



*FASAB News*  
*Federal Accounting Standards*  
*Advisory Board*

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**December 2014/January 2015**  
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## [FASAB Welcomes Grace Wu](#)

Grace Wu joined the Board’s staff on January 12<sup>th</sup>. As a Senior Manager with Deloitte & Touche LLP, Mrs. Wu has more than 15 years of audit and financial accounting policy development experience with both government and private sector organizations. Former clients include the Department of Health and Human Services, Federal Deposit Insurance Corporation, Department of Veterans Affairs, Department of Education, Centers for Medicare & Medicaid Services, National Credit Union Association, Government National Mortgage Association, Import and Export Bank, and Federal Reserve Board of Governors.

Mrs. Wu is proficient in audit and accounting policy research and implementation. Through her prior work, she gained first-hand experience of federal financial accounting and auditing standards and concepts. She has a deep understanding of key accounting issues and reporting options especially in the areas of mortgage loan, lease, pension, fund balance with Treasury, accounts receivable and accounts payable. She has a master’s degree in accounting from the University of Waterloo in Waterloo (Ontario, Canada) and is a Certified Public Accountant and a Certified Government Financial Manager.

# 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.)

## **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](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@fasab.gov).

## DoD Implementation Guidance Request Project

The objective at the December meeting was to provide the Board with the project plan for the Department of Defense (DoD) Implementation Guidance Request project and an update. Important items discussed that are detailed in the minutes include the following:

- Staff progress in the Research and Development area in the coming months is contingent upon DoD contacts describing the issues in more detail.
- The issue of a definition of “end user” (SFFAS 3) will be researched further to determine how best to address it.
- Follow-up with the branches (as well with the Marines) will be needed to confirm results to date on the deployed assets issue. A final recommendation will be presented to the board for approval, vote and recorded in the minutes.
- FASAB staff (with contractor assistance) plans to continue research and gain more information in various areas as it relates to inventory—including reparables, principal items, and confirming our understanding of inventory accounting and valuation processes at each branch.
- FASAB staff (with contractor assistance) plans to research various areas discussed by board members at the meeting, further analysis and consideration of turnover rates, etc. The members also suggested meeting with the DoD inspector general staff at an appropriate time.

Point of Contact: Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

## Federal Reporting Entity

Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity* was issued on December 23, 2014.

SFFAS 47 establishes principles to identify organizations for which elected officials are accountable. The Statement also guides preparers of GPFRRs in determining what organizations to report upon, whether such organizations are considered

“consolidation entities” or “disclosure entities,” and what information should be presented about those organizations. The Statement also requires information to be provided about related party relationships of such significance that it would be misleading to exclude information.

SFFAS 47 is effective for periods beginning after September 30, 2017 and early implementation is not permitted. It is anticipated that central agencies will determine if there is a need for coordinated guidance to ensure government-wide consistency.

Point of Contact: Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

### [The Financial Report: MD&A, Statements, Notes, RSI and OAI](#)

FASAB discussed budgetary reporting with panels of experts. Financial reporting should assist the federal government in fulfilling its duty to be publicly accountable for monies raised through taxes and other means and, during its December 2014 meeting, FASAB met with two panels of experts to determine what information would help best achieve this objective. The first panel focused on useful budgetary information to present in the consolidated financial report of the U.S. government (CFR) and the panel members included:

- Robert L. Bixby, Executive Director, Concord Coalition
- Paul L. Posner, Professor and Director of the Masters in Public Administration Program, George Mason University
- C. Eugene Steuerle, Richard B. Fisher Chair and Institute Fellow, The Urban Institute

They discussed some of the challenges in classifying expenditures in a report intended for the general public and discussed some alternatives. For instance, the public tends to focus on individual programs rather than functions or categories typically used by analysts and the area of their concern changes. Also, it is important to distinguish mandatory and discretionary spending. The public should be aware that most of the budget involves mandatory rather than discretionary spending. In addition, reporting by sub-functions may be helpful because they correspond to the commitments of the federal government and could help inform discussions on broader missions and goals.

The panel also discussed a range of concerns for the FASAB to consider. For instance, it was noted that it is important to determine how to report on tax expenditures and the government’s interdependence on other sectors of the economy. Also, long-term projections are being used to help financial report readers understand the future and the public may not fully understand present value accounting. As the use of projections grows, the Board might consider working with others such as the Office of Management and Budget, Government Accountability Office, and Congressional Budget Office to establish some benchmarks and conventions. In addition, the Board was urged to consider what information should be presented in the very first table of the financial report because readers are not likely to review the entire document. Given the range of topics that could be of interest to the public, the Board

could ensure that reporting focuses on particular topics for a particular time period rather than trying to ensure that reporting captures the full range of topics.

The second panel focused on useful budgetary information to present in agency financial reports and the panel members included:

- Carol S. Johnson, Program Examiner, OMB
- S. Anthony (Tony) McCann, Adjunct Lecturer, University of Maryland
- Denise Wu, Principal, CliftonLarsenAllen LLP

The panel discussed concerns with existing budgetary information and possibilities for improvement. Primarily, they noted the multiple federal sources that present budgetary information and the appearance of redundancy. Also, it was noted that while both the Statement of Budgetary Resources (SBR) and the Schedule of Spending (SOS) provide budgetary information, the SBR did not appear to be user-friendly and was too highly aggregated. They also stressed the need for clear and consistent use of terms among the financial statements and schedules. Currently, terms such as “spending” and “obligations” are being used interchangeably when the terms have different meanings. Consequently, the presentations could confuse readers.

