



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

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**February/March 2014**  
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**FASAB and AAPC Members Recognized by the**  
**Institute of Internal Auditors**

On March 26th, the IIA announced its creation of the American Center for Government Auditing (ACGA) and the inaugural Most Influential Professionals in Government Auditing recognition of professionals who have positively impacted the practice of auditing in the public sector. The ACGA recognizes professionals for their outstanding achievements in public-sector auditing, based on the following criteria: promoting the value of auditing in government; demonstrating courage and integrity necessary to face difficult situations; willingness to call out opportunities to improve efficiency and effectiveness in government operations, even when doing so may not be popular or may incur strong opposition from those in power; and influence in the profession based on the size, scope, and reach of the organization they represent.

FASAB members Tom Allen, FASAB chairman and former GASB chairman, and Sam McCall, Chief Audit Officer of the Office of Inspector General Services at Florida State University, were recognized.

Accounting and Auditing Policy Committee Member Jon Rymer, Department of Defense Inspector General, was recognized.

Notably, several others in the federal community were recognized by the IIA:

- Comptroller General Gene Dodaro
- U. S. Senator Claire McCaskill
- Inspector General for the U. S. Department of Agriculture Phyllis Fong
- Inspector General for the U.S. Department of Education Kathleen S. Tighe

Mr. McCall was also inducted into the American Hall of Distinguished Audit Practitioners by the North American Board of the IIA. This is the highest honor given by the NAB for personal accomplishments in the advancement of the profession. To be considered for the honor, these professionals not only provided diligent service to their organizations, but they advanced the profession through thought leadership, presenting at conferences or seminars, or service to the IIA in a leadership role. The inductees have served as leaders in the internal audit profession for at least 10 years and exemplify highly ethical conduct, integrity, moral character, and service.

We thank these professionals for their leadership and congratulate them on being recognized by the IIA.

# 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.)*

## **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).

## Federal Reporting Entity

The Board continued deliberation on the Federal Reporting Entity project at the March 2014 meeting. The Board made the following tentative decisions:

- Clarify the ‘In the Budget’ inclusion principle
- Modify language to address the notion of “temporary” relationships
- Remove the “Disclosure entity views/perspective” factor from paragraph 69 of the proposal.
- Modify text to clarify that specific disclosures listed are examples and not requirements)
- Conclude that inclusion principles and attributes can be objectively applied to the central bank.
- Retain the minimum disclosures for the central bank
- Revise paragraph 77 to be consistent 73(disclosure entity example disclosures), with the exception of the opening and paragraph 77c-which the board agreed to specific modifications during the meeting.

The Board asked for additional staff research regarding the component reporting entity misleading to include and the Organizations Partially in the Budget issue areas.

Additional detail regarding these topics can be found in the detailed minutes of the meeting.

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

FASAB members plan to present their individual views of an ideal reporting model in April 2014. An ideal reporting model is intended to provide a conceptual vision of what the Board would like to achieve through generally accepted accounting principles

(GAAP). To help narrow the range of topics that the presentations and resulting discussions might consider, members determined the financial reporting objectives that would be the focus of the presentations. Accordingly, for the purposes of the ideal reporting model presentations, the Board decided to focus on Budgetary Integrity, in general, and each of the sub-objectives of Operating Performance. Also, the presentations would address certain aspects of the Stewardship objective which calls for information on the government and the nation. Members decided to focus on providing information regarding the government, rather than the nation and, accordingly, presentations would address the government's financial position and the sustainability of public services - two of the three Stewardship sub-objectives. Members may voluntarily address the third sub-objective concerning the government's contribution to the nation's current and future well-being. In addition, members plan to consider users' needs and other matters noted concerning the reporting model.

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

### Leases

The FASAB met jointly with the GASB to discuss similar issues related to each of their ongoing lease accounting projects. The Boards first discussed the lessor model. Both Boards agreed that they should begin with the goal of developing symmetry between the lessee and lessor models. The FASAB was also very focused on the intragovernmental leasing issues involving federal entities. The Boards also discussed GASB's tentative decisions to date on the lessee model. The following lessee model points were discussed.

