FASAB News

Federal Accounting Standards Advisory Board, 441 G St., 6K17V, NW.Washington, DC 20548
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Issue 63, Aug.-Sep, 2000

FASAB Initiates New Process for Appointing Non-federal Members

In October 1999, as a result of the American Institute of Certified Public Accountants conferring its Rule 203 status on the FASAB, amendments were made to the Memorandum of Understanding creating FASAB and its Rules of Procedures. Through these amendments, FASAB's Principals – the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States -- established new procedures for selecting FASAB's three non-federal members. As a result, an Appointments Panel was created to advise the FASAB Principals on appointments and re-appointments for these three positions. The Appointments Panel met in June and August to consider both its own procedures and pending re-appointment decisions.

The Appointments Panel's procedures provide for the creation of a Registry of Candidates interested in serving on FASAB. This registry will ensure that FASAB is able to fill any vacancies among the non-federal members quickly and that the public interest is well represented.

The registry is open to non-federal professionals interested in serving on FASAB. If you are interested in serving, the FASAB website includes a Statement of Board Member Responsibilities (www.financenet.gov/financenet/fed/fasab/pdf/responsib.pdf). The full text of the Appointments Panel Policies and Procedures will be available at the website shortly. These documents provide additional information about both serving on the Board and how the appointment process is conducted.

The three non-federal positions are part-time positions. The Chairman's position is compensated at half of an executive level salary. The two non-federal members are compensated at an hourly rate for attendance at Board meetings and an equivalent amount of time for preparation. These members are typically compensated for approximately 200 hours during one year of Board service.

Candidates may be added to the registry at any time. You may submit your resume by addressing it to Ms. Wendy M. Comes, Executive Director, Federal Accounting Standards Advisory Board, 441 G Street NW, Mailstop 6K17V, Washington, DC 20548.

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Assurance-Related Issues Regarding RSSI

The Federal Accounting Standards Advisory Board confirmed its July decision to prepare a "preliminary views" document to solicit comments regarding the role of Required Supplementary Stewardship Information (RSSI) in the Federal financial reporting model. As part of the related deliberations, on August 30 FASAB held a "roundtable" to discuss assurance-related issues regarding RSSI. Five guests participated:

- David Bean—Director of Research and Technical Activities, Governmental Accounting Standards Board (GASB)
- Robert Dacey—Director of Consolidated Audit and Computer Security Issues, General Accounting Office; member of Auditing Standards Board
- William Maharay —manger with Inspector General's Office, Department of Energy
- Patrick McNamee—partner with PriceWaterhouseCoopers
- John Reagan—senior manager with KPMG

Several panelists emphasized the need for clear criteria in accounting standards, and agreed that consideration should be given to developing audit guidance for nontraditional information. One suggested that the Board should not feel constrained by existing auditing standards. He noted that there was interest among state and local governments as well as in the Federal Government in reporting nonfinancial performance information. A range of possibilities exists for providing assurance about this information.

Several panelists noted that questions arise about how to assess materiality for some of the nontraditional items included in RSSI. Would the opinions be expressed in relation to each type of information (e.g., social insurance information, stewardship land, etc.) itself, in relation to the RSSI taken as a whole, or in relation to the financial statements taken as a whole?

It was noted that the Governmental Accounting Standards Board (GASB) is grappling with a communications method project dealing with the scope of GASB's activities and where information should be reported: in financial statements, notes, RSI, or some new "type X" reporting. It was suggested that at one time AICPA's view was that "the standard setter sets the reporting standards and the auditor will figure out how to deal with it." Recent experience at GASB and FASAB demonstrates that may not always be true now.

Another question prompted by these issues is, what does "financial statements taken as a whole" mean in the government environment? It may be relatively clear when one is dealing with three, single-column financial statements in the private sector. But for a state or local government, with fund reporting and the possibility of reporting service efforts and accomplishments (SEA) and financial condition indicators in the future, the meaning of "taken as a whole" becomes less clear. Some believe that similar questions may arise for Federal reporting entities, while others disagree.

