

Memorandum

Conform TR

January 20, 2022

To: Members of the Committee
From: Melissa L. Batchelor, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: **Conforming Amendments Technical Release (TR)**

INTRODUCTION

The Board issued several pronouncements in recent years that require updating related lower-level GAAP. Staff is providing the Committee an exposure draft (ED) of a proposed Federal Financial Accounting Technical Release, *Omnibus Technical Release Amendments 2022: Conforming Amendments* that would provide conforming amendments to previously issued TRs to ensure lower-level GAAP guidance is consistent.

REQUEST FOR FEEDBACK BY JANUARY 28th

Prior to the Committee's February meeting, please review the attached material and respond to staff questions by January 28, 2022. Please submit any feedback responses to me at batchelorm@fasab.gov with cc to ValentineM@fasab.gov.

NEXT STEPS

Pending Committee member feedback, staff will incorporate approved edits and suggestions into the draft ED. The 'next steps' will depend on the feedback received and determinations at the February 2022 meeting. If comments are minimal and a majority of the Committee indicate they are prepared to move forward to a pre-ballot and/or ballot TR, remaining edits would be handled electronically. Once approved, the document would be exposed for comment.

ATTACHMENTS

1. Staff Analysis
2. Draft ED, *Omnibus Technical Release Amendments 2022: Conforming Amendments*

Staff Analysis

Conform TR

CONTEXT

The Committee approved the project to examine existing technical releases (TRs) for conforming amendments resulting from recent pronouncements at the May 2021 meeting. These pronouncements include the following:

- SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes*
- SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
- SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*
- Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*
- Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*

The following TRs were identified for potential amendments:

- TR2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*
- TR10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- TR11, *Implementation Guidance on Cleanup Costs Associated with Equipment*
- TR14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*

As previously conveyed, staff would prepare the Draft TR ED for the Committee review. The project's objective is to conform the existing TR guidance to GAAP and ensure consistency in FASAB pronouncements.

RECOMMENDATIONS AND ANALYSES

RECOMMENDATION

Exclude TR 2

ANALYSIS

As part of the initial research and analysis, staff included TR2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government* as one the Technical Releases identified for conforming amendments.

After further consideration, staff does not recommend including TR 2 in this conforming amendments update. 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 relates to certain criteria etc. related to these determinations and they would not be affected by conforming amendments. For example, TR2 assists in ability to reliably quantify in monetary terms the outflow of resources required and this would not be affected the amendments. Further, TR2 (due to being older as it was issued in 1999) is not formatted with paragraph numbers, so it would be difficult to amend.

Therefore, staff believes it best to reserve any amendments to TR2 post-Reexamination¹ by FASAB. However, staff recommends updating the Summary of TR2 as this appears outdated in conjunction with our next Handbook update. (Staff has authority to do these updates.) The update would include a reference to pronouncements that should be considered. Staff believes this approach is sufficient considering the minimal impact on TR2.

Questions for the Committee:

- 1. Does the Committee agree with excluding TR 2 from the conforming amendment update? (Staff will update the Summary of TR14 with the next Handbook update.)**

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

RECOMMENDATION

Move to Ballot TR Exposure Draft

ANALYSIS

As noted, the project's objective is to conform the existing TR guidance to GAAP and ensure consistency in FASAB pronouncements. Therefore, there is no new technical guidance being provided. Hence there shouldn't be "technical issues" that would delay this document forward as the TR provides conforming amendments to previously issued TRs to ensure lower-level GAAP guidance is consistent.

Staff notes the next steps will depend on the feedback received prior to the February 2022 meeting as well discussions and determinations at the February 2022 meeting. Staff believes if comments are minimal, especially considering once the Committee's initial comments have been addressed, any remaining edits can be accomplished electronically. If a majority of the Committee indicate they are prepared to move forward to a pre-ballot and/or ballot TR, remaining edits and balloting could occur electronically and the TR would be exposed for comment once approved.

