



Federal Accounting Standards Advisory Board

Report to Stakeholders: FASAB Three-Year Plan

January 11, 2012

Members

Tom Allen, Chairman

Debra Bond, Deputy Controller, Office of Management and Budget

Robert Dacey, Chief Accountant, United States Government Accountability Office

Michael Granof

Sam McCall

Mark Reger, Deputy Assistant Secretary Accounting Policy, Office of the Fiscal Assistant Secretary, United States Department of the Treasury

Alan Schumacher

D. Scott Showalter

Harold Steinberg

Organization

The Federal Accounting Standards Advisory Board ("FASAB" or "the board") was established in October, 1990, by three federal officials responsible for federal financial reporting—the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States. These three officials possess legal authority under various laws to establish accounting and financial reporting standards for the federal government. Together, they entered into and have periodically modified a memorandum of understanding creating the board as a federal advisory committee.

Membership comprises individuals from each of the three federal agencies that established the board ("the sponsors") and six non-federal individuals.

Mission

The mission of the FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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 (1) assess the government's accountability and its efficiency and effectiveness, and (2) contribute to the understanding of the economic, political, and social consequences of the allocation and various uses of federal resources.

Accounting standards should:

- Result in the federal government and its agencies providing users of financial reports with understandable, relevant, and reliable information about the financial position, activities, and results of operations of the United States (US) government and its component units; and

- Foster the improvement of accounting systems and effective internal controls that will help provide reasonable assurance that governmental activities are conducted economically, efficiently, and effectively, and in compliance with applicable laws and regulations.

LETTER FROM THE CHAIRPERSON

This report is intended to better inform and engage our stakeholders. The board's stakeholders include those who use, prepare and audit financial reports. Users of federal financial information include citizens, citizen intermediaries, elected and appointed officials, and financial and program managers. We hope publishing this three-year plan allows our stakeholders to:

- Participate fully in the standards-setting process
- Plan for changes in generally accepted accounting principles (GAAP)

Stakeholder participation in the standards-setting process is critical to effective standards-setting. There are many opportunities to participate such as by helping to identify high priority projects, volunteering for task forces created to support ongoing projects, providing informal assistance directly to staff, and/or responding to formal requests for comments on proposals.

By making our three-year plan accessible in a single annual publication we hope to facilitate and encourage your participation. In February, 2012, we will discuss our priorities and make needed adjustments to this plan. Your assistance in identifying areas needing attention would be very helpful in that discussion. We would greatly appreciate receiving such input before February 7, 2012.

The board is well aware of the challenges facing the federal financial management community and potential users of financial statements. We carefully consider the costs to our stakeholders as well as the benefits. Your input regarding any specific areas where the costs of providing or using GAAP based information outweigh the benefits would be helpful to us in setting priorities.

Challenges such as budget constraints and new initiatives make planning for changes in GAAP more important than ever. An awareness of the board's expectations regarding major projects—both their timing and scope—will be helpful to those who must plan to implement future standards as well as those relying on financial statements for information.

How the Board Establishes Its Three-Year Plan

In its 2006 Strategic Directions Report, *Clarifying FASAB's Near- Term Role in Achieving Objectives of Federal Financial Reporting*, the board established that it will prioritize projects based on:

1. the likelihood that potential projects will significantly contribute to meeting the operating performance and stewardship reporting objectives established in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*
2. the criteria for ranking projects adopted in October 2004:
 - a. significance of the issue relative to meeting reporting objectives
 - b. pervasiveness of the issue among federal entities
 - c. technical outlook and resource needs

Early in 2011, the board confirmed the 2006 Strategic Directions Report did not require updating and the board would continue to plan based on the above factors. An addendum announced this decision and identified factors such as recent developments, conditions, and trends individual members believe are likely to influence federal financial reporting. The factors considered

significant by individual members include (1) a focus on citizens and citizen intermediaries as the primary users of the financial report of the US government, (2) budgetary pressures from resource limitations, (3) increasing risks, and (4) more electronic reporting. The addendum illustrates how individual members believe these factors relate to standards-setting and is available at http://fasab.gov/pdf/files/strat_directions2011.pdf

Following the review of strategic directions, the board identified—from a list of potential projects—those projects to address within a five-year window. While the board did not formally solicit input from stakeholders during 2011, the board considered the information gathered from prior outreach, federal and non-federal member experiences, and staff input. The board will review its plans annually to ensure it is focusing on areas of the greatest importance to its stakeholders.

How You Can Submit Feedback on the Three-Year Plan

The board welcomes stakeholder feedback on all aspects of its work. This document presents the three-year plan in brief on page 4. A project plan for each active project follows. The final item in the document is a list of potential projects considered by the board. You are welcome to submit suggestions on any aspect of this material or any ideas not presented herein.

If you have suggestions regarding the three-year plan, please submit them by email to:

fasab@fasab.gov

Or in hard copy to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 6814
Washington, DC 20548

If you have questions regarding the three-year plan, please feel free to contact Ms. Payne at 202 512-7350.

Sincerely,



Tom Allen
Chairperson

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FIGURE 1: THREE-YEAR PLAN IN BRIEF

Project and Objective	FY2011	FY2012	FY2013	FY2014	FY2015 – and Later
Natural Resources Consider implementation guidance and recognition requirements for information reported during experimental period as Required Supplementary Information	Final SFFAS & Technical Bulletin Issued	Implementation Guidance as Needed	[Period of experimentation FY13-FY15]		Begin Review to Reclassify Information
The Federal Entity Consider what organizations and relationships should be included in federal entity reports and how information is to be presented	Deliberations	Develop and Issue Exposure Draft	Finalize Standards	Implementation Guidance as Needed	
Deferred Maintenance & Repairs Improve existing standards	Develop and Issue Exposure Draft	Finalize Standards	Implementation Guidance as Needed		
Asset Impairment Provide for recognition of losses arising from partial impairment of assets continuing in service	Review Draft Exposure Draft	Develop and Issue Exposure Draft	Finalize Standards	Implementation Guidance as Needed	
Earmarked Funds Improve existing standards so that information about intragovernmental financing is understandable	Develop and Issue Exposure Draft	Finalize Standards			
Financial Reporting Model Consider whether the existing model meets user needs and reporting objectives	Begin Component Entity Phase and Continue Government-wide Phase	Consider Options and Results of Pilots led by CFO Council	Develop Exposure Draft	Issue Exposure Draft	Finalize Standards

