federal entity allowing another federal entity to use space free of charge – it is covered by the imputed cost standards and there is no asset or liability currently recognized. The Board agreed that staff should include intra-governmental nonexchange transactions in the scope of the lease project to consider options for balance sheet recognition.

Question 5 related to the inclusion of explanatory guidance to assist in determining if an arrangement is a lease that is currently included in the FASB ED. Staff recommended that this question be deferred until the proposed lease standards are further developed. Since FASAB establishes standards for a single reporting entity more detailed guidance at the standards level may be cost-effective for FASAB.

Question 6 related to the scope of standards (inclusions) – should the scope of FASAB lease standards include agreements that reflect the substance of a lease even if they are not called a lease. Staff recommended that the scope of FASAB lease standards include agreements that reflect the substance of a lease even if they are not called a lease.

Question 7 related to the scope of standards (exclusions) – should the scope of FASAB lease standards exclude the following four bulleted topics:

- Agreements that contract for services that do not transfer the right to use an asset from one contracting party to the other would not meet the basic premise of a lease which transfers/conveys the right to use an asset.
- Federal natural resources is addressed in Technical Bulletin (TB) 2011-1: *Accounting for Federal Natural Resources Other than Oil* and leases involving oil and gas are covered in SFFAS 38: *Accounting for Federal Oil and Gas Resources*.
- Intangible assets, other than internal use software (which is considered to be PP&E), are not addressed in the current FASAB standards. Additional staff research is necessary to determine the extent federal entities are involved in leasing activities of intangible assets other than internal use software.
- Service concession arrangements (SCAs) will be addressed in the FASAB Public-Private Partnership project.

Staff recommended that the scope of FASAB lease standards exclude three of the above four bulleted topics, with the exception being internal use software and other intangible assets that will be further researched.

Question 8 related to drafting the scope and applicability sections of the standard. Staff recommended that drafting the scope and applicability of the lease standard be deferred until further staff research can be performed to address the scope issues identified earlier.

The next steps for the project are as follows.

- Continue research to determine the types of lease transactions being used by federal entities (e.g., sale-leaseback, leverage, SCA-type leases, and enhanced-use leases)
- Identify any lease agreements that would not meet the criteria of a lease contract.
- Research nonexchange lease transactions and nominal consideration exchange lease transactions between federal entities and between a federal entity and a non-federal entity.
- Research the extent of federal leases involving intangible assets.
- Hold a task force meeting.
- Continue to follow the progress in both GASB and FASB's lease projects.

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

Risk Assumed

The Risk Assumed Project was not discussed at the August Board meeting. Staff is continuing research on the project by gathering information from federal entities on their insurance and non-loan guarantee activities.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Public-Private Partnerships (P3)

Pursuant to the Board's June meeting advice, Staff presented 3 major topics for discussion: (1) a Suggested Draft P3 Definition/Description, (2) revised and newly categorized Potential P3-Centric Reporting Characteristics, and (3) potential disclosures related to fiscal exposure (risk). This phase of the project is intended to identify P3s for which general disclosures regarding the arrangements and associated risk are needed.

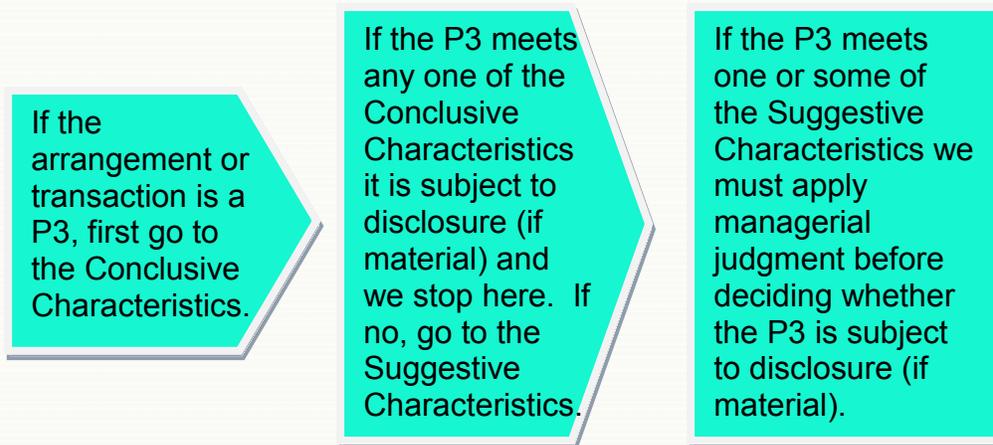
Suggested Draft P3 definition/description developed by the P3 Task Force

