



**June 9, 2011**

Memorandum

To: Members of the Board

From: Julia E. Ranagan, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Asbestos-Related Liabilities (Technical Bulletin 2006-1) – **Tab C**<sup>1</sup>

**OBJECTIVE**

The objective of this 30-minute session is to **approve staff's recommendation** in response to DOI's request that the board revisit Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, to consider permitting agencies to report the estimated asbestos cleanup liability in required supplementary information (RSI) for two to three years until such time that sufficient survey data has been obtained (see page 6 for staff recommendation).

**BRIEFING MATERIAL**

The following documents are included following this transmittal memorandum:

<input type="checkbox"/>	Enclosure 1	Letter from DOI	9
<input type="checkbox"/>	Enclosure 2	Minutes from April Meeting	11
<input type="checkbox"/>	Enclosure 3	Examples of Federal Entities	14
<input type="checkbox"/>	Enclosure 4	Examples of Non-Federal Entities	19
<input type="checkbox"/>	Enclosure 5	Agency Poll and Response Log	27
<input type="checkbox"/>	Enclosure 6	DOI Response re: NPS Methodology	39
<input type="checkbox"/>	Enclosure 7	DOI Building Report	42
<input type="checkbox"/>	Enclosure 8	Roundtable Agenda	43

**NEXT STEPS**

June 14, 2011 – Hold FASAB Roundtable on Implementation of Technical Bulletin 2006-1

<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

## BACKGROUND

### Brief Description of Agency Request:

On April 15, 2011, staff received a formal letter from the Department of the Interior (DOI), requesting that the board revisit Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, to consider permitting agencies to report the estimated asbestos cleanup liability in required supplementary information (RSI) for two to three years until such time that sufficient survey data has been obtained (see *Enclosure 1* beginning on page 9 for a copy of the letter).

Members had an opportunity to ask representatives from DOI questions about its request at the April 28, 2011, board meeting during a separate discussion related to Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*. At that meeting, several of the board members agreed that they would like to have a status of what other agencies were doing before they make a decision on it. Mr. Allen directed staff to come back to the board at the next meeting with a summary of what other agencies are doing and provide a recommendation (see *Enclosure 2* beginning on page 11 for the minutes from the April session in which this issue was discussed).

### History of Technical Bulletin 2006-1:

- Sep. 2006 — Issued; effective date: fiscal year (FY) 2010
- Mar. 2009 — Request for deferral received from federal agency members of the Accounting and Auditing Policy Committee (AAPC) disposal subgroup, excluding the audit representatives
- Sep. 2009 — Deferred by Technical Bulletin 2009-1; new effective date: FY 2012
- Jun. 2010 — AAPC issues implementation guidance—Technical Release 10: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- Apr. 2011 — Request for requirements to be RSI for two to three years received from DOI

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**SUMMARY OF RECENT STAFF RESEARCH AND OUTREACH**

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**Research and Outreach Undertaken by Staff since April 2011 Meeting:**

Staff performed the following research and outreach regarding reporting for asbestos-related liability costs since the April 28, 2011, FASAB meeting:

1. Researched and reviewed how other federal agencies (entities that primarily apply FASB standards and early implementers of FASAB requirements) have reported asbestos-related liability costs (see *Enclosure 3* beginning on page 14 for selected examples);
2. Researched and reviewed how respondents to FASB Interpretation No. (FIN) 47, *Accounting for Conditional Asset Retirement Obligations* (now FASB Accounting Standards Codification (ASC) 410-20), *Asset Retirement Obligations*, and others, have reported asbestos-related liability costs (see *Enclosure 4* beginning on page 19 for selected examples);
3. Sent a poll on agency readiness for implementation of Technical Bulletin 2006-1 to:
  - a. Agriculture,
  - b. Commerce,
  - c. Defense,
  - d. Energy,
  - e. General Services Administration,
  - f. Health and Human Services,
  - g. Homeland Security,
  - h. Housing and Urban Development,
  - i. DOI,
  - j. Justice,
  - k. Labor,
  - l. National Aeronautics and Space Administration,
  - m. National Science Foundation (NSF),
  - n. State,
  - o. Transportation,
  - p. Treasury,
  - q. Veterans Affairs,
  - r. the Financial Statement Audit Network listserv, and

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- s. participants of the AAPC Asbestos Subgroup (see *Enclosure 5* beginning on page 27 for a copy of the poll and a table of the responses received);
  4. Inquired of the National Park Service why they chose to survey by complete park rather than starting with the largest buildings first (see *Enclosure 6* beginning on page 39 for staff request and subsequent response from DOI);
  5. Requested an electronic listing of DOI's buildings and structures with square footage information (see *Enclosure 7* on page 42 for a summary of the listing);
  6. Organized an agency roundtable on implementation of Technical Bulletin 2006-1 to provide an opportunity for the federal community to:
    - a. learn about others' experiences and methodology for estimating asbestos cleanup costs per the requirements of:
      - FASAB Statement of Federal Financial Accounting Standards 6, *Accounting for Property, Plant, and Equipment*, Chapter 4, Cleanup Costs; and Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*; and,
      - FASB Accounting Standards Codification (ASC) 410-20, *Asset Retirement Obligations*
    - b. discuss best practices and issues surrounding the implementation of Technical Bulletin 2006-1; and,
  7. Actively sought participants that would be willing to share different methodologies and best practices related to reporting of asbestos-related liabilities at the roundtable (see *Enclosure 8* beginning on page 43 for a copy of the roundtable agenda).

### Results of Staff Research and Outreach:

Based on staff research and outreach, the following statements can be made:

1. There is a wide disparity in the financial statement impact across the federal government and companies for a number of reasons, including the amount, type and age of buildings and structures owned; judgments about materiality and whether a particular asset retirement obligation is reasonably estimable; the specific estimation methodology used; and the sample size of asset population (see *Enclosures 3 and 4* for examples of reporting across government, publicly traded entities, and educational institutions);
2. We received responses to the poll on agency readiness for implementation of Technical Bulletin 2006-1 covering over 96% of the total number of buildings and

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structures from the fiscal year 2009 Federal Real Property Statistics. The results of that poll indicate:

- a. 35.7% of the number of buildings – ready for 2012 implementation
- b. 60.4% of the number of buildings – not ready for 2012 implementation

However, excluding Defense components (42.8%), of the agencies that responded to the poll, the only agencies that indicated that they would not be ready for a 2012 implementation date are DOI (17.5%), NSF (.07%), and the National Oceanic and Atmospheric Administration (NOAA—a component of Commerce) (<.11%). NSF stated that they will not have the proper contract support in place until sometime within the next fiscal year, while NOAA indicated that they still need the funding to perform the surveys (see *Enclosure 5* beginning on page 27 for a copy of the poll and a table of the responses received. See pages 43 and 38 for the table of real property including the source of the percentages quoted here).

3. Most agencies have been working in earnest towards the goal of implementing Technical Bulletin 2006-1 in a timely manner. Justice (.46%) early implemented for fiscal year 2010, a full two years in advance of the revised effective date. NASA (.51%) and Energy (2.01%) are also planning to early implement.
4. Tennessee Valley Authority, which follows FASB GAAP, implemented for fiscal year 2006 when the related FASB requirements (FIN 47) became effective. The Government Printing Office, which also follows FASB GAAP, received a reportable condition related to its reporting under FIN 47 for the first year after it became effective because it had not yet developed estimates of its nonfriable asbestos liability. Through Technical Bulletin 2006-1, as deferred by Technical Bulletin 2009-1, FASAB has provided five years from the date that FIN 47 became effective for federal agencies to develop similar estimates.
5. The majority of agencies believe they have taken the steps necessary to implement Technical Bulletin 2006-1 for fiscal year 2012.
6. DOI stated that NPS conducted the asbestos surveys at the park unit level, rather than by building size across parks, because they believed this was the most cost-effective manner for conducting comprehensive asbestos building surveys and for gathering baseline asbestos data. NPS also believes that they need to provide a thorough analysis to prove "immateriality" to the auditors (see *Enclosure 6* beginning on page 39 for staff request and subsequent response from DOI).
7. 1,051 of DOI's buildings represent approximately 35% of the square footage of the total buildings and structures owned by DOI. It would seem as though DOI could survey a significant sample of the buildings and develop a reasonable estimate by projecting the sample results across the entire population (see *Enclosure 7* on page 42).