Projects Beginning FY2011 or Later					
Project and Objective	FY2011	FY2012	FY2013	FY2014	FY2015 and Later
Leases Evaluate existing standards to improve comparability and completeness of reporting	Develop Project Plan and Begin Research	Develop Exposure Draft	Issue Exposure Draft	Public Hearing and Redeliberate	Finalize Standards
Risk Assumed Develop standards so that information about risks assumed by the federal government and their potential financial impacts are available	Develop Project Plan and Begin Research	Develop Issues and Options	Develop and Issue Exposure Draft	Public Hearing and Redeliberate Finalize Standards	Implementation Guidance as Needed
Investments in non-federal securities Consider how the financial effects of such investments should be measured, recognized, and reported	Develop Project Plan	Begin Research and Develop Exposure Draft	Finalize and Issue Exposure Draft	Finalize Standards	
Public Private Partnerships Consider how financial reporting objectives are met with regard to public private partnerships			Develop Project Plan and Begin Research	Develop and Issue Exposure Draft	Finalize Standards

CURRENT PROJECTS

NATURAL RESOURCES

Purpose:

Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, was issued as final on April 13, 2010. It requires the value of the federal government's estimated petroleum royalties from the production of federal oil and gas proved reserves to be reported in a schedule of estimated federal oil and gas petroleum royalties. In addition, it requires the value of estimated petroleum royalty revenue designated for others to be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others. These schedules are to be presented in required supplementary information (RSI) as part of a discussion of all significant federal oil and gas resources under management by the entity. Due to a deferral (SFFAS 41), the Statement is effective as RSI for periods beginning after September 30, 2012.

It is the Board's intent that the information required by the Statement transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to decide whether such information should be recognized in the financial statements or disclosed in notes. This Statement will remain in effect until such time a determination is made.

The purpose of this project is to consider the results of the three-year RSI period and develop standards regarding any transition of information to basic information.

Applicability:

This project applies to the government-wide reporting entity and to component entities that prepare and present general purpose financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Assigned staff:

Julia Ranagan

Timeline:

A project plan – including a complete timeline – will be developed in early FY2014 to ensure timely evaluation of the initial RSI reporting period.

Project Page: <http://www.fasab.gov/projects/active-projects/natural-resources/>

THE FEDERAL REPORTING ENTITY

Purpose:

FASAB addresses the reporting entity issue in its Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*. SFFAC 2 addresses:

- Reasons for Defining Reporting Entities
- Structure of the Federal Government
- Identifying the Reporting Entities for General Purpose Financial Reporting
- Criteria for Including Components in a Reporting Entity
- Other Issues Concerning the Completeness of the Entity

The board is aware of a number of entity issues. While SFFAC 2 provides criteria for determining if an entity should be included in the federal reporting entity, questions continue regarding whether certain activities should be included. The Federal Reporting Entity project will address both the conceptual framework and standards issues. Ultimately this phase will result in potentially both proposed amendments to SFFAC 2 and one or more proposed standards.

Applicability:

This project applies to the government-wide reporting entity and to component reporting entities that prepare and present general purpose financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Objectives:

Identify organizations that should be included in the financial reports of the government-wide reporting entity and each component reporting entity to meet federal financial reporting objectives.

Guide preparers of general purpose federal financial reports (GPFFR) in determining whether included entities are 'core entities' or 'non-core entities' and what information should be presented. This guidance will ensure that users of GPFFR are provided with comprehensive financial information about entities and their involvements with organizations so that federal financial reporting objectives are met.

Develop a definition of 'related party' and establish relevant disclosure requirements.

Assigned staff:

Melissa Loughan

Other resources:

Staff plans to engage a task force to help accomplish the project objectives.

Project page: <http://www.fasab.gov/projects/active-projects/concepts-federal-entity/>

Timeline:

December 2011 Meeting

- Review and discuss complete draft regarding organizations to include in the government-wide general purpose federal financial report (GPFFR).
- Discuss initial issues regarding organizations to include in component reporting entity GPFFR.

January – April 2012

- Continue to develop guidance for organizations to include in component reporting entity GPFFR

June 2012 Meeting

- Consider related party options

August 2012 Meeting

- Review complete draft exposure draft

October - December 2012

- Review and approve final ED
- Issue ED for comment

April 2013 Meeting

- Discuss analysis of ED comments and options for revising proposal

June and August 2013 Meetings

- Discuss draft standard

September 2013

- Submit standard to sponsors

January 2014

- Issue standard

DEFERRED MAINTENANCE AND REPAIRS

- Purpose: This project is being undertaken by the board to review the results of existing standards (SFFAS 6) regarding deferred maintenance and repairs (DM&R) and improve the standards.
- Applicability: This project applies to the government-wide reporting entity and to component entities that prepare and present general purpose financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
- Objectives: The primary objectives of this project are to:
- Revise the definition of DM&R in response to implementation issues raised by constituents.
 - Revise reporting requirements to streamline reporting and enhance understandability and comparability of information.
- Assigned staff: Domenic Savini
- Other resources: A task force comprising, but not limited to, representatives or members of the Federal Real Property Council, the Federal Facilities Council, agency engineering or facility management staff, financial statement preparers and users, and auditors supports the project. Task Force members bring technical knowledge relevant to not only longstanding issues, but also timely advice concerning the latest advancements in asset portfolio management and new policy initiatives.
- Project page: <http://www.fasab.gov/projects/active-projects/deferred-maintenance-asset-impairment/>
- Timeline:
- December 2011 Meeting**
- Approve a final SFFAS.
- January 2012**
- Submit final SFFAS for 90-day review by sponsors
 - Submit final SFFAS for 45-day Congressional review.
- June – August 2012**
- Issue standard

ASSET IMPAIRMENT

Purpose:

SFFAS 6, Accounting for Property, Plant, and Equipment, contains principles-based guidance concerning general property, plant, and equipment (G-PP&E) that is removed from service due to total impairment of G-PP&E or other reasons. SFFAS 6 requires that G-PP&E be removed from G-PP&E accounts along with associated accumulated depreciation/amortization, if prior to disposal, retirement or removal from service it no longer provides service in the operations of the entity.

This project would develop accounting requirements for all partial impairments of G-PP&E not addressed in SFFAS 6.

