Federal Accounting Standards Advisory Board

June 10, 2010

Memorandum

To: Members of the Board

From: Eileen W. Parlow, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: **AAPC Proposed Technical Release 12, *Accrual Estimates for Grant Programs* – Tab G**[1]

The attached proposed Technical Release (TR) 12, *Accrual Estimates for Grant Programs*, has been approved by the AAPC for release to the FASAB for issuance. The proposed TR was developed with the participation of a Task Force of over 70 members (see Appendix D of the TR for a list of participants). The review process included an exposure draft with a 30-day comment period that resulted in 24 comment letters, with a strong majority concurring with the provisions of the proposed guidance.

The purpose of proposed TR12 is to provide a cost-effective framework for developing reasonable estimates of accrued grant liabilities. This proposed TR addresses materiality considerations, risk assessment, and procedures for estimating accruals for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs. This proposed TR also provides guidance on acceptable sources of documentation for grant accrual estimates; internal controls, including monitoring of internal controls and validation of grant accrual estimates; training of grantees; and monitoring of grantee reporting.

In the development of TR12, some of the language was adapted from AAPC TR 6, which addresses preparing estimates relating to credit reform loan programs.

Time for a brief discussion has been reserved during the June 23rd meeting. At that time, staff will also provide a brief update on AAPC activities.

[1] The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

If you object to the release of the proposed TR please notify us of your objection by July 26, 2010. If neither a majority of the Board nor a federal member of the Board objects to this TR by July 26, 2010, it will be released as final.

If you or members of your staff have any questions, please call me at 202-512-7356 or Wendy Payne at 202-512-7357. Thank you.

Attachments:

1. Excerpts from the *Charter of the Accounting and Auditing Policy Committee*
2. Proposed Technical Release 12, *Accrual Estimates for Grant Programs*

Attachment 1: Excerpts from the *Charter of the Accounting and Auditing Policy Committee*

Excerpts from the Charter of the Accounting and Auditing Policy Committee (as amended May 15, 2006):

Authoritative Guidance. Section III. I (3) of FASAB's Rules of Procedure authorizes AAPC to issue technical releases related to existing federal accounting standards. Technical releases are intended to provide guidance on the specific application of Statements of Federal Financial Accounting Standards (SFFASs), Interpretations of SFFASs, and Technical Bulletins. AAPC's technical releases are in the third category of authoritative guidance in the Federal GAAP hierarchy as stated in the AICPA's Statement on Auditing Standards 91. AAPC may not amend existing standards or promulgate new standards.

AAPC will refer audit issues to OMB in connection with its responsibility for the Audit Bulletin and to GAO (Government Accountability Office) in connection with its responsibility for GAGAS as appropriate. AAPC may include in the referral its observations on audit issues and take additional steps to facilitate resolution of the issues as it deems appropriate.

Issuance of Guidance. AAPC will submit all proposed technical releases to the FASAB for a 45 day review period. The review period usually will begin when FASAB receives the proposed technical release. However, if a FASAB member requests that a proposed technical release be considered at a Board meeting, the review period will begin the day following the Board meeting. FASAB may also affirmatively approve guidance before the expiration of the 45-day review period.

If a majority of the FASAB or a member representing a FASAB sponsor objects to the proposed technical release during the review period, then it shall be returned to the AAPC for further consideration. If neither a majority of FASAB nor a member representing a FASAB sponsor objects to the proposed technical release during the review period, then it shall become final. The Executive Director of the FASAB shall publish in the Federal Register a notice of the issuance of a final technical release and information on how it may be obtained.

Attachment 2:

Proposed Technical Release 12, *Accrual Estimates for Grant Programs*