



FASAB News
Federal Accounting Standards
Advisory Board

October/November 2014
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[Remembering Former Member Donald H. Chapin](#)

Mr. Donald Chapin died on September 30, 2014. Mr. Chapin served on the Board as the first member from the Government Accountability Office (then the General Accounting Office) from 1991 to 1997. During his tenure as the GAO member of the Board, he was instrumental in establishing the core set of standards and concepts underlying the present federal reporting model. His strong commitment to enhancing the quality of financial information brought him to the Board as a public member from 1997 to 2001. He made major contributions to what ultimately became the Statement of Social Insurance; an innovative approach to reporting on a vital set of programs.

Mr. Chapin was a CPA who graduated from Williams College and Wharton School of Business. He began his career at GAO after serving as a partner at Arthur Young & Co. In his GAO career he served as the Chief Accountant and Assistant Comptroller General. He will be remembered for his passionate support of the Chief Financial Officers Act, significant contributions to federal financial reporting, and collaboration with fellow members and staff.

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 proposed Statement of Federal Financial Accounting Standards 47, *Reporting Entity*, was forwarded to the sponsors for the 90-day review period. If we do not receive an objection from the Office of Management and Budget or the Government Accountability Office during this review period, the Board will issue the statement on December 23, 2014.

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

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

FASAB discussed an ideal agency level reporting model with a panel of experts. Agency level financial reporting experts met with the Board and discussed their views on an ideal reporting model. They emphasized that the process of preparing financial statements and having them audited has improved internal controls over financial information and the reliability of the data that can be used for other reporting. However, financial statements are intended to present highly summarized departmental level information while users are seeking detailed information to answer questions about programs, such as the appropriation received, how it was used, and what benefits were derived. Technology can help users better understand financial information and guide them from highly summarized information (financial statements) to the detailed information provided through other sources. Also,

disclosures could be minimized. In addition, the panel cautioned against simply expanding the existing model and suggested statements that could be removed or information that could be streamlined. Thus, the Board should consider the costs involved in preparing the statements and their usefulness as they revisit the model. The panel members:

- Gordon Alston, Director of Financial Reporting and Internal Controls, Department of Commerce
- Sheila Conley, Deputy Assistant Secretary for Finance and Deputy Chief Financial Officer, Department of Health and Human Services

- Donjette Gilmore, Director of Accounting and Finance Policy, Department of Defense
- Douglas Glenn, Deputy Chief Financial Officer, Department of Interior
- Katherine Palmer, Associate Deputy Assistant Secretary for Financial Policy, Department of Veterans Affairs
- Laurie Park, Deputy Assistant Secretary for Finance, Department of Veterans Affairs

The Board also discussed concepts for an ideal model and agreed that:

- There are different levels of reporting, the government-wide and component levels, and they have different characteristics that should be discussed in the conceptual statement.
- The government as a whole is the economic entity and its components are not self-sustaining entities.
- The government-wide financial report should help citizens and citizen intermediaries understand the major goods and services and other activities that the federal government provides and where they can obtain detailed information in components.
- The government as a whole and its components have different financing structures and focus.
- Although it may be challenging for external users to understand, the relationships and differences between the government-wide and component level financing should be explained.

Also, the Board believed that the concepts should acknowledge that the process of preparing financial statements instills discipline and a user could be an individual that relies on information that results from the discipline imposed. However, the individual may not necessarily directly use the financial statements.

In addition, Adam Crahen, a systems accountant with the Department of Interior, briefed the Board on how the department uses data analytics software to access and present information for decision-making. Elizabeth Curda, an assistant director with the Government Accountability Office, briefed the Board on the government's efforts to implement the Government Performance and Results Modernization Act.

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

Leases

At the October meeting staff presented to the Board proposed guidance for intragovernmental leases. The proposed guidance includes definitions of relevant terms, as well as specific provisions that address features of leases and is based on the current FASB operating lease guidance.

Staff proposed seven lease-related definitions to the Board for discussion. The first three definitions – lease, intragovernmental and intragovernmental lease agreement – were discussed and tentatively agreed to by the Board at previous meetings. The

remaining four proposed lease-related definitions – intragovernmental lease inception, intragovernmental minimum lease payments, intragovernmental noncancelable lease term, and intragovernmental sublease – were adapted from FASB’s existing operating lease guidance. The Board asked staff to simplify the proposed definitions and discuss them with the task force

Staff also presented proposed recognition and disclosure lessee guidance for intragovernmental lease arrangements. The Board agreed that the lessee general guidance would be to recognize lease payments as they are received and the specific provisions would address those instances when the “due and payable” approach is not applicable. The Board also agreed that certain scheduled rent increases, rent holidays, and lease incentives should be recognized on a straight-line basis – possibly using the proposed language used for the amortization of leasehold improvements, including the “reasonably assured” language use by FASB.

Staff will work with the lease task force to simplify the proposed guidance for intragovernmental leases.

