



FASAB News
Federal Accounting Standards
Advisory Board

DECEMBER 2009/JANUARY 2010

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FASAB Bids Farewell to Danny Werfel and Welcomes Debra Bond

Danny Werfel, who joined the Board in May 2006, attended his last official meeting as a member of the Board in December. In light of his appointment as Controller at the Office of Management and Budget (OMB), Mr. Werfel named his successor at OMB, Debra Bond (Deputy Controller of the Office of Federal Financial Management), to serve on the Board. She previously served as the Chief Financial Officer of the U.S. Immigration and Customs Enforcement agency within the Department of Homeland Security. This is a return tour to OMB for Ms. Bond. She previously served in a variety of capacities on both the management and budget sides of OMB between 1995 and 2004.

Mr. Werfel's active participation in the work of the Board will be missed but we are confident that his leadership in the federal financial management community will continue. The Board looks forward to welcoming Ms. Bond at its February meeting.

FASAB to Operate Under New MOU

FASAB will operate under a revised Memorandum of Understanding (MOU). The MOU provides for the recent departure of the Congressional Budget Office (CBO) and alters the voting requirements to a two-thirds majority to approve standards and concepts.

CBO director Douglas Elmendorf indicated that CBO's decision to leave the board reflects resource and staffing constraints as well as unprecedented demands in light of the financial crisis and new initiatives. He indicated that service on FASAB was a privilege and that the CBO staff will be alert to issues relevant to the budget so that they might participate as advisors when needed.

Chairman Allen acknowledged that "CBO's contributions through nearly twenty years of collaboration have been substantial. In particular, CBO provided an economist's perspective that is often broader than an accountant's or auditor's. I will miss CBO's contribution but understand their pressures and priorities."

The new MOU removes references to CBO membership, funding and consultation on administrative matters. With respect to voting, it also preserves the current number of members needed to approve a final document at six. Preserving the requirement for the support of six members ensures that each standard engenders broad support. Historically, the vast majority of standards had broad support and gained the approval of more than six members. The Board will consider any operational changes needed as a result of the revised MOU at future meetings.

Updated *Pronouncements as Amended* Issued

Each year the volume presenting pronouncements including subsequent amendments is updated. The latest update includes all pronouncements issued through June 30, 2009 and is available at <http://www.fasab.gov/codifica.html> in PDF format. The Website also provides access to pronouncements issued since the most recent update. Prior editions are archived and remain available for research purposes.

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

The Federal Entity project discussion at the December meeting focused on a summary of the Federal Reserve Briefing that was held in November. It also provided for staff to obtain Board concurrence on issue areas and planned actions for the Federal Entity project. The Board also discussed the recent GAO Report [Federally Created Entities- An Overview of Key Attributes](#) as many of the conclusions and points of interest of the report further support issues identified in the federal entity project.

The Board discussed the summary of the Federal Reserve briefing to the Federal Entity Task Force. The session was very informative and provided an overview about the Federal Reserve's transactions with the federal government, its governance, and its current accounting policies.

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.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

The Board discussed staff's assessment of what issues remain to be addressed or resolved in the project and staff's recommendation for next steps or planned actions. Details about each issue as well as staff recommended actions can be found in the staff issue paper for the December meeting. The issues included the following (not presented in any particular order):

- Issue 1: What about the Federal Reserve?
- Issue 2: Conclusive Really Just Means in the Budget
- Issue 3: Unintended Consequences of Proposed Standard
- Issue 4: Entities Partially on Budget
- Issue 5: Legal status or legislation
- Issue 6: Confirm Board's Views on Reporting Model Interface
- Issue 7: Clarification of Ownership Indicative Principle
- Issue 8: Criteria for Consolidation
- Issue 9: Misleading to Exclude
- Issue 10: Temporary Exclusion
- Issue 11: Exception for Agency Mission-Related Interventions
- Issue 12: Flowchart
- Issue 13: Related Parties
- Issue 14: Amendments to SFFAC 2

The Board agreed with staff's identification of open issues on the Federal Entity Project and the planned actions. Staff will address the open issues at upcoming meetings and continue to develop an ED on the Federal Reporting Entity.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

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

At the December 17, 2009 meeting, the FASAB discussed the financial management aspects of other countries and decided to survey the reporting models of several countries. Upon completing the survey, the Board may invite officials from a particular country or countries to attend a FASAB meeting and conduct more in-depth research. Also, members discussed concerns regarding the existing financial reporting model, the need for managerial cost accounting information, and the scope of generally accepted accounting principles (GAAP).