Applicability:

This project applies to the government-wide reporting entity and to component entities that prepare and present general purpose financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Objectives:

The primary objectives of this project are to:

- a. Define 'asset impairment.'
- b. Determine what financial information regarding asset impairment would be helpful for achieving the reporting objectives.
- c. Develop guidance for recognition and measurement of losses from asset impairment.

Assigned staff:

Domenic Savini

Other resources:

A task force comprising, but not limited to, representatives or members of the Federal Real Property Council, the Federal Facilities Council, agency engineering or facility management staff, financial statement preparers and users, and auditors supports the project. Task Force members bring technical knowledge relevant to not only longstanding issues, but also timely advice concerning the latest advancements in asset portfolio management and new policy initiatives.

Project page: <http://www.fasab.gov/projects/active-projects/deferred-maintenance-asset-impairment/>

Timeline:

December 2011

- Board reviews draft exposure draft

January 2012

- Email pre-ballot draft in January and collect editorial comments

February 2012

- Proceed with final ballot draft
- Release ED for 90-day comment period upon receipt of five affirmative

ballots

June 2012

- Report and analyze asset impairment comments
- Consider whether a public hearing is desired
- Finalize Board discussion

August 2012

- Provide draft SFFAS
- Email pre-ballot following the August meeting
- Collect editorial comments

September 2012

- Proceed with final ballot draft
- Issue final SFFAS
- Transmit to Sponsors and Congress for review

EARMARKED FUNDS

Purpose:

The board evaluated SFFAS 27, *Identifying and Reporting Earmarked Funds*, which has been in effect since fiscal year (FY) 2006, and identified areas for improvement. The review found some aspects of the requirements that should be clarified and identified challenges inherent in presenting understandable information that meets the reporting objectives of SFFAS 27. The purpose of this project is to resolve these matters.

Applicability:

This project applies to the government-wide reporting entity and to component entities that prepare and present general purpose financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Objectives:

The primary objectives of this project are to:

- a. Review the results of implementing SFFAS 27.
- b. Improve the standards so that the initial objectives of SFFAS 27 are met.

Assigned staff:

Eileen Parlow

Other resources:

Staff organized a task force with representatives from 24 federal reporting entities, including the government-wide reporting entity, to assist the Board by identifying concerns, testing alternatives, and reviewing proposals.

Project page: <http://www.fasab.gov/projects/active-projects/earmarked-funds-evaluating-existing-standards/>

Timeline:

December 2011 Meeting

- Review a draft SFFAS and provide direction on selected issues.

February 2012 Meeting

- Approve a final SFFAS

March 2012

- Submit SFFAS to sponsors

May 2012

- Issue standard

THE FINANCIAL REPORTING MODEL

Purpose:

This project is being undertaken by the board because of increased demands for financial information to facilitate decision-making and demonstrate accountability, and the changes in how users expect financial information to be delivered. For example, our research has noted that:

- Decision-makers are seeking information on the full cost of programs and citizens are accessing detailed information on spending, such as who received federal funds and what was accomplished with those funds.¹
- Decision-makers also want additional information about the budget and projections of future receipts and expenditures.
- Citizens expect financial information about component entities but they have difficulty understanding current financial reports.²
- The public is relying increasingly on electronic media (digital devices, complex networks, and interactivity) to obtain information on demand.³

In addition, component entities are experimenting with a statement of spending and the Board may consider whether that statement should become a basic financial statement. If so, guidance may be needed to help ensure that users understand the information presented and how it relates to existing financial statements.

Applicability:

This project applies to the government-wide reporting entity and to component entities that prepare and present general purpose financial reports in conformance with Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Also, any conceptual guidance developed as a result of the project would guide the Board's development of accounting and reporting standards. Knowledge of the concepts that the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards understand the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.

Objectives:

The primary objectives of this project are to:

- a. Determine what financial information would be helpful for decision-making, demonstrating accountability, and achieving the reporting objectives.
- b. Determine how financial information should be presented to be most responsive to users and the manner in which they obtain information.

¹ Preparers Focus Group Discussion, February 10, 2009.

² FASAB, *User Needs Study: Citizens*, April 2010.

³ FASAB Reporting Model Task Force, *Report to the FASAB*, December 22, 2010.

- c. Consider how a statement of spending should relate to other financial statements and financial information presented in reports.

Assigned
staff.

Ross Simms

Other
resources:

Staff plans to engage a task force to help accomplish the project objectives. Also, staff plans to consider the statement of spending pilot efforts. Optional resources include access to Web-based meeting software like Webex to reduce meeting logistics issues and permit wide participation.

Project page: <http://www.fasab.gov/projects/active-projects/concepts-the-financial-report/>

Timeline:

December 2011 Meeting

- FASAB reviews results of OECD inquiry.

January – March 2012

- Task force meetings and recommendations developed
- Meetings with agency staff piloting statement of spending

April and June 2012 Meetings

- FASAB discussion of task force recommendations

August and October 2012 Meetings

- Staff presents issues and proposals.

December 2012 - October 2013

- Draft ED, field testing, and review draft ED

December 2013

- Issue ED for comment

April and June 2014 Meetings

- Discuss analysis of ED comments

August, October, December 2014 Meetings

- Discuss draft standard

February 2015

- Submit standard to sponsors

May 2015

- Issue standard

LEASES

Purpose:

This project is being undertaken by the board primarily because the current lease accounting standards, Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*, and 6, *Accounting for Property, Plant, and Equipment*, have been criticized as ineffective because they do not make meaningful distinctions between capital and operating leases regarding the substance of lease transactions. In addition, the lease accounting standards in SFFAS 5 and 6 are based on Financial Accounting Standards Board (FASB) lease accounting standards which are currently being revised. The FASB and International Accounting Standards Board (IASB) have undertaken a joint project on lease accounting that focuses on the conveyance of rights to future economic benefits (such as the right of use). In addition, the Governmental Accounting Standards Board is undertaking a project to address lease standards.

Applicability:

This project applies to all federal entities that present general purpose financial reports in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Objectives:

The primary objectives of this project are to:

- a. Develop an approach to lease accounting that would ensure that all assets and liabilities [consistent with Statement of Federal Financial Accounting Concepts (SFFAC) 5 definitions] arising under lease contracts are recognized in the statement of financial position and related costs are recognized in the statement of net cost.
- b. Evaluate and revise as needed the current lease-related definitions and recognition guidance in SFFAS 5 and 6, including consideration of the advantages and disadvantages of applying the FASB/IASB lease standard in the federal environment.
- c. Ensure that the standards to be developed fully address the various lease transactions/activities currently being used in the federal community (e.g. enhanced use leases).
- d. Consider the differences between lease accounting and the budgetary treatment of lease-purchases and leases of capital assets as outlined in Office of Management and Budget (OMB) Circular A-11.