**Additional Factors to Consider:**

8. Technical Bulletin 2006-1 was issued in September 2006, almost five years ago. It requires a “reasonable estimate,” not an exact calculation.
9. The AAPC, a collective group of preparers and auditors, issued implementation guidance—Technical Release 10: Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment—for Technical Bulletin 2006-1 in June 2010.
10. FASAB staff is hosting a roundtable on Tuesday, June 14, 2011, to provide an opportunity for federal agencies to learn about others’ experiences and methodology for estimating asbestos cleanup costs and discuss best practices and issues surrounding the implementation of Technical Bulletin 2006-1 (see *Enclosure 8* beginning on page 43 for a copy of the roundtable agenda).

**STAFF RECOMMENDATION**

As a result of staff’s recent research and outreach, as well as consideration of the other factors listed above, staff does not believe that DOI’s request to report the requirements of Technical Bulletin 2006-1 as RSI for two to three years is warranted based on the information provided to date. While DOI does have a significant number of buildings, a large percentage of the overall square footage of those buildings is contained within a much smaller number of buildings. In addition, NPS’ approach of surveying entire parks rather than the largest buildings within those parks may not be the most efficient approach.

Staff believes that DOI’s desire to prepare a complete and thorough analysis may be hindering its ability to develop a reasonable estimate. Each agency’s estimate should be for the complete population of its buildings and cannot, and should not, be expected to represent the true liability for each and every building and structure owned.

For these reasons, staff recommends that DOI’s request not be approved by the board.

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If you have any questions or comments or would like to provide feedback prior to the meeting, please contact me by telephone at 202-512-7377 or by e-mail at [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov).

Enclosure Packet containing Enclosures 1 - 8

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**Tab C – Enclosure Packet**  
**Selected Staff Research**  
**and Information Sources**  
**(For More Information)**

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## Enclosure Packet Table of Contents

		<b>Page</b>
Enclosure 1	Letter from DOI	9
Enclosure 2	Minutes from April Meeting	11
Enclosure 3	Examples of Federal Entities	14
Enclosure 4	Examples of Non-Federal Entities	19
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## United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

APR 15 2011

Ms. Wendy M. Payne, CPA, CGFM  
Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6K17V  
441 G Street, NW – Suite 6814  
Washington, D.C. 20548

Re: Request for Presentation of Asbestos-Related Liability in the Required Supplementary Information Section of the Agency Financial Report

Dear Ms. Payne:

Statement of Federal Financial Accounting Standards (SFFAS) 6: *Accounting for Property, Plant, and Equipment* requires federal agencies to recognize a liability for cleanup costs associated with hazardous waste removal, containment, or disposal and provides guidance on inter-period cost allocation for cleanup costs. Technical Bulletin (TB) 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, restates the requirements in SFFAS 6 and specifically applies them to asbestos. It clarifies the required reporting of liabilities and related expenses arising from asbestos-related cleanup costs for federal agencies. TB 2009-1 deferred the effective date of TB 2006-1 to periods after September 30, 2011. Technical Release 10: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* provides additional clarification of SFFAS 6 and TB 2006-1 for identification and recognition of asbestos-related cleanup costs and provides a methodology for identifying and recognizing asbestos liabilities associated with federal real property.

To comply with the requirements of SFFAS 6 and TB 2006-1, the Department of the Interior (Interior) began compiling cost data related to the cleanup of friable and non-friable asbestos. To date, Interior has surveyed more than 3,000 buildings and structures at a cost of more than \$2.5 million. Interior owns approximately 160,000 buildings and structures. To estimate the total asbestos-related cleanup costs for this large inventory of real property, Interior has chosen the cost modeling approach based on existing survey data. The modeling approach, though the least costly of all methodologies, poses several problems for Interior. First, the cost factor developed based on existing surveys is not representative for all asset types. Actual surveys performed by Interior were primarily on buildings, and Interior owns more than 106,000 structures, for which little or no actual cleanup data is available. Second, although Federal Accounting Standards Advisory Board (FASAB) allows the use of information from industry-specific cost estimation publications or standardized cost factors developed for each state, there is little or no actual asbestos cleanup data available for certain asset groups. For example, there is no actual asbestos-related cleanup data available for monuments and other types of heritage assets owned

by Interior. In order to continue with this approach, Interior would need to perform a significant number of additional surveys for certain asset groups and this presents a major challenge. In light of current resource constraints, coupled with probable future budget cuts, the requirement to complete additional surveys would impose a significant financial hardship for Interior. We also need to consider the impact to our financial statement audit. Interior will likely face hurdles with our external auditors due to the inability to dedicate more resources to the performance of more surveys. Because of resource constraints, Interior may experience adverse action during the financial statement audit once TB 2006-1 becomes effective as written.

Based on these concerns, Interior respectfully requests that the FASAB staff examine the requirements of SFFAS 6 and TB 2006-1 and consider the cost and benefit of acquiring more cleanup cost information when resources are scarce. Based on cost-benefit ratio consideration described in FASAB Statement of Federal Financial Accounting Concept 6: *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, Interior is requesting that FASAB consider allowing for presentation of the asbestos-related cleanup costs in the Required Supplementary Information instead of the Basic Information of the Agency Financial Report for several fiscal years until more data becomes available to make a more reliable estimation for asbestos-related cleanup costs.

For questions or concerns on this request, please contact Edward King at [ed\\_king@ios.doi.gov](mailto:ed_king@ios.doi.gov) or at (202) 208-3425, or Eric Eisenstein at [eric\\_eisenstein@ios.doi.gov](mailto:eric_eisenstein@ios.doi.gov) or at (202) 208-3417.

Sincerely,



Eric Eisenstein,  
Acting Director, Office of Financial Management, and Acting Deputy Chief Financial Officer

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Excerpt from April 28, 2011, Meeting Minutes

*Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs*

Mr. Eisenstein stated that DOI is requesting that the information required by Technical Bulletin 2006-1 be presented as required supplementary information (RSI) for a limited time period to enable agencies such as DOI additional time to gather survey data on its buildings and structures.

Mr. Eisenstein noted that this approach would be consistent with Statement of Federal Financial Accounting Concepts (SFFAC) 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, Table 1 – Factors to Consider in Distinguishing Basic Information from RSI. Mr. Eisenstein specifically cited two of the factors from Table 1 as examples: experience among users, preparers and auditors with the information; and benefit/cost ratio of using resources to compile the information as well as ensure accuracy.

Mr. Eisenstein said that DOI believes it would be appropriate to present the information in RSI for a limited time period because reliable estimates are not yet available at reasonable cost. DOI thinks the board should consider the benefits and costs of producing and auditing this information in the short-term. DOI has already spent over \$2.5 million on contracts evaluating the asbestos in approximately 3,000 of DOI's 160,000 buildings and structures. Mr. Eisenstein noted that little cleanup data is available for 106,000 of DOI's structures.

Mr. Eisenstein stated that DOI (like similarly situated agencies) would be concerned about the reliability of the preliminary estimate of asbestos-related cleanup costs to be presented as basic information subject to full audit in DOI's 2012 financial statements.

Mr. Allen asked if DOI were proposing a date through which the information would be presented as RSI.

Mr. Eisenstein stated that DOI had not proposed a set date, noting that SFFAC 6 said it is reasonable to require information as RSI until experience is gained (reading from SFFAC 6 par. 73C that states "It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues. Also, the information may be expressed in other than financial measures or may not be subject to reliable estimation."). He went on to state that DOI's position is that at this time the information is not readily subject to reliable estimation at reasonable cost.

Mr. Allen stated that based on his experience as an auditor, they would reach conclusions based on auditing a sample of 60 or 100 transactions, or whatever size is reasonable for the population. Internal controls would still need to be reviewed and the population would be stratified but, through those techniques, and using what DOI has already done, he would argue that DOI could come up with a reliable projection.

Mr. Allen said those are his two questions: (1) what could we learn from other agencies that have done it, and (2) was the approach taken one that could be used to develop a reliable projection?

Mr. Mabry said BOEMRE does not have any buildings but he has discussed the issue with National Parks Service and one of the challenges they are running into is utilization of a cost estimate and being able to come up with a cost estimate that can be applied to the square footage. One thought is it should be by region because there could be different asbestos standards for different regions. Another thought is year built but the ruling in most areas states that you cannot produce asbestos-containing material (ACM) in the U.S.; people could still buy ACM from Canada and elsewhere and put it in their buildings. Therefore, applying a cost estimate that can be applied to square footage across the organization is one of the big challenges.