Questions for the Committee:

- 2. Does the Committee have any comments, suggestions or edits on the Draft TR Exposure Draft?**
- 3. Does the Committee agree with moving to a ballot Exposure Draft?**

OMNIBUS TECHNICAL RELEASE
AMENDMENTS 2022: CONFORMING
AMENDMENTS

Federal Financial Accounting Technical Release

Exposure Draft

Written comments are requested by May XX, 2022

March XX, 2022

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U. S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, D.C. 20548
Telephone (202) 512-7350
Fax (202) 512-7366
www.fasab.gov

The Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), the Chief Financial Officers Council (CFOC), and the Council of the Inspectors General on Integrity and Efficiency (CIGIE—formerly the President's Council on Integrity and Efficiency) as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation that are not specifically or fully discussed in federal accounting standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from [FASAB's website](#).

Page left intentionally blank



March XX, 2022

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release, *Omnibus Technical Release Amendments 2022: Conforming Amendments*, are requested. Specific questions for your consideration appear on page four, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Committee if you explain the reasons for your position and any alternative you propose. Responses are requested by **May XX, 2022**.

All comments received are considered public information. Those comments may be posted to the Accounting and Auditing Policy Committee's website and will be included in the project's public record.

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternate arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

Monica R. Valentine, Executive Director
AAPC Chairperson

EXECUTIVE SUMMARY

FASAB has issued several pronouncements in recent years that require updating related lower-level GAAP. These pronouncements include the following:

- SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes*
- SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
- SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*
- Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*
- Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*

This proposed Technical Release (TR) would provide conforming amendments to previously issued TRs to ensure lower-level GAAP guidance is consistent. The proposed amendments would conform the TRs to ensure users are reminded of provisions of the aforementioned pronouncements and that they should be applied when appropriate.

Specifically, this TR would provide conforming amendments to the following:

- TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*
- TR 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*

MATERIALITY

The provisions of this Technical Release need not be applied to information if the effect of applying the provision(s) is immaterial.¹ A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

¹ Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

Page left intentionally blank

TABLE OF CONTENTS

Executive Summary	1
MATERIALITY	1
Questions for Respondents	4
Proposed Technical Guidance.....	5
Scope.....	5
Amendments to Existing Technical Releases	5
Technical Release 10, <i>Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment</i>	5
Technical Release 11, <i>Implementation Guidance on Cleanup Costs Associated with Equipment</i>	8
Technical Release 14, <i>Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment</i>	10
Effective Date.....	13
Appendix A: Basis for Conclusions	14
Project history	14
Amendments to Existing Technical Releases	14
Appendix B: Abbreviations	16

QUESTIONS FOR RESPONDENTS

The Accounting and Auditing Policy Committee (AAPC or “the Committee”) encourages you to become familiar with all proposals in the Technical Release (TR) before responding to the question in this section. In addition to the questions below, the Committee welcomes your comments on other aspects of the proposed TR. Because the proposals may be modified before a final TR is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Committee believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Committee has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

The questions in this section are available in a Microsoft Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please contact 202-512-7350.

All responses are requested by **May XX, 2022**.

Q1. This proposed Technical Release (TR) would provide conforming amendments to previously issued TRs to ensure lower-level GAAP guidance is consistent. The proposed amendments would conform the TRs to ensure users are reminded of the pronouncements and that they should be applied when appropriate. Specifically, this TR would provide conforming amendments to the following documents:

- TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*
- TR 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*

Do you agree or disagree with the proposed amendments and that this TR clarifies the technical guidance? Please provide the rationale for your answer.

Q2. Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they and how would you describe them? Please provide the rationale for your answer.

PROPOSED TECHNICAL GUIDANCE

SCOPE

1. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in 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*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.
2. FASAB has issued the following pronouncements that require updating related lower-level GAAP:
 - SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes*;
 - SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*;
 - SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*;
 - Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*; and
 - Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*

This TR provides conforming amendments to the following TRs based on the aforementioned pronouncements:

- TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*
- TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*
- TR 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*

AMENDMENTS TO EXISTING TECHNICAL RELEASES

TECHNICAL RELEASE 10, *IMPLEMENTATION GUIDANCE ON ASBESTOS CLEANUP COSTS ASSOCIATED WITH FACILITIES AND INSTALLED EQUIPMENT*

3. This paragraph rescinds paragraphs 1-8 (including all section titles, subsection titles, and the accompanying footnotes 1 through 5 contained within these sections) of TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*. This will ensure outdated references are removed and sections are properly located in the authoritative section. Pertinent text will be updated and placed in the Summary of the TR.

