

Accounting and Auditing Policy Committee (AAPC) Meeting Minutes

June 28, 2022, 10:00 AM ET
Virtual via Zoom for Government

Attendance

Members

Present: Ms. Monica Valentine (FASAB, AAPC Chair)
Mr. Brian Casto (Treasury)
Ms. Rebecca Evertsz, for Ms. Laurance
Ms. Carol Johnson (OMB)
Mr. Troy Meyer (CIGIE)
Ms. Sarah Nelson (CIGIE)
Mr. Joseph O'Neill (GAO)
Dr. Dorothy Potter (At-large)
Mr. Robert Smalskas (CFOC)

Apologies: Mr. Gil Harden (CIGIE)
Mr. Prasad Kotiswaran (CFOC)
Ms. Kim Laurance (CFOC)

Staff

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

Mr. Jason Kirwan (General Counsel)
Mr. Juan Garay (General Counsel)

Welcome, Non-Agenda Project Updates (Agenda Item #1)

The meeting began at 10:09 AM. Ms. Valentine began the meeting by welcoming members. Mr. Perry called roll.

Following roll call, Mr. Perry provided an update on the leases project. He noted that Technical Release (TR) 20, *Implementation Guidance for Leases*, has proven to be useful for the federal financial management community. Mr. Perry also alerted members that the Board's proposal out for public comment would require some conforming amendments to TR 20 guidance related to those amendments.¹ Staff may also propose additional candidates for potential inclusion within the TR 20 guidance. Staff will bring an issue paper and proposals to the Committee members for their consideration at the November 2022 or February 2023 AAPC meeting.

Technical Release Conforming Amendments (Agenda Item #2)

Ms. Batchelor thanked the Committee for agreeing to meet in June 2022 rather than August to consider the comment letters, staff analysis, and staff's recommendations on the proposed TR, *Omnibus Technical Release Amendments 2022: Conforming Amendments*. She explained this was preferred due to the timing of the public comment period; the exposure draft (ED) was issued on March 30, 2022, with comments requested by May 31, 2022.

The project's objective is to conform existing TR guidance to GAAP and ensure consistency in FASAB pronouncements. Because no new requirements were being introduced, staff did not anticipate issues. Staff received 12 comments letters. The respondents generally agreed with the proposed amendments and noted that the proposed TR clarifies the technical guidance. Certain

¹At the time of the AAPC meeting the Board's proposed Statement of Federal Financial Accounting Standards (SFFAS) exposure draft (ED), titled *Omnibus Amendments: Technical Clarifications Addressing Lessee and Lessor Discount Rates and Sale-leasebacks*, was out for public comment. Comments on the ED were due July 8, 2022.

respondents provided minor edits that were included on the “marked version” in the briefing materials.

Ms. Batchelor explained that all but one Committee member had responded to the staff questions prior to the meeting. Responding Committee members had indicated they were prepared to move forward to a pre-ballot or ballot TR. She also explained that there had been a few minor suggested edits from Committee members. Ms. Batchelor noted that staff would discuss each of those minor changes and display them on the shared screen for members. She also explained that this would be considered a pre-ballot review. Before discussing the pre-ballot edits, Ms. Batchelor asked if the Committee had any questions regarding the comment letters from respondents, staff analysis, or any information provided in the briefing package.

Mr. O’Neill asked staff to elaborate on the general comment² from the General Services Administration regarding the phrase “GAAP reference.” Ms. Batchelor explained that the comment addressed a change to remove specific references from the technical guidance portion. The specific references were replaced with the phrase “relevant GAAP” and the specific references were still included in a footnote. The updated wording could accommodate potential future pronouncements. Ms. Batchelor noted that while she appreciates and understands the point from the respondent, FASAB is trying to find the right balance of offering more detail in the implementation guidance while being cognizant that the implementation guidance should conform to interacting changes in GAAP that may occur in the future to the extent possible. Dr. Potter agreed that it was clear and she was comfortable with wording. Mr. O’Neill noted that he did not believe the wording was misleading.

The Committee also discussed that users should consider additional Deferred Maintenance and Repair (DM&R) disclosures as appropriate, such as subsequent changes to DM&R exclusions. In cases where there could be more than one component (for example) within a group of assets that is retired or removed from service, it would be more appropriate to include in footnote B the phrase “and a component or components of that group.” Using the term “disclosure” with required supplementary information (RSI) could cause confusion. Staff agreed with all three points raised by the members.

Mr. Savini noted that (1) clarifying that multiple components could exist would be a beneficial edit and (2) including the word “presentation” or “information” would be more appropriate when providing guidance on RSI presentation requirements. As a result, the members unanimously agreed with the proposed language with the following edits:

... When G-PP&E assets are disposed of, retired, or removed from service, deferred maintenance and repair (DM&R) estimates as defined and required by SFFAS 40 and SFFAS 42, respectively, should be re-estimated to the extent such estimated costs are related to the G-PP&E assets disposed of, retired, or removed from service.^B Additionally, to the extent any portion of a G-PP&E asset is not disposed of, retired, or otherwise continues to remain in service, SFFAS 44 should be consulted to ascertain whether partial impairments should be accounted for and

² GSA provided the following comment: “GSA concurs with the proposed amendments to TR10, 11, 14 and 20. However, we have (A) one general comment that applies to the suggested changes for TR10 and 14 and (B) one clarification question for TR20 below. Paragraphs 6 (with footnote 11), 8 (box 13), and 19 (both bullets) for amendments to TR10 and paragraphs 27 and 28 for TR14 have removed reference to other specified FASAB standards or technical releases and broaden to a reference that all of GAAP should be followed. Removing this specificity and replacing it with such a broad umbrella of complying with GAAP is less useful to agencies when trying to correctly implement these standards. We request keeping the specific references, especially in TR and implementation guidance, as the specificity helps facilitate application of all applicable standards or releases....”

reported~~.,~~ including additional DM&R disclosures information when necessary, such as changes in DM&R exclusions.

Footnote B: For example, in situations where DM&R costs are estimated for an asset group and a component (or components) of that group is disposed of, retired, or removed from service, the DM&R re-estimate should be performed only for the assets remaining in the group.

Ms. Batchelor explained the last two Committee-suggested edits to discuss were in the basis for conclusions. The first was removing the last sentence (“The respondents' comments are summarized below.”) from paragraph A9. The sentence was unnecessary because there was not much detail provided other than that the respondents agreed. The second edit was adding “as appropriate” to the last sentence in paragraph A10. The Committee did not object to the edit.

Mr. Perry reminded members that, as discussed in the briefing materials, there are transition complexities associated with TR 20's conforming amendments to TR 10, *Implementation Guidance on Cleanup Costs Associated with Facilities and Installed Equipment*. TR 20 will become effective in fiscal year 2024. Because of the interacting TR 10 amendments in this proposal, additional omnibus actions will be necessary when updating TR 20.³

Next Steps (Agenda Item #3)

Ms. Batchelor thanked the Committee for its feedback. Staff will provide members a ballot version and ballot form electronically. She explained that FASAB's communication specialist would perform a final review of the document, so any final changes would be minor and editorial in nature.

Adjournment

Ms. Valentine thanked the Committee for a productive meeting and members' insightful feedback.

The meeting adjourned at 11:10 AM.

³Staff note: During the meeting, staff erroneously referenced TR 16, *Implementation Guidance for Internal Use Software*, rather than referencing TR 10 when making this statement. The proposal under discussion strictly relates to TR 10, par. 3, footnote 4, which is affected by the proposed omnibus changes. See TR 20, par. 100, and meeting materials (p. 4).