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Natural Resources

At its meeting on December 16, 2009, the Board discussed the final draft of the oil and gas standard presented by staff. After making several editorial changes, the Board members approved the standard. Staff anticipates that SFFAS 38, *Accounting for Federal Oil and Gas Resources*, will be issued as final in April 2010 following a 90-day review period by FASAB's sponsors.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

Social Insurance

At its meeting on December 16, 2009, the Board discussed the final draft of the social insurance standard presented by staff. After making editorial changes to paragraphs 25, A87, and other paragraphs and illustrations in the standard, the Board approved the standard. Staff anticipates that SFFAS 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*, will be issued as final in April 2010 following a 90-day review period by FASAB's sponsors.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

FASB Reporting by Federal Entities (Appropriate Source of GAAP)

Staff is continuing research to determine whether additional reporting should be required for any of the entities that primarily apply FASB GAAP in order to meet users'

needs and federal financial reporting objectives. Further progress on this project will depend on workload demands of projects that have been designated as higher priority.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

AICPA Omnibus

The FASAB has issued the exposure draft, [Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards](#). Comments are requested by December 28, 2009.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Deferred Maintenance & Asset Impairment

At the December meeting staff provided an overview of the task force work products that culminated in a proposed re-definition of the term “maintenance,” suggested definition for the term “repair,” and a minority view point. Also, related staff recommendations were provided where applicable. As a result, three distinct issues were addressed by the Board.

First, staff inquired whether or not the Board believed that there were significant enough differences arising from the Task force’s work that would warrant a change to the current SFFAS 6 definition of “maintenance.” Second, staff asked for Board comment on the suggested definition for the term “repair,” and third, staff asked whether SFFAS 6 should (a) explicitly state that management should establish policies regarding “acceptable condition” and (b) whether more robust guidance should be added to the standard that management could refer to when determining “acceptable condition.”

Concerning the first question, by majority vote the Board adopted the task force definition with certain revisions/caveats. First, it was agreed to eliminate the term “restoration” and not make any substitution for the term “repair.” Second, the term fixed assets may need to be changed to PP&E in order to be consistent with SFFAS 6. Third, any and all changes either by the task force or Board should be reviewed again in light of SFFAS 6 language to insure that there are no inconsistencies.

Concerning the second question, the Board consensus was that the suggested repair definition as proposed by the task force be rewritten so that it would not include any reference to maintenance activities. As such, the Board would prefer the definition to read as follows: *“Repairs are generally directed towards putting assets back into an acceptable condition (restoration of function).”*

Concerning the third issue, the Board consensus agreed with both elements noting that other accounting standard-setters have taken similar courses of action.

The Board made two points clear: first, capital investment needs that go unfunded are not to be included in deferred maintenance and second, since no bright line exists between capital improvement activities and maintenance activities we should not expend research resources create one. It was further noted that trying to establish such a bright line would seem almost impossible to do among the different agencies due to their unique mission requirements.

The Chairman's final comments were that there will be further discussions on this topic and that he would like to avoid unintended consequences of being overly prescriptive. He reiterated that the value of deferred maintenance information is ensuring that management (1) discloses how they define deferred maintenance in-practice, (2) discloses how they measure and assess acceptable condition, (3) applies practices consistently and (4) adequately discloses asset maintenance/management policies and practices.

