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FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FASAB NEWS

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WENDY COMES APPOINTED AS ACTING EXECUTIVE DIRECTOR

FASAB announced that staff member Wendy Comes has been appointed as the Acting Executive Director, effective October 1, after the retirement of the previous Executive Director, Ron Young.

We welcome Wendy to her new position. As readers of the Newsletter are aware, Wendy has been a staff member of FASAB since June 1991. She has held increasingly responsible positions on the FASAB staff before being appointed as the Acting Director. As a Project Director, she helped develop the Accounting for Inventory and Related Property and Accounting for Property, Plant, and Equipment Standards as well as being actively involved in the development of several of the other FASAB Standards.

Wendy has also played a leading role in developing and presenting FASAB's training on the implementation of the standards, in conjunction with the Center for Applied Financial Management. She is both a Certified Public Accountant and a Certified Government Financial Manager. Wendy is a graduate of the University of Virginia and is a member of various professional organizations.

We are indeed fortunate to have Wendy as our Acting Executive Director.

CODIFICATION

The first volume of the codification, Original Statements, is nearing completion. At the September meeting, the Board suggested a few minor changes to

the draft and granted approval for its publication with those changes.

The Board members established two goals for the publication:

- (1) the document be distributed to as many government users as possible; and
- (2) an electronic version be made available via Internet and on disk as soon as possible.

The Board recognizes that many Federal employees in the accounting and finance fields do not yet have access to the standards. By achieving these two objectives, the Board believes that it can facilitate implementation of the standards. We will provide information on how to obtain copies of the publication in later issues of this newsletter.

With the first volume substantially completed, staff will begin work on the second volume which will present the standards by topic. This volume should be completed by Summer 1997.

INTERPRETATIONS

The Board was provided with a status report on interpretations requested by Federal agencies. An interpretation is a document of narrow scope providing clarification of the meaning of the standard or other guidance regarding the standard. To date, the Board has not published any interpretations.

The Board has received requests from several agencies regarding interpretations. Some of the topics

include (1) categorizing property, plant, and equipment, (2) accounting for environmental liabilities, (3) reporting on trust funds, and (4) valuing existing property, plant, and equipment.

At the September meeting, the Board considered the process for approving and issuing interpretations. The consensus was that draft interpretations would be discussed at an open meeting of the Board and after a majority agree on the draft, the representatives of the three principals (the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States) approve and sign it. Following approval, the interpretation would be published in much the same manner as the statements. This consensus is now being considered by the principals and should be finalized shortly.

NATURAL RESOURCES

The Natural Resources Task Force was officially established by the Board at the September meeting. The task force membership includes representatives from many Federal agencies involved in managing or monitoring natural resources. These include Department of the Interior, Department of Agriculture, and Department of Energy. In addition, the task force membership includes representatives from the three principals: Treasury, OMB, and GAO.

The task force will be chaired by Schuyler Leshner, Director of Financial Management and Deputy CFO at the Department of the Interior. The Board is delighted that Mr. Leshner agreed to serve as Chair and looks forward to working with him and all the task force members.

The task force expects to hold its first meeting during early November 1996 and will address oil and gas, hardrock and common variety minerals, coal, and timber.

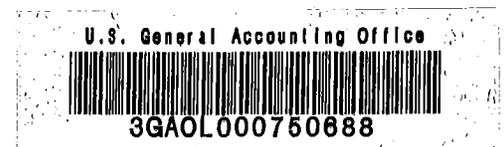
INDIAN TRUST FUNDS

JoEllen McCormack of GAO led the Board in a discussion of the staff position paper she had prepared, with input from other staff at GAO, OMB, and Interior. The paper recommended that the various trust funds of the Bureau of Indian Affairs (such as the "Payment to the Navajo Rehabilitation Trust Fund") not be reported on the face of the financial statements of the Department of Interior, but that footnotes provide summary financial information about the trust funds, as provided for in SFFAS 7's discussion of disclosures for dedicated collections (see paragraphs 83-87 of SFFAS 7). The Board endorsed this approach. Because the term "trust fund" is applied to a variety of activities, the Board limited this interpretation to the Indian Trust funds.

MD&A

Mr. Jackson, as Chairman of the MD&A task force, led the Board in a discussion of the working draft EL. He noted in particular that there should be a focus for the standard on management's discussion and analysis (MD&A). It should not be a conglomeration of information, nor, for the most part, the place where information is initially reported. Rather, it should--with perhaps some limited exceptions such as forward-looking information--be a place for summarizing, analyzing, and presenting in an understandable way information initially presented elsewhere. He also expressed concern that a standard not have a chilling effect on MD&A.

A member suggested that the standard should tie MD&A to the Board's four reporting objectives: budgetary integrity, operating performance, stewardship, and systems and control. MD&A should interpret the information included in the financial statements and add available and relevant non-financial information and forward looking financial



information that would help the non-accountant make the determinations sought by the four objectives. This, he suggested, should be stated as the over-riding standard for MD&A. Other standards might be added if needed, and examples of the types of relevant information could be provided.

Mr. Jackson noted that the accountability report (AR), when fully developed, might affect the scope of these suggestions. Nothing should be done to preclude expansion of management's discussion to the AR or be incompatible with the AR.

**RESPONSE DUE DATE EXTENDED FOR
COST OF CAPITAL PROJECT**

In July 1996, the Board issued an Invitation for Views (IFV) on accounting for the cost of capital. In his letter accompanying the IFV, Chairman Staats urged CFO's of Federal Agencies, preparers and auditors of federal financial information, and other interested parties to review the document and comment on the issues. The original response date was October 4, 1996. However, only a few responses have been received to date, and a number of agencies have requested an extension of time. Therefore, the deadline for receipt of responses has been extended to November 8, 1996.

In announcing the due date extension FASAB once again urged interested parties to respond to the IFV and reiterated the importance of comments to the progress of the Board's project. All responses will be carefully considered by the Board in its deliberations. Responses should be sent to:

Wendy M. Comes, Acting Executive Director
Federal Accounting Standards Advisory Board
750 First Street, NE, Suite 1001
Washington, D.C. 20002-4241

If you have not received a copy of the IFV or have questions about the project, please call FASAB at 202-512-7350, or Richard Mayo at 202-512-7356.

TOPICS FOR OCTOBER MEETING

Topics for discussion at the next regular Board meeting, on Thursday, October 31, in Room 4N30 (not 7C13), will include:

- Management Discussion and Analysis Exposure Draft,
- Interpretations Requested, and
- Contractor-developed software.

Also, please note that the November meeting will be held on Wednesday, November 20, in Room 7C13.

U.S. General Accounting Office



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