



*FASAB News*  
*Federal Accounting Standards*  
*Advisory Board*

**JUNE/JULY 2009**

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**FASAB Board Member and Two Staff Members**  
**Receive National Awards**

FASAB staff is pleased to announce that one of their board members, the executive director, and a fellow staff member were presented with national awards at the Association of Government Accountants (AGA) 58th Annual Professional Development Conference & Exposition in New Orleans, Louisiana at the end of June. The board member will also be recognized as the AICPA outstanding CPA in government award later this year.

Robert Dacey, JD, CGFM, CPA, FASAB board member and Chief Accountant for the Government Accountability Office (GAO), was selected as this year’s recipient of AGA’s International Achievement Award. This award recognizes leadership or outstanding achievement in international government financial management. Mr. Dacey was cited for his “outstanding commitment and dedication to the development of international accounting and auditing standards and interaction with the international

accounting community. He has actively participated in International Public Sector Accounting Standards Board and is a member of the International Organization of Supreme Audit Institutions Subcommittee on Accounting and Reporting. He has researched and written extensively on international issues, and provides expert advice and counsel to the Comptroller General and to GAO teams on accounting and auditing matters.”

Mr. Dacey also received AGA’s national Author Award, which recognizes the article published in the past year in *The Journal of Government Financial Management* that makes the most significant contribution to the literature of the profession, as chosen by the Journal Editorial Board. The article was one Mr. Dacey co-authored with Jeffrey C. Steinhoff, CGFM, CPA, CFE, titled “The Government Management Reform Act of 1994: A Retrospective of Achievements and Remaining Challenges and a Look to the Future.”

In addition, the American Society of Certified Public Accountants (AICPA) has named Mr. Dacey the outstanding CPA in government for 2009. He is being recognized for his achievements in improving financial and information security management throughout the federal government. Mr. Dacey’s role in leading the first financial audits of the consolidated financial statements of the United States, as well as audits of other key federal agencies, and working with agencies to develop and implement recommendations to address serious financial management challenges were specifically cited in making the award. The award will be presented on August 10 at the AICPA national governmental accounting and auditing update conference.

Wendy M. Payne, CGFM, CPA, FASAB executive director and staff member since 1991, was selected as this year’s recipient of AGA’s national Einhorn-Gary Award, which formally recognizes major contributions to advancing government accountability and contributions that have significantly enhanced AGA’s prestige and stature. Ms. Payne was selected for the award in recognition of Ms. Payne’s 18 years as an employee and the executive director of FASAB “where she has led the research and development of a wide array of highly respected and effective accounting concepts and standards. In that role, she helped FASAB work through a number of challenging issues and achieve recognition from the American Institute of Certified Public Accountants as the generally accepted accounting principles (GAAP) standards-setter for the federal government. She demonstrates an extraordinary commitment to improving federal financial accounting and reporting and promoting AGA’s mission with the utmost integrity and objectivity.”

Mr. Richard L. Fontenrose, CGFM, CPA, a FASAB staff member since 1991, was selected to receive AGA’s national Cornelius E. Tierney / Ernst & Young Research Award, which recognizes an individual who throughout his or her career has made continuous contributions to governmental financial management by direct participation in research activities and/or through encouragement and support of others engaged in government financial management research. Mr. Fontenrose was recognized for “17 years of research that has been used to develop federal accounting and reporting standards that have improved the transparency of federal financial statements. His exceptional efforts in developing standards on accounting for social insurance will

result in the availability of more accurate and transparent information that citizens can use to make well-informed decisions for themselves and their government.”

Messrs. Dacey and Fontenrose and Ms. Payne were nominated for their AGA national awards by the Washington, DC Chapter of AGA. Messrs. Dacey and Fontenrose were presented with the Washington, DC Chapter-level awards at its annual awards dinner at the Washington Grand Hyatt on June 6, 2009. Ms. Payne was awarded the chapter's Einhorn-Gary Award in 2005.

Please join staff in recognizing them for their contributions to federal financial management.

## Current Board Projects

*(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)*

### Federal Entity

#### **Disclaimer**

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@fasab.gov).