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

Risk Assumed

During the October 2014 meeting the Board discussed the following items:

Borrowing Disclosure - The Board tentatively decided to require insurance programs to disclose their borrowing authority, borrowing balances, interest expense, the ability to repay the borrowing, and explain any material differences in accordance with SFFAS 1, SFFAS 5, and SFFAS 7, but will not prescribe how or where the program will place the disclosures.

Earned/Unearned Premiums - In relation to recognizing and disclosing earned and unearned premiums, the Board directed staff to reference the revenue standards available in SFFAS 7, paragraphs 36–37, as a basis for specific guidance on revenue from insurance contracts.

Claim Adjustment Expenses - In response to staff’s question about whether to include claim adjustment expenses in the insurance program liability, the Board requested additional information from the task force on how difficult it is for insurance programs to estimate these expenses and how material they are.

Liability for Premium Deficiency - After a lengthy discussion, the Board decided that, before they could determine whether (1) to separate the current SFFAS 5 insurance liability into two components—liability for unpaid claims and liability for premium deficiency, and (2) to more clearly address recognition of contingent liabilities by expanding federal GAAP for federal insurance programs, they requested an education session to learn more from the actuaries behind the estimates.

Proposed Standards - In relation to the wording for the proposed standards, staff noted that the criteria for insurance programs will most probably be moved to the Basis

for Conclusion section because it did not add anything additional to the insurance program definition.

The Board requested specific edits to the proposed wording as well.

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

[Public-Private Partnerships \(P3\)](#)

P3 Phase 1 - Disclosures

The Board requests comments on the *Public-Private Partnerships: Disclosure Requirements* exposure draft, including the alternative view, by January 2, 2015 and encourages respondents to provide the reasons for their positions. The exposure draft in PDF format and the specific questions for respondents in Word format are available on the FASAB website at <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documentsforcomment/>

In the press release dated October 1, 2014, the Board Chairman, Mr. Tom Allen notes that “federal entities are increasingly turning to the private sector to help finance and deliver infrastructure, facilities, goods, and services. The resulting arrangements involve risk sharing, are financially complex, and may impose long-term commitments. The information provided as a result of this proposed standard will help users answer questions concerning budgetary resources obtained and used, the costs of providing specific programs and activities, and the associated long-term risks.”

From the outset of the public-private partnerships project members agreed on the objectives of disclosing risks and in particular remote risks, noting the importance of establishing clear and appropriate principles related to risk disclosures while minimizing disclosure overload. Most members believe the proposed standards meet these objectives. However, one member supports an alternative view and proposes three changes to the proposed standards. The member supports (1) narrowing the definition of P3s, (2) limiting disclosure of remote contingencies and more clearly defining the disclosure threshold, and (3) excluding disclosure of business risks.

Mr. Allen says that “this exposure draft represents an important step in meeting the federal reporting objectives because the federal government is directly accountable to citizens for the proper administration of its resources to include the disclosure of long-term risks related to its programs and activities.”

Lastly, respondent comment letters can found at this link: <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/public-private-partnerships-disclosure-requirements/>

We wish to thank all Task Force participants and their sponsoring entities for providing the expertise and advice in developing the exposure draft.

P3 Phase 2 – Measurement and Recognition

At the October 22nd Board meeting, members considered three options for inclusion in its three-year plan concerning the P3 project's second phase addressing measurement and recognition. The first option was to proceed at a regular pace finalizing guidance in 2016, a second was to temporarily defer and finalize guidance in 2019, and the third was to proceed, but with a lengthened timeline and finalize guidance in 2018. The staff recommendation was to include the third option in the three-year plan.

The Board's discussion included the benefits as well as drawbacks of each option. Initially, no consensus existed as evidenced by each option receiving a fair amount of support among members. However, as discussions ensued, support for the deferral option gained momentum primarily due to its benefit of (1) allowing time to get results from the disclosure phase of the project and (2) knowing more about the lease standards and seeing results of the reporting entity standards. During the deferral, staff time can be assigned to other priorities. In a formal vote, the majority of members agreed to present the P3 project under the deferral option in the three-year plan. One member disagreed and voted for the third option and another member abstained.

The Board is actively seeking stakeholder input on the merits of its plan to defer this phase. The three-year plan will be released in mid-November and we encourage your input on this decision and other aspects of the plan.

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

Accounting and Auditing Policy Committee

The AAPC has not met since its May meeting. The Committee is scheduled to meet next on November 20, 2014.

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

FASAB Meeting Schedule

Schedule for 2014 Meetings:

December 17th and 18th

Schedule for 2015 Meetings:

February 25th and 26th

April 29th and 30th

June 24th and 25th

August 26th and 27th

October 21st and 22nd

December 16th and 17th

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, November 20 (**Cancelled**)

Schedule for 2015 Meetings:

February 19th

May 14th

August 20th

November 19th

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.