

Accounting and Auditing Policy Committee (AAPC) Meeting Minutes

August 1, 2024, 2:30 PM ET
Virtual via Zoom for Government

Attendance

Members

Ms. Monica Valentine (AAPC Chair)
Ms. Pauletta Battle (CIGIE)
Mr. Brian Casto (Treasury)
Mr. James Hodge (CIGIE)
Present: Ms. Carol Johnson (OMB)
Mr. Prasad Kotiswaran (CFOC)
Mr. Joseph O'Neill (GAO)
Dr. Dorothy Potter (At-large)
Mr. Robert Smalskas (CFOC)

Staff

Ms. Robin Gilliam, Assistant Director
Ms. Leigha Kiger, Communications Specialist
Ms. Sherry Lee, Senior Analyst
Mr. Ricky Perry, Assistant Director
Mr. Brian Robinson, Analyst
Mr. Domenic Savini, Assistant Director
Mr. Josh Williams, Senior Analyst

Mr. Jason Kirwan, FASAB Counsel

Absent: No absences

Welcome, Administrative Matters

The meeting began at 2:32 PM. Ms. Valentine began the meeting by welcoming members and observers. Mr. Perry called roll.

Topic B: Public-Private Partnerships

Ms. Valentine began with an overview of the materials, explaining that the intent of the proposed implementation guidance on public-private partnerships (P3s) is to assist the community in implementing Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements*. Ms. Valentine further explained that the Federal Accounting Standards Advisory Board (FASAB or “the Board”) has discussed implementation challenges over the last two years and determined that, based on feedback from the task force, implementation guidance is necessary.

Mr. Savini followed with an overview of the development of the draft Technical Release (TR) noting that:

- The community has identified implementation challenges, which have been vetted by the Board.
- Staff organized a task force composed of preparers, auditors, and users.
- Materiality and risk are being addressed as case studies.
- The task force confirmed that it needed guidance (for example, in the form of a flowchart and Q&A) to address implementation issues with SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases*).
- SFFAS 49 disclosures are supplemental in nature.

- The Board determined that a TR (that is, flowchart and Q&As) would be most appropriate to communicate guidance to the community and that risk and materiality handled via education and outreach as case studies.

One member noted that entities do not have any discretion and must comply with the standards that apply and still comply with SFFAS 49. The member asked for clarification on the implementation challenges identified by the task force. Mr. Savini agreed and stated that the Board had determined that some implementation challenges were out of scope. For example, Chief Financial Officer offices have admitted to not knowing what occurs operationally and do not have readily identifiable data-flags to help identify P3s.

Another member had concerns that a variety of steps in the AAPC charter and operating procedures were not adhered to and wanted to look at these carefully to determine whether the AAPC could have its own task force. Ms. Valentine disagreed and noted that the issues can come directly from the Board to the AAPC and that staff had followed both the charter and operating procedures. In addition, the AAPC did not disagree with taking on this project at the onset. Ms. Valentine reiterated that the AAPC has been compliant with its operating procedures.

Mr. Savini then reviewed the proposed next steps and stated that the AAPC had met twice before concerning this document and that staff had incorporated suggestions that were provided from those meetings. Additionally, he noted that staff's plan is to update the Board at its October meeting. Mr. Savini then briefly reviewed the AAPC's suggested edits from the May 2024 meeting.

Mr. Savini noted that technical experts from agencies had helped draft the guidance, which FASAB staff subsequently peer reviewed. The discussion then turned to the proposed flowchart wherein Mr. Savini advised that the prior AAPC suggestions were incorporated into the revised draft. The AAPC introduced a proposed Q&A concerning what is meant by the word "harmonization." AAPC members had agreed at the May 2024 meeting to change the term to "alignment." Mr. Savini then asked the members to provide input regarding the draft questions for respondents.

A member stated that he did not see value in the flowchart, believing that it had some incorrect technical items. The member noted that entities that consolidate a P3 are not going to disclose it. Mr. Savini agreed that, in most of those cases, supplemental SFFAS 49 disclosures might not be required, and that matter could be remedied quite easily on the flowchart.

Ms. Valentine noted that at the last AAPC meeting, the task force members stated they felt that there was value in the flowchart and TR. She then asked the other Committee members for their opinions.

One member proposed deleting the flowchart, noting that it implies one should start with SFFAS 49 before proceeding to SFFAS 47 and then to SFFAS 54 and that this seemed out of order. Another member agreed. Mr. Savini replied by noting that the flowchart is an example and the instructions on the prior page make it clear that the proposed waterfall process is an illustration that does not have to be followed.

Another member noted that the narrative on the prior page permits alternative ways to interpret the flowchart guidance and disagreed with removing it.

Another member stated that the narrative before the flowchart worked and did not have an issue with the presentation of the flowchart.

Mr. Savini stated that he would ask the task force to consider adding text to state that consolidated entities may not necessarily need to make any supplemental SFFAS 49 disclosures. Staff then reviewed the proposed Q&A on the alignment of disclosures, noting that two AAPC members had provided edits.

One member proposed deleting the Q&A that another member had suggested at the May meeting and asked if preparers could be given more discretion given that SFFAS 49 is supplemental. That is, the TR could give preparers the flexibility to provide what they think is necessary to fully disclose the risk of the P3 without being so specific.

The member who had suggested the question was open to changing some of the language in the actual question. Members agreed to work with staff to revise the Q&A.

Ms. Valentine cautioned that, although SFFAS 49 is a supplemental SFFAS, it still has requirements that must be met. These requirements cannot be put aside. As such, the Committee must ensure that implementation guidance does not conflict or override SFFAS 49.

Ms. Valentine noted that the AAPC has a responsibility to listen to the task force and community, which includes soliciting feedback when an exposure draft is released.

Mr. Savini then began reviewing the questions for respondents in the draft TR, noting that the questions are designed to get feedback on items such as the proposed flowchart.

Ms. Valentine reiterated that the Board had tasked staff to work with the community to see what SFFAS 49 implementation guidance may be helpful. The Board had then directed staff to work with the AAPC to develop the guidance, which is where the project currently stands.

Ms. Valentine stated that the Committee will have an opportunity to further discuss the draft P3 implementation guidance at its next meeting. She noted that staff will work with members to make the updates suggested during the meeting. Ms. Valentine also stressed that members should provide their comments, questions, and suggested edits/revisions to staff prior to the meeting to facilitate a more productive session. Staff will also consider if some issues identified by the task force are better suited for the Board to address.

Adjournment

The meeting was adjourned at 4:23pm.