



FASAB News
Federal Accounting Standards
Advisory Board

June/July 2012

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Member Sam M. McCall Recognized by
National Intergovernmental Audit Forum

The NAIF presented the David M. Walker award to Board member Sam McCall. The award is given to those who have:

- 1) Demonstrated leadership to improve government performance and accountability, including contributions toward successful intergovernmental or public/private partnerships;
- 2) Implemented innovative techniques to transform government organizations and create a positive future for governments and the audit profession; and
- 3) Adhered to the NIAF core values of collaboration, professionalism, and integrity.

Dr. McCall has spent his entire career leading efforts to improve government performance and accountability. He worked at the Florida Auditor General’s Office for

30 years, including 15 years as the Deputy Auditor General. During the past 13 years, he has been the City Auditor at the City of Tallahassee. He joined FASAB in January of this year.

Dr. McCall has served in many local, national, and international leadership positions with organizations such as the Comptroller General's Advisory Council on Government Auditing Standards, the Association of Government Accountants, the Institute of Internal Auditors, and the Governmental Accounting Standards Advisory Council. He has served on numerous technical committees and task forces throughout his career. In 1997, Dr. McCall was recognized by the AICPA as its outstanding CPA in government.

Over his career, Dr. McCall has demonstrated the highest level of integrity and professionalism.

Member Robert F. Dacey 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." Robert F. Dacey, JD, CGFM, CPA, Chief Accountant at the U.S. Government Accountability Office and FASAB member was recognized by AGA at its recent annual training event. The citation reads:

In recognition of his significant leadership in improving federal financial management through demonstrated expertise in a wide range of financial management issues, proven success in directing large-scale audits and other projects, and the ability to build collaborative partnerships within and across levels of government. Mr. Dacey's efforts have resulted in measureable improvements in financial management, improvements in systems and controls, significant dollar savings, and improvements in financial reporting. He successfully led complex audits of the consolidated financial statements and of other federal agencies and played an instrumental role in others.

Wendy Payne Receives Award for International Achievement

The AGA International Achievement Award recognizes leadership or outstanding achievement in international government financial management. Ms. Wendy M. Payne, FASAB Executive Director, was recognized by AGA this year. The citation reads:

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.

In recognition of her significant contributions to promote accountability in the international arena through her work with the International Public Sector Accounting Standards Board, the Organization for Economic Co-operation and Development and representatives of other nations. She has brought the international perspective to enhance the work of the FASAB in her capacity as Executive Director.

Eileen Parlow Joins the Staff of the SEC

Eileen Parlow, FASAB Assistant Director, bid farewell to FASAB staff in July. She joined the Securities and Exchange Commission as Senior Staff Accountant in the Office of Financial Management. Her accomplishments at FASAB were many. She led the development of standards for earmarked funds, fiduciary activities, and long-term fiscal projections. Her talent and enthusiasm will be greatly missed.

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

At the June Board meeting, the Board discussed changes to the draft of the ED, *Identifying and Reporting upon Organizations to Include in General Purpose Federal Financial Reports*. Major revisions included those related to non-core disclosures and specifically requiring more detailed disclosures for non-core entities that exercise sovereign powers of government and allow judgment to drive the level of disclosure for the rest.

The Board also discussed another version of the *Draft Federal Reserve Proforma Disclosure – Treasury Financial Statements*. Treasury and Federal Reserve staff worked to address comments received on a prior draft presented to the Board. The Board discussed the draft and noted the improvements. Some further improvements were suggested.

The Board also discussed and approved proposed language to ensure the same core entity is not consolidated in the financial statements of more than one component reporting entity.

The Board discussed the issue of related party. Although there appears to be agreement it should be addressed, the Board directed staff to develop options for further consideration at the August meeting. Options will be based upon the following ideas:

- A narrow definition with a series of principles or examples of what to consider or exclude to help narrow the population.
- Misleading to exclude approach
- Revisions related to a revised structured proposed by a Board member

The Board also reviewed the proposed conforming amendments to Statement of Federal Financial Accounting Concepts (SFFAC) 2 and the proposed clean up of inconsistent terminology throughout SFFAC 2 presented at the meeting. Staff plans to provide a revised Concepts piece that includes additional revisions in October. The Board approved the recommendation of requiring certain minimum information regarding the CRE's status as a component of the U.S. government as part of this project.

The Board also considered the draft illustrations in applying the standards. The Board considered the changes staff incorporated in the illustrations. Improvements were included in the preamble, the headings, and the wording of the tentative conclusions.

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

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

During the June 2012 meeting, the Board discussed that the Auditing Standards Board (ASB) had organized a task force to consider guidance for auditors engaged in auditing prospective financial information. The ASB primarily organized the task force as a result of the Governmental Accounting Standards Board's (GASB) Preliminary Views on major issues related to Economic Condition Reporting: Financial Projections. The document discusses requiring states and local governments to prepare 5-year projections as required supplementary information (RSI) and this view raised some concerns within the audit community. Consequently, the task force would address those concerns and any concerns that have developed with respect to the following federal requirements for prospective financial information:

- Statement of Federal Financial Accounting Standards (SFFAS) 17, *Accounting for Social Insurance*, requires prospective measures for presentation in the Statement of Social Insurance; and
- SFFAS 36, *Comprehensive Long-Term Fiscal Projections for the U.S. Government*, requires long-term fiscal projections be presented as required supplemental information (RSI) in the consolidated financial report of the U.S. for fiscal years 2010, 2011, and 2012, after which time the fiscal projections will become a basic financial statement.