Mr. Jackson asked what the bulk of the buildings are; Mr. Mabry responded that a lot of them are sheds, maintenance, and storage buildings.

Mr. Eisenstein stated that DOI has been working very hard to develop an estimation methodology and it is still a work-in-progress. When they first reviewed a draft of the technical bulletin, they thought they could come up with a simple estimate based on the age of the buildings (the ones more likely to have asbestos based on their age). However, they are finding it is not that clear-cut; there have been changes to buildings and other factors that make the estimation more difficult than originally thought.

Mr. Eisenstein reiterated that DOI is not suggesting that the information not be presented; they are suggesting that it would be more reasonable to present it as RSI for a limited time.

Mr. Mabry noted that something similar was done for SFFAS 38, requiring the information as RSI for three years before requiring it as RSI.

Mr. Allen responded that the technical bulletin is much older; it has been around for five years and was already deferred once.

Ms. Payne added that technical guidance was also provided during that time [Technical Release 10] and there is always the option of disclosing information in a footnote if it is not possible to develop a reasonable estimate.

Ms. Payne added that she noted that DOI has the largest number of buildings and structures for non-Defense agencies but their square footage is not that large. She asked if DOI focused on the largest square footage buildings first.

Mr. Mabry responded that National Park Service conducted their studies by park as opposed to by building, based on the regional approach he mentioned earlier.

Ms. Kearney asked DOI to clarify that they are not asking for a deferral; they are asking for an experimental period as RSI.

Mr. Eisenstein responded affirmatively, stating that he believes two to three years would be reasonable.

Mr. Eisenstein pointed out that Technical Release 10 permits industry-specific modeling but there is little or no information for some of the asset groups that are particular to DOI (e.g., monuments, memorials) so they would need to survey these assets to get the actual data.

Mr. Jackson asked if anyone knows what Agriculture has done with regards to estimating their asbestos. Mr. Mabry responded that he has not spoken with Agriculture; he has gone to the Navy because they have done a lot of work in this area.

Ms. Payne said staff had made some calls to agencies and was planning a roundtable on the issue.

Several of the board members agreed that they would like to have a status of what other agencies were doing before they make a decision on it.

Mr. Allen directed staff to come back to the board at the next meeting with a summary of what other agencies are doing and provide a recommendation.

**Department of Justice – Early Implementer 2010, \$47 million liability**

(.46% of total buildings / 2.08% of total square footage / <.5% of total 2010 DOJ liabilities)

*FY 2010 U. S. Department of Justice Annual Financial Statements***Notes to the Financial Statements**  
(Dollars in Thousands, Except as Noted)**Note 12. Environmental and Disposal Liabilities (continued)**

An extensive review of the current and past safety practices of FPI's Recycling business segment revealed that cleanup of past lead and other contamination was recommended as the result of their glass breaking operation. Included in FPI's Balance Sheet as of September 30, 2010 and 2009 are \$0 and \$204 in Environmental and Disposal Liabilities, respectively.

Per SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and Technical Release No. 2, *Determining Probably and Reasonably Estimable for Environmental Liabilities in the Federal Government*, federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

BOP conducted a review of 46 institutions that were in service prior to April 6, 1973; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. The BOP recognized the estimated total clean-up cost for friable and non-friable asbestos for those facilities as a liability and recorded the offsetting charge as a "Change in Accounting Principles" in the Statement of Changes in Net Position (SCNP). As of September 30, 2010, BOP management has determined their estimated asbestos clean-up liability is \$36,833.

The FBI operates a facility in Quantico, Virginia, built in 1968 with an estimated useful life of 50 years. The FBI recognized the estimated total cleanup cost for friable and non-friable asbestos for the facility as a liability and reported the offsetting charge as a "Change in Accounting Principles" in the Statement of Change in Net Position. As of September 30, 2010, FBI management has determined their estimated asbestos clean-up liability is \$9,755.

## Department of Justice (contd.)

### *FY 2010 U. S. Department of Justice Annual Financial Statements*

#### Notes to the Financial Statements (Dollars in Thousands, Except as Noted)

##### Note 26. Change in Accounting Principle

For FY 2010, in accordance with guidance provided by the Office of Management and Budget (OMB), the AFF changed its method of reporting rescissions of budgetary authority by reporting \$387,200 as temporarily not available pursuant to public law in the budgetary resources section of the SBR. In FY 2009, based on guidance issued by OMB, rescissions were reported as unobligated balances not available in the status of budgetary resources of the SBR. The new method of accounting for rescissions was adopted based on guidance received from the OMB to better align rescissions reported in the SBR with the amounts reported by OMB in the Budget of the United States.

OMB Circular No. A-136 states that the cost for any clean-up cost liability recognized upon implementation of the FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, requiring recognition shall be shown on the SCNP as a prior period adjustment. The BOP and FBI recognized the estimated total clean-up cost for friable and non-friable asbestos as a liability and reported the offsetting charge as a “Change in Accounting Principles” in the SCNP. As of September 30, 2010, BOP and FBI management has determined their estimated asbestos clean-up liability is \$36,833 thousand and \$9,755 thousand, respectively

For the Fiscal Year Ended September 30, 2010

Statement of Changes in Net Position	\$ 46,588
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Source: FY 2010 Performance and Accountability Report, available online at [www.justice.gov/ag/annualreports/pr2010/par2010.pdf](http://www.justice.gov/ag/annualreports/pr2010/par2010.pdf)

**Tennessee Valley Authority – FASB Implementer 2006, \$132 million liability**

(.02% of total buildings / .75% of total square footage / <.5% of total 2006 TVA liabilities)

**Item 7: New Accounting Standards and Interpretations***Conditional Asset Retirement Obligations*

In March 2005, the FASB issued FIN No. 47, “Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143.” This interpretation clarifies that the term conditional asset retirement obligation (“conditional ARO”) as used in SFAS No. 143, “Accounting for Asset Retirement Obligations,” refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional ARO should be recognized when incurred. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an ARO. **On September 30, 2006, TVA began applying FIN 47, “Accounting for Conditional Asset Retirement Obligations,” which resulted in the recognition of additional ARO liabilities for asbestos and Polychlorinated Biphenyls abatement costs. The effect of the adoption of FIN No. 47 during 2006 included a cumulative effect charge to income of \$109 million, a recognition of a corresponding additional long-term liability of \$132 million, a recognition of an increase in assets of \$43 million, and related accumulated depreciation of \$20 million. [emphasis added]**

Source: Form 10-K Annual Report Filed Dec 15, 2006, available online at:  
[http://www.tva.gov/finance/reports/forwardlooking\\_sec.htm](http://www.tva.gov/finance/reports/forwardlooking_sec.htm)

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**Government Printing Office (GPO) – FASB Implementer 2006 (No Liability) – Pages 28 and 31****Footnote 1 B: Accounting Environment***Recently Adopted Accounting Standards*

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which requires a liability to be accrued if the reporting entity has an obligation to perform asset retirement activities and a reasonable estimate of the fair market value of the obligation can be made at fiscal year end. FIN 47 also provides guidance as to when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. GPO adopted the provisions of FIN 47 effective October 1, 2005.

Certain areas within the GPO Central Office contain asbestos that would require removal, containment, or encapsulation during maintenance, remodeling, or renovation. GPO has no current plans to sell these facilities or make major renovations. Accordingly, **GPO did not record an asset retirement obligation since the settlement date cannot be reasonably estimated.** [emphasis added]

**Footnote 10: Contingencies***Environmental Liabilities*

GPO estimates that it will cost approximately \$160,000 to remediate all friable asbestos that is located within the GPO facilities. The cost to remediate all non-friable asbestos is not reasonably estimable and accordingly has not been accrued in the accompanying financial statements due to the uncertainty surrounding the date and manner in which the liability will be settled.

**NOTE: Auditors reported a reportable condition over GPO's recording and reporting of environmental liabilities, specifically mentioning the requirements of FIN 47.**

Source: GPO 2006 Annual Report; available online at [www.gpo.gov/pdfs/congressional/archives/2006-GPOAnnualReport.pdf](http://www.gpo.gov/pdfs/congressional/archives/2006-GPOAnnualReport.pdf)

## GPO 2010 Annual Report – Page 46

### *J. Commitments and Contingencies*

FASB Accounting Standards Codification, *Asset Retirement Obligations* (ASC 410-20), requires a reporting entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can reasonably be estimated. Accordingly, GPO has estimated and recorded the asset retirement obligations. Liabilities from loss contingencies, including environmental remediation costs not within the scope of ASC 410-20, arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Loss contingencies that do not meet these criteria are not accrued.

