



FASAB News

Federal Accounting Standards Advisory Board

June/July 2014 TABLE OF CONTENTS

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Michael Granof and Scott Showalter Reappointed to the Board

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that Michael H. Granof and D. Scott Showalter have been reappointed to the Board. Their second for five-year terms began on July 1, 2014 and will conclude on June 30, 2019.

An Appointments Panel—composed of the FASAB chairman, the three federal FASAB members, and three individuals representing the American Institute of CPAs and the Financial Accounting Foundation—advises the FASAB Sponsors on appointments and re-appointments for the six nonfederal members of the Board. The Sponsors—Jacob Lew, the Secretary of the Treasury; Brian Deese, the Acting Director of the Office of Management and Budget; and Gene L. Dodaro, the Comptroller General of the United States, made the final appointments.

Dr. Granof is the Ernst & Young Distinguished Centennial Professor of Accounting and a University Distinguished Teaching Professor at the McCombs School of Business at the University of Texas at Austin. Dr. Granof also serves as a member of the Governmental Accounting Standards Board.

Mr. Showalter is a retired partner at KPMG LLP, a Teaching Professor at North Carolina State University, and a member of the Standing Advisory Group of the Public Company Accounting Oversight Board.

Regarding the appointments, Chairman Allen said, “I look forward to continuing to work with both Michael and Scott on the Board. Michael’s understanding of financial reporting for both government and non-governmental entities combined with his service on the GASB ensure he will provide valuable insights to the Board. Scott, a recognized leader in the field, brings a depth of knowledge of both audit and accounting issues rarely seen.

I am pleased that both Michael and Scott will continue to support the Board in its work on critical federal financial reporting issues.”

Wendy Payne Receives Greathouse Distinguished Leadership Award

The Association of Government Accountants (AGA) confers the Frank Greathouse Distinguished Leadership Award on individuals “in government service who have provided sustained, outstanding leadership in financial management over a period of years, resulting in notable contributions to the profession.” Ms. Wendy M. Payne, CGFM, CPA, FASAB Executive Director was recognized by AGA at its recent annual training event. The citation reads:

In honor of Ms. Payne’s support of the development of accounting standards for the largest reporting entity in the world. Her efforts have resulted in significant improvements in information available to citizens as well as information that support improvements in the performance of the federal government.

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.

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.

Federal Reporting Entity

The Board continued deliberation on the Federal Reporting Entity project and reviewed a draft of all changes at the June 2014 meeting. The Board made several minor wording changes after discussing member comments. These changes will be documented in detail in the minutes of the meeting. Members concluded there are no remaining technical matters to address. A pre-ballot draft of the document will be reviewed by members after the June Board meeting, with the goal of a ballot draft for approval at the August meeting.

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

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

The Board agreed on the starting point for developing the ideal reporting model. Earlier this year, in April, the Board members presented their views on an ideal reporting model and many topics arose that could be considered the next steps for the project. For instance, some members noted that the reporting objectives are broad and refer to what should be achieved by financial reporting in general rather than financial statements in particular. Consequently, some members believed that stronger focus on financial statements would help ensure consensus regarding what the Board plans to accomplish. Also, members noted that there are various dimensions that could be considered for reporting information, such as cost by programs within agencies and cost by programs that involve multiple agencies, and the Board would need to determine what would be ideal. Accordingly, during the June 2014 meeting, FASAB began discussing these and other topics to determine its next steps for the ideal model project.

The Board generally considered that, given its existing resources and the need to make timely progress, the current framework of objectives was adequate for guiding development of the ideal reporting model. As a result, the Board decided to start with cost and budgetary flows and conceptually how they should be aggregated and disaggregated. Also, the Board plans to address how to reconcile cost and budget at a level that would be understandable to users. Included in this effort would be the guidance needed to support improving the government-wide reporting process. The

Board's research has consistently indicated that external users are interested in better understanding the composition of cost and budgetary information and how the two relate.

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

Leases

At the June Board meeting staff asked the Board if intragovernmental leases should be accounted for differently than leases between federal entities and non-federal entities. The question was primarily based on the General Services Administration (GSA) briefing to the Board on its intragovernmental leasing activities at the April meeting. Staff recommended a simplified approach for recognizing amounts arising from intragovernmental leases. The model would simplify intragovernmental eliminations while relying on other means to provide information about use of assets and continuing obligations.

Several factors were considered as the Board assessed whether intragovernmental leases should be accounted for differently.

- The information needs are different; risk-based information is not necessary for transactions between federal entities.
- The cost-benefit associated with the proposed single-model approach. GSA's concern is, if the tenant agencies were to be required to establish a right of use asset and liability based on their occupancy agreement, the tenant agency right of use liability would need to "match" a GSA right of use receivable for this assigned space.
- The fact that 89% of the GSA occupancy agreements are cancelable by the tenant agency at any time after the first year with 120 days notice may result in some qualifying for the 12-month (or 24-) exception.
- Legal enforceability is not a factor with agreements between federal entities.
- The fact that GSA has the authority to assign or reassign space to a tenant agency in any federal government-owned or leased building means agencies intragovernmental rights to leased assets is not as clear as it may be in non-federal leases.