The Federal Entity project was not an agenda topic at the June Board meeting. However, staff did provide a brief update on project activities. The Board had previously directed staff to proceed cautiously on the federal entity project by continued outreach regarding some of the more complex issues. During June 2009, staff met with representatives from the Federal Reserve to discuss the relationship between the Federal Reserve / Federal Reserve Banks and the Federal government.

Staff also met with the Federal Entity Task Force on July 14<sup>th</sup> 2009. The task force will continue to address issues and explore alternative presentations and disclosures for the Board's consideration.

**Point of Contact:** Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

#### The Financial Report: MD&A, Statements, Notes, RSI and OAI

Although the Reporting Model project was not an agenda topic for the June 2009 meeting, staff briefed the Board on the project's progress. Staff is continuing to study federal financial report user needs and since the April 2009 Board meeting, staff has focused on

surveying congressional staff and developing plans for surveying citizens.

**Point of Contact:** Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov),

### Fiscal Sustainability Reporting

At the June 2009 Board meeting and subsequently, each of the ten board members submitted signed ballots to approve Statement of Federal Financial Accounting Standards (SFFAS) 36, *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government*. On June 25, 2009, proposed SFFAS 36 was forwarded to the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), the Acting Comptroller General, and the Director of the Congressional Budget Office for a 90-day review period. Absent an objection from either the Director of OMB or the Acting Comptroller General, SFFAS 36 will be issued as a final standard on September 28, 2009.

**Point of Contact:** Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

### Natural Resources

At the June 18, 2009, meeting, all members approved a pre-ballot draft revised exposure draft (ED). The members then approved a ballot draft submitted via email following the June meeting. On July 6, 2009, FASAB released the revised ED, *Accounting for Federal Oil and Gas Resources*, for public comment. While the proposed standards in the revised ED are similar in concept to those contained in the original ED issued on May 21, 2007, substantive changes have been made to the valuation and disclosure requirements that require re-exposure. Comments on the proposal presented in the ED are requested by September 8, 2009. The ED in PDF format and the specific questions for respondents in Word format are available on the FASAB website at <http://www.fasab.gov/exposure.html>.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

### Social Insurance

At the June 2009 FASAB meeting six members indicated preferences for a new basic financial statement. Four members preferred an MD&A presentation. Staff will return in August with options.

Also at the June 2009 the Board:

- Voted unanimously to approve the MD&A standard with changes to sub-paragraphs 27c and 27e to reflect the change in focus from the closed group

measure to the open group measure and other clarifying changes. Also voted 6-4 to require discussion of the closed group measure in the MD&A.

- Voted 7-3 to require a summary section in the statement of social insurance. The staff will research the question of presenting the summary in terms of percentages of GDP or other normalized numbers rather than dollar amounts.
- Unanimously approved a new “statement of changes in social insurance amounts.”
- Did not make a decision regarding the disclosure of an accrued benefit obligation. The staff will research the availability of information to develop an accrued benefit obligation for Medicare.
- Unanimously affirmed its decision not to require a line item on the statement of net cost for the change in social insurance amounts during the period.
- Unanimously decided to adopt a requirement on sensitivity analysis after dropping the reference to stochastic analysis.

**Point of Contact:** Richard Fontenrose, 202-512-7358, [fontenrosr@fasab.gov](mailto:fontenrosr@fasab.gov)

### Appropriate Source of GAAP

A roundtable with representatives from agencies that primarily apply generally accepted accounting principles (GAAP) issued by FASB will be held on **Wednesday, September 9, 2009**. The purpose of the roundtable is to solicit input that will be used to help the board in determining whether certain federal entities should be permitted to continue applying FASB GAAP and, if so, whether additional reporting should be required. This project will also consider whether federal entities should be permitted to convert from FASB standards to International Financial Reporting Standards published by the International Accounting Standards Board.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

### General PP&E Valuation

The Board unanimously adopted Statement of Federal Financial Accounting Standards (SFFAS) 35, *Estimating the Historical Cost of General Property, Plant, and Equipment - Amending Statements of Federal Financial Accounting Standards 6 and 23 (SFFAS 35)*. In this Statement, the FASAB amends SFFAS 6 and 23 to clarify that reasonable estimates of original transaction data historical cost may be used to value G-PP&E. The objective of this amendment is to establish a cost effective method to comply with SFFAS 6. The use of reasonable estimates is available to reporting entities that have not previously prepared financial reports but who may be required or

elect to do so in the future and do not yet have adequate controls or systems to capture these costs. In addition, these amendments also apply in those cases where entities have decided to use estimates to determine the historical cost values of general property, plant, and equipment (G-PP&E). The Statement was forwarded to the Principals for their 90-day review period on April 28, 2009. This proposed standard is also subject to a 45-day Congressional review. Absent an objection from Congress, OMB or GAO, we expect the Statement to be issued sometime during the week of October 12, 2009.