#### **Consolidated Balance Sheets**

*As of September 30, 2010 and 2009*

*(Dollars in thousands)*

	2010	2009
<b>ASSETS</b>		
Current assets		
Fund balance with Treasury (Note 2)	\$ 340,165	\$ 256,126
Accounts receivable, net (Note 3)	171,677	210,564
Inventory, net (Note 4)	32,570	28,831
Prepaid expenses (Note 5)	244	1,823
<b>Total current assets</b>	<b>544,656</b>	<b>497,344</b>
General property, plant and equipment, net (Note 6)	110,891	115,141
<b>Total assets</b>	<b>\$ 655,547</b>	<b>\$ 612,485</b>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 108,942	\$ 116,137
Deferred revenues (Note 8)	127,286	98,634
Accrued annual leave	11,153	11,016
<b>Total current liabilities</b>	<b>247,381</b>	<b>225,787</b>
Other liabilities		
Workers' compensation liability (Note 9)	70,884	71,174
Voluntary separation incentive program	4,562	4,562
<b>Total liabilities</b>	<b>322,827</b>	<b>301,523</b>
Commitments and contingencies (Notes 10 and 11)		
Net position (Note 12)		
Cumulative results of operations:		
Retained earnings	159,651	150,363
Invested capital	92,879	92,879
Unexpended appropriations	80,190	67,720
<b>Total net position</b>	<b>332,720</b>	<b>310,962</b>
<b>Total liabilities and total net position</b>	<b>\$ 655,547</b>	<b>\$ 612,485</b>

*The accompanying notes are an integral part of these financial statements.*

Source: GPO 2010 Annual Report available online at [www.gpo.gov/pdfs/congressional/archives/2010\\_AnnualReport.pdf](http://www.gpo.gov/pdfs/congressional/archives/2010_AnnualReport.pdf)

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## The Boeing Company and Subsidiaries 2005 Annual Report - Page 53

### Asset Retirement Obligations

On December 31, 2005, we adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143* (FIN 47). FIN 47 clarifies the term conditional asset retirement obligation as used in SFAS No. 143 and requires a liability to be recorded if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by this Interpretation include those for which an entity has a legal obligation to perform an asset retirement activity, however the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

In accordance with FIN 47, we record all known asset retirement obligations for which the liability's fair value can be reasonably estimated, including certain asbestos removal, asset decommissioning and contractual lease restoration obligations.

**As a result of adopting FIN 47, we recorded a cumulative effect of accounting change of \$10 (\$6 net of tax) during the fourth quarter of 2005. In addition, we recorded a liability of \$11 representing asset retirement obligations and an increase in the carrying value of the related assets of \$1, net of \$5 of accumulated depreciation.** Had the adoption of FIN 47 occurred at the beginning of the earliest period presented, our results of operations and earnings per share would not have been significantly different from the amounts reported. Accordingly, pro forma financial information has not been provided.

We also have known conditional asset retirement obligations, such as certain asbestos remediation and asset decommissioning activities to be performed in the future, that are not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, these obligations have not been recorded in the consolidated financial statements. A liability for these obligations will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability's fair value. **In addition, there may be conditional asset retirement obligations that we have not yet discovered (e.g. asbestos may exist in certain buildings but we have not become aware of it through the normal course of business), and therefore, these obligations also have not been included in the consolidated financial statements.** [emphasis added]

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## The Boeing Company 2010 Annual Report - Page 62

### Asset Retirement Obligations

We record all known asset retirement obligations for which the liability's fair value can be reasonably estimated, including certain asbestos removal, asset decommissioning and contractual lease restoration obligations. Recorded amounts are not material. ***We also have known conditional asset retirement obligations, such as certain asbestos remediation and asset decommissioning activities to be performed in the future, that are not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, these obligations have not been recorded in the Consolidated Financial Statements.*** A liability for these obligations will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability's fair value. ***In addition, there may be conditional asset retirement obligations that we have not yet discovered (e.g. asbestos may exist in certain buildings but we have not become aware of it through the normal course of business), and therefore, these obligations also have not been included in the Consolidated Financial Statements.*** [emphasis added]

Source: Boeing 2005 and 2010 Annual Reports; available online at [http://www.boeing.com/companyoffices/financial/quarterly2.htm#fin\\_reports](http://www.boeing.com/companyoffices/financial/quarterly2.htm#fin_reports)

## The Dow Chemical Company and Subsidiaries 2010 Annual Report - Pages 121 – 122

### Asset Retirement Obligations

Dow has 188 manufacturing sites in 35 countries. Most of these sites contain numerous individual manufacturing operations, particularly at the Company's larger sites. Asset retirement obligations are recorded as incurred and reasonably estimable, including obligations for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. The retirement of assets may involve such efforts as remediation and treatment of asbestos, contractually required demolition, and other related activities, depending on the nature and location of the assets, and retirement obligations are typically realized only upon demolition of those facilities. In identifying asset retirement obligations, the Company considers identification of legally enforceable obligations, changes in existing law, estimates of potential settlement dates and the calculation of an appropriate discount rate to be used in calculating the fair value of the obligations. Dow has a well-established global process to identify, approve and track the demolition of retired or to-be-retired facilities; and no assets are retired from service until this process has been followed. Dow typically forecasts demolition projects based on the usefulness of the assets; environmental, health and safety concerns; and other similar considerations. Under this process, as demolition projects are identified and approved, reasonable estimates are determined for the time frames during which any related asset retirement obligations are expected to be settled. For those assets where a range of potential settlement dates may be reasonably estimated, obligations are recorded. Dow routinely reviews all changes to items under consideration for demolition to determine if an adjustment to the value of the asset retirement obligation is required.

### NOTE N – Commitments and Contingent Liabilities – Continued

The Company has recognized asset retirement obligations for the following activities: demolition and remediation activities at manufacturing sites in the United States, Canada, Brazil, Chile, China and Europe; and capping activities at landfill sites in the United States, Canada, Brazil and Europe. The Company has also recognized conditional asset retirement obligations related to asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States, Canada, Brazil, Chile, China and Europe. The aggregate carrying amount of conditional asset retirement obligations recognized by the Company (included in the asset retirement obligations balance) was \$40 million at December 31, 2010 (\$41 million at 2009).

The following table shows changes in the aggregate carrying amount of the Company's asset retirement obligations:

Asset Retirement Obligations		
In millions	2010	2009
Balance at January 1	\$101	\$106
Additional accruals	6	7
Assumed from Rohm and Haas (1)	-	13
Sold with Salt business (2)	-	(12)
Liabilities settled	(10)	(21)
Accretion expense	1	1
Revisions in estimated cash flows	1	1
Other	-	6
Balance at December 31	\$ 99	\$101

(1) See Note D.

(2) See Note E.

The discount rate used to calculate the Company's asset retirement obligations at December 31, 2010 was 1.78 percent (2.45 percent at December 31, 2009). These obligations are included in the consolidated balance sheets as "Other noncurrent obligations."

The Company has not recognized conditional asset retirement obligations for which a fair value cannot be reasonably estimated in its consolidated financial statements. Assets that have not been submitted/reviewed for potential demolition activities are considered to have continued usefulness and are generally still operating normally. Therefore, without a plan to demolish the assets or the expectation of a plan, such as shortening the useful life of assets for depreciation purposes in accordance with the accounting guidance related to property, plant and equipment, the Company is unable to reasonably forecast a time frame to use for present value calculations. As such, the Company has not recognized obligations for individual plants/buildings at its manufacturing sites where estimates of potential settlement dates cannot be reasonably made. In addition, the Company has not recognized conditional asset retirement obligations for the capping of its approximately 60 underground storage wells and 130 underground brine mining and other wells at Dow-owned sites when there are no plans or expectations of plans to exit the sites. It is the opinion of the Company's management that the possibility is remote that such conditional asset retirement obligations, when estimable, will have a material adverse impact on the Company's consolidated financial statements based on current costs.