- Termination clauses
- GSA occupancy agreements
- Differences between the accounting for federal leases and the budget scoring for federal leases
- FASAB and GASB's definitions of probable as it relates to assessing the likelihood of a renewal option being exercised – GASB's definition of probable has a higher threshold of probability
- Factors affecting the reassessment of the lease term
- Defining a short-term exception
- The discount rate used to calculate the lease liability – the government's incremental borrowing rate vs. the lessor's implicit rate

There were no major decisions made by the FASAB. Staff was directed to continue its research.

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

### Risk Assumed

At the March 2014 Board meeting staff presented the Insurance and Non-Loan Guarantee Definition, Characteristics, and Exclusions as developed by the task force. The Board and staff would like to thank the task force for their efforts to date.

The draft definition initially presented was:

A federal insurance/guarantee program (program) is a program authorized by law to provide financial compensation due to a negative impact resulting from an adverse event. The program manages the related risk and compensation to a designated population according to the following:

- A. law or otherwise enforceable by law,
- B. related regulations,
- C. agency policies, or
- D. explicit arrangements

The Board discussed the following concerns:

- Lack of prominence of the word “risk” (in the second sentence of the definition) and asked staff to rewrite it to move to the first sentence.
- Confusion between non-loan guarantees that this standard will address and loan guarantees that are captured under the Federal Credit Reform Act in the Statement of Federal Financial Accounting Standards 2: Accounting for Direct Loans and Loan Guarantees [SFFAS 2 (as amended)].
  - Staff explained that loan guarantees are addressed in the first exclusion. Therefore, the Board directed staff to also include “non-loan guarantees” in the title and definition to provide clarity.
- Clarity as to whether these programs really manage risk. Therefore, the word “manages” may not be appropriate. In updating the definition, the word “manages” was removed.

The following updated definition was developed but remains subject to further review by the Board:

A federal insurance/non-loan guarantee program (program) is authorized by law to accept all or part of the risk to financially compensate the designated population for loss incurred by an adverse event as defined by the:

- A. law or otherwise enforceable by law,
- B. related regulations,
- C. agency policies, or
- D. explicit arrangements or agreements

The Board generally agreed with the revised definition as well as the characteristics and exclusions presented in the staff memo. As staff develops the standard and new information is discovered changes are possible and will be finalized within the standard.

At the April 2014 Board Meeting staff will present an analysis of the similarities and differences between the Insurance/Non-Loan Guarantees and the Loan Guarantees.

Point of Contact: Robin Gilliam, 202-512-7356, [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov)

## Public-Private Partnerships (P3)

The objective of the P3 session was to review a draft Exposure Draft (ED) document entitled, *Public-Private Partnerships: Disclosure Requirements*. Some Board members were concerned that the P3 definition (par. 17 on page 16) was so broad and the conclusive characteristics so easy to meet that many contracts the Board would not want included in the scope, such as contracts for the acquisition of almost any large capital asset, would be included. Staff was requested to draft language that would exclude more contracts and/or adding a question to respondents about the breadth of the scope.

The Board considered the Conclusive and Suggestive characteristics beginning at paragraph 19 on page 16. Staff noted that the requirements are written such that if an arrangement first meets the definition of a P3 and has any one of the four Conclusive characteristics, disclosures are required. However, if none of the four Conclusive characteristics are met, then the Suggestive characteristics are applied and if an arrangement has one or more of these, there is discretion as to whether disclosure would be presented.

A Board member was concerned with how probability is considered in conjunction with the Conclusive characteristics suggesting that disclosures should not be required for P3s for which the risks of loss are remote. However, others expressed the view that considering the materiality of the risk would address that concern. Others questioned whether there was a sufficiently clear boundary around the population of risks that should be disclosed. Staff noted that circumstances in which the risk of loss is remote would fail to meet the definition of P3s, which discusses the sharing of presumably significant or material risks. Staff was advised that the language that filters-out remote risks should be improved if possible.