4. This paragraph amends the technical guidance section of TR 10 by inserting the subheading “scope” with paragraphs 8A-8B and footnote 5A directly under “technical guidance.”

Technical Guidance

Scope

8A. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in 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*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

8B. This guidance is limited to federal real property^{5A} that contains any form of asbestos. It provides additional clarification of federal GAAP for identification and recognition of asbestos-related cleanup costs and a methodology for identifying and recognizing asbestos liabilities associated with federal properties.

^{5A} For the purpose of this document, real property is defined as federal facilities and installed equipment within general PP&E, heritage and stewardship categories. It includes 1) real property acquired through leases, including leasehold improvements and 2) real property owned by the reporting entity in the hands of others (for example, state and local governments, colleges and universities, or federal contractors). Installed equipment “fixture” is defined in GAO-01-179SP Appropriation Law-Vol. IV (16-191) as those equipment items that are (1) permanently attached to the realty, or (2) if not permanently attached, (a) it is necessary and indispensable to the completion and operation of the building, or (b) the structure was designed and built for the purpose of housing the equipment.

5. This paragraph amends the first sentence of paragraph 10 of TR 10 by inserting a new footnote 5B after the word “property” to reference recent pronouncements that should be considered:

10. The following steps may be taken to identify real property^{5B} that may contain asbestos.

^{5B} Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*, should be considered when appropriate because it provides clarification and guidance regarding cleanup cost liabilities for component reporting entities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for settling the liability for the cleanup cost of that asset. Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*, should be considered if appropriate because it provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis.

6. This paragraph amends paragraph 13 and footnote 11 of TR 10 by revising to ensure it refers to all GAAP related to cleanup recognition:

Once the estimated asbestos cleanup cost associated with the removal, containment or disposal of the real property has been determined, that cost should be recognized in accordance with ~~SFFAS 6~~GAAP.¹¹

¹¹ ~~See paragraphs 98 and 101, and Technical Bulletin 2006-1, paragraph 37. Reporting entities should reference all pertinent GAAP, including but not limited to SFFAS 5 and 6; Interpretation 9; TB 2006-1, TB 2017-2; and applicable TRs.~~

7. This paragraph amends TR 10 by inserting a new paragraph 16 to reference recent pronouncements that should be considered:

16. Readers should be mindful and incorporate both deferred maintenance and repairs (DM&R) guidance as well as asset impairment (AI) guidance issued. Specifically, SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes* and SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, will assist entities in defining, measuring, and reporting estimated asbestos cleanup costs that are considered deferred. Moreover, SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*, will assist entities in determining the existence of any potential asset impairment indicators.

8. This paragraph amends Diagram 1² of TR 10 by providing corresponding and consistent changes as noted in the paragraphs above:

- Box 13 – “Estimate cost of removal, containment or disposal and recognize in accordance with ~~GAAP~~SFFAS 6¹”
- Footnote 1 – Replace with the following: “Reporting entities should reference all pertinent GAAP, including but not limited to SFFAS 5, 6, 40, and 42; Interpretation 9; Technical Bulletin 2006-1, 2017-2; and applicable TRs.”
- Box 14 – Add footnote 3 at the end of the sentence as follows: Estimate and recognize any identifiable costs (e.g. survey cost).³
- Insert footnote 3 immediately after footnote 2 to read as follows: “In estimating and recognizing identifiable costs, SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*, should be consulted to determine if indicators of potential impairment exist.”

9. The paragraph amends TR 10 by inserting a new paragraph 17 and footnote 12A to remind users that the non-authoritative sections are not updated:

17. The appendices (that include non-authoritative illustrations and examples) of TR 10 are not updated for amendments.^{12A} Therefore, readers are cautioned to refer to the paragraphs above for guidance that could impact the accompanying non-authoritative illustrations and examples.

² Diagram 1 of TR 10 is part of the technical guidance and accordingly should be updated.