## Eastman Kodak 2005 Annual Report – Pages 59 – 61

### New Accounting Pronouncements

#### *FASB Interpretation No. 47*

In March 2005, the FASB issued FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations” (FIN 47). FIN 47 clarifies that the term “conditional asset retirement obligation” as used in FASB No. 143, “Accounting for Asset Retirement Obligations,” refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In addition, FIN 47 clarifies when a company would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

The Company adopted FIN 47 during the fourth quarter of 2005. FIN 47 requires that conditional asset retirement obligations, legal obligations to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event, be reported, along with associated capitalized asset retirement costs, at their fair values. Upon initial application, FIN 47 requires recognition of (1) a liability, adjusted for cumulative accretion from the date the obligation was incurred until the date of adoption of FIN 47, for existing asset retirement obligations; (2) an asset retirement cost capitalized as an increase to the carrying amount of the associated long-lived asset; and (3) accumulated depreciation on the capitalized asset retirement cost. Accordingly, the Company has recognized the following amounts in its Statement of Financial Position at December 31, 2005 and Statement of Operations for the year ended December 31, 2005:

(dollar amounts in millions)

Additions to property, plant and equipment, gross	\$ 33
Additions to accumulated depreciation	\$ (33)
Additions to property, plant and equipment, net	\$ —
Asset retirement obligations	\$ 66
Cumulative effect of change in accounting principle, gross	\$ 66
Cumulative effect of change in accounting principle, net of tax	\$ 57

The adoption of FIN 47 reduced 2005 net earnings by \$57 million, or \$.20 per share.

The Company’s conditional asset retirement obligations primarily relate to asbestos contained in buildings that Kodak owns. Environmental regulations exist in many of the countries that Kodak operates in that require Kodak to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. Otherwise, Kodak is not required to remove the asbestos from its buildings. Kodak records a liability equal to the estimated fair value of its obligation to perform asset retirement activities related to the asbestos, computed using an expected present value technique, when sufficient information exists to calculate the fair value. Kodak does not have a liability recorded related to each building that contains asbestos because Kodak cannot estimate the fair value of its obligation for certain buildings due to a lack of sufficient information about the range of time over which the obligation may be settled through demolition, renovation or sale of the building.

## Eastman Kodak 2005 Annual Report (contd.)

The Company has determined the pro forma (loss) earnings from continuing operations, net (loss) earnings, and corresponding per share information as if the provisions of FIN 47 had been adopted prior to January 1, 2003. The pro forma information is as follows:

(in millions, except per share data)	2005	2004	2003
(Loss) earnings from continuing operations			
As reported	\$ (1,455)	\$ 81	\$ 189
Pro forma	\$ (1,462)	\$ 76	\$ 185
(Loss) earnings from continuing operations, per basic and diluted share			
As reported	\$ (5.05)	\$ .28	\$ .66
Pro forma	\$ (5.08)	\$ .26	\$ .65
Net (loss) earnings			
As reported	\$ (1,362)	\$ 556	\$ 253
Pro forma	\$ (1,312)	\$ 551	\$ 249
Net (loss) earnings, per basic and diluted share			
As reported	\$ (4.73)	\$ 1.94	\$ .88
Pro forma	\$ (4.56)	\$ 1.92	\$ .87
Number of shares used in earnings per share			
Basic	287.9	286.6	286.5
Diluted	287.9	286.8	290.8

The liability for asset retirement obligations as of the dates noted below would have been as follows if FIN 47 had been implemented prior to January 1, 2003:

(dollar amounts in millions)	
December 31, 2004	\$ 71
December 31, 2003	\$ 65

A reconciliation of the beginning and ending aggregate carrying amount of all asset retirement obligations (including those recorded under SFAS No. 143, FSP 143-1, and FIN 47) for the year ended December 31, 2005 follows:

(dollar amounts in millions)	
Asset retirement obligations as of January 1	\$ 7
Liabilities incurred in the current period (including the adoption of FIN 47)	66
Accretion expense	2
Asset retirement obligations as of December 31	\$ 75

Reconciliations for the years ended December 31, 2004 and December 31, 2003 are not shown due to immateriality.

Source: Eastman Kodak 2005 Annual Report available online at <http://investor.kodak.com/phoenix.zhtml?c=115911&p=irol-reportsannual>

## Starbucks 2006 10-K – Page 46

### Note 1: Summary of Significant Accounting Policies

#### *Asset Retirement Obligations — Change in Accounting Principle*

On October 1, 2006, Starbucks adopted FASB Interpretation No. 47 (“FIN 47”), “Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement No. 143,” which requires the recognition of a liability for the fair value of a legally required conditional asset retirement obligation when incurred, if the liability’s fair value can be reasonably estimated. The Company’s asset retirement obligation (“ARO”) liabilities are primarily associated with the disposal of leasehold improvements which, at the end of a lease, the Company may be contractually obligated to remove in order to restore the facility back to a condition specified in the lease agreement. The Company estimates the fair value of these liabilities based on current store closing costs, accretes that current cost forward to the date of estimated ARO removal, and discounts the future cost back as if it were performed at the inception of the lease. At the inception of such a lease, the Company records the ARO liability and also records a related capital asset in an amount equal to the estimated fair value of the liability. The ARO liability is accreted to its future value, with the accretion expense recognized as operating expense. The capitalized asset is depreciated on a straight-line basis over the useful life of the asset, which generally mirrors the life of the leasehold improvement. Upon ARO removal, any difference between the actual retirement costs incurred and the recorded estimated ARO liability is recognized as an operating gain or loss in the consolidated statement of earnings. In future periods, the Company may make adjustments to the ARO liability as a result of the availability of new information, changes in labor costs and other factors. The estimate of the ARO liability is based on a number of assumptions requiring management’s judgment, including store closing costs, cost inflation rates and discount rates.

The initial impact of adopting FIN 47 resulted in a charge of \$27.1 million, with a related tax benefit of \$9.9 million, for a net expense of \$17.2 million, or \$0.02 per diluted share. The net amount was recorded as a cumulative effect of a change in accounting principle on the consolidated statement of earnings. FIN 47 requires that the cumulative approach to adoption be used rather than retrospectively revising prior year financial statements. The adoption increased “Property, plant and equipment, net,” by \$15.5 million, increased “Other long-term liabilities” for AROs by \$34.2 million, increased “Other assets” for deferred tax assets by \$6.8 million, and decreased “Equity and other investments” by \$5.3 million. The following table presents, on a pro forma basis, what the ARO liability would have been had FIN 47 been in effect during fiscal 2005 and 2004. These pro forma amounts are estimated based upon the information, assumptions and interest rates used to measure the ARO liability recognized upon adoption of FIN 47 as of October 1, 2006 (*in millions*):

Pro forma ARO liability, October 2, 2005	\$29.2
Pro forma ARO liability, October 3, 2004	25.2
Pro forma ARO liability, September 28, 2003	20.9

Source: Starbucks 2006 10-K available online at <http://www.sec.gov/Archives/edgar/data/829224/000089102006000406/v24294e10vk.htm>.

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**Biola University and Wholly Owned Subsidiary 2008 Annual Report – Page 9***(k) Asset Retirement Obligation*

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations-an interpretation of FASB Statement No 109*. Under FIN 47, companies must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University identified future asbestos abatement activities as a conditional asset retirement obligation. Asbestos abatement activities were estimated based upon historical removal costs per square foot applied to assets identified requiring asbestos abatement. FIN 47 requires that the estimate be recorded as a liability and as an increase to the recorded historical cost of the asset. The capitalized portion is depreciated over the remaining useful life of the asset.

The present value of the asset retirement obligation totaled \$906,000, utilizing a rate of 5.24% as of June 30, 2008. The liability will continue to be accreted to expense until such point that remediation costs are required.

Source: Biola University 2008 Annual Financial Report available online at [www.biola.edu/finance/pdf/07-08\\_financials.pdf](http://www.biola.edu/finance/pdf/07-08_financials.pdf)

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**The College of Wooster 2010 Financial Report – Page 8**

*Conditional Asset Retirement Obligations – ASC 410, Asset Retirement and Environmental Obligations*, clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered ASC 410, specifically as it relates to its legal obligations to perform asset retirement activities on its existing properties. Management has determined a 25-year settlement date for the asset retirement obligations relating to asbestos removal from various buildings across campus. As a result, management has set up a liability in the amount of \$346,228 related to asbestos removal activities as of June 30, 2010.

