



FASAB News
Federal Accounting Standards
Advisory Board

October/November 2011

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FASAB Welcomes Sam McCall

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that Sam McCall has been appointed to a five-year term as a member of the Board beginning January 1, 2012. Mr. McCall's term begins upon the completion of Norwood ("Woody") Jackson's term.

An Appointments Panel—composed of three federal members, the FASAB chairman, two individuals representing the American Institute of CPAs, and one individual representing the Financial Accounting Foundation—advises the FASAB Sponsors on appointments and re-appointments for the six nonfederal members of the Board. The Sponsors—Timothy F. Geithner, the Secretary of the Treasury; Jacob J. Lew, the Director of the Office of Management and Budget; and Gene L. Dodaro, the Comptroller General of the United States, make the final appointments.

In welcoming Mr. McCall to the Board, Mr. Allen noted that he "expects Mr. McCall will bring a unique perspective to the Board in light of his substantial experience in state and local government and his focus on performance reporting by governments. His active

promotion of citizen centric reporting – both during his tenure as the president of the Association of Government Accountants and as a local government official – bodes well for users of federal financial statements.”

Mr. McCall has over forty years experience in governmental auditing. He served as deputy state auditor for the state of Florida and is presently the city auditor in Tallahassee, Florida. He is a certified public accountant, certified government financial manager, certified internal auditor, and a certified government auditing professional. In 2009, he received a Doctor of Philosophy in Public Administration from Florida State University with an emphasis in government financial management. His dissertation topic was “An Analysis of Local Government Performance Measurement Reports.”

In addition to his many career and educational accomplishments, Mr. McCall has served the profession through many volunteer activities at the international, national, state and local levels. He was vice-chair of the International Internal Auditing Standards Board and a member of the Comptroller General’s Advisory Council on Government Auditing Standards. His experience with accounting standards-setting includes serving on task forces for the Governmental Accounting Standards Board as well as the American Institute of CPAs FASAB Rule 203 review panel.

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.

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.)

Citizens Discuss Expectations of Agency Reports

Local citizens discussed their expectations of agency financial reports during two focus group discussions. Citizens believed that agencies would utilize existing technologies to communicate financial information and expected internet-based, interactive reports with the following features:

- A summary of key items and links to more detail or drill-down capability.
- Highly visual presentations, such as graphs, charts, maps, etc. linked to additional information, limited text.
- “Mouseover” capability. This would enable them to mouseover an item and see additional information, such as the definition of a technical term or an abbreviation; rather than defining the item once and developing a glossary and list of abbreviations.
- Context such as how does the amount of the agency’s costs compare with other agencies; and what services did the agency provide in the local area?

The October 2011 discussions were conducted as part of FASAB staff's Federal Reporting Model research and the participants also provided expectations on the content of agency financial reports. For details of the discussions see the Concepts – The Financial Report project on FASAB's website.

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

Statement of Changes in Social Insurance Amounts

The Board considered a question posed by an independent public accounting firm regarding the Statement of Federal Financial Accounting Standards (SFFAS) 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*. The firm inquired whether over time more than one statement of changes in social insurance amounts (SCSIA) should be presented. That is, whether one, two, or four Statements of Changes in Social Insurance Amounts (SCSIA) following the initial year of implementation of would be required.

The question arises because SFFAS 37 refers to changes during a reporting period. A reporting period is generally one year. When comparative statements for two reporting periods are presented readers may expect to that each basic financial statement be presented for both years. Further, because the statement of social insurance is required to be presented for five years some may expect a SCSIA relating changes from each ending balance presented.

The Board noted that it was clear that only one SCSIA is expected in fiscal year 2011—the first year of implementation. After some discussion regarding the conventional meaning of 'reporting period,' most members concluded that a SCSIA should be presented for two reporting periods (years) when comparative statements are provided.

Federal Entity

At the October Board meeting, the Board was requested to approve the revised language for the remaining government-wide reporting entity open issues and provide feedback on the completed government-wide portion of the Exposure Draft (ED). Specifically, the Board was asked to approve the revised language for the consolidation of FASB-based information without conversion and the revised language for non-core entity disclosures. The Board was also asked to vote on options for addressing the Federal Reserve. Additionally, the Board discussed issues raised by a Board member regarding the scope of the ED and the type of entities considered non-core.