^{12A} The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncements that amend a pronouncement. For example, within the text of a Technical Release, the guidance sections are updated for changes. However, appendices are not updated to reflect future changes. The reader can review the basis for conclusions of the amending pronouncements for the rationale for each amendment.

10. This paragraph further amends the technical guidance in TR 10 by inserting the subheading “effective date” with the following paragraph 18:

Effective Date

18. This TR is effective upon issuance.

TECHNICAL RELEASE 11, *IMPLEMENTATION GUIDANCE ON CLEANUP COSTS ASSOCIATED WITH EQUIPMENT*

11. This paragraph rescinds paragraphs 1-7 (including all section titles, subsection titles, and the accompanying footnotes 1 through 5 contained within these sections) of TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*. This will ensure outdated references are removed and sections are properly located in the authoritative section. Pertinent text will be updated and placed in the Summary of the TR.
12. This paragraph amends the technical guidance section of TR 11 by inserting the subheading “scope” with the following paragraph 7A directly under “technical guidance.”

Technical Guidance

Scope

7A. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in 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*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

13. This paragraph amends the subsection title “Cleanup Costs Associated with Equipment at Disposal” that precedes paragraph 8 by inserting footnote 5A. This replaces a footnote that was rescinded to direct readers to the glossary. The revised subsection title would be as follows:

Cleanup Costs Associated with Equipment^{5A} at Disposal

^{5A} Equipment is defined in Appendix D.

14. This paragraph amends paragraph 8 of TR 11 by inserting a sentence at the beginning of paragraph 8 to ensure it refers to all GAAP related to cleanup costs:

“Cleanup costs should be recognized in accordance with all applicable GAAP.”

15. This paragraph further amends paragraph 8 of TR11 by inserting two new sentences at the end of the paragraph (but before the example of practice) to reference recent pronouncements that should be considered:

“Further, Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*, should be considered when appropriate because it provides clarification and guidance regarding cleanup cost liabilities for component reporting entities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for settling the liability for the cleanup cost of that asset. Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*, should be considered if appropriate because it provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis.”

16. This paragraph replaces paragraph 13 (including footnote 13) of TR 11 to clarify the guidance.

In accordance with SFFAS 6, paragraph 93,¹³ if such cleanup is an ongoing part of operations, the costs are to be accounted for in accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, and are not subject to the recognition guidance provided in SFFAS 6, chapter 4 (paragraphs 97 and 98). SFFAS 5 applies to all environmental liabilities not specifically covered in SFFAS 6, including cleanup resulting from accidents or when cleanup is an ongoing part of operations. Any accrued liability/payable and associated operating expense should be recognized in the period the cleanup occurs as part of ongoing operations.

¹³ SFFAS 6, paragraph 93: Other cleanup costs, such as those resulting from accidents or where cleanup is an ongoing part of operations, are to be accounted for in accordance with liability standards and are not subject to the recognition guidance provided in this standard. This guidance does not apply to these other types of cleanup since the cleanup effort is not deferred until operation of associated PP&E ceases either permanently or temporarily.

17. This paragraph amends the last sentence of paragraph 14 of TR 11 by inserting footnote 13A after the words ‘routine hazardous waste disposal.’ This replaces a footnote that was rescinded to direct readers to the glossary. The revised last sentence of paragraph 14 is as follows:

Example of Practice -- Cleanup Costs Associated with Equipment during Ongoing Operations: Determination of hazardous waste cleanup during ongoing operations of the equipment (routine hazardous waste disposal)^{13A} at the time the equipment is being placed in service.

^{13A} Routine hazardous waste disposal is defined in Appendix D.

18. This paragraph amends TR 11 by inserting paragraph 18 to reference recent pronouncements that should be considered:

18. Readers should be mindful and incorporate asset impairment (AI) guidance issued. Specifically, SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*, will assist entities in determining the existence of any potential asset impairment indicators.

19. This paragraph amends Diagram 1³ of TR 11 by providing corresponding and consistent changes as noted in the paragraphs above:

- Amend the title of Diagram 1 as follows: Recognizing Environmental Liabilities for Equipment Disposal in Compliance with GAAP Technical Release 2 and SFFAS 1, 5 and 6
- Amend language in box for recognizing liability: “Recognize estimate for environmental liability on financial statements in accordance with ~~SFFAS 6~~ all applicable GAAP, including but not limited to SFFAS 5, and 6; Interpretation 9; Technical Bulletin 2017-2; and applicable TRs.”