Source: Wooster 2010 Financial Report available online at [www.wooster.edu/Offices-Directories/vpfb/statements](http://www.wooster.edu/Offices-Directories/vpfb/statements)

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**University of Southern California, 2010 Annual Report – Page 20**

The university has recorded conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in our facilities. When an asset retirement obligation is identified, the university records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. The fair value of the conditional asset retirement obligations was estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows was calculated using the credit adjusted, interest rate applicable to the university in order to determine the fair value of the conditional asset retirement obligations. For the year ended June 30, 2010, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$4,666,000. For the year ended June 30, 2010, the university settled asset retirement obligations of approximately \$362,000. As of June 30, 2010, included in the Consolidated Balance Sheet is an asset retirement obligation of \$93,831,000.

Source: USC 2010 Annual Report, available online at [www.usc.edu/private/factbook/USC.FR.2010.pdf](http://www.usc.edu/private/factbook/USC.FR.2010.pdf)



Federal Accounting Standards Advisory Board

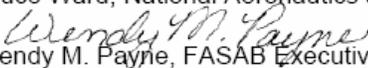
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**Responses Requested by May 20, 2011**

May 12, 2011

Memorandum

To: Bruce Ward, National Aeronautics and Space Administration

From:  Wendy M. Payne, FASAB Executive Director

Subject: Agency Poll: Implementation of Technical Bulletin 2006-1

The Federal Accounting Standards Advisory Board (FASAB) is seeking information on the status of federal agencies' implementation of Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*.

In order to facilitate our collection of information, **please complete the brief poll attached**. If your agency has developed a methodology to implement the requirements of Technical Bulletin 2006-1, please **provide us with the name and contact information for the principal individual(s) within your organization who would be most knowledgeable about the methodology developed**. We are requesting that this information be emailed to [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov) or faxed to 202-512-7366 by **Friday, May 20, 2011**.

If we gather enough information to be useful to the federal community, we plan to hold a roundtable to discuss best practices and issues surrounding the implementation of Technical Bulletin 2006-1. Your input would be very helpful in making this event happen. Please contact Julia Ranagan at 202-512-7377 to discuss any questions you may have. Thank you for your time and assistance.

Attachment

**Implementation of Technical Bulletin 2006-1  
Agency Poll – Responses Requested by May 20, 2011**

**Disclaimer:** In the course of researching, developing or updating federal accounting standards, FASAB staff periodically utilize task forces, surveys, and other means of communication to solicit feedback from the federal community. The information contained in this survey is intended to assist staff in preparing materials for the board's deliberations; it is not intended to reflect authoritative or formal views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, which is effective for periods beginning after September 30, 2011, clarifies the responsibility of all federal entities to report liabilities and related expenses arising from the existence of asbestos in federal property.

Technical Release 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, provides a general framework for identifying assets containing asbestos and assessing the asset to collect information and/or develop key assumptions in applying acceptable methodologies to estimate asbestos cleanup costs for federal facilities and installed equipment.

1. Do you believe your agency is prepared to implement the requirements of Technical Bulletin 2006-1 for fiscal year 2012?

*(Please click on one box)*

- Yes (go to question 2)  
 No (go to question 3)

2. Please (a) select an entity<sup>1</sup> or entities within your organization that have developed a methodology for implementing Technical Bulletin 2006-1 that could be shared with other agencies that may not have yet developed a methodology, and (b) provide the contact information for the principal individual who would be knowledgeable about the methodology.

**Technical Bulletin 2006-1 Entity and Contact Information:**

*(Please click on each grey box below to input requested information)*

**(a) Entity Name**

**(b) Contact Information  
(name, title, phone number, and email address)**

3. Why do you believe your agency will not be prepared?

*(Please click on the grey shading in the box below to begin typing your response)*

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<sup>1</sup> The term entity is a general term used to refer to any legal, administrative or organizational structure or unit. Entity could refer to a department, agency, bureau, activity, function, or program within your organization, depending on how your organization defines its units.

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**Implementation of Technical Bulletin 2006-1  
Agency Poll – Responses Requested by May 20, 2011**

4. Do you have any other comments?  
*(Please click on the grey shading in the box below to begin typing your response)*

**Requested Information Regarding Person Completing Survey:**

*(Please click on each grey box below to input requested information)*

**First and Last Name:**

**Agency Name:**

**Office Name:**

**Position Title:**

**Phone Number:**

**Email Address:**

Please email your response to [ranagani@fasab.gov](mailto:ranagani@fasab.gov) or fax to 202-512-7366 by **Friday, May 20, 2011**.

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**ABOUT FASAB**

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: [www.fasab.gov](http://www.fasab.gov)

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
Justice	2.08%	.46%	Ready – DOJ early implemented in FY 2010.	(A) Mark Hayes	Valerie Grant; Assistant Director, Fin Stmt's Group, JMD Finance Staff
NASA			Per Poll, Not Ready – NASA has a tentative plan that is not very detailed; also they are still debating whether the asbestos they would have is a recordable liability.	(A) Mark Jenson	Michelle Robertson
			Per Poll, Not Ready – NASA is exploring possible options and approaches, but has not yet vetted these approaches across the agency or with its independent financial auditors. We anticipate that it will be time intensive to complete our approach, develop a reasonable estimate, and fully discuss with all responsible parties and external stakeholders, including OIG and independent financial auditors.	(P) Terry Bowie Deputy Chief Financial Officer NASA, Office of the Chief Financial Officer	Bruce Ward, Associate Deputy Chief Financial Officer, Office of the Chief Financial Officer, NASA
	1.32%	.51%	<b>UPDATE: NASA has since selected a methodology and plans to early implement in 3rd quarter 2011.</b>		
NRC	0.00%	0.00%	Ready - the majority of NRC facilities are leased. Of two facilities owned, estimated abatement costs are under \$10,000. Because the amount	(A) Mary Meier Sr. Auditor	N/A

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
			involved at NRC is de minimis they have not developed a formal methodology to implement the requirements of Technical Bulletin 2006-1.		
NAVY	17.06%	16.50%	Ready	(P) Dawn Polverino Naval Facilities Engineering Command OEL Program Manager	Dawn Polverino NAVFAC
ENERGY	3.81%	2.01%	Ready	(A) Kimberly Scott Department of Energy Office of the Inspector General AIC - Technical Monitor	Department of Energy, Office of the CFO Lois Jessup, Sr. Accountant,
			Ready	(P) Lois Jessup Department of Energy Office of Financial Control and Reporting Special Assistant	DOE CFO Office of Financial Control and Reporting Lois Jessup, Special Assistant
DOI	3.09%	17.47%	Not Ready – has yet to find an efficient and cost-effective process to meet the reporting requirements covering its 160,000 owned buildings and structures. More than 3,000 buildings/structures have been surveyed; at a cost of approximately \$2.5 million and 2	(P) Edward King Department of the Interior Office of Financial Management Acting Deputy Director	Doug A. Glenn, Deputy Chief Financial Officer and Director, Office of Financial Management

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
			<p>percent of the portfolio. Estimated survey costs for the balance of the portfolio could reach upwards of \$133 million. A large, future investment may be required to meet the FASAB requirements absent any reporting relief. To utilize the available data, Interior has developed a proposed methodology using a cost model approach based on the surveys conducted. Because of the relatively small sample size in comparison to the total population and a lack of survey data across all asset groups within the portfolio, Interior is concerned with proving the initial validity of the estimates and the audit implications thereof.</p>		
VA	4.61%	1.01%	Ready	(P) James Shea Department of Veterans Affairs Office of Financial Policy Staff Accountant	<p><b>Veterans Health Administration:</b> Tim Omotosho, Director, Financial Analysis and Oversight</p> <p>John G. Staudt, Environmental Engineer</p>
DOT	.80%	6.38%	Ready –The concern is that with substantial budget cuts looming in	(P) Robert Angel Manager of Financial	

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
			<p>the near future, agencies will not be able to execute the planned implementation in full.</p> <p>The implementation plans would include survey of all potentially contaminated sites, identification of those areas that are non friable or do not impose an immediate hazard and the preparation of adequate estimates that would properly disclose the requirements of the bulletin. This information would have to be updated several times a year for accurate reflection in the agency financial statements.</p> <p>Finally, the methodology, documentation and disclosure must pass audit examination.</p>	<p>Statements and Reporting, FAA, DOT</p>	
Treasury	.19%	.01%	Ready	(P) Marilyn Evans Department of the Treasury Office of the Deputy Chief Financial Officer Senior Staff Accountant	Bureau of Engraving and Printing Terry Barrett, Industrial Hygienist
NOAA	<.23%	<.11%	Not Ready – NOAA does not believe it is prepared to implement the requirements of Technical Bulletin 2006-1 because of competing agency mission priorities. NOAA will request	(P) Minh Trinh DOC/NOAA/OCAO Safety and Environmental Compliance Office Environmental Protection Specialist	Minh Trinh, Environmental Protection Specialist  Mary Ann Whitmeyer, Financial Management Specialist