**Point of Contact:** Monica Valentine, 202-512-7362, [ValentineM@fasab.gov](mailto:ValentineM@fasab.gov)

### AICPA Omnibus

During the June 2009 meeting, the FASAB discussed a draft exposure draft (ED) that proposes to adopt three accounting and financial reporting topics from the American Institute of Certified Public Accountant's (AICPA) professional auditing standards - related party transactions, subsequent events, and consideration of an entity's ability to continue as a going concern (going concern). For the June 2009 meeting, the draft ED only discussed subsequent events and going concern and staff planned to present a related party transactions discussion at the August 2009 meeting. The FASAB believed that the transition from the auditing literature to the accounting and financial reporting standards should not result in a change in practice. Accordingly, the FASAB intended to adopt accounting and financial reporting requirements essentially as they existed in the AICPA's professional literature.

In discussing the topics to be included in the ED, the Board believed that the subsequent events literature could be adopted essentially as it existed in the auditing standards. Regarding going concern, the Board decided to exclude this topic from the ED. The Board has developed a draft standard for long-term fiscal sustainability reporting and an objective of the standard is to help provide users with information to determine whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due. The Board will consider the need for additional guidance in the future. Also, considering that the audit literature was developed for the private sector, staff will adapt the subsequent events guidance to the federal environment by incorporating applicable examples.

**Point of Contact:** Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

### Deferred Maintenance & Asset Impairment

Both the Real Property and Equipment/ Personal Property subgroups met in June to discuss developing a (revised) definition for Maintenance that is consistent with current actual asset management practices now being used in the federal government. As a starting point, both subgroups are working with the recommendations developed by the Federal Facilities Council (FFC) pertaining to SFFAS 6. An important goal of the Task force is "building a bridge" between agency functional expertise regarding asset

assessments/condition to ultimately how to best report Deferred Maintenance within the financial statements. Representatives from the OMB, GAO, FFC and others are helping to guide the Task force to its overall goal of improving financial reporting in this area.

Agency attendees participating in the June subgroups were from the DoD, State, NASA, Interior, Energy, Commerce (NOAA), VA and Smithsonian. Major points that came up during these meetings include:

- since the FASAB will not deliberate this issue for some time, the draft set of definitions which are expected this Fall could be used by the FRPC to develop an interim definition for FRPP reporting purposes,
- the task force would like to obtain input from the FRPC's Inventory Committee concerning its draft definitions and might consider one or more electronic survey instruments as a means to collect feedback from federal agencies/preparers/users,
- perhaps agencies need to report more than just DM dollars in order to provide for a more meaningful disclosure since there is a consensus among attendees that currently DM does not provide useful management information nor represent the cost required to resolve the maintenance backlog at mission critical facilities,
- discussion on what DM should include - (a) The value of cyclic work repeatedly missed - once or multiple times, (b) The value of the work missed or the value of the anticipated failure following the missed work, (c) The value of scheduled work only, including work scheduled in the past and not completed and work scheduled for the future for which no funding exists.
- discussion concerning asset impairment suggested that at least initially, such assessments should be engineering-driven. That is, since cash flows do not typically apply and the fact that agencies have developed fairly sophisticated asset assessment methods and practices, impairment testing should first consider technical assessments prior to employing a (non-technical) impairment test.
- some agency engineers charged with assisting in DM reporting are asking for greater clarity/guidance in the area of DM reporting. This lack of guidance could be contributing to the lack of comparability.
- asset transfers were discussed; (a) in the GSA system, an asset's original acquisition cost follows the asset from the transferring agency, (b) assets transferred to GSA are not always properly described, (c) in order to preclude either asset exclusion or a doubling-up, the Task force may need to write guidance as to when agencies should in effect remove and/or add an asset from/to its asset registers.
- Impairment Working Group - consensus was reached that engineering/technical assessments should be the first or primary driver in ascertaining if an asset is impaired. However, it was acknowledged that a small working group would study this matter further and report back to the subgroup at a later date. An initial meeting of the working group was held in July.