Assigned staff:

Monica R. Valentine

Other resources:

Staff will consult with both FASB and GASB staff members assigned to their Board's respective lease accounting projects. Staff will also organize a task force of knowledgeable federal and non-federal participants who have relevant experience or interest in lease accounting within the federal government.

Project page: <http://www.fasab.gov/projects/active-projects/leases/>

Timeline:

Note: Many of the proposed steps in this timeline are subject to the timing of the release of the FASB/IASB revised exposure draft and the final release of their standards.

December 2011– April 2012

- Identify individual task force participants
- Develop a task force plan

- Send out questionnaire to agency officials
- Work with task force and GASB staff to identify lease activities and lease accounting issues
- Analyze FASB/IASB revised lease accounting proposal

April 2012 Meeting

- Present an overview of revised FASB/IASB lease accounting proposals
- Present final data gathered from federal entities on their leasing practices.

May – June 2012

- Research and work with task force and GASB staff to analyze lease accounting issues, including FASB/IASB proposal

June – October 2012 Meetings

- Present identified lease accounting issues for Board consideration
- Analyze final FASB/IASB lease accounting standard; working in conjunction with task force and FASB staff

December 2012 Meeting

- Present full analysis of issues and recommendations for Board decisions

February 2013 Meeting

- Present first draft Exposure Draft (ED) for Board review

April – August 2013 Meeting

- Develop and issue ED

December 2013 Meeting

- Present initial analysis of ED comment letters received

February 2014 Meeting

- Present full analysis of ED comment letters received along with issues identified for Board consideration
- Conduct public hearing

April - August 2014 Meeting

- Present drafts of final standard for Board consideration

October 2014 Meeting

- Present ballot draft standard for Board approval

February 2015

- Issue SFFAS

RISK ASSUMED

Purpose:

This project is being undertaken by the board because existing FASAB standards on risk assumed are limited to insurance contracts and explicit guarantees (other than loan guarantees). Because the federal government has a variety of responsibilities and consequently assumes a range of risks, it is important that FASAB revisit its existing standards. For example, when implementing policy initiatives to stabilize financial markets and the economy, the federal government explicitly assumed risks previously considered by some to have implied backing of the federal government. It provided financial support to government-sponsored enterprises (GSE) and private sector institutions and purchased or guaranteed troubled assets.

In order to meet the stewardship and operating performance objectives of federal financial reporting,⁴ it is important that the federal government reports all significant risks assumed, not just risks related to insurance contracts and explicit guarantees.

Applicability:

This project applies to the federal government as a whole and all component entities that present general purpose federal financial reports in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles (GAAP), Including the Application of Standards Issued by the Financial Accounting Standards Board (FASB)*.

Objectives:

The primary objective of this project is to study the significant risks assumed by the federal government and develop (a) definitions of risk assumed, (b) related recognition and measurement criteria, and (c) disclosure and / or required supplementary information (RSI) guidance that federal agencies can apply consistently in accordance with GAAP.

Assigned staff:

Julia Ranagan and Ross Simms

Other resources:

After a brief initial research phase, staff plans to utilize a multi-disciplinary task force, including sub-groups to address specific topics.

Project page: <http://www.fasab.gov/projects/active-projects/risk-assumed/>

Timeline:

December 2011 – February 2012

- Develop a preliminary inventory and groupings of risk assumed
- Conduct limited research on groupings
- Develop task force plan and organize task force

March 2012 – January 2013

- Utilizing task force input, as appropriate, develop risk assumed definitions, measurement and recognition criteria, and disclosure and / or RSI guidance

⁴ Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, pars. 100, 122, and 141

- Consider whether a phased approach may be more appropriate
- Report to the board as issues are developed that require board decisions

February – October 2013

- Develop exposure draft (ED) with board input and feedback

November 2013

- Issue ED for comment
- Conduct pilot testing

February 2014

- Hold public hearing

March - May 2014

- Finalize standard

June 2014

- Transmit final SFFAS to sponsors for 90-day review

September 2014

- Issue SFFAS

October 2014 – February 2015

- Develop implementation guidance, if necessary

NON-FEDERAL INVESTMENTS

Purpose:

This project is being undertaken by the board because existing FASAB standards are currently silent on the valuation of investments (“Non-Federal Investments”), other than investments in Treasury securities, that meet the definition and essential characteristics of assets in Statement of Federal Financial Accounting Concepts (SFFAC) 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*.

Federal reporting entities are currently determining valuation by applying, by analogy, principles that were established by FASAB for other types of assets or by applying principles established by other standard setters. This project will consider whether a significant factor in the valuation of investments should be the purpose and intended use of the investments. For example, private sector standards assume that investments are held to maximize profits. However, in many instances the U.S. Government purchases investments to achieve other objectives— for example, to promote liquidity, to stabilize the financial markets, or to preserve the solvency of financial institutions or industries that are important to the U.S. economy. These objectives are unique to the government and do not occur in the private sector and warrant consideration.

For additional information, please see the Appendix to this Project Plan.

Applicability:

This project applies to all federal entities that present general purpose financial reports in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Objectives:

The primary objectives of this project are to address how Non-Federal Investments should be reported in order to assist report users in determining:

- a) Operating Performance: What and where are the important assets of the U.S. government, and how effectively are they managed?
- b) Stewardship: Did the government’s financial position improve or deteriorate over the period?

The specific objectives of this project are:

- a) Establish definitions and meaningful categories of investments
- b) Develop recognition and measurement guidance, including remeasurement
- c) Develop disclosure requirements

Assigned staff:

Eileen W. Parlow

Other resources:

Staff will work with a task force with the proposed representatives:

- One representative from the Government Accountability Office (GAO) with audit expertise in the government’s non-federal

investments

- One representative from the Office of Management and Budget (OMB) with subject-matter expertise, in particular credit reform expertise
- One representative from Treasury Office of Financial Stability
- One representative from the Congressional Budget Office (CBO) with subject-matter expertise
- One representative from Railroad Retirement Board/NRRIT
- Other federal subject matter experts TBD
- Non-federal subject matter experts TBD

The task force would consider existing FASAB concepts and standards as well as relevant legislation.

