

# FASAB News

Federal Accounting Standards Advisory Board, 441 G St., 3B18, NW.Washington, DC 20548  
202-512-7350.FAX-202-512-7366.Web Page <http://www.financenet.gov/fasab.htm>  
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## **Information on Rule 203 Status Changes Forthcoming**

Some changes are in store for FASAB because of the October 19, 1999 American Institute of Certified Public Accountants (AICPA) decision to approve Rule 203 Status for FASAB. Rule 203 Status formally recognizes FASAB as the standard setting body for Generally Accepted Accounting Principles, or GAAP for Federal entities.

Notices of Board actions will be posted to the FASAB web page, at <http://www.financenet.gov/fasab.htm>, and through the FASAB electronic mailing list. To subscribe to the mailing list, go to the FASAB web page, choose "maillists," from the top tab menu, select the FASAB Mailing List, and follow the directions to subscribe.

## **Status of "Required Supplementary Stewardship Information" (RSSI)**

Federal accounting standards create a category of information unique to federal financial reporting. Examples of information that would be reported in this category include weapons systems, museums and monuments, parks and recreation areas, infrastructure assets, education and training of the general public, and research and development.

The idea of a new category of information, called "required supplementary stewardship information" (RSSI), was developed during deliberations leading to SFFAS 6, *Accounting for Property, Plant, and Equipment*. Some of the audit and reporting implications of RSSI were first articulated in the *Implementation Guide* published with SFFAS 7, *Accounting for Revenue and Other Financing Sources*. (See the chart entitled, "Categories of Information and Auditor's Normal Role in Current and New Standards" on page 5 of this newsletter).

Required Supplementary Information (RSI) is information that is required to **accompany** the financial statements, but it is **not an integral part of the financial statements *per se*** (see AICPA's Codification of Auditing Standards, AU 558). Accordingly, the auditor must note absence of RSI, but this does not constitute a qualification on the financial statements *per se*.

RSSI, on the other hand, was intended to be treated as an integral part of the financial statements so far as the auditor's **report** goes, so that absence of the RSSI would imply a qualification in the auditor's report. Audit **fieldwork** requirements for RSSI, on the other hand, were to be defined by OMB and GAO; they might be the same as for RSI, or something different. RSSI would not necessarily be audited like basic information. The intent was to send a stronger signal in the auditor's report than RSI status would accomplish, without necessarily requiring more audit fieldwork. It would also provide a mechanism to deal with the audit implications of adding new kinds of information to the financial report. At the time the *Implementation Guide* was prepared, it was thought that either AICPA or GAO would need to amend audit standards to provide for this new category of information (See diagram entitled, "Categorizing Information Determined Essential to Fair Presentation as Basic, RSI, RSSI, or OAI" on page 6 of this newsletter).

OMB's audit bulletin currently allows for a "review" level of assurance for RSSI. Review-level assurance involves less work and responsibility on the part of the auditor than does examination level assurance (expressing an opinion). The draft bulletin for FY 2000, however, calls for all RSSI to be treated as basic information for fieldwork as well as reporting purposes. That is, all basic information would receive opinion level or examination level assurance, using the audit standards or the attestation standards as appropriate.

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An attest engagement is one in which a practitioner is engaged to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party. Audit standards can be seen as a subset of attestation standards. Audit standards guide the auditor's examination of financial statements. Attestation standards guide the auditor's examination of other kinds of information, including forecasts, projections, internal controls, and other nonfinancial data. FASAB standards call for a variety of information that goes beyond historical financial statements.

For example, FASAB has tentatively indicated an interest in eliminating the RSSI category, because some people have suggested that RSSI is widely perceived as less important than basic information, yet that was not the Board's intent. If the Board were to eliminate the RSSI category, the items of information now called for as RSSI would be re-categorized as RSI or as basic information. Any such change in standards will require considerable time. The Board will need to deliberate on how each item of RSSI should be categorized, then an exposure draft of a standard would be published for comment and those comments would need to be considered. Accordingly, for the purposes of planning FY 2000 audits, preparers and auditors should look to the OMB audit bulletin for guidance on how to deal with items that federal accounting principles refer to as RSSI.

For further information, contact Robert Bramlett, 202-512-7355, [bramlettr.fasab@gao.gov](mailto:bramlettr.fasab@gao.gov), or Lucy Lomax, 202-512-7359, [lomaxm.fasab@gao.gov](mailto:lomaxm.fasab@gao.gov). For information on the OMB Audit Bulletin, contact James Short, 202-395-3124.