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
			funding to perform asbestos surveys and collect required data to determine the financial liability associated with non-friable asbestos abatement.		Mark P. Miller, Chief, Financial Statements Branch
USDA	1.73%	5.44%	Ready – USDA has started reviewing facilities to determine whether asbestos may be present in accordance with methodology outlined in TR 10.	(P) Kevin Close USDA, Office of the Chief Financial Officer Director, Consolidated Reporting Division	USDA OCFO Kevin Close
HUD	0.00%	0.00%	N/A – HUD believes this guidance is not applicable to the agency. HUD does not own it's buildings; we occupy spaces under occupancy agreements with GSA. HUD has entered into an Energy Savings Performance Contract (ESPC) which includes future abatement expenses not to exceed \$79,500. HUD believes this amount is not material to the financial statements.	(P) Rita Hebb HUD OCFO, Financial Reporting Division Accountant	HUD OCFO Keith Donzell Director, Financial Reporting Division
NSF	.07%	.07%	Not Ready – The National Science Foundation does not believe the agency is prepared to implement the requirements of Technical Bulletin 2006-1 for fiscal year 2012. This is largely due to the current status of the Antarctic	(P) John Lynskey National Science Foundation Division of Financial Management Deputy Division Director	Division of Financial Management (DFM) John Lynskey, DFM Deputy Division Director

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
			<p>Support Contract (ASC) and the analysis, estimation methodology development, and process documentation that would be required for audit purposes. The NSF buildings that contain asbestos are located in Antarctica and are used exclusively in the United States Antarctic Program (USAP). As such, the Prime USAP contractor would be integral in the tracking and documentation of the supporting detail. The new USAP contract is expected to be awarded within the next fiscal year; however it would be difficult to develop a sound practice by FY 2012 financial reporting deadlines.</p>		
DOD	42.84% (excl Navy)	45.92% (excl Navy)	<p><b>Not Ready</b> – The Department of Defense (DoD) is prepared to partially meet the requirements of Technical Bulletin 2006-1. DoD will recognize costs associated with the regulatory requirement to perform an asbestos inspection prior to any renovation or demolition of buildings suspected to contain asbestos, per 40 CFR Part 61, Subpart M, National Emission Standard for Asbestos. In addition, estimable asbestos removal costs based either on inspection data or supportable</p>	(P) Donjette L. Gilmore Department of Defense Accounting and Finance Policy Director	DoD - AT&L Patricia Huheey

Agency	% Sq Ftg	% # Bldngs	Summary of Response	Respondent (A) or (P)*	Contact Info
			<p>assumptions will be recognized as an asbestos liability.</p> <p>However, DoD does not consider estimates prior to inspections (that include sampling) to be reasonably accurate or supportable. Thus, in addition to recognizing the inspection costs, DoD expects to include a narrative disclosure describing the scope of assets for which asbestos removal costs are not estimable at the time of reporting.</p> <p>Asset information will be revisited at least annually to determine if additional information, including site-level estimates, becomes available that would support a liability estimate.</p>		
DHS	1.43%	3.37%	Ready	(P) Robert Beard Department of Homeland Security CFO/OFM Assistant Director, OFM	DHS Headquarters: Mr. Larry Bedker, Director, OFM,  Secondary Contact: Mr. Robert Beard, Assistant Director, OFM

\* (A) = Auditor, (P) = Preparer

**FY 2009 Total Number of Buildings and Structures and Total Building Square Footage**

Agency Name	Total Number of Buildings and Structures	Total Building Square Footage	Percent of Total Number	Percent of Total SQF	According to Poll	
					Percent of Total Number Ready	Percent of Total Number Not Ready
Army	251,676	932,367,000	27.57%	27.51%		27.57%
Interior	159,430	104,735,000	17.47%	3.09%		17.47%
Navy	150,576	578,305,000	16.50%	17.06%	16.50%	
Air Force	134,788	606,191,000	14.77%	17.89%		14.77%
Transportation	58,233	27,179,000	6.38%	0.80%	6.38%	
Agriculture	49,616	58,700,000	5.44%	1.73%	5.44%	
Homeland Security	30,725	48,428,000	3.37%	1.43%	3.37%	
Energy	18,354	129,239,000	2.01%	3.81%	2.01%	
State	15,743	72,668,000	1.72%	2.14%		
Veterans Affairs	9,220	156,344,000	1.01%	4.61%	1.01%	
General Services Administration	9,213	407,941,000	1.01%	12.04%		
National Aeronautics and Space Administration	4,660	44,649,000	0.51%	1.32%	0.51%	
Justice	4,216	70,350,000	0.46%	2.08%	0.46%	
Corps of Engineers	4,115	9,848,000	0.45%	0.29%		0.45%
Labor	3,604	24,201,000	0.39%	0.71%		
Health and Human Services	3,168	34,679,000	0.35%	1.02%		
United States Agency for International Development	1,271	5,105,000	0.14%	0.15%		
Commerce	996	7,878,000	0.11%	0.23%		
Smithsonian	616	12,053,000	0.07%	0.36%		
National Science Foundation	606	2,368,000	0.07%	0.07%		0.07%
Defense/Washington Headquarters Services	454	7,631,000	0.05%	0.23%		0.05%
Peace Corps	413	2,253,000	0.05%	0.07%		
Independent Government Offices	299	582,000	0.03%	0.02%		
Environmental Protection Agency	249	4,198,000	0.03%	0.12%		
Tennessee Valley Authority	147	25,301,000	0.02%	0.75%	0.02%	
American Battle Monuments Commission	137	465,000	0.02%	0.01%		
Treasury	127	6,326,000	0.01%	0.19%	0.01%	

Agency Name	Total Number of Buildings and Structures	Total Building Square Footage	Percent of Total Number	Percent of Total SQF	According to Poll	
					Percent of Total Number Ready	Percent of Total Number Not Ready
Federal Communications Commission	65	170,000	0.01%	0.01%		
National Archives and Records Administration	32	5,170,000	0.00%	0.15%		
DC Court Services and Offender Supervision Agency	11	294,000	0.00%	0.01%		
National Gallery of Art	8	1,414,000	0.00%	0.04%		
United States Holocaust Memorial Council	5	320,000	0.00%	0.01%		
Merit Systems Protection Board	4	59,000	0.00%	0.00%		
Office of Personnel Management	2	81,000	0.00%	0.00%		
John F. Kennedy Center for the Performing Arts	1	1,500,000	0.00%	0.04%		
	<b>912,780</b>	<b>3,388,992,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>35.70%</b>	<b>60.37%</b>

Source: FY 2009 Federal Real Property Statistics; available online at [www.gsa.gov/graphics/ogp/FY2009\\_FRPR\\_Statistics.pdf](http://www.gsa.gov/graphics/ogp/FY2009_FRPR_Statistics.pdf); last accessed April 21, 2011.

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**Ranagan, Julia E**

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**From:** King, Ed  
**Sent:** Wednesday, June 01, 2011 1:22 PM  
**To:** Ranagan, Julia E  
**Cc:** Jobe, Ruth; Joseph, Emily A; Lee, Sherry L  
**Subject:** RE: Follow up - Re: FW: For your consideration - NPS Draft      Responsere: FASAB direct contact email - Asbestos Methodology

Julia,

Please accept this email as the Department's response to your email below to the National Park Service (NPS).

NPS conducted the asbestos surveys at the park unit level because this was the most cost-effective manner for conducting comprehensive asbestos building surveys and for gathering baseline asbestos data. The survey data would later be analyzed to determine possible predictors of the presence of asbestos. At the beginning, it was unknown if building size was a determining factor or whether other factors would be better indicators such as building type, building classification (heritage or general), age, location, etc. Therefore, to single out any one factor such as building size (square footage) was not the primary focus. Preliminary reviews of the results of the asbestos survey data have shown there is no apparent, common predictor of asbestos. Because of the variety of the assets surveyed and the variability of the presence of asbestos, NPS recommended to the Department of the Interior (DOI) that the cost model approach be used for asbestos reporting. It is anticipated that the statistical validity of the data will be tested at the DOI level in combination with the other DOI Bureaus asbestos information to determine the feasibility of the cost model approach.

