

Accounting and Auditing Policy Committee (AAPC) Meeting Minutes

February 2, 2022, 1:00 PM ET
Virtual via Zoom for Government

Attendance

Members

Ms. Monica Valentine (FASAB, AAPC Chair)
Mr. Brian Casto (Treasury)
Mr. Gil Harden (CIGIE)
Ms. Rebecca Evertsz, for Ms. Laurance
Present: Ms. Carol Johnson (OMB)
Mr. Prasad Kotiswaran (CFOC)
Mr. Troy Meyer (CIGIE)
Mr. Joseph O'Neill (GAO)
Ms. Sarah Nelson (CIGIE)
Mr. Robert Smalskas (CFOC)

Staff

Ms. Melissa Batchelor, Assistant Director
Mr. Ricky Perry, Senior Analyst
Mr. Domenic Savini, Assistant Director
Mr. Josh Williams, Senior Analyst

Mr. Todd Culliton (General Counsel)
Ms. Katherine Hudson (General Counsel)

Apologies: Ms. Kim Laurance (CFOC)
Dr. Dorothy Potter (At-large)

Welcome (Agenda Item #1)

The meeting began at 1:03 PM. Ms. Valentine began the meeting by welcoming members. Mr. Perry called roll. Following roll call, Ms. Valentine welcomed Ms. Sarah Nelson to the Committee. Ms. Nelson joins the AAPC (or "the Committee") from the Department of Homeland Security Office of Inspector General as an appointed representative of the CIGIE community. Her appointment was effective October 1, 2021. She replaces Mr. Kurt Hyde on the Committee, who retired from his position as the Library of Congress Inspector General in August 2021.

Technical Release Conforming Amendments (Agenda Item #2)

Ms. Melissa Batchelor presented to the Committee an exposure draft (ED) of a proposed Federal Financial Accounting Technical Release (TR), *Omnibus Technical Release Amendments 2022: Conforming Amendments*. Ms. Batchelor provided a brief recap of the history of the project by explaining the Committee had approved the project to examine existing technical releases for conforming amendments resulting from FASAB pronouncements at the May 2021 meeting. The project's objective is to conform the existing TR guidance to generally accepted accounting principles (GAAP) to ensure consistency in FASAB pronouncements.

Ms. Batchelor explained that the Committee had received the draft of the ED for review with the briefing materials. In response to the staff questions, Ms. Batchelor had heard from all Committee members. However, one response was received just before the meeting and staff did not have an opportunity to review. Ms. Batchelor explained that she would walk through the staff questions, summarize Committee responses, and open each question for further discussion.

Question 1. Does the Committee agree with excluding TR 2 from the conforming amendment update? (Staff will update the Summary of TR 14 with the next Handbook update.)

Ms. Batchelor explained that initially staff had included TR 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, as one the Technical Releases identified for conforming amendments. However, after further consideration, staff does not

recommend including TR 2. Ms. Batchelor explained that TR 2 provides high-level guidance to assist federal agencies in determining “probable” and “reasonably estimable.” As such, much of the focus of TR 2 would not be affected by conforming amendments. Further, TR 2 (due to being older as it was issued in 1998) is not formatted with paragraph numbers, so it would require a different approach to amending.

Therefore, staff recommended reserving any amendments to TR 2 post-reexamination¹ by FASAB. Staff recommended updating the Summary of TR 2 as this appears outdated in conjunction with our next Handbook update. The update would include a reference to pronouncements that should be considered. Staff believes this approach is sufficient considering the minimal impact on TR 2.

The Committee members agreed with the staff recommendation.

Question 2. Does the Committee have any comments, suggestions, or edits on the Draft TR exposure draft?

Ms. Batchelor explained that Committee members had provided excellent suggestions and editorial comments that provided clarity to the draft TR. She explained the next draft would include the Committee’s suggestions. Ms. Batchelor explained that one member had submitted comments just prior to the meeting and staff would need to review those.