### ***National Defense Property, Plant, & Equipment (PP&E) Study Update***

At its October 28-29 1999, meeting, the Board continued discussing its project on the study of National Defense Property, Plant and Equipment (PP&E) issues. It decided:

- not to conduct a joint project proposed by the Department of Defense because such a joint effort might have the appearance of compromising the Board's independence;

- to support the Department of Defense's independent project on National Defense PP&E issues by providing input to the Statement of Work and coordinating and sharing workpapers and other material; and
- to continue its staff project addressing key conceptual issues on National Defense PP&E.

Staff will present a detailed list of the issues being studied at the December Board meeting.

For further information, contact Rick Wascak, 202-512-7363, [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov), or Andrea Palmer, 202-512-7360, [palmera.fasab@gao.gov](mailto:palmera.fasab@gao.gov).

### ***Major Acquisitions Program Project Update***

At the October 28-29, 1999 meeting, the Board continued discussing reporting requirements for major acquisitions at the entity level. To assist in its discussions, the Board was given a background paper on how information on major acquisition programs related to its financial reporting objectives, its mission, and its existing accounting standards.

The Board focused on a) whether the types of major acquisitions presented on an illustrative report would meet the Board's financial reporting objectives; and, b) whether there was an existing budgetary reporting requirement that might make unnecessary the Board's proposed report.

At the conclusion of its discussions, the Board was split. Those who supported reporting on major acquisitions at the program level believe that such reporting:

- highlights the significance and materiality of the major acquisitions;
- provides better accountability to the American people;
- measures the full cost of procurement with greater accuracy; and,
- provides a more complete picture of the total cost of a capital asset--life cycle cost.

Those who did not support reporting on major acquisitions at the program level believe:

- it is management information that should not be included in the annual reports;
- other FASAB standards (the managerial cost and PP&E standards) adequately address the measurement requirements of capital assets; and,
- such reporting would duplicate reports that Congress and management already get and that are already available.

For the next Board meeting, the Chairman asked staff to further analyze the pros and cons of reporting on major acquisitions at the program level, and to assess if there might be project applications in a) the President's Capital Budgeting Commission study, and b) OMB Circular A-11, Part 3, major acquisition reporting requirements.

For further information, contact Rick Wascak, 202-512-7363, [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov).

***Re-Printed from a GAO Announcement :***

**Revised Internal Control Standards Now Available**

The U.S. General Accounting Office has issued its revised "Standards for Internal Control in the Federal Government," (GAO/AIMD-00-21.3.1). This publication updates and replaces the previous standards first issued in 1983 in accordance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982, and generally referred to as the "Green Book." The new standards are effective for fiscal year 2000 and apply to reports required by FMFIA for that year.

The standards update was performed primarily in response to (1) the effect upon internal control as a result of rapid advances in information technology management, (2) a greater recognition of the role of human capital management as an important factor in internal control, and (3) the need to implement updates of the standards used in the private sector where useful in the Federal Government environment. The new standards also reflect the increased emphasis upon internal control inherent in important legislation such as the Chief Financial Officers Act of 1990, the

Government Performance and Results Act of 1993, and the Federal Financial Management Improvement Act of 1996. These standards provide the overall framework for Federal agencies to establish and maintain internal control and to identify and address major performance and management challenges and areas at greatest risk for fraud, waste, abuse, and mismanagement. They will be useful to both program and financial managers in all Federal departments and agencies in meeting their missions and objectives and in achieving financial accountability.

The format of the new standards, as well as the concepts expressed by them, are consistent with those contained in the document "Internal Control – Integrated Framework" published in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission. The GAO document defines internal control as an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations. There are five broad standards that define the minimum level of quality acceptable for internal control in Government and provide a basis against which agency internal control can be evaluated. These five standards cover the areas of (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communications, and (5) Monitoring.

In developing the new standards, GAO subjected them to a very lengthy, rigorous, and thorough process of public exposure, comment, and revision. Two separate exposure drafts were issued and many comments were received from the accounting, audit, and academic communities. The final version was coordinated with the Office of Management and Budget and officials of the Chief Financial Officers Council.

Copies of the standards are being widely distributed throughout the Federal Government. Individuals may obtain copies from GAO Distribution at Room 1100, 700 4<sup>th</sup> Street, NW, Washington, DC 20548, or by calling (202) 512-6000. The standards are also available on the Internet at GAO's homepage at [www.gao.gov](http://www.gao.gov) under the link to "Special Publications."