The Board then discussed the proposed disclosures at paragraph 23 on page 22. Although members seemed generally satisfied with the proposed disclosures, some Board members questioned the need for the disclosure (i.e., 23d.) of amounts expected to be paid and received over the life of the P3 and whether that helps explain the risks of the P3. However, others believed that this was needed because (1) some P3 arrangements are not required to be reported as liabilities and (2) commitments, as represented by payments are fixed.

Lastly a Board member questioned whether early exit (e.g., termination) costs were required to be disclosed as part of any of the proposed disclosures. Staff was requested to consider alternatives for this item.

Should you be interested in joining the P3 Task Force, please contact Mr. Domenic N. Savini at 202-512-6841 or via email at [savinid@fasab.gov](mailto:savinid@fasab.gov).

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

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 1 CY2014	Quarter 2 CY2014	Quarter 3 CY2014	Staff Contact
<b>The Reporting Entity</b>		DP	DP	DP	Melissa Loughan (202-512-5976)
<b>Risk Assumed</b>		Research	Research	Research	Robin Gilliam (202-512-7356)
<b>Leases</b>		Research	Research	Research	Monica Valentine (202-512-7362)
<b>Financial Reporting Model</b>		Research	Research	Research	Ross Simms (202-512-2512)
<b>Public Private Partnerships</b>		Research	Research	ED	Domenic Savini (202 512 6841)

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

The AAPC bid farewell to two departing members Donjette L. Gilmore (DoD) and John Brewer (USDA) who both served their maximum terms on the AAPC – six years. They also welcomed four new members to the AAPC -- Gordon Alston (Commerce), Kristine Chadwick (Treasury), Keith Donzell (HUD), and Maryla Engelking (DoD).

The FASAB Internal Use Software working group updated the Committee on the progress of their work and some of the issues the working group is addressing. The AAPC accepted the IUS issues as a project for the AAPC agenda contingent upon any FASAB decisions made on the project.

FASAB staff sent out a survey asking members of the federal community to identify any potential implementation issues that might arise as a result of SFFAS 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32* which becomes effective in fiscal year 2015. Ten responses were received back from the survey, with seven respondents noting that they had no known implementation issues with SFFAS 42. Three respondents forwarded their implementation questions on SFFAS 42; however none of the questions rose to the level of needing implementation guidance.

The AAPC Chair advised the Committee that FASAB plans to make it a practice after a new standard is developed to send out a survey to the community asking if there are any specific implementation issues that could be addressed by the AAPC through a technical release. The survey would be sent out well in advance of the standard's effective date. Staff will also be sending out a similar survey on SFFAS 44 *Accounting for Impairment of G-PP&E Remaining in Use*.

The Chair also noted that the DoD DCFO responded to the FASAB's request for comments on its *Three-Year Plan and Annual Report*. The letter noted six topics for FASAB consideration. Even though the issues are DoD specific issues we believe the federal community as a whole can benefit from any guidance that arises from these issues. The Chair also provided to the Committee a list of suggested approaches in relationship to the requested DoD projects. The suggestions will also be discussed by the FASAB at its April meeting. The Committee accepted the DoD contractor financing payments issue as a project for the AAPC agenda.

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

# FASAB Meeting Schedule

## Schedule for 2014 Meetings:

April 23<sup>rd</sup> and 24<sup>th</sup>  
June 25<sup>th</sup> and 26<sup>th</sup>  
August 27<sup>th</sup> and 28<sup>th</sup>  
October 22<sup>nd</sup> and 23<sup>rd</sup>  
December 17<sup>th</sup> and 18<sup>th</sup>

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2014 Meetings:

Thursday, May 15  
Thursday, August 21  
Thursday, November 20

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://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

# Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. Thank you.