20. This paragraph amends TR 11 by inserting paragraph 19 and footnote 14A to remind users that the non-authoritative sections are not updated:

19. The appendices (that include non-authoritative illustrations and examples) of TR 11 are not updated for amendments^{14A}. Therefore, readers are cautioned to refer to the paragraphs above for guidance that could impact the accompanying non-authoritative illustrations and examples.

^{14A}The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncements that amend a pronouncement. For example, within the text of a Technical Release, the guidance sections are updated for changes. However, appendices are not updated to reflect future changes. The reader can review the basis for conclusions of the amending pronouncements for the rationale for each amendment.

21. This paragraph further amends the technical guidance in TR 11 by inserting the subheading “effective date” with the following paragraph 20:

Effective Date

20. This TR is effective upon issuance.

TECHNICAL RELEASE 14, *IMPLEMENTATION GUIDANCE ON THE ACCOUNTING FOR THE DISPOSAL OF GENERAL PROPERTY, PLANT & EQUIPMENT*

22. This paragraph rescinds paragraphs 1-4 (including all section titles, and subsection titles) of Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of*

³ Diagram 1 of TR 11 is part of the technical guidance and accordingly should be updated.

General, Property, and Equipment. This will ensure outdated references are removed and sections are properly located in the authoritative section. Pertinent text will be updated and placed in the Summary of the TR.

23. This paragraph amends the technical guidance section of TR 14 by inserting the subheading "scope" with the following paragraph 4A directly under "technical guidance."

Technical Guidance

Scope

4A. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in 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*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

24. This paragraph amends the first sentence of paragraph 5 of TR 14 by inserting footnote A after "general PP&E" to reference Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*:

5. In accordance with SFFAS 6 paragraph 38, "in the period of disposal, retirement, or removal from service, general PP&E^A shall be removed from the asset accounts along with associated accumulated depreciation/amortization."

^ATechnical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*, should be considered if appropriate because it provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis."

25. This paragraph amends the first sentence of paragraph 6 of TR 14 by inserting footnote 1A after "cleanup costs" to reference Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*:

6. Additionally, SFFAS 6 provides requirements for recognition and measurement of disposal related cleanup costs.^{1A}

^{1A}Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*, should be considered when appropriate because it provides clarification and guidance regarding cleanup cost liabilities for component reporting entities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for settling the liability for the cleanup cost of that asset.

26. This paragraph amends paragraph 7 of TR 14 by inserting a sentence at the end of the paragraph referring to SFFAS 44, *Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use*:

The following section provides further clarification and guidance to the requirements stated in SFFAS 6, paragraphs 38, 39, 97, and 98 as those

paragraphs relate to “removal from service.” The terms “disposal” and “retirement” are used in the above referenced SFFAS 6 paragraphs and are intended to describe G-PP&E disposals that are permanent in nature. However, “removal from service” may or may not be permanent. The paragraph below defines the term “removal from service”, as referenced in SFFAS 6, and further discusses the differences between other than permanent and permanent removal from service. SFFAS 44, *Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use*, should be consulted for potential impairment: (1) G-PP&E that is temporarily removed from service or (2) G-PP&E that remains in service but with a decline in service utility that is expected to be permanent.

27. This paragraph amends the last sentence of paragraph 10 of TR 14 by revising to ensure it refers to all GAAP:

Likewise, in the case of G-PP&E cleanup costs, if only one of the two business events has occurred, permanent removal from service has not occurred (i.e., considered other than permanent removal) and, any cleanup costs associated with disposal, closure, and/or shutdown should continue to accumulate as a liability in accordance with ~~SFFAS 6, paragraphs 97 and 98~~ GAAP.

28. This paragraph amends paragraph 10 of TR 14 by (1) deleting the statement that no change in G-PP&E reported value is in order and (2) clarifying that SFFAS 44 should be consulted for potential impairment for G-PP&E not permanently removed from service that could result in a change to G-PP&E reported value:

10. Two business events are necessary for the permanent removal from service:

1. Asset’s use is terminated, and
2. There is documented evidence of management’s decision to permanently remove the asset from service.