Two panelists, saying that time would be needed to resolve such questions, drew an analogy with a child learning to crawl before it can walk. It was not clear whether they meant the FASAB or the audit profession was crawling, or both. In addition to the technical issues discussed, a panelist noted that added demands on preparers and auditors would raise serious resource issues.

For more details, see the minutes for the August meeting at the FASAB web site. Also, FASAB's August meeting was "webcast" by a private firm for the first time; the archived file is available for a fee at www.hearings.com.

Point of contact: Robert Bramlett, 202-512-7355, bramlettr.fasab@gao.gov.

Board Votes to Issue Exposure Draft to Delete Tax Receivable Disclosures

The Internal Revenue Service requested that paragraph 65.2 of Statement of Federal Financial Accounting Standards (SFFAS) No. 7, *Accounting for Revenue and Other Financing Sources*, be deleted. Par. 65.2 requires entities that collect taxes and duties disclose certain material revenue-related transactions affecting accounts receivable, accounts payable for refunds, and the allowance for uncollectibles. The disclosure should include at a minimum, taxpayer self-assessments, entity assessments, collections on account, refunds, abatements, write-offs, and other information. SFFAS 13*, Deferral of Paragraph 65.2 – Material Revenue-related Transactions*, had deferred the effective date of par. 65.2 until FY 2001 based on an earlier Internal Revenue Service request.

The Internal Revenue Service presented its views to the Board on August 30, 2000. Although the IRS had been represented on the team that drafted the original par. 65.2, it had come to view the information as irrelevant and misleading. The Internal Revenue Service asserted that some or all of the information required by 65.2 pertains to the compliance process rather than tax receivables and objected to reporting such information in its financial statements.

The rationale for paragraph 65.2 is that disclosures are important for accountability. Disclosure of the dollar amounts of the transactions in the "modified cash basis" revenue stream, from initial recognition by the established assessment process through cash collection and refunds, is important for oversight and performance evaluation. Providing as much accurate and detailed information as possible about the annual flow of taxpayer funds is important because the administration of the collection function is to some degree discretionary.

After considerable discussion, the Board voted to develop and issue an exposure draft proposing deletion of paragraph 65.2. In addition, the Board will consider authorizing a project to analyze what meaningful information could be produced. Point of contact: Richard Fontenrose, 202-512-7355, fontenroser.fasab@gao.gov.

Board Issues Natural Resources Report

Three years ago, the FASAB formed a task force to address the complex nature of accounting and reporting on the Nation's natural resources. The FASAB Natural Resources Task Force was comprised of representatives from the Department of the Interior, the U.S. Forest Service, the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, the Department of Defense, the Department of Energy, and the FASAB. The task force was charged with researching and developing options to account for and report on natural resources and identifying implications for existing FASAB standards and laws

In June 2000, FASAB issued the results of the Natural Resources Task Force's research; a research paper entitled *Ac-*

counting for the Natural Resources of the Federal Government.

In general, the task force concluded that an agency's natural resource assets should be reported as required supplementary stewardship information, or RSSI. It believed that stewardship reporting would provide the flexibility to capture the diverse nature of information associated with natural resources for sale and not for sale. Subsequent to the task force's conclusions, however, the Board decided to re-examine the concept of RSSI. (See this and previous editions of the ***FASAB News*** for discussions of RSSI.) Therefore, depending on the Board's actions on RSSI, it may need to reconsider the task force's recommendations for the most appropriate reporting mechanisms.

The Board is expected to use the natural resources discussion paper as it resumes considering natural resources accounting and reporting issues late in the fall of 2000.

As with all FASAB documents, the Natural Resources Discussion Paper can be downloaded from the web, at www.financenet.gov/fasab.htm, or ordered from FASAB at 202-512-7350. Points of contact: Monica R. Valentine, 202-512-7362, valentinem.fasab@gao.gov, or Rick Wascak, 202-512-7363, wascakr.fasab@gao.gov.