Panel members also discussed the need for more detailed information and information by program. Users are more likely to seek information by program rather than other classification approaches. In addition, it was noted that financial statements and in particular the disclosures can provide useful information not found in other reports that present budgetary information.

In addition, the Board discussed a draft concepts statement regarding the reporting model and provided comments to FASAB staff. FASAB staff plans to provide a revised draft during the February 2015 meeting.

Point of Contact: Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

## Leases

At the December meeting staff presented to the Board proposed guidance for intragovernmental leases. The proposed guidance included definitions of relevant terms, as well as specific provisions that address features of leases and is based on the current Financial Accounting Standards Board operating lease guidance. At the October 2014 meeting the Board directed staff to simplify the intragovernmental lease accounting guidance. Staff presented revisions to the previously proposed recognition and disclosure lessee and lessor guidance for intragovernmental lease arrangements. The Board stressed consistency and the need for symmetry between the lessee and lessor accounting for intragovernmental leases.

Staff also presented an analysis of the first three chapters of the GASB Preliminary Views (PV) on Leases so that the Board could discuss the GASB concepts as it relates to the development of federal lease standards. The GASB PV on Leases will

be used as a foundation for the development of the FASAB lease standards on non-intragovernmental lease agreements– the GASB PV was released for comment in November. The topics discussed were project objective, project background, applicability, scope, and lease term.

Staff will continue to work with the task force to further develop the intragovernmental lease standards. Staff will also continue to review the recently released GASB PV on Leases and provide a staff analysis for the February 2015 Board discussion.

Point of Contact: Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

### Risk Assumed

#### Insurance Program Education Session:

At the December 2014 meeting, representatives from several insurance programs presented an education session about their current reporting of revenue from premiums, unearned revenue, and estimated losses. The Board welcomed:

Department of Agriculture (USDA), Risk Management Agency (RMA), Federal Crop Insurance Corp (FCIC),

- Margo E. Erny, Chief Financial Officer (CFO)
- Shanda Sander, Special Assistant to CFO
- Tom Worth, Senior Actuary

Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA), National Flood Insurance Program (NFIP)

- Jennifer Raab, Accountant , Financial Statements and Reporting Branch-OCFO
- Thomas Hayes, Chief Actuary

Department of Transportation, Federal Aviation Administration (FAA), Aviation Insurance Program

- Tom Brown, Insurance Examiner

The Board appreciated the time and effort of the participating panel members.

\*Please see the Risk Assumed Project Page to view the participants' presentations.  
<http://www.fasab.gov/projects/active-projects/risk-assumed/>

#### Claims Adjustment Expenses:

The Board discussed and approved including Claims Adjustment Expenses (CAE) in the Liability for Unpaid Claims if an insurance program's CAE are related to and calculated based on outstanding claims.

### Liability for Premium Deficiency/Net Future Losses:

The Board discussed and approved including a Liability for Premium Deficiency/Net Future Losses in addition to the Liability for Unpaid Claims. However, the Board suggested further consideration in the following areas:

- differentiating between insurance programs who receive appropriations to finance subsidies and those who borrow to finance subsidies,
- classifying revenue for insurance programs that receive subsidies as exchange or non/exchange revenue, and
- distinguishing between short- and long-duration insurance contracts.

The Board will finalize the title and definition during future meetings.

Point of Contact: Robin Gilliam, 202-512-7356, [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov)

### Public-Private Partnerships (P3)

Comment letters on the Exposure Draft (ED) entitled, *Public-Private Partnerships: Disclosure Requirements* were due by January 2<sup>nd</sup> and we are currently processing respondent comments for Board analysis. We wish to thank everyone who took time to respond to the ED. Respondent comment letters can be found at this link:

<http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/>

Should you have any questions or would like to contact staff concerning either the ED or the P3 project, please contact the undersigned.

Point of Contact: Domenic Savini, 202-512-6841, [SaviniD@fasab.gov](mailto:SaviniD@fasab.gov)

## Accounting and Auditing Policy Committee

The AAPC has not met since its May 2014 meeting. The Committee is scheduled to meet next on February 19, 2015.

Point of Contact: Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

# FASAB Meeting Schedule

## Schedule for 2015 Meetings:

February 25<sup>th</sup> and 26<sup>th</sup>  
April 29<sup>th</sup> and 30<sup>th</sup>  
June 24<sup>th</sup> and 25<sup>th</sup>  
August 26<sup>th</sup> and 27<sup>th</sup>  
October 21<sup>st</sup> and 22<sup>nd</sup>  
December 16<sup>th</sup> and 17<sup>th</sup>

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 2015 Meetings:

February 19<sup>th</sup>  
May 14<sup>th</sup> (5N30)  
August 20<sup>th</sup>  
November 19<sup>th</sup>

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](http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/) 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. **When you arrive, please advise the security officer that you are attending either a FASAB or AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.