If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., considered other than permanent removal). However, in accordance with SFFAS 44, *Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use*, and there is no there could be a change in the G-PP&E reported value for other than permanently removed G-PP&E if an impairment indicator exists, such as changes in the manner or duration of use of G-PP&E or G-PP&E idled or unserviceable for excessively long periods and depreciation continues. Depreciation continues on such G-PP&E to the extent not impaired.

Likewise, in the case of G-PP&E cleanup costs, if only one of the two business events has occurred, permanent removal from service has not occurred (i.e., considered other than permanent removal) and, any cleanup costs associated with disposal, closure, and/or shutdown should continue to accumulate as a liability in accordance with SFFAS 6, paragraphs 97 and 98.

29. This paragraph amends TR 14 by adding paragraph 18 and footnote 8A to remind users that the non-authoritative sections are not updated:

18. The appendices (that include non-authoritative illustrations and examples) of TR 14 are not updated for amendments.^{8A} Therefore, readers are cautioned to refer to the paragraphs above for guidance that could impact the accompanying non-authoritative illustrations and examples.

^{8A}The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncements that amend a pronouncement. For example, within the text of a Technical Release, the guidance sections are updated for changes. However, appendices are not updated to reflect future changes. The reader can review the basis for conclusions of the amending pronouncements for the rationale for each amendment.

30. This paragraph further amends the technical guidance in TR 14 by inserting the subheading "effective date" with the following paragraph 19.

Effective Date

19. This TR is effective upon issuance.

EFFECTIVE DATE

31. This TR is effective upon issuance.

The provisions of this Technical Release need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts..

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Committee members in reaching the conclusions in this Technical Release. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by later Statements or other pronouncements. The Handbook is updated annually and includes a status section directing the reader to any pronouncement that changed this Technical Release. Within the text of the Technical Release, the guidance sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statements or other pronouncements for the rationale for each amendment.

PROJECT HISTORY

- A1. FASAB has issued several pronouncements in recent years that require assessing and updating related lower-level GAAP. These pronouncements include the following documents:
- SFFAS 40, *Deferred Maintenance and Repairs: Definitional Changes*
 - SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
 - SFFAS 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*
 - Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6*
 - Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*
- A2. It is important to make conforming amendments to ensure lower-level GAAP is consistent with other pronouncements. The Committee also recognizes that conforming amendments are important to incorporate because users rely on the technical guidance to assist with implementation efforts.

AMENDMENTS TO EXISTING TECHNICAL RELEASES

- A3. This proposed Technical Release (TR) would provide conforming amendments to previously issued TRs to ensure lower-level GAAP guidance is consistent. The proposed amendments would conform the TRs to ensure users are reminded of provisions of the aforementioned pronouncements and that they should be applied when appropriate.
- A4. This TR would provide conforming amendments to the following documents:
- a. TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*

- b. TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*
- c. TR 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*

A5. The Committee believes that the proposed amendments bring the technical guidance up to date to reflect the current pronouncements. In doing so, the Committee believed it important to remind users (as detailed in the preamble to the Appendix) that non-authoritative sections would not be updated. To help ensure this is clear, language was added to each of the amended TRs explaining appendices (that include non-authoritative illustrations and examples) are not updated for amendments and readers should refer to the paragraphs in the amended guidance that could impact the accompanying non-authoritative illustrations and examples.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin
TR	Technical Release

FASAB Members

George A. Scott, Chairperson

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Patrick McNamee

Terry K. Patton

Graylin E. Smith

AAPC Members

Monica R. Valentine, Chair

Brian Casto

Gil H. Harden

Carol S. Johnson

Prasad Kotiswaran

Kim Laurance

Troy M. Meyer

Sarah Nelson

Joseph P. O'Neill

Dorothy Potter

Robert (Bob) Smalskas

FASAB Staff

Melissa L. Batchelor

Domenic N. Savini

Federal Accounting Standards Advisory Board

441 G Street NW, Suite 1155

Washington, D.C. 20548

Telephone 202-512-7350

Fax 202-512-7366

www.fasab.gov