A majority of the Board agreed with a simplified approach for recognizing amounts arising from intragovernmental leases. Tentatively, the Board agreed that intragovernmental leases should be accounted for differently than leases between federal entities and non-federal entities.

The Board agreed to refer to the project as "leases and other similar arrangements" to differentiate the intragovernmental arrangements from the non-federal arrangements. This would allow the two types of transactions to be disclosed separately.

The Board also agreed not to pursue issuing a preliminary views (PV) document on leases and to tentatively plan to issue its exposure draft (ED) on leases and other similar arrangements close to when the Governmental Accounting Standards Board (GASB) will issue its ED. Because GASB plans to issue a PV prior to its ED, staff will

have an opportunity to seek informally feedback from the federal community on the GASB PV.

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

Risk Assumed

The risk assumed: insurance and non-loan guarantees (RAIG) project was not discussed at the June 2014 Board meeting. However, staff worked with the RAIG Task Force to determine (1) if and when a liability is met for RAIG programs, (2) how to measure and recognize the liability, and (3) categories of insurance. Staff plans on discussing the task force findings at the August 2014 Board meeting, along with edits to the definition that Board members requested from the April 2014 meeting.

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

Public-Private Partnerships (P3)

Staff sought the Board's input on the draft Exposure Draft (ED) with the objective of resolving any remaining technical issues. Members discussed four concerns: (1) whether materiality factors should be present in the document, (2) making it clearer that the guidance applies only to contractual arrangements, (3) that the draft guidance assessing remote risks is extremely broad, and (4) whether disclosures about remote risks would be understandable to users.

Specific to disclosures, it was generally agreed to add disclosures concerning financial statement amounts recognized related to the P3 arrangement/transaction and any contingent losses. Members also agreed to combine the most salient points of certain disclosures and to clarify that the amounts to be received or paid in the future would be for the next five years and in aggregate, thereafter. Members instructed staff to incorporate revisions as appropriate.

Members spent considerable time discussing issues related to materiality noting that the Board has historically provided flexibility by avoiding proscriptive guidance. Members seemed satisfied with the existing draft language around materiality and were not convinced that significant changes were needed. Staff noted a clear distinction between disclosing losses versus disclosing risks of losses and that the Board previously opined that different materiality thresholds could exist regarding each. There was general agreement to ask respondents whether they agree with the ED's general premise of disclosing significant risks of losses which may be deemed remote and whether such a requirement would result in agency disclosure.

Members generally agreed to revise the draft ED's response date to be after November 15 to ease administrative burdens due to the fiscal year-end close and to move the document into the pre-balloting phase.

If you are interested in joining the P3 taskforce please contact this project's point of contact.

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2014	Quarter 3 CY2014	Staff Contact
The Reporting Entity		DP	UR	Melissa Loughan (202-512-5976)
Risk Assumed		Research	Research	Robin Gilliam (202-512-7356)
Leases		Research	Research	Monica Valentine (202-512-7362)
Financial Reporting Model		Research	Research	Ross Simms (202-512-2512)
Public Private Partnerships		Research	ED	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 the May meeting the Committee discussed the implementation guidance survey results for SFFAS 44: *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*. Staff sent out a survey to the Impairment task force, the USSGL and to OMB and Treasury representatives for distribution asking for the identification of any potential implementation issues that might arise as a result of SFFAS 44 which becomes effective in fiscal year 2015. Staff received eight responses back from the survey, including two field visits. Four of the eight respondents noting that they had no known implementation issues with SFFAS 44. Four respondents (EPA, Mint, GSA & Interior) forwarded their implementation questions on SFFAS 44.

The first topic of questions related to the impairment of assets under construction (CIP). The Committee agreed that it would be virtually impossible to develop implementation guidance that would answer every possible question an entity could have. Federal entities will need to collaborate within their different offices to assess the questions of impairment – is the asset still providing utility comparable to its current book value or does the asset value need to be adjusted.

The second question related to circumstances when TR 14 (*Implementation Guidance on the Accounting for the Disposal of G-PP&E*) and SFFAS 44 each apply. After reviewing the relationship between TR 14 and SFFAS 44, Committee members did not see a compelling reason for any further guidance noting that SFFAS 44 references to TR 14 were clear providing users with a quick reference to the proper accounting for total impairments which are outside the scope of SFFAS 44 (partial impairments) and covered by TR 14.

Based on the discussion and the responses received the Committee decided that implementation guidance was not currently needed on SFFAS 44. The Committee did direct staff to reevaluate the need for implementation guidance once federal entities had an opportunity to fully implement the standard.

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

FASAB Meeting Schedule

Schedule for 2014 Meetings:

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 2014 Meetings:

Thursday, August 21
Thursday, November 20

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. Thank you.