Also, members discussed challenges associated with achieving the effective date for presenting the long-term fiscal projections as a basic financial statement.

The Board decided to await feedback from the ASB regarding: a) the type of assurance that could be provided on the prospective information being required of the federal government and certain federal agencies; and 2) what additional guidance may be needed. Also, a proposal to defer the effective date for presenting long-term fiscal projections as a basic financial statement would need to be presented to the Board not later than the December 2012 meeting.

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

Deferred Maintenance and Repairs & Asset Impairment

At the June 27, 2012 Board meeting the members agreed not to hold a public hearing concerning the Exposure Draft (ED) document entitled, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

After reviewing many of the respondent concerns, the Board asked staff to begin preparing a final document for pre-balloting purposes. Although the ED was well received, the Board is concerned that some preparers and auditors will apply this proposed standard to insignificant or immaterial situations. The Board has asked staff to further clarify its intent in this regard and will explore distinguishing impairment from depreciation so that for example, entities carefully consider (1) the basis for their useful life and salvage value estimates and (2) existing depreciation plans prior to recognizing an impairment loss. The Board desires to strike a balance between not requiring entities to search solely for impairments and not incentivizing entities to not identify or communicate material impairments.

Members also agreed to (1) delete references to the terms *gradual* or *sudden* in the definition to avoid confusion with depreciation and not to isolate impairments solely to sudden events and (2) not re-title the proposed standard to include assets that are under construction because such assets may be immaterial in many instances and have historically been treated as a sub-set of G-PP&E.

Other issues members addressed included waiving the proposed requirements for specific G-PP&E categories, classes, or base units and the proper interpretation of the proposed indicators. Concerning the former, members generally believe that (1) very few, if any, G-PP&E will be capable of having a material enough impairment loss to be reported at an entity-wide level, (2) G-PP&E classified as mission critical will rarely be partially and permanently impaired since such assets will typically either be repaired or taken out of service, and (3) entities can document materiality considerations that could result in ascertaining the immateriality of G-PP&E categories, classes, or base units. Lastly, merely identifying indicators is not conclusive evidence that impairment exists and does not trigger an impairment loss. In fact, this represents the first step of a two step process that entities should perform prior to concluding that an impairment loss exists; the results of which are then assessed from a materiality perspective.

Staff invites interested parties to share input or observations at any time. Board briefing materials are found at <http://www.fasab.gov/meeting.html>; select Tab A.

Should you have any questions, input, or observations that you would like to share, please contact Mr. Domenic N. Savini at 202-512-6841 or email at savinid@fasab.gov.

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

Earmarked Funds (Evaluating Existing Standards)

SFFAS 43, Dedicated Collections: Amending SFFAS 27, *Identifying and Reporting Earmarked Funds*, was issued on June 1, 2012, effective for periods beginning after September 30, 2012.

SFFAS 43 is available on the FASAB website at <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/fasab-handbook/>

Point of Contact: Wendy Payne, 202-512-7357, paynew@fasab.gov

Leases

The Lease Project was not discussed at the June Board meeting. Staff is continuing preliminary research on the project by following the developments of the FASB/IASB lease project and gathering information from federal entities on their leasing activities.

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

Risk Assumed

The risk assumed project was not on the agenda at the June meeting; however, the first two risk assumed task forces—(1) commitments and obligations, including contracts, grants, and treaties and (2) insurance and guarantees—held meetings on May 9, 2012, and June 12, 2012, respectively. Minutes will be included in the meeting materials for the August board meeting. Other task forces will be utilized as the project progresses.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

Public-Private Partnerships

This topic was not discussed at the June Board Meeting.

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2012	Quarter 3 CY2012	Quarter 4 CY2012	Quarter 1 CY2013	Staff Contact
The Federal Entity				ED	UR	Melissa Loughan (202-512-5976)
Deferred Maintenance & Asset Impairment	SFFASs: Definition Measurement ED: Impairment	DP: Impairment	UR: Impairment	Final: Impairment		Domenic N. Savini (202-512-6841)
Earmarked Funds	ED	Final				Wendy Payne (202-512-7357)
Risk Assumed		Research	Research	Research	Research	Julia Ranagan (202-512-7377), Ross Simms (202-512-2512), Monica Valentine (202-512-7362)
Investments and Other Equity Interests in Non-Federal Entities			Deferred	Research	Research	Wendy Payne (202-512-7357)
Leases		Research	Research	Research	Research	Monica Valentine (202-512-7362)
Financial Reporting Model		Research	Research	Research	Research	Ross Simms (202-512-2512)

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

The AAPC bids a fond farewell to Luther Bragg, Deputy Auditor General Department of the Navy, Naval Audit Service. Mr. Bragg has been a Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) member of the AAPC since May 2006 and has also served as Chair of the AAPC Agenda Committee since December 2009. Mr. Bragg's contributions to the AAPC have been numerous and will truly be missed.

The July 19th scheduled meeting of the AAPC was canceled. However, the AAPC G-PP&E task force is continuing its work. The next meeting of the AAPC is scheduled for Thursday September 13th, 2012 at 1:00 pm.

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

FASAB Meeting Schedule

Schedule for 2012 Meetings:

Wednesday and Thursday, August 29th and 30th
Wednesday and Thursday, October 24th and 25th
Wednesday and Thursday, December 19th and 20th

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 2012 Meetings:

Thursday, September 13th
Thursday, November 15th

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.