Due to the summer months preoccupying many of the attendees with year-end closing as well as preparations for the new fiscal year, neither Task force nor Subgroup meetings will be planned during the months of July or August. However, an early September Task force meeting is being considered to help assess status and overall research direction.

The following topics appear likely to be addressed the next time the subgroups and/or Task force reconvene:

1. Thresholds such as capitalization thresholds and how they might impact DM reporting both at an agency level and federal government wide.
2. Obsolescence and impact on DM reporting.
3. The continuance of a discussion concerning what does the term “critical” mean in relation to critical maintenance; does it refer to the asset, the work, or both?

Should you or someone you know be interested in assisting with this project, please notify Mr. Domenic Savini for details. The Task force asks that you help spread the word that sound changes and improvements to financial reporting cannot occur without active involvement from the part of both our functional and administrative/accounting communities.

**Point of Contact:** Dominic Savini, 202-512-6841, [SaviniD@fasab.gov](mailto:SaviniD@fasab.gov)

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 2009	Quarter 3 2009	Quarter 4 2009	Quarter 1 2010	Staff Contact
Natural Resources	ED – May 2007	Oil & Gas DP	Oil & Gas ED	Oil & Gas DP	Oil & Gas DP	Julia Ranagan, 202-512-7377
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006 ED – Nov. 2008	DP	DP	ED and/or UR	DP	Richard Fontenrose, 202-512-7358
Appropriate Source of GAAP		Research	Research	Research	ED for Remaining Issues	Julia Ranagan, 202-512-7377
Deferred Maintenance & Asset Impairment		Research	Research	Research	Research	Domenic N. Savini, 202-512-6841
Conceptual Framework Project:						
Measurement Attributes		Research	Research	Research	Research	Penny Wardlow, 202-512-7350
Financial Reporting Model		Research	Research	Research	Research	Ross Simms, 202-512-2512

Key Activities or Status - Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations  
 ED—Exposure Draft Issued  
 DP—Board Due Process, including review of comment letters, etc.  
 PH—Public Hearing  
 PV—Preliminary Views Issued  
 UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review  
 Final—Final Standard, Concept, Interpretation, etc. issued final.

## Accounting and Auditing Policy Committee

In January 2008, the Accounting and Audit Policy Committee (AAPC), established the General Property, Plant, & Equipment (G-PP&E) Task Force to assist in developing implementation guidance for federal G-PP&E as it relates to SFFAS 6, *Accounting for PP&E*, SFFAS 23, *Eliminating the Category National Defense Property Plant, & Equipment*, and other related G-PP&E Guidance developed by the FASAB. The task force includes federal agency representatives who are experiencing G-PP&E implementation issues and those who have G-PP&E implementation best practices to share with the federal community. The task force is being led by two AAPC members, Donjette L. Gilmore, Department of Defense, and Daniel Fletcher, Department of Interior.

At the May meeting of the AAPC John Lynskey, NSF, leader for the record retention subgroup of the G-PP&E task force presented a proposal to the Committee, *Record Retention Timeframes for General PP&E Assets*. The subgroup was tasked with looking into the issue of record retention timeframes and methods for retainment that support G-PP&E reported in agencies' general purpose financial statements. The subgroup has performed extensive research on record retention practices and requirements and by looking into any guidance related to the subject in federal government, private sector accounting, and other standards. In particular, the subgroup researched National Archives and Records Administration (NARA)'s record retention regulations and guidance applicable to federal agencies and visited with NARA's record retention specialist.

The task force proposes that its recommendations on record retention timeframes be implemented through an official request from the AAPC to NARA. The AAPC's request would include clarifying and modifying current record retention periods set out in NARA's General Records Schedule (GRS) 3 to address agency's permanent and transactional G-PP&E records.