### **FASAB's Next Meeting**

FASAB's next meeting will be December 13-14, 1999, in room 7C13, of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548. Items to be discussed will be national defense PP&E, major acquisition programs, and FASAB Original Pronouncements, volume 2, and project planning for year 2000 and beyond. The agenda will be posted to the FASAB web page one-week prior to the meeting. FASAB's web page is at: [www.financenet.gov/fasab.htm](http://www.financenet.gov/fasab.htm).

On the second day of the December Board meeting, December 14, the meeting will conclude at 3:00. Then at 3:30, formal ceremonies for the AICPA to bestow Rule 203 Status on FASAB will be held in the Cash Room of the Department of the Treasury. Interested persons are invited to attend and must supply entry information (name, birthdate, Social Security Number) prior to attendance.

For further information, contact Dick Tingley, 202-512-7361, or email [tingleyr.fasab@gao.gov](mailto:tingleyr.fasab@gao.gov).

### **AAPC's Next Meeting**

The next meeting of the AAPC will be January 20, at 1:30, in room 4N30 of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548.

For further information, contact Dick Tingley, 202-512-7361, email [tingleyr.fasab@gao.gov](mailto:tingleyr.fasab@gao.gov).

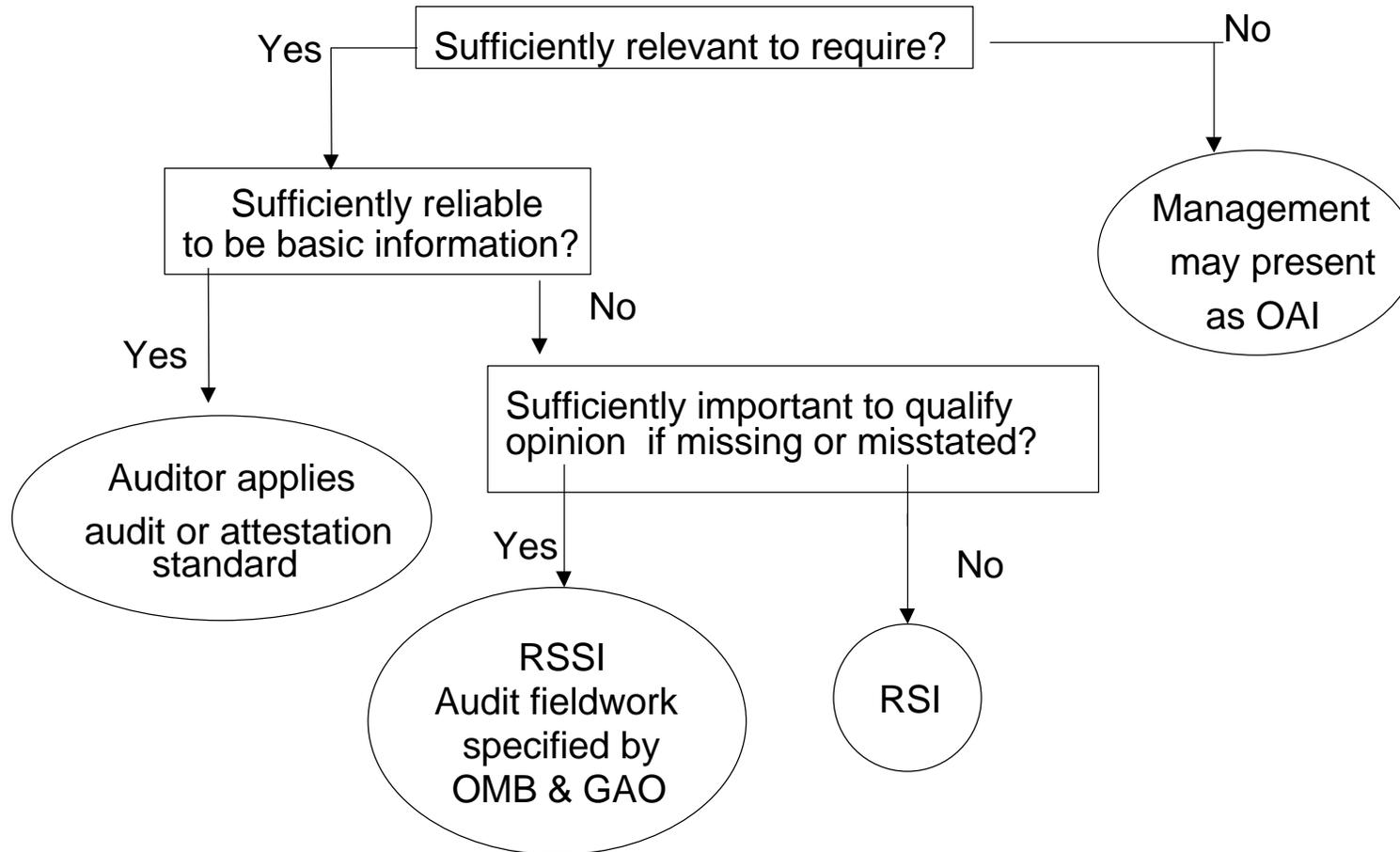
**Note:** FASAB News is a publication of the staff of the Federal Accounting Standards Advisory Board. This publication is intended to provide readers with an understanding of issues that the Board is considering by providing the highlights of proceedings of Board meetings. When an article refers to a Board decision, it should be understood that all Board decisions are tentative until a concept or standard is formally recommended by the Board to its principals, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. Moreover, recommended standards are not effective Statements of Federal Financial Accounting Standards until they have been officially approved by the Board's principals, and issued by the Office of Management and Budget. GAO issues the Codification of those standards.