The Board decided the following at the October meeting:

- The Board agreed the document could be clarified by staff (1) revising the title (presently "Government-wide and Component Reporting Entities") to a more descriptive option such as "Identifying Organizations to Include in Federal Financial Reports and Related Disclosure Requirements" and (2) acknowledging in the executive summary and basis for conclusions the continuum among non-

core entities. [Note: Staff will present title options at the next meeting that align with the revised structure]

- Staff will address the GAAP issue with a narrow clarification that core entities are federal entities.
- The Board approved the revised language to address the consolidation of FASB based financial statements by deleting the explicit disclosure requirements previously proposed.
- The Board approved the revised language for Disclosures for Non-core entities.
- The Board agreed a listing of non-core entities would not be a required disclosure.
- The Board voted to rescind sections of SFFAC 2 that explicitly excluded certain entities and include a brief explanation in the basis for conclusions.
- The Board approved the draft Basis for Conclusions (overall structure, detail, and rationale proposed) with the understanding changes would be incorporated for decisions made at the October meeting. In addition, certain members plan to forward editorial comments after the meeting.
- The Board will not issue a Preliminary Views document or a Discussion Memorandum to solicit input on the government-wide portion

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

[The Financial Report: MD&A, Statements, Notes, RSI and OAI](#)

During the October 2011 Board meeting, FASAB discussed the report, *The Chief Financial Officers Act of 1990 – 20 Years Later: Report to the Congress and the Comptroller General (CFO Act Report)*. Attending the meeting to discuss the CFO Act Report were:

- Danny Werfel, Controller, Office of Federal Financial Management, Office of Management and Budget
- James L. Taylor, Chief Financial Officer, Department of Labor
- Jon T. Rymer, Inspector General, Federal Deposit Insurance Corporation

The CFO Act Report identified the lessons learned since the CFO Act of 1990 was enacted and offered the following recommendations:

- 1) The Congress should consider enhancing the role of the CFO by standardizing the CFO's portfolio to include leadership responsibility for budget formulation and execution, planning and performance, risk management and internal controls, financial systems, and accounting. To provide continuity during the often lengthy period between appointments of agency CFOs, the Congress should also consider providing Deputy CFOs with the same breadth of responsibilities as their respective CFOs.
- 2) The Congress should consider directing OMB, GAO, and the Federal Accounting Standards Advisory Board (FASAB), in consultation with CIGIE, to evolve the financial reporting model by examining the entire process with an

eye toward how to further improve and streamline current reporting requirements and to better meet the needs of all stakeholders.

Also, FASAB discussed a project plan for reviewing the reporting model of component level entities. The Board determined that staff should begin by conducting discussions with CFOs and representatives from various groups to help the Board better determine what information is of value to users.

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

Deferred Maintenance & Asset Impairment

At the October 27, 2011 board meeting the members discussed (1) staff's analysis of respondent comments to the exposure draft entitled, Deferred Maintenance and Repairs; Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32 and (2) draft Exposure Draft (ED) document entitled, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use.

Deferred maintenance and repairs: TAB G - The exposure draft was very well received as reflected by the 22 responses. In particular, the majority of the responses were from the CFO and preparer community reflecting a good balance and check on the task force's work which was primarily reflecting a technical user's (i.e., asset custodians, engineers, facilities management personnel, architects, etc.) concerns and point of view.

As a result, because of the favorable nature of the responses, the board concluded that a public hearing would not be scheduled. Staff recommended that the board adopt three respondent suggestions dealing with: (1) ensuring that condition assessment surveys can also be performed on a methodical risk based method in addition to cyclical methods, (2) articulating in the basis for conclusions that preparers could consider providing information concerning the amount of the ending DM&R balance that would need to be incurred in the near term, and (3) including the definition of the term "condition" within the standard.

Members agreed to review a revised document reflecting the above changes prior to pre-balloting in December. Mr. Allen then concluded this portion of the meeting by thanking members of the Deferred Maintenance – Asset Impairment Task Force noting that they have been an incredibly productive group.

