

## **Accounting and Auditing Policy Committee (AAPC) Meeting Minutes**

November 21, 2019, 1:00 PM – 3:00 PM  
441 G Street NW, Room 7B16 Washington, D.C.

### **Attendance**

All committee members were present throughout the meeting, including: Messrs. Alston, Baker (with a brief absence during the end of the final agenda item), Casto, and Hyde; Mses. Johnson, Laurance, and Layfield; and Messrs. Lewis, O'Neill, and Smalskas.

Ms. Valentine, AAPC chair; Ms. Lisa Motley, FASAB general counsel; and Mr. Perry, FASAB senior analyst, were both present throughout the meeting.

### **Introductions and Welcome (Agenda Item #1)**

The meeting began at approximately 1:10 PM. Ms. Valentine kicked off the meeting by welcoming two new committee members: Mr. Brian Casto and Mr. Robert "Bob" Smalskas. She thanked these members for their service on the committee.

The meeting also marked the final meeting of Mr. Gordon Alston, who served the maximum six-year term on the committee. Ms. Valentine thanked him for his sustained contributions and involvement as a member of the committee.

### **Discussion of proposed edits to AAPC charter, operating procedures, task force roles and responsibilities (Agenda Item #2)**

Ms. Valentine directed committee members to tab A of the [meeting materials](#). She noted that there are opportunities to update and clarify the committee charter, operating procedures, and task force roles and responsibilities to better reflect the committee's operations and improve certain procedures. Certain edits must be made in tandem with edits to FASAB's rules of procedures to ensure consistency across documents.

Mr. Perry walked committee members through proposed edits to the charter and operating procedures. Based on feedback from committee members, staff will do the following:

- Include comment boxes explaining the rationale for changes that might be viewed as significant to facilitate final reviews by committee members and the eventual review of Board members.
- Revise the CFO Council members' appointment and selection procedures to explicitly designate that responsibility to the OMB controller rather than the CFO council chair, as reflected in the previous charter. Staff agreed to include the proposed change in the next round of revisions circulated.
- Make a few technical and clarifying edits discussed by members during the meeting, including a technical correction to the voting section of the operating procedures.

Mr. Perry asked committee members to provide edits to the task force roles and responsibilities document offline due to time constraints. These documents will be circulated to the committee once again following the meeting, and members will also have an opportunity to provide follow-up comments and edits at that time.

Ms. Valentine noted that the agenda subcommittee, which is mentioned in the operating procedures, had been discontinued in recent years, but that staff will reach out to members to identify volunteers to serve on the subcommittee and begin holding agenda subcommittee meetings periodically once again. Staff encouraged members to volunteer, noting that many of the subcommittee meetings will likely be short phone calls or meetings that are adjacent to AAPC meetings. Staff further noted the proposal to include the FASAB executive director on the four-member subcommittee due to the executive director's firsthand knowledge of emerging implementation issues and ongoing technical inquiries submitted to the FASAB; members agreed that such a change would be beneficial.

### **Task Force Discussion of Staff Analysis and Compilation of Implementation Issue Candidates (Agenda Item #3) and Implementation Guidance Format, Content, and Approach (Agenda Item #4)**

Mr. Perry directed members to tabs B and C. Mr. Perry first summarized the task force and Board efforts to-date. Task force members have undertaken a systematic process to identify implementation issues by performing a content analysis of Governmental Accounting Standards Board implementation guidance and by submitting implementation issues that may be candidates for discussion within FASAB guidance.

Staff and the task force are now entering the second phase of work; staff will be working with task force members to write a first draft of the guidance and circulate it piecemeal to the entire task force—and eventually the committee—for reviews. Task force members indicated that they were comfortable with this approach and asked that staff also share drafts piecemeal with the committee after it undergoes task force review. Mr. Perry agreed to submit the draft implementation guidance to the committee in several rounds; he anticipated providing approximately three rounds of materials. He further noted that the committee may need to review certain materials between meetings to ensure timely release of an exposure draft (ED).

Mr. Perry noted that a majority of the implementation issues identified by the task force are issues that meet criteria for being addressed in a Technical Release (TR); however, he also noted that there are certain implementation issues that will likely result in level A or B pronouncements.

Mr. Perry asked committee members if they had any concerns or suggestions about the approach for identifying implementation issues. Members were supportive of the approach. Ms. Layfield emphasized the importance of the leases implementation guidance for many smaller federal reporting entities. These entities will find this guidance especially helpful. She encouraged staff to keep these entities in mind when writing the guidance. Mr. Perry noted that staff intends to make the guidance easy to navigate and read and to provide a variety of examples that are not overly-complex so that they can be applied in a variety of contexts and operating environments.

### **Discussion of conforming amendments comment letters (Agenda Item #5)**

Mr. Perry directed members to tab D to begin discussion of comment letters received in response to the ED titled *Conforming Amendments to Technical Releases for SFFAS 54, Leases*.

#### Question for Respondents #1:

Mr. Perry pointed out that there is opportunity to further clarify footnote 4 of paragraph 3 of TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*. Staff agrees with the ED respondents who raised concerns about the footnote. Mr. Perry noted that lessees would not typically be responsible for asbestos cleanup costs associated with right-to-use assets; such a responsibility would typically fall on the original lessor. As such, more clarifying language to reflect this nuance is necessary.

*Do committee members agree that the language should be modified in footnote 4 of paragraph 3?*

Committee members agreed with respondents' concerns regarding the footnote and agreed with staff's proposal to develop an alternative amendment. Staff will circulate proposed alternative amendments for committee review at a later time.

#### Question for Respondents #2

Mr. Perry noted that guidance related to software licenses will be removed from TR 16. As such, the conforming amendments will reflect this removal. Respondents 4, 7, 9, and 14 observed that software licenses do not meet the definition of property, plant, and equipment, as defined in SFFAS 6, *Property, Plant, and Equipment*, because they are considered an intangible asset.

Staff agreed with these respondents' technical concerns and shared recommendations with the Board at its August meeting to address software licenses through a Technical Bulletin rather than through conforming amendments to TR 16. The Board agreed with the recommendation. As a result, existing TR 16 guidance for software licenses will be rescinded and replaced with Technical Bulletin guidance.

*Do committee members have any questions regarding the revised approach for conforming Technical Release 16 guidance on software licenses to SFFAS 54 by rescinding such guidance and replacing it with a Technical Bulletin?*

Committee members were supportive of the revised approach and did not have any follow-up questions. Staff will distribute the above-mentioned revisions, changes tracked, to the committee for either the May 2020 or August 2020 AAPC meeting.

#### **Adjournment**

Ms. Valentine thanked the task force for a productive meeting. Mr. Perry noted that staff is considering cancelling the February AAPC meeting but the decision remains pending.

The meeting adjourned at about 3:15 PM.