Board Hears of KPMG's Progress On Defense Contract

At its August meeting, the Board heard from KPMG on the status of its contract with the Department of Defense to study the Department's financial systems and processes. As discussed in earlier editions of this newsletter, the goal of the study is to provide the Department of Defense with recommendations on the formats and types of data with which it could most effectively report on its major weapons systems. The KPMG representative answered the Board's questions on the study's scope and methodology, and told the Board that KPMG expects to present the completed study to the Department of Defense for review by September 30.

Points of contact: Rick Wascak, 202-512-7363, wascakr.fasab@gao.gov, or Andrea Palmer, 202-512-7360, palmera.fasab@gao.gov.

AAPC Update

The Accounting and Auditing Policy Committee (AAPC or the Committee) held its bimonthly meeting on September 14, 2000. The Committee is updating its Charter and Operating Procedure based on the AICPA's October 1999 designation of FASAB as the setter of generally accepted accounting principles (GAAP) for the Federal Government.

Status of ongoing projects:

Liabilities Covered and Not Covered by Budgetary Resources: The committee has continued working with the Office of Management and Budget to more clearly define "liabilities covered and not covered by budgetary resources." OMB will address this area in its forthcoming version of its Bulletin on Form & Content of agency financial statements. The bulletin will be applicable for fiscal years beginning in 2001.

Inter-entity Costs: In July, the Inter-Entity Costs survey (see ***FASAB News*** Issue 61) was mailed to members of the Chief Financial Officers Council and posted to the AAPC web site. Comments are due by October 30, 2000. The AAPC also plans to make the survey available to the Inspector General Community.

Supplemental Guidance to SFFAS 10 Accounting for Internal Use Software:
The Chief Financial Officers Council had requested that the AAPC consider issuing an implementation guide to SFFAS 10 (see ***FASAB News*** Issue 61). The AAPC has reviewed six areas for issue under a Technical Release. The Committee plans to post the draft Technical Release on the AAPC website for a short comment period by October 2000.

In addition, Bert Edwards, Chair, Chief Financial Officers Committee on Standards, and Richard Fontenrose, FASAB Staff, have co-authored an article discussing the topics in the CFO Council's proposed *SFFAS 10 Implementation Topics* not addressed by the AAPC. The topics include, pre-implementation costs, effect on budgets, trigger points and capitalization thresholds, expenditures that extend the life of the software, offsetting credits, "full costs," and OMB Circular A-11 reporting. The article is expected to be published in upcoming newsletters of both the Joint Financial Management Improvement Program (JFMIP) and the Washington DC chapter of the Association of Government Accountants (AGA).

Request for guidance on Grant Accounting: The AAPC task force will meet with the CFO Council's Grant Accounting Committee to gather information on how agencies account for expenses incurred by a grantee after a letter of intent has been issued but before the grant agreement is executed. (This request for guidance was submitted by the Federal Aviation Administration.)

New Project:

Railroad Retirement Board's request for guidance on the accounting and reporting of its Financial Interchange: The Railroad Retirement Board has asked the AAPC to provide guidance on the accounting and reporting of the RRB's Financial Interchange with the Social Security system. RRB has for several years received a qualified opinion on its financial statements because of the significant differences that have occurred between the accruals and the actual settlement amount of the financial interchange.

The AAPC referred to SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting Appendix B.* That document says "The financial interchange does not arise from an exchange transaction, because it is a reallocation of resources among funds, all of which are financed primarily from nonexchange revenue."

Based on SFFAS 7, the AAPC said that the financial interchange should be recognized using accrual accounting; cash-based accounting was not an option. Several auditors on the AAPC said that net results of operations is not routinely the best benchmark for materiality determinations in the Federal arena. Futher, the Committee said that if the estimated accrual is the best estimate available, then the issue is a matter of audit judgment. Finally, the Committee gave some suggestions on how to resolve the audit issue. Point of contact: Monica Valentine, 202-512-7362, valentinem.fasab@gao.gov.