At the August 2011 meeting, the Board indicated that this project should focus primarily on investments that are related to government interventions that were made to promote economic stability.

The task force may also consider relevant standards in other domains such as the international public sector and US state/local governments.

Project page: <http://www.fasab.gov/projects/active-projects/investments-and-other-equity-interests/>

Timeline:

Per the planning discussion at the April 2011 Board meeting, the initial estimate for the completion of this project was three years. At the August 2011 meeting, the Board indicated that the scope of this project should be narrowed to focus on investments that relate to the government's intervention activities, where the objective of the action is to promote economic stability. This project will become active in early 2012 following completion of the earmarked funds project.

January – March 2012

- Staff convenes a task force and develops recommendations

April 2012 Meeting

- Staff briefs Board on task force progress and continues to work with the task force on recommendations.

June – August 2012 Meetings

- Staff presents issue paper with recommendations on all major issues for Board decisions and seeks concurrence before drafting an exposure draft.

October 2012 – May 2013 Meetings

- Development of an exposure draft with issuance in May 2013. This phase includes continued consultation with the task force.

October 2013 Meeting

- Staff presents issue paper with analysis of comments received and staff recommendations, including preliminary draft SFFAS.

December 2013 Meeting

- Continued Board discussion of issues and recommendations.

February – June 2014 Meetings

- Development of final SFFAS.

July 2014

- SFFAS transmitted to FASAB principals for approval.

October 2014

- Final SFFAS issued.

PUBLIC PRIVATE PARTNERSHIPS

Background:

Active work on this project is expected to begin in FY2013 with final standards following a two to three year effort. A detailed project plan will be developed at that time. The project was added to the agenda because federal agencies have increasingly turned to public-private partnerships (PPPs) to accomplish goals. Budget pressures are likely to further increase the use of PPPs. Making the full costs of such partnerships transparent would be the overall objective of the project. Specific objectives may include:

1. Defining terms (e.g., service concession arrangements, PPPs)
2. Providing guidance for the recognition and measurement of:
 - assets and liabilities
 - revenues and expenses
3. Considering implications for other arrangements related to PPPs (sale-leaseback or other long-term arrangements)

The Board expects to benefit greatly from the work of GASB and the International Public Sector Accounting Standards Board.

POTENTIAL PROJECTS

After considering factors that may influence project priorities, the board begins its planning by reviewing potential projects identified by the Executive Director (see Figure 2 for the rules of procedure governing agenda setting). Note that the list accumulates over time. Generally, potential projects are only removed if the issue has clearly been addressed through other projects.

The list of potential projects considered in 2011 is presented below. Stakeholders are encouraged to contact the Executive Director to suggest potential projects or to provide insight regarding the projects identified here. Instructions for submitting comments are presented on page 2.

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APPLICATION OF THE LIABILITY DEFINITION

The primary objective of this project was to reconsider the recognition, measurement and display of liability and expense, potential new elements/statements, and all related disclosures for commitments of the federal government that have the potential to result in a net outflow of resources. This project was a companion research project to the recently completed work defining “liability” in a concepts statement and the social insurance project. The project would help determine the impact of proposals currently under review by the Board on accounting for non-exchange liabilities and liabilities from government-acknowledged events. This project was deferred until issuance of Statement of Federal Financial Accounting Concepts (SFFAC) 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. SFFAC 5 was issued in December, 2007. The Board has not rated this as a high priority in its most recent agenda decisions. If rated a priority, staff would seek members’ input on (1) restarting the project as originally scoped or (2) recasting the project so that it focuses on classes of transactions or events (e.g., needs based support, grants, guaranteed service delivery).

ASSET RETIREMENT OBLIGATIONS

In some circumstances entities may be required to incur costs to retire assets. The Board has established general standards for liability recognition and specific standards for liabilities associated with environmental cleanup (in SFFAS 5, *Accounting for Liabilities of the Federal Government*, and SFFAS 6, *Accounting for Property, Plant and Equipment (PP&E)*, respectively). However, there is no specific guidance regarding asset retirement obligations other than cleanup costs (e.g., hazardous materials required by law to be cleaned up). GAAP for the private sector includes specific guidance regarding asset retirement obligations developed since our issuance of SFFAS 6. Financial Accounting Standards Statement No. 143, *Accounting for Asset Retirement Obligations* (issued 6/01) requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This creates three inconsistencies between entities following federal GAAP and those following FASB GAAP. One, certain liabilities recognized under FASB standards would not be recognized in the federal sector. Two, FASB standards require that liabilities be recognized in full when the obligation occurs while FASAB standards

Figure 2: Rules of Procedure Regarding Agenda Setting

The FASAB consults with the Executive Director to prioritize its potential projects. New projects are added to the active agenda based on periodic prioritization by the Board. The Executive Director ensures that agenda decisions are initiated in advance of staff becoming available to take on new work so that pre-agenda research will be conducted. All agenda decisions are made at meetings of the FASAB by oral polling with agreement of at least a majority of members polled required for approval.

To prepare for the FASAB consultation, the Executive Director solicits timely suggestions from other individuals and organizations. The Executive Director, after consultation with the Chairperson, may publish brief descriptions of potential projects and request input from selected individuals and groups on the potential projects and other emerging issues. In addition, the Chairperson may decide to convene an agenda hearing to discuss potential projects with stakeholders. ...

In addition to agenda setting initiated by FASAB, any individual or organization may request in writing or at an open meeting that the FASAB address a new issue, or review or reexamine any effective Statement of Federal Financial Accounting Standards, Statement of Federal Financial Accounting Concepts, or other effective provision of federal accounting principles. The FASAB will respond to such communications and explain its disposition of the request.

provide for incremental recognition so that the full liability is recognized at the end of the useful life of the asset requiring environmental cleanup. Three, the asset retirement costs are added to the total cost of the asset under FASB standards and are not in the federal sector; instead these costs are expensed as the liability is recognized.