Point of Contact: Domenic Savini, 202-512-6841, SaviniD@fasab.gov

Review of Existing Standards: Earmarked Funds

Staff is researching issues relating to agency and government-wide reporting of earmarked funds in compliance with SFFAS 27, *Identifying and Reporting Earmarked Funds*. At the February 2010 Board meeting, staff will present a list of issues identified and options for resolving the issues. Agencies that have encountered any issues or problems in implementing SFFAS 27 are encouraged to contact Ms. Eileen Parlow, project manager.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Grants Accounting

The Grants Accounting Task Force Working Group has developed draft guidance for making reasonable estimates of grant accruals. The draft was submitted to the agenda committee of the Accounting and Auditing Policy Committee (AAPC) for discussion at the January 21, 2010 AAPC meeting as a potential AAPC Technical Release (Level C GAAP).

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Quarter 4 2010	Staff Contact
Natural Resources	Revised ED – July 2009	Oil & Gas UR; Draft Technical Bulletin	Oil & Gas Final; Technical Bulletin UR	Final Technical Bulletin		Julia Ranagan, 202-512-7377
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV – Oct 2006 ED – Nov 2008	UR	Final			Julia Ranagan, 202-512-7377
FASB Reporting by Federal Entities		Research	Research	Research	Research	Julia Ranagan, 202-512-7377
Deferred Maintenance & Asset Impairment		Research	Research ED on definition	Research	ED on measurement and reporting	Domenic N. Savini, 202-512-6841
Earmarked Funds		Research	Research	ED	DP	Eileen Parlow, 202-512-7356
Grants Reporting		Research	Tech Release ED or other			Eileen Parlow, 202-512-7356
Conceptual Framework Project:						
Measurement Attributes		Research	Research	ED	DP	Penny Wardlow, 202-512-7350
Financial Reporting Model		Research	Research	Research	Research	Ross Simms, 202-512-2512 or Julia Ranagan, 202-512-7377

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 September the AAPC issued two Federal Financial Accounting Technical Release exposure drafts entitled [Implementation Guidance on Cleanup Costs Associated with Equipment](#) and [Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment](#) and comments were due on December 4. The guidance was developed by a task force chaired by AAPC members, Donjette L. Gilmore, Director - Assistant Director Accounting & Finance Policy, Office of the Under Secretary of Defense (Comptroller)/DCFO -- Department of Defense and Daniel Fletcher, Deputy Chief Financial Officer -- US Department of the Interior.

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 TR 2. The guide focuses on cleanup 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. 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 technical release 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 *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* addresses important implementation questions regarding the consistent application of TB-2006-1 as it relates to asbestos cleanup costs associated with facilities and installed equipment. As federal agencies continue to develop their approach to implementing SFFAS 6 and TB 2006-1 for recognition of cleanup cost associated with asbestos, it has become apparent that an implementation strategy is needed to ensure consistent reporting of asbestos cleanup liabilities. Many federal agencies continue to struggle with interpreting SFFAS 6 and Technical Bulletin 2006-1 while attempting to determine a cost effective standard implementation methodology for identification and recognition of an estimated liability for asbestos cleanup. This guidance provides additional clarification of SFFAS 6 and TB 2006-1 and a framework for identifying assets containing asbestos, assessing the asset to collect information and/or develop key assumptions in applying acceptable methodologies to estimate asbestos cleanup costs for federal facilities and installed equipment.

The AAPC will be discussing the comment letters received on the two EDs at its January 21, 2010 meeting.

At its November 2009 meeting the AAPC added to its agenda a project from the FASAB on issues surrounding federal entity's reporting of Management's Discussion and Analysis (MD&A). A FASAB working group originally addressed the issue and concluded that SFFAS 15 was adequate as it is. The current guidance was high-level and it addressed the subject matter areas. The working group reviewed several agency reports and noted that some MD&A's were better than others. The working group suggested to the FASAB that additional guidance would be helpful by identifying a few of the good MD&A's along with a discussion on what the preparer should include. Ms. Regina Kearney, OMB OFFM, volunteered to lead the MD&A project task force.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2010 Meetings:

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

Unless otherwise noted, FASAB 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 2010 Meetings:

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

Unless otherwise noted, AAPC 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 **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.