## CATEGORIES OF INFORMATION AND AUDITOR'S NORMAL ROLE IN CURRENT AND NEW STANDARDS

Basic Information	Accompanying Information	
<p><b>Basic Financial Statements and Notes</b> [highest level of audit work]</p>	<p><b>Required Supplementary Information (RSI)</b> [limited audit procedures]</p>	<p><b>Other Accompanying Information (OAI)</b> [not audited]</p>
<p><b>Fieldwork:</b> The auditor examines the basic information and expresses an opinion whether it is fairly presented in accordance with relevant accounting standards. Each line in the statements, and each number in the statements and notes, is a separate "assertion" to be tested, but the auditor's tests are performed, and the auditor's opinion is expressed, in light of the auditor's judgment about materiality (whether a user's decision would be influenced). The judgment about materiality is influenced by objectives of the financial statement or report and uses contemplated for the information in it. <b>Reporting:</b> If basic information is missing or materially misstated the auditor expresses an adverse or "qualified" opinion (or, in some cases, disclaims an opinion).</p>	<p><b>Fieldwork:</b> The auditor performs limited procedures specified by professional standards to review the RSI. These procedures are mainly inquiry and limited analytical procedures such as comparing information obtained for consistency with the auditor's knowledge and the evidence collected in connection with the examination of the basic information. <b>Reporting:</b> If RSI is missing or materially misstated, the auditor notes this, but may still express an unqualified opinion on the basic financial statements, if warranted.</p>	<p><b>Fieldwork:</b> The auditor <u>reads</u> the other accompanying information to see whether it appears materially inconsistent with the financial statements, but does not <u>audit</u> the information. <b>Reporting:</b> The auditor notes any material inconsistency with the financial statements, but may still express an unqualified opinion on the basic financial statements, if warranted.</p>
<p><b>Required Supplementary Stewardship Information (RSSI):</b></p> <p><b>Fieldwork:</b> to be defined by the GAO and OMB; varies for each item.</p> <p><b>Reporting:</b> same as for "basic" information--i.e., auditor must qualify or disclaim if RSSI is missing or materially misstated.</p>		

## ***Categorizing Information Determined Essential to Fair Presentation as Basic, RSI, RSSI, or OAI***



(Pervasive constraint: Benefit > Cost)