Furthermore, NPS' past audit experience has shown that the auditors require that NPS provide a thorough analysis to prove "immateriality" whenever NPS has made an "immaterial" assertion and that large quantities of small items result in "material" items in the aggregate. With that also in mind, NPS proceeded as detailed above.

Regarding the five year implementation time, collecting the baseline asbestos information is only one component to successfully completing the reporting requirements in a cost-effective manner. There are at least two additional major components requiring substantial investment - financial system configuration and business process configuration needed for collecting ongoing asbestos abatement information. It should be noted that the financial and property systems are not currently configured to support the type of reporting required by FASAB; especially for General Property, Plant and Equipment. The depreciation model, which has some common elements, is insufficient for asbestos reporting. Many other business processes must be changed to track asbestos abatement expenses, including contracting, invoicing, etc. Without the proper system configurations, reporting will be done manually, which increases the cost of this reporting requirement and impacts the ability to meet the timeline. Perhaps these elements weren't considered by FASAB in its analysis of entity readiness because much of the focus has been on gathering the environmental data.

Please let us know if you have additional questions or require additional information.

Thanks,  
Ed

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Edward King  
Acting Deputy Director  
Office of Financial Management  
US Department of the Interior

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----- Forwarded by Ruth Jobe/AOC/NPS on 05/12/2011 12:17 PM -----

"Ranagan, Julia  
E"  
<RanaganJ@fasab.gov> To  
05/12/2011 11:19  
AM  
Subject  
Asbestos Methodology

Good morning Ms. Jobe,

I spoke with you a couple of years ago when we were determining whether to defer the effective date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs. We had spoken about National Park Service (NPS) progress at that time in letting contracts to survey NPS buildings and structures to help develop a liability estimate. I am pasting the internal notes I took from my understanding of the conversation at that time at the bottom of this email.

Two representatives from the Department of the Interior (DOI) met with the board on April 28 and requested that the information required by Technical Bulletin 2006-1 be reported as required supplementary information for a few years to allow for more time to gather survey data. At that meeting, one of the DOI representatives mentioned that the methodology NPS used was to survey the buildings by park rather than starting with the largest buildings first.

Do you have a written methodology for how you approached the task of determining which of your buildings and structures contained asbestos and how much? If not, can you explain to me why you chose to look at the buildings by park rather than starting with the largest (most material first)? Several of the board members noted that NPS (and DOI) has a lot of buildings but probably most of them would not result in a material estimate because they are small sheds, storage buildings, stations, outposts, etc.

If I understood the rationale for your approach better, it might help me in making a recommendation to the board regarding DOI's request. Many of the board members are not sympathetic to the request because it has been nearly five years since the Technical Bulletin was issued.

Please do not hesitate to contact me if you have any questions.

Regards,  
Julia

Julia E. Ranagan, CGFM, CPA  
Assistant Director  
Federal Accounting Standards Advisory Board  
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Washington, DC 20548  
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## Ruth Jobe, Finance, National Park Service, DOI

- In 2007, Park Service contracted with Baker & Associates to have a survey of 3 of the park units (one large and two medium parks);
- Contract cost \$235,000; there were some cost savings realized because the consultant could use existing data and some techniques (i.e., sampling, actual surveys, existing documentation) to make similar assumptions about other buildings;
- The three parks were chosen based on availability of personnel and contractor cost (not statistically chosen);
- Later, seven more parks were surveyed from the Washington office at a cost of more than \$300,000;
- Based on economies of scale, were quoted a price of \$400 - \$500 a structure to develop an estimate;
- The environmental office put forth the contract at the end of 2008; they are just now getting a first look at the information the contractor gathered;
- Some buildings need to be estimated based on square footage, some on cubic feet; need a conversion;
- In response to a comment about Energy being confident they can prepare an estimate; Jobe referred FASAB staff to the FY 2007 Federal Real Property Report from GSA on [www.realpropertyprofile.gov](http://www.realpropertyprofile.gov) (pg. 11), citing difference between number of DOI buildings at 163,000 and number of Energy buildings at 18,000;<sup>[1]</sup>
- Just now receiving the contractor data—do not yet know if they can use it to build a model;
- Age of items hard to determine;
- More than 20,000 buildings within Park Service;
- There are significant audit considerations for modeling;
- Asbestos information not currently tracked;
- Have to look at each individual structure to see if it has asbestos and how much would it cost to implement;
- There is always significant audit scrutiny on the environmental disposal liabilities;
- Train contracting officers;
- Believe Park Service is the only bureau within DOI that has attempted to say can we do something to meet the intent of the building;
- Do not believe there is value to estimating nonfriable asbestos liability; as long as they take care of friable asbestos, that is the more normal part of operations;
- Stated that the Park Service is putting forward a good faith effort but still do not believe Park Service will be ready for 2010 implementation;
- Believes auditors will have a finding on the methodology;
- HA/SL had huge supplemental audit costs; expect TB to result in the same;
- Three years may seem like a long time for implementation, but they are implementing from ground zero;
- Believe auditors will not support the use of modeling; want actual estimates;
- Auditors required third party estimates for other environmental disposal liabilities.

<sup>[1]</sup> 3/26/2009 – I was denied access to the system because we do not report property to GSA. However, a GSA employee forwarded me the .pdf file of the 2007 federal real property report; the reports are also available at [www.gsa.gov/fppreports](http://www.gsa.gov/fppreports).

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## Summary Report of DOI Buildings

**Fiscal Year:** 2011

**Gross Square Feet:** Greater than 15,000

<b>Bureau</b>	<b>SUM(Gross Square Feet)</b>	<b>Total Records</b>
Bureau of Indian Affairs	14,144,958	379
Bureau of Land Management	2,655,439	87
Bureau of Reclamation	1,359,918	39
Fish and Wildlife Service	3,512,047	98
Geological Survey	1,192,593	29
National Business Center	328,714	6
National Park Service	13,621,843	413
Totals:	<u>36,815,512</u>	<u>1,051</u>

Source: Doug Glenn, Deputy CFO, DOI

Note: This is a summary of 1,051 detailed records that are available upon request.

**Federal Accounting Standards Advisory Board  
Roundtable on Implementation of Technical Bulletin 2006-1  
441 G St NW – Room 7B16 (Warren Room)  
Tuesday, June 14, 2011  
8 AM – 12 NOON**

**Agenda**

**Objective:** To provide an opportunity for the federal community to:

1. learn about others' experiences and methodology for estimating asbestos cleanup costs per the requirements of:
  - FASAB Statement of Federal Financial Accounting Standards 6, *Accounting for Property, Plant, and Equipment*, Chapter 4, Cleanup Costs; and Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*; and,
  - FASB Accounting Standards Codification (ASC) 410-20, *Asset Retirement Obligations*
2. discuss best practices and issues surrounding the implementation of Technical Bulletin 2006-1

<b>8:00 – 8:05</b>	Introductions and Objectives
<b>8:05 – 9:45</b>	Best Practices Presentations / Methodology Sharing
<b>9:45 – 10:00</b>	Break
<b>10:00 – 11:40</b>	Group discussion of issues surrounding implementation of Technical Bulletin 2006-1
<b>11:40 – 12:00</b>	Wrap-Up and Next Steps

**FASAB References (available online at <http://www.fasab.gov/codifica.html>):**

- FASAB Statement of Federal Financial Accounting Standards 6, *Accounting for Property, Plant, and Equipment*, Chapter 4, Cleanup Costs
- Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*
- Technical Release 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*

**FASB References (available online at <http://asc.fasb.org/>):**

- FASB Accounting Standards Codification (ASC) 410-20, *Asset Retirement Obligations*

Disclaimer: This roundtable is being hosted by FASAB as a means for the federal community to come together to share information. FASAB does not endorse any particular firm or methodology.

Federal Accounting Standards Advisory Board  
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441 G St NW – Room 7B16 (Warren Room)  
Tuesday, June 14, 2011  
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Administrative Information

**Roundtable Venue**

Government Accountability Office (GAO)  
7th Floor, Room 7B16 (Warren Room)  
441 G St, NW  
Washington DC 20548

**General Information**

The meeting will begin promptly at 8:00 a.m. and conclude at 12:00 p.m. Participants are asked to allow extra time to process through GAO security. All visitors to the GAO building must enter and exit through the G Street entrance (see star labeled "A" in the map below). The GAO building is located near the Judiciary Square and Gallery Place metro stops.