Asset impairment: TAB H - Members reviewed specific portions of the draft Exposure Draft document that included the following topics: when provisions of this proposed statement would apply, not requiring entities to search solely for indications of impairment, how/when impairments can arise, and describing the magnitude of the decline in service utility.

In particular, members discussed the historical context of why the board decided to initiate an asset impairment project. Both auditors and practitioners have been raising this issue with members because apart from internal use software, there is no FASAB

impairment standard. In some cases auditors are requiring management to use a cash flow approach which is not germane to most all G-PP&E. Although members believe that the benefits of issuing an asset impairment standard outweigh the costs, they would like to make clear that the board is asking the community to “look upward” keeping an eye on materiality and not process.

The board tentatively agreed to exempt internal use software from the provisions of this standard and address SFFAS 10, Accounting for Internal Use Software, in a future project. Members asked staff to present a revised draft document for the next meeting.

Staff invites interested parties to feel free and share input or observations at any time. Board briefing materials are found at <http://www.fasab.gov/meeting.html>; select Tab G and Tab H.

Should you have any questions, input, or observations that you would like to share, please contact Mr. Domenic N. Savini at 202-512-6841 or email at savinid@fasab.gov.

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

Earmarked Funds (Evaluating Existing Standards)

At the October Board meeting, staff noted that Board decisions on the following issues will be needed in order to move forward with a preliminary draft Statement of Federal Financial Accounting Standards:

- Reporting on the face of the financial statements versus option to report in the notes
- Board member’s suggestion to delete the option for alternative format
- Effective date

The discussion focused primarily on the issue of reporting on the face of the financial statements versus an option to report in the notes. Ms. Parlow asked the Board to consider permitting component entities to report earmarked funds information other than net position in the notes. She said that at one time, the Board had supported a move to note-only reporting, and that a majority of respondents to the exposure draft supported note-only reporting. She noted that a primary objective of earmarked funds reporting is to show the extent to which the rest of government has borrowed from earmarked funds. She said that the disaggregated reporting for net position on the face of the balance sheet would accomplish this. Accordingly staff recommended a compromise for component entity reporting: that net position should continue to be disaggregated on the face of the balance sheet, but that component entities should have the option to report the disaggregated amounts for earmarked funds related to the Statement of Changes in Net Position (SCNP) in the notes instead of on the face of the SCNP

As a result of the discussion at the October 2011 meeting, the Board agreed that staff should develop the following options for Board discussion:

- 1) An addition to the Basis for Conclusions (BfC) to encourage agencies with majority earmarked funding to report on the face of the SCNP

- 2) An addition to the standard providing factors for agencies to consider when deciding among alternatives for SCNPs reporting on earmarked funds
- 3) A 50% rule in the standard regarding options for SCNPs reporting for component entities

In addition, the Board agreed that staff should develop a draft rule that component entities should have a reference to the earmarked funds note on one or more line items of the SCNPs if not reporting on the face of the SCNPs. Such a rule could be combined with any of the three options above.

After the Board makes a decision regarding the options above, it will address the remaining two issues: whether to retain the option for component entities to use an alternative format (data presented parenthetically within the line item titles, rather than in separate lines or columns) and effective date.

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

Investments and Other Equity Interests in Non-Federal Entities

At the August Board meeting, staff presented a draft project plan that included an in-depth study of reporting requirements by other standard setters, for example, the current joint project by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB).

The Board discussed the project plan and decided that due to the pending nature of the FASB/IASB requirements, the scope of this project should be narrowed to primarily address the federal government's bailout activities, which are distinct from private sector investments because the unique purpose of such activities is to stabilize the economy rather than to earn a profit on the investment.

The planned task force for this approach would primarily include subject matter experts on the federal government's bailout activities and credit reform accounting from Treasury, the Government Accountability Office and Office of Management and Budget. Staff will revise the project plan and timeline based upon the above changes.

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

Leases

The Lease Project was not discussed at the October board meeting. Staff is continuing preliminary research on the project by gathering information from federal entities on their leasing activities, developing a detailed task force plan, and a list of potential task force members.