CLEANUP COSTS - EVALUATING EXISTING STANDARDS

SFFAS 6, *Accounting for Property, Plant and Equipment*, addresses cleanup costs. Issues regarding existing standards for cleanup costs include:

- 1) Whether the existing liability recognition provisions are consistent with element definitions established in SFFAC 5.
 - a) The liability may be understated because the obligation is to clean up the entire hazardous waste but SFFAS 6 provides for a gradual build up of the liability balance as the related PP&E is consumed in service (the full cleanup cost is disclosed in a note).
 - b) The cost of PP&E may be understated because the SFFAS 6 requirement is to capitalize its acquisition cost; the later cost to retire the asset is excluded.
 - c) The scope of liability recognition is limited to costs to clean up hazardous substances rather than the full asset retirement obligation.
- 2) Cost-benefit issues relating to the level of precision required for estimates and ongoing concerns regarding the timing of recognition of asbestos liabilities (generally when asbestos exists rather than when it is to be removed) have been raised.

COST OF CAPITAL

The opportunity cost of making an investment in assets is not recognized in the financial statements of agencies using the assets. Some other national governments have incorporated a capital use charge into the determination of the cost of agency operations as a management tool. The Board considered this issue in connection with SFFAS 6 and issued an invitation to comment. Ultimately the Board deferred further work on this project. In doing so, the Board noted that there was interest in incorporating a cost of capital in the budget and that progress in this area would benefit the Board's work. If this project were undertaken, the Board would need to consider the likely effectiveness of incorporating a capital charge in agency financial statements, the appropriate capital base on which to assess the charge, and the selection of an interest rate to apply.

DERIVATIVES

Staff has not researched the use of derivatives by federal agencies and has not had any inquiries by agencies or their auditors regarding appropriate accounting for derivatives. However, this is an area generally addressed in other domains and the GASB recently issued Statement No 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, on the topic. Selected material from the GASB's plain language explanation is presented below as background.

WHAT IS A DERIVATIVE?

A derivative is a unique and often complex financial arrangement that a government may enter into with another party, typically a private-sector financial firm. The value of a derivative or the cash it provides to a government (or that it requires a government to pay) is based on changes in the market prices of an item that is being hedged, such as interest rates on long term bonds or commodity prices. In other words, the value or cash flows of a derivative are derived from (are determined by) how the market prices of the hedged item change.

Governments enter into derivatives for at least four reasons:

- Governments often intend derivatives to be *hedges*. This type of derivative is an attempt to significantly reduce a specific financial risk that a government identifies, such as the risk of increasing commodity costs.
- Some governments find that they can *lower their borrowing costs* by entering into a derivative in connection with debt they issue.
- Some governments engage in derivatives that are investments—governments are trying to *generate income*, as they would by buying other financial instruments.
- Some governments enter into derivatives to *manage their cash flows*. These derivatives may include an up-front cash payment to the government from the other party. The payment arrangements or terms of the derivative agreement essentially provide for the repayment of the up-front cash.

ELECTROMAGNETIC SPECTRUM

The Federal Communications Commission (FCC) manages the electromagnetic spectrum – a renewable natural resource excluded from coverage in the recent Technical Bulletin. The FCC's goal is to:

Ensure efficient allocation and management of assets that government controls or influences, such as spectrum, poles, and rights-of-way, to encourage network upgrades and competitive entry.

This project would consider what information may be needed to allow citizens to monitor the management of this asset. It is not addressed by other accounting standards at this time.

Excerpt from Congressional Research Service Report: *Spectrum Policy in the Age of Broadband: Issues for Congress* (Linda K. Moore, Specialist in Telecommunications Policy (lmoore@crs.loc.gov, 7-5853). January 7, 2011 (R40674)

Spectrum Licenses and Auctions

One of the management tools available to the FCC is its power to assign spectrum licenses through auctions. **Auctions are regarded as a market-based mechanism for rationing spectrum rights.** Before auctions became the primary method for distributing spectrum licenses the FCC used a number of different approaches, primarily based on perceived merit, to select license-holders. The FCC was authorized to organize auctions to award spectrum licenses for certain wireless communications services in the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66). Following passage of the act, subsequent laws that dealt with spectrum policy and auctions included the Balanced Budget Act of 1997 (P.L. 105-33), the Auction Reform Act of 2002 (P.L. 107-195), the Commercial Spectrum Enhancement Act of 2004 (P.L. 108-494, Title II), and

the Deficit Reduction Act of 2005 (P.L. 109-171). The Balanced Budget Act of 1997 gave the FCC auction authority until September 30, 2007. This authority was extended to September 30, 2011, by the Deficit Reduction Act of 2005 and to 2012 by the DTV Delay Act (P.L. 111-4).

Fees

In the NBP, the FCC has asked Congress to consider granting it authority to impose spectrum fees on license holders as a means of addressing inefficient use. The report has presented the hypothesis that "Fees may help to free spectrum for new uses such as broadband, since licensees who use spectrum inefficiently may reduce their holdings once they bear the opportunity cost" of holding the spectrum.

The Obama Administration also has proposed that the FCC be given the authority to levy fees, and to use other economic mechanisms, as a spectrum management tool.⁶² The 2011 fiscal year budget prepared by the Office of Management and Budget **projects new revenue from spectrum license user fees of \$4.775 billion for fiscal years 2011 through 2020**. Similar projections were made in the 2010 budget and in budget proposals during the Administration of President George W. Bush.

The FCC's statutory authority to impose new spectrum user fees is limited. The FCC was authorized by Congress to set license application fees and regulatory fees to recover costs. A new fee structure seeking recovery beyond costs would require congressional authorization, either through an appropriations bill or new legislation. New fees could be difficult to devise as many of the licenses originally assigned at little cost to the acquirer were subsequently sold to other carriers. [footnotes omitted]

ELECTRONIC REPORTING

Electronic reporting is increasingly viewed as a means to convey financial information about government. This is evidenced not only by sites such as Recovery.gov but also by the universal practice of posting annual financial reports to federal websites and the emerging practice of providing a written highlights document accompanied by a soft copy of the full report. More recently, a requirement that performance reports be provided electronically rather than in printed form was established in law. In addition, there is a growing expectation that machine readable data be provided. This is an area of great interest to the profession and the Association of Government Accountants has undertaken a research project expected to be very helpful to the board.

A summary of the concerns/practices that might be addressed through guidelines – perhaps as recommended practices - follows and matters of particular relevance to FASAB are underlined.⁵

- 1) Should financial information be complete even when reported electronically?
 - a) How might boundaries and completeness of an electronic report be made clear to the user?
 - i) A warning message showing when you are leaving the financial report
 - ii) Information regarding the contents and structure of a generally accepted accounting principles (GAAP) basis financial report should be provided when GAAP basis financial reports are accessed

⁵ Note that it is not suggested that each of these is a matter of concern that FASAB should address through standards. For example, some members suggested educational materials such as best practices.