Although staff had not had an opportunity to review the comments, Ms. Valentine asked the member, Mr. O’Neill, if he would like to discuss any of the substantive comments. Mr. O’Neill agreed and explained several questions he had noted and suggestions. The points were discussed by staff and the Committee. It was agreed that staff would follow-up with Mr. O’Neill after the meeting to further discuss the disposition of his comments and any concerns. The primary points discussed in the meeting were:

- **Executive summary and other portions of the TR.** Will be revised to refer to “Technical Releases” instead of “lower-level GAAP.”
- **Questions for respondents.** The second question will be clarified to state topics should be related to conforming amendments.
- **Scope paragraphs.** Although suggestions were made, the standard scope language will remain for this TR. If the Committee deems a change necessary, that would have to be thoughtfully considered.
- **Summary of Technical Releases.** Summaries are typically updated in conjunction with FASAB’s Handbook update that is done in the fall. Staff will discuss *draft language* with the member so any concerns can be addressed.
- **Use of “should be considered/consulted” wording.** Wording such as this is not necessary and was removed. Revised language will be included in the next draft.
- **Paragraph numbering.** The Committee discussed comments pertaining to paragraph numbering when paragraphs and/or footnotes are rescinded. Staff suggested comparing the draft TR to TR 17, *Conforming Amendments to Technical Releases for SFFAS 50*,

¹At the August 2021 Board meeting’s technical agenda-setting session, the members approved a reexamination of existing standards project. The objective of the reexamination project is to review FASAB’s existing standards to assess their current relevance and to identify opportunities to streamline authoritative guidance.

Establishing Opening Balances for General Property, Plant, and Equipment, which amends TR 13, 15, and 16. Ms. Batchelor explained she would provide relevant examples for review.

- **GAAP reference versus specific SFFASs.** Staff explained the revised wording is more comprehensive to ensure all GAAP is considered and would allow for future pronouncements. The footnote reference provides the detailed information. Staff suggested inserting “pertinent” before GAAP and plans to include this revision in the next draft.
- **Questions about the applicability of SFFAS 40, 42, and 44.** Staff explained the relationship between Deferred Maintenance and Repairs (DM&R) from SFFAS 40 and 42 and asset impairment from SFFAS 44 within the context of the TRs. Furthermore, in deliberations leading up to the issuance of SFFAS 40 and SFFAS 42 the Board was clear in stating that DM&R was inextricably linked to asset impairment. Therefore, preparers and auditors need to consider the potential impacts to DM&R estimates and loss of asset service utility or function when incorporating guidance contained in the TRs.
- **Appendices & illustrations explanation.** Staff explained all bases for conclusions have an opening paragraph that explains much of the same information. Staff believed it important to add a paragraph to the authoritative section of the amended TRs to remind users of this fact because these TRs contain illustrations.

Ms. Valentine asked if any other Committee members had comments. No other comments were voiced.

Question 3. Does the Committee agree with moving to a ballot ED?

The Committee did not discuss the question during the meeting. Staff notes that the majority of members were prepared to move to a ballot ED. However, with the need to follow-up with one member, staff will provide a pre-ballot version to the members.

TR 20 Proposal

Mr. Perry presented an addendum memorandum and analysis to the Committee, proposing a technical correction and conforming amendment to TR 20, *Implementation Guidance for Leases*, paragraph 17. This paragraph references paragraphs 27 and 31-36 of SFFAS 54, *Leases*, when providing guidance on the types of expenses to include in annual lease expenses. The omnibus proposal would revise the cited paragraphs to eliminate reference to paragraphs 32-35 (and, as a result, modify the TR to reference only paragraphs 27, 31, and 36). Paragraphs 32 and 33 of SFFAS 54 were rescinded by SFFAS 60, *Omnibus Amendments 2021*, while paragraphs 34 and 35 are related to depreciation of leasehold improvements and lessor improvements, respectively. Members concurred with staff’s analysis and agreed to include this proposed amendment within the ED.

Next Steps (Agenda Item #3)

Ms. Batchelor plans to provide the Committee with a pre-ballot draft electronically after staff has an opportunity to discuss remaining suggestions with Mr. O’Neill and incorporate final edits. Once the Committee reviews and comments on the pre-ballot draft, a ballot draft will follow.

Adjournment

Ms. Valentine thanked the Committee for its input and assistance in moving the discussed documents forward.

The meeting adjourned at 2:43 PM.