Some members had a concern that many of the terms used were too vague to be used in any forthcoming guidance. For example, terms such as "traditional" and "risk-transfer" seemed to require greater explanation and suffered from being relative to conditions at a point in time. That is, what is "traditional" may change of time. Other members noted that concepts of unusual risks and ownership relationships might need to be worked into the definition whereas others wanted to pare down to definition to just reflect the P3s that would be within the scope of the potential standard. Staff reminded members that (1) the draft definition/description is intended to be universal in nature capturing all types of P3 activities and different classes of assets and, (2) the draft definition/description is intended to be malleable and changes can be made as we progress through the project.

Revised and newly categorized Potential P3-Centric Reporting Characteristics

The intention of the characteristics is to basically eliminate from reporting those P3 arrangements/transactions that pose no (1) financial asset/liability recognition or de-recognition concerns, and (2) other fiscal exposure/risk that could lead to a liability. For example, an arrangement or transaction would have to first meet the definition or description of a P3. Then, if the arrangement or transaction met (1) a singular conclusive risk characteristic or (2) using managerial judgment, one or some of the suggestive characteristics, disclosure would be required.

An overly simplistic graphical flow diagram of the Task Force's initial reporting process follows:



Member feedback on the revised, newly categorized (conclusive and suggestive) characteristics was sought and staff was asked to write the characteristics as statements and not questions, and to add language identifying the risk involved.

Potential disclosures related to fiscal exposure (risk).

The Board discussed the overall objectives of the P3 disclosures including the relevance to reporting objectives, nature and magnitude of the risks and rewards, and the complexity of P3 relationships in general.

There was concern about the volume of disclosures this proposal could produce and questions as to whether the financial statements are the appropriate forum for all of this information. Generally, the Board seemed more concerned with the risks to which the government is exposed in contrast to what could be considered operational or performance oriented disclosures.

In conclusion, staff was asked to share this information with the Task Force and to continue making progress towards the next phase dealing with measurement and reporting.

If you are interested in joining the P3 Task Force or know of someone who might be interested in its work, please consider contacting the point of contact listed below.

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2013	Quarter 3 CY2013	Quarter 4 CY2013	Staff Contact
The Reporting Entity		ED	DP and PH	UR	Melissa Loughan (202-512-5976)
Risk Assumed		Research	Research	Research	Robin Gilliam (202 512-7356) Monica Valentine (202-512-7362)
Investments and Other Equity Interests in Non-Federal Entities					Wendy Payne (202-512-7357)
Leases		Research	Research	Research	Monica Valentine (202-512-7362)
Financial Reporting Model		Research	Research	Research	Ross Simms (202-512-2512)
Public Private Partnerships		Research	Research	Research	Domenic Savini (202 512 6841)

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 its July 11, 2013 the AAPC approved the release of Technical Release (TR) 15, *Implementation Guidance on General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation*, to the FASAB for review and then final release. The TR is currently under a 45-day review period to gain negative assurance from a majority of the Board. If there are no Board objections the TR is expected to be release by September 30, 2013.

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

FASAB Meeting Schedule

Schedule for 2013 Meetings:

October 23rd and 24th
December 18th and 19th

Schedule for 2013 Meetings:

March 5th and 6th (Joint meeting with GASB)
April 23rd and 24th
June 25th and 26th
August 27th and 28th
October 22nd and 23rd
December 17th and 18th

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2013 Meetings:

Thursday, November 21

Unless otherwise noted, AAPC 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://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. Thank you.