- b) Should information provided outside of the GAAP basis financial report be clearly marked as such and any departure from the principles established for the financial report disclosed?
 - i) Any excerpts from a GAAP basis financial report might provide a reference to the complete financial report.
 - ii) Accounting principles might be explained (whether GAAP or another basis) and linked to discrete items of information including disclosures (e.g., if a line item is accessed, an explanation of the accounting policies related to the line item as well as any related disclosure can be easily accessed).
- c) Whether financial information presented on a web page is audited should be noted.
- d) Should electronic reporting beyond GAAP basis financial reports supplement or complement these reports?
 - i) Explanations of differences in principles should be provided.
 - ii) Non-GAAP basis pages should include a link to GAAP basis financial reports.
- 2) Should Web pages be clearly dated and timely?
- 3) Communication with users (Interactive websites)
 - a) Is adequate announcement of the availability of electronic financial reports made?
 - b) Can financial reports be easily located?
 - i) Search features may need to be enhanced to help users locate the e-report
 - ii) A common “portal” to access all financial reports may be useful. For example, the Financial Report of the US Government could serve as the portal to component reports.
 - c) Automated e-mail alerts to interested users
 - d) A single point of contact at each entity to respond to questions
 - e) What constitutes good practice regarding posting of relevant links for the interested user? (considering both benefits and drawbacks of links)
 - f) Many technology related issues emerge such as
 - i) Speed of download
 - ii) Use of pictures (thumbnails)
 - iii) When should “plug-ins” be used?
- 4) Accessibility issues to consider include:
 - a) Is the data downloadable to facilitate analysis?
 - b) Are appropriate historical data available?
 - c) Are internal and external links maintained (no broken links)?
- 5) Are security/control measures adequate?
 - a) Process of posting data prevents errors
 - b) Appropriate authorization to edit data
 - c) Controls to prevent unauthorized access (both internally and externally)
 - d) Hyperlinks to unaudited data – is adequate disclosure in place and does security extend to the unaudited data? Is the user able to differentiate between complete and incomplete data?
 - e) Auditor relationship with electronically published data
 - i) Relationship with existing GAAP based financial reports
 - ii) Assurance over real-time electronic reporting?
 - f) Quality assurance over unaudited data
 - i) Source of data (e.g., financial systems, procurement data base, cuff records)
 - ii) Controls
 - iii) Reconciliation to other data sources

Sources:

Iqbal Khadaroo. (2005). Corporate reporting on the internet: some implications for the auditing profession. *Managerial Auditing Journal*, 20(6), 578-591.

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EVALUATING EXISTING STANDARDS

A general concern expressed by members of the Board and the federal financial management community has been that resources are increasingly constrained. Because of competing demands, existing requirements should be evaluated and any unnecessary requirements eliminated. This has been a long-standing concern that the Board considers carefully in existing projects.

To explore burden reduction in a targeted fashion, project objectives could include:

1. provide forums for preparers, auditors, and users to identify requirements they believe are unnecessary (this could be done through an open ended written request for input or roundtable discussions)
2. evaluate the requirements identified against the reporting objectives
3. prepare an omnibus exposure draft to adjust or eliminate requirements

The challenge in this approach is that the relevance of requirements varies among agencies. For example, agencies for which certain requirements are immaterial may not find the information relevant but may find the steps necessary to omit the required information based on materiality too burdensome. They may simply comply with the requirement. To reduce the burden on this agency would mean that the requirement also would be eliminated at an agency for which the information is material. In addition, the burden is likely different between agencies with and without strong systems and controls.

FINANCIAL/ECONOMIC CONDITION

The Board provided for fiscal sustainability reporting. However, a broader focus on financial condition reporting might result in additional reporting such as key indicators of financial condition at the agency or government-wide level. GASB has addressed key indicators and is currently undertaking a project to address financial projections.

Questions such as the following could be addressed in the project:

- What key financial ratios are useful in assessing the financial health of the entity?
- What information about the tax system is viewed as an indicator of financial health? (e.g., tax gap, tax expenditures, changes in the tax base/structure)

- Is cost trend information needed at disaggregated levels? (e.g., trends in construction costs for capital intensive operations or personnel costs for labor intensive operations)
- Are there external reports/measures that should be reported such as rating agency reports regarding sovereign nations?
- Are benchmarks against other nations/departments needed?
- Are measures of risk assumed due to inter-governmental financial dependency needed?

INSURANCE

The International Accounting Standards Board (IASB) is developing standards for insurance contracts and it is feasible that new approaches will emerge. While FASAB has addressed insurance as one component of SFFAS 5, a thorough review of emerging practice may be warranted.

INTANGIBLES

The FASAB standards do not address intangible assets other than internal use software. Staff has been contacted by a few individuals with respect to intangibles such as census data and rights to use of inventions. The GASB recently issued *Accounting and Financial Reporting for Intangible Assets*. The issuance is described as follows on the GASB website:

Statement No. 51 identifies an intangible asset as having the following three required characteristics:

- It lacks physical substance—in other words, you cannot touch it, except in cases where the intangible is carried on a tangible item (for example, software on a DVD).
- It is nonfinancial in nature—that is, it has value, but is not in a monetary form like cash or securities, nor is it a claim or right to assets in a monetary form like receivables, nor a prepayment for goods or services.
- Its initial useful life extends beyond a single reporting period.

The standard generally requires intangible assets to be treated as capital assets, following existing authoritative guidance for capital assets, although certain intangible assets are specifically excluded from the scope of the statement. One key exclusion relates to intangible assets that are acquired or created primarily for the purpose of directly obtaining income or profit. Such intangible assets should be treated as investments. The standard also provides guidance for issues specific to intangible assets. For instance, to report the historical cost of an intangible asset in the financial statements, the asset has to be *identifiable*. That means that the asset is *separable*—the government can sell, rent, or otherwise transfer it to another party. If it is not separable, the asset has to arise from contractual or other legal rights, such as water rights acquired from another government through a contract that cannot be transferred to another party.