1	2	Number	Documents Issued By FASAB and AAPC Title	Date Issued	FY to Implem ent	GPO/Other Information*	Price
F	C	SFFAC 1	Objectives of Federal Financial Reporting	9/2/93	N/A	On Web Only	N/A
F	C	SFFAC 2	Entity and Display	6/6/95	N/A	041.001.00456.1	\$3.75
F	C	SFFAC3	Management's Discussion & Analysis	Apr-99	N/A	In Printing Process	
F	S	SFFAS 1	Accounting for Selected Assets and Liabilities	3/30/93	1994	On Web Only	N/A
F	S	SFFAS 2	Accounting for Direct Loans and Loan Guarantees	8/23/93	1994	On Web Only	N/A
F	S	SFFAS 3	Accounting for Inventory and Related Property	10/27/93	1994	On Web Only	N/A
F	S	SFFAS 4	Managerial Cost Accounting Concepts & Standards	7/31/95	1998	041.001.00457.2	\$7.50
F	S	SFFAS 5	Accounting for Liabilities of the Federal Government	12/20/95	1997	041.001.00463.7	\$7.50
F	S	SFFAS 6	Accounting for Property, Plant & Equipment (PP&E)	11/30/95	1998	041.001.00462.9	\$6.50
F	S	SFFAS 7	Accounting for Revenue and Other Financing Sources	5/10/96	1998	041.001.00475.1	\$18.00
F	S	SFFAS 8	Supplementary Stewardship Reporting	6/11/96	1998	041.001.00493.9	\$7.50
F	S	SFFAS 9	Deferral of Implementation Date for SFFAS 4	10/3/97	1998	041.001.00494.7	\$1.75
F	S	SFFAS 10	Accounting for Internal Use Software	10/9/98	2001	041-001-00524-2	\$4.00
F	S	SFFAS 11	Amendments to Accounting for PP&E - Definitions	12/15/98	1999	041-001-00519-6	\$2.25
F	S	SFFAS 12	Recognition of Contingent Liabilities from Litigation	2/5/99	1998	041-001-00527-7	\$2.50
F	S	SFFAS 13	Deferral of Para.65.2-Material Rev.-Related Transactions	2/5/99	1999	In Printing Process	
F	S	SRAS 14	Amendments to Deferred Maintenance Reporting	Apr-99	1999	Under Hill Review	
F	S	SFFAS 15	Management's Discussion & Analysis	Apr-99	1999	In Printing Process	
F	S	SRAS 16	Amendments to Accounting for PP&E - Multi-Use Heritage Assets	Jul-99	2000	Under Hill Review	
F	S	SRAS 17	Accounting for Social Insurance	Aug-99	2000	SFFAS Pending	
F	ED	N/A	Governmentwide Supplementary Stewardship Reporting	Jun-97		Ongoing Project	N/A
F	ED	N/A	Amendments to Accounting for Property, Plant & Equipment	Feb-98		On Oct.99 Agenda	N/A
F	ED	N/A	Amendments to Accounting for Direct Loans and Loan Guarantees	Mar-99		On Oct.99 Agenda	N/A
F	IFV	N/A	Accounting for the Cost of Capital by Federal Entities	Jul-96		Ongoing Project	N/A
F	I	I-1	Reporting on Indian Trust Funds	3/12/97		N/A	N/A
F	I	I-2	Accounting for Treasury Judgment Fund Transactions	3/12/97		N/A	N/A
F	I	I-3	Measurement Date for Pension and Retirement Health Care Liabilities	8/29/97		N/A	N/A
F	I	I-4	Accounting for Pension Payments in Excess of Pension Expense	12/19/97		N/A	N/A
F	I	I-5	Recognition by Recipient Entities of Receivable Nonexchange Revenue	Dec-98		N/A	N/A
F	R	Report 1	Overview of Federal Financial Accounting Concepts and Standards	12/31/96		Available - FASAB	N/A
F	Cod	Volume 1	FASAB Volume 1, Original Statements	Mar-97		On Web Only	N/A
A	TR	TR 1	Audit Legal Letter Guidance	3/1/98		041.001.00503.0	\$1.00
A	TR	TR 2	Environmental Liabilities Guidance	3/15/98		041.001.00504.8	\$2.00
A	TR	TR 3	Preparing and Auditing Estimates for Direct and Guaranteed Loans	Feb-99		In Printing Process	
A	TR	TR 4	Reporting on Non-valued Seized and Forfeited Property	07/31/99		In Printing Process	

**Key:**

Column 1: F = FASAB; A = AAPC

Column 2: C = Concept; S = Standard; ED = Exposure Draft;  
IFV = Invitation for Views; I = Interpretation; R = Report;  
Cod. = Codification; TR = Technical Release

\* "In Printing Process" - Document signed and approved  
for implementation; available on Web. Print version not  
yet available.

"Under Hill Review" - Signed recommended capital  
accounting standard undergoing 45 day Hill review period.  
When released by Hill, will be available to implement, Web

Version will be updated, list will be updated, and print  
version will be issued.

"SFFAS Pending" - Document to principals for signature;  
recommended standard/concept available on Web.

When signed and approved to implement, Web version  
will be updated, list will be updated, and print version will  
be issued.

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