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

Risk Assumed

The Risk Assumed Project was not discussed at the October board meeting. Staff is continuing preliminary research on the project by developing an inventory of risk assumed by the federal government, a detailed task force plan, and a list of potential task force members. An informational update will be provided to the board members for the December meeting.

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 4 CY2011	Quarter 1 CY2012	Quarter 2 CY2012	Quarter 3 CY2012	Staff Contact
The Federal Entity		Research	ED	DP	UR	Melissa Loughan (202-512-5976)
Deferred Maintenance & Asset Impairment	SFFAS: Definition ED: Measurement	UR: Measurement/ ED: Impairment	Final: Measurement DP: Impairment	UR: Impairment	Final: Impairment	Domenic N. Savini (202-512-6841)
Earmarked Funds	ED	DP	UR	Final		Eileen Parlow (202-512-7356)
Risk Assumed		Research	Research	Research	Research	Julia Ranagan (202-512-7377), Ross Simms (202-512-2512)
Investments and Other Equity Interests in Non-Federal Entities		Research	Research	Research	ED	Eileen Parlow (202-512-7356)
Leases		Research	Research	Research	Research	Monica Valentine (202-512-7362)
Conceptual Framework Project:						
Measurement Attributes		Final SFFAC				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

The November 17th scheduled meeting of the AAPC was canceled. However, the AAPC G-PP&E task force is continuing its work. The next meeting of the AAPC is scheduled for Thursday January 19th, 2012 at 1:00 pm.

AAPC Welcomes Steven Zane

Steven Zane, CPA, CGFM, joined the AAPC as one of the three Council of the Inspectors General on Integrity and Efficiency (CIGIE) representatives. Mr. Zane is the Deputy Assistant Inspector General for Audits at the United States Nuclear Regulatory Commission (NRC), Office of the Inspector General (OIG). The Audits component of the OIG independently and objectively performs audits and evaluations which promote economy, efficiency, and effectiveness in the NRC's programs and operations; prevent and detect fraud, waste, and mismanagement; and respond to emerging circumstances and priorities.

Before joining the NRC, Mr. Zane worked in an Audit Policy and Oversight role for the Department of Defense, OIG. In that role, Mr. Zane worked on numerous accounting, auditing, and procurement policy matters. Earlier positions included working on the audit staff of the Defense Contract Audit Agency, teaching accounting at Herbert H. Lehman College of the City University of New York, serving as a Federal Credit Union Examiner for the National Credit Union Administration, and working on the audit staff of Deloitte.

Mr. Zane is a Certified Public Accountant, Certified Government Financial Manager, and Certified Cost Analyst. He is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, and the Association of Government Accountants.

Technical Release 14

On October 6, 2011 the AAPC issued Statement of Federal Financial Accounting Technical Release (TR) 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*.

The implementation guidance in TR 14 addresses important implementation questions. The guidance will lead to consistent accounting treatment for the disposal, retirement, or removal from service of general property, plant, and equipment as well as related cleanup costs. The technical release provides implementation guidance that further clarifies existing SFFAS 6 requirements. The implementation guidance should help differentiate between permanent and other than permanent removal from service of G-PP&E assets. The implementation guidance also recognizes the many complexities involved in the disposal of G-PP&E, as well as delineates events that trigger discontinuation of depreciation and removal of G-PP&E from accounting records.

The technical release is available at <http://fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/fasab-handbook/document-by-chapter/>.

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

FASAB Meeting Schedule

Schedule for 2011 Meetings:

Monday, December 19th and Tuesday, December 20th

Schedule for 2012 Meetings:

Wednesday and Thursday, February 22nd and 23rd
Wednesday and Thursday, April 25th and 26th
Wednesday and Thursday, June 27th and 28th
Wednesday and Thursday, August 29th and 30th
Wednesday and Thursday, October 24th and 25th
Monday and Tuesday, December 19th and 20th

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 2011 Meetings:

Thursday, November 17th (Cancelled)

Schedule for 2012 Meetings:

Thursday, January 19
Thursday, March 15
Thursday, May 17
Thursday, July 19
Thursday, September 13
Thursday, November 15

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.