INTERNAL USE SOFTWARE

SFFAS 10 provides standards for internal use software. Since its implementation, federal preparers have expressed concerns regarding (1) the relevance of capitalized costs which are limited to the development phase (both OMB guidance and GAO's cost estimating guide focus broadly on project – or life-cycle – costs), (2) the need to assign full costs – which include general and administrative costs – to software, and (3) the ability to identify phases under current IT practices. The objectives of the project would be to:

- Evaluate whether restricting capitalized costs to the development phases is useful and, if not, consider changes such as allowing capitalization from project inception to completion or expensing costs.
- Consider alternatives to the current full cost requirements and/or guidance to support efficient agency implementation

LINKING COST AND PERFORMANCE

While performance reporting can be viewed as a stand-alone project, the Board has a potentially separate interest in the cost information included in performance reports. SFFAS 4 established managerial cost accounting concepts and standards. At the time, the Board expressed the view that standards and practices would “evolve and improve as agencies gain experience in using them.” (par. 24 of SFFAS 4) The objective of a project on cost information might be “to assess the effectiveness of SFFAS 4 in improving the quality and availability of cost information related to programs and consider options for improving the effectiveness of SFFAS 4.” If improvements are needed to link cost and performance information, the Board might then consider whether improvement can be obtained through standards, educational efforts, or other means.

LONG-TERM CONSTRUCTION/DEVELOPMENT/PROCUREMENT CONTRACTS

In its work on National Defense PP&E (ND PP&E), the Board considered the need for disclosures regarding complex, long duration contracts for the development and acquisition of weapons systems. One proposal included a disclosure of the ten largest acquisition programs showing budgeted amounts, expected amounts, cost to date and progress to date. Exposure of this proposed disclosure requirement revealed a number of technical areas that required clarification as well as resistance to this non-traditional disclosure among some commentators. The Board elected to move forward to eliminate the special category ND PP&E and any disclosures unique to the category. As a result, the Board set aside its work in this area. However, the Board noted (in the Basis for Conclusions to a subsequent ED and SFFAS 23 – *Eliminating the Category National Defense PP&E*) its intention to return to this proposal on a government-wide basis in the future.

MANAGERIAL COST ACCOUNTING

In 2010, FASAB staff researched managerial cost accounting including a survey of agencies. Results indicated that a guide to using, developing, and reporting cost information may be helpful. The guide could explore best practices regarding the level of detail in the statement of net cost as well as aspects of developing effective internal development and use of cost accounting. The guide would be developed collaboratively by a task force supported by FASAB staff. Assistance from outside government, such as relevant professional associations and other experts, would be sought.

OMNIBUS AICPA

The initial objective of the project was to consider incorporating accounting and financial reporting standards that are included in current and recently modified Statements on Auditing Standards (SASs) to more effectively present those standards so that these requirements

become the responsibility of the financial statement preparers. The scope included analysis of current and recently modified SASs to identify accounting and financial reporting standards. The Board then analyzed that guidance to determine if that guidance should be incorporated into the FASAB literature.

The primary research issue is identifying, in the SASs, the various accounting and financial reporting requirements. Of the topics initially identified, the following topics have been addressed:

- 1) Hierarchy of generally accepted accounting principles
- 2) Subsequent events requirements

The board is currently addressing related party transactions in its project on the federal reporting entity.

These topics have not yet been addressed and are not within the scope of another project:

- 3) Materiality consideration (rollover versus iron curtain approaches)
- 4) Going concern

At this time, the board does not anticipate resuming work on the project in the near future.

PERFORMANCE REPORTING

The objective of this project is to improve the reporting and use of performance information by developing conceptually based suggested guidelines for performance information that will help officials effectively communicate performance in a way that the public will find meaningful and understandable. An example of the scope can be taken from GASB's recently issued *Suggested Guidelines for Voluntary Reporting of Service Efforts and Accomplishments (SEA) Performance Information*. GASB describes the content as follows:

The Suggested Guidelines include what the GASB has identified as the four essential components of an effective SEA report, the six qualitative characteristics of SEA performance information, and three keys to effective communication.

The four essential components identified are purpose and scope, major goals and objectives, key measures of SEA performance, and discussion and analysis of results and challenges. The six qualitative characteristics, as set forth in GASB Concepts Statement No. 1, Objectives of Financial Reporting, are relevance, understandability, comparability, timeliness, consistency, and reliability. The three keys to effective communication are intended audiences, multiple levels of reporting, and forms of communication.

Source: GASB News Release 7/14/2010

PROPERTY WITH REVERSIONARY INTEREST

The Federal Government sometimes retains an interest in PP&E acquired with grant money. In the event that the grant recipient no longer uses the PP&E in the activity for which the grant was originally provided the PP&E reverts to the Federal Government. These arrangements are specifically excluded from PP&E accounting. Some have suggested that a review of this exclusion is needed to ensure that similar arrangements are accounted for similarly and that adequate information is reported in such circumstances.

RESEARCH AND DEVELOPMENT

Research and development (R&D) costs are presented as required supplementary stewardship information (RSSI) and include both direct R&D spending by agencies and spending which supports non-federal research and development. Generally, staff believes FASB standards for R&D are referenced to determine what spending qualifies as R&D (for example, to identify when to begin capitalizing costs as new assets are developed). Given the significant federal investment in R&D (\$127 billion in 2006) and the possible differences between sectors, a review of practices in this area may be warranted.

STEWARDSHIP INVESTMENTS

The Board undertook the effort to reclassify all RSSI several years ago. It completed work on two of three categories of information – stewardship responsibilities and stewardship property, plant and equipment. The remaining RSSI category is stewardship investments including human capital, R&D, and non-federal physical property. The Board deferred addressing this category so that it could devote additional resources to higher priority projects.

SUMMARY OR POPULAR REPORTING

Agencies are issuing summary reports and some view these as the primary report for citizen users. In addition, some have recommended that a summary report for the government as a whole be issued. Whether there is a need for guidance or standards has not been explored by staff. However, citizens participating in focus groups provided valuable insights regarding their interests and expectations.

SUPPORT AND OUTREACH THROUGH GUIDANCE AND EDUCATION

While this item would best be considered in the context of strategic planning, it is listed here as a reminder of alternatives other than addition of major technical projects. Staff provides advice to preparers and auditors on an informal basis and supports education through review of textbooks, public speaking and other educational avenues (such as the CGFM program). Allocation of additional resources to this area might include (1) development of user guides, (2) more formal implementation guidance, or (3) evaluation of user needs and focus groups on communicating effectively through financial reports.

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