The AAPC sought feedback on the subgroup's proposed edits to NARA's GRS 3. While one round of comments were received, any remaining comments may be sent to FASAB Project Director, Monica Valentine. Questionnaire can be found on the FASAB website at <http://www.fasab.gov/aapc/retentionpp.html>.

Also at its May meeting, Alaleh Amiri, DoD, leader for the disposal subgroup of the AAPC G-PP&E task force presented two proposals to the AAPC at its May meeting, *Implementation Guidance on Cleanup Costs Associated with Equipment* and *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*.

The scope of *the Implementation Guidance on Cleanup Costs Associated with Equipment* is to address cleanup costs associated with equipment as it applies to SFFAS 1, 5, 6 and Technical Release (TR) 2. The guide focuses on clean-up of hazardous waste associated with equipment and when the cleanup should be recognized as an environmental liability and when it should be expensed as a routine operation. The guide is separated into two sections – one addressing when SFFAS 1

should be applied and the other when SFFAS 6 should be applied. In addition the guide includes two examples – one example is associated with equipment cleanup when a liability should be recognized and one is associated with equipment cleanup when the costs should be expensed as routine operations.

This proposed implementation guide provides steps that can be followed to help federal entities consistently apply existing standards to help ensure consistent, accurate and meaningful application of the standard and should allow for consistent application of the provisions listed in the current standards. The proposed guidance will also assist federal entities to provide reasonable estimates of cleanup costs associated with the disposal of equipment assets, when required. The AAPC reviewed and approved this exposure draft at its July meeting.

*The Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* provides a framework for the determination of the presence of asbestos and asbestos containing materials and estimation of asbestos removal costs for federal facilities and installed equipment. The proposed steps provide implementation guidance to clearly define the level and the type of information that should be used to determine the asbestos cleanup liability for federal properties.

The guide is intended to provide implementation guidance for TB 2006-1. The scope of this guidance is limited to federal property that contains any form of asbestos. It provides additional clarification of SFFAS 6 and Technical Bulletin 2006-1 for identification and recognition of asbestos related cleanup costs, and outlines a proposed methodology for identifying and recognizing asbestos liabilities associated with federal properties. The guide lists factors to consider when identifying and eliminating properties not expected to contain asbestos. The guide also lists several estimation methodologies for determining the cleanup cost. Examples are also included in the guide to outline steps that can be taken when trying to identify asbestos cleanup costs. The AAPC reviewed a pre-ballot draft of this proposed exposure draft at its July meeting and pending minor changes is expected to approve the final exposure draft before the next meeting in September.

**Point of Contact:** Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

# FASAB Meeting Schedule

## Schedule for 2009 Meetings:

Wednesday, August 26<sup>th</sup> and Thursday, August 27<sup>th</sup>  
Wednesday, October 21<sup>st</sup> and Thursday, October 22<sup>nd</sup>  
Wednesday, December 16<sup>th</sup> and Thursday, December 17<sup>th</sup>

## Schedule for 2010 Meetings:

Wednesday, February 24<sup>th</sup> and Thursday, February 25<sup>th</sup>  
Wednesday, April 28<sup>th</sup> and Thursday, April 29<sup>th</sup>  
Wednesday, June 23<sup>rd</sup> and Thursday, June 24<sup>th</sup>  
Wednesday, August 25<sup>th</sup> and Thursday, August 26<sup>th</sup>  
Wednesday, October 27<sup>th</sup> and Thursday, October 28<sup>th</sup>  
Thursday, December 16<sup>th</sup> and Friday, December 17<sup>th</sup>

Unless otherwise noted, meetings begin at 9 AM and conclude at 4 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/meeting.html> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2009 Meetings:

Thursday, September 17<sup>th</sup>  
Thursday, November 19<sup>th</sup>

## Schedule for 2010 Meetings:

Thursday, January 21  
Thursday, March 18  
Thursday, May 20  
Thursday, July 15  
Thursday, September 16  
Thursday, November 18

Unless otherwise noted, meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://fasab.gov/aapc/meeting.html> approximately one week before the meetings.

## Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to staff at 202-512-7350 or [fasab@fasab.gov](mailto:fasab@fasab.gov) **at least two days before the meeting**. The Government Accountability Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.