FASAB's Upcoming Meetings

2000

October 5-6 (6N30)
December 7-8 (6N30)

2001

February 22 & 23
April 26 & 27
June 18 & 19
August 23 & 24
October 18 & 19
December 13 & 14

Location: General Accounting Office, 441 G Street, NW, Washington, DC 20548. When available, the room number is listed next to the meeting date. Agendas are posted to the FASAB web page one week prior to meetings.

AAPC Upcoming Meetings

2000

November 9

2001

January 18
March 8
May 10
July 12
Sept 13
Nov 8

Location: General Accounting Office, 441 G Street, NW, in Room 4N30, beginning at 1:30 PM. Point of contact: Monica R. Valentine, 202-512-7362, valentinem.fasab@gao.gov,

FASAB's Web site

www.financenet.gov/fasab.htm

Note: ***FASAB News*** **is published by the staff of the Federal Accounting Standards Advisory Board. This newsletter, highlighting recent Board actions, is issued after Board meetings to provide the public with an understanding of issues that the Board is considering. 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 Lucy Lomax, 202-512-7359.
Please direct FASAB and AAPC administrative questions to Dick Tingley, 202-512-7361.

1	2	Number	Title	Date Issued	FY to Implement	GPO/Other Information*	Price
F	C	SFFAC 1	Objectives of Federal Financial Reporting	09/02/1993	N/A	On Web Only	N/A
F	C	SFFAC 2	Entity and Display	06/06/1995	N/A	041.001.00456.1	$3.75
F	C	SFFAC3	Management's Discussion & Analysis	Apr-99	N/A	041.001.00541.2	$5.00
F	S	SFFAS 1	Accounting for Selected Assets and Liabilities	03/30/1993	1994	On Web Only	N/A
F	S	SFFAS 2	Accounting for Direct Loans and Loan Guarantees	08/23/1993	1994	On Web Only	N/A
F	S	SFFAS 3	Accounting for Inventory and Related Property	10/27/1993	1994	On Web Only	N/A
F	S	SFFAS 4	Managerial Cost Accounting Concepts & Standards	07/31/1995	1998	041.001.00457.2	$7.50
F	S	SFFAS 5	Accounting for Liabilities of the Federal Government	12/20/1995	1997	041.001.00463.7	$7.50
F	S	SFFAS 6	Accounting for Property, Plant & Equipment (PP&E)	11/30/1995	1998	041.001.00462.9	$6.50
F	S	SFFAS 7	Accounting for Revenue and Other Financing Sources	05/10/1996	1998	041.001.00475.1	$18.00
F	S	SFFAS 8	Supplementary Stewardship Reporting	06/11/1996	1998	041.001.00493.9	$7.50
F	S	SFFAS 9	Deferral of Implementation Date for SFFAS 4	10/03/1997	1998	041.001.00494.7	$1.75
F	S	SFFAS 10	Accounting for Internal Use Software	10/09/1998	2001	041.001.00524.2	$4.00
F	S	SFFAS 11	Amendments to Accounting for PP&E - Definitions	12/15/1998	1999	041.001.00519.6	$2.25
F	S	SFFAS 12	Recognition of Contingent Liabilities from Litigation	02/05/1999	1998	041.001.00527.7	$2.50
F	S	SFFAS 13	Deferral of Para.65.2-Material Rev.-Related Transactions	02/05/1999	1999	041.001.00530.7	$2.00
F	S	SFFAS 14	Amendments to Deferred Maintenance Reporting	Apr-99	1999	041.001.00531.5	$3.00
F	S	SFFAS 15	Management's Discussion & Analysis	Apr-99	1999	041.001.00542.1	$3.00
F	S	SFFAS 16	Amendments to Accounting for PP&E - Multi-Use Heritage Assets	Jul-99	2000	041.001.00548.0	$4.25
F	S	SFFAS 17	Accounting for Social Insurance	Aug-99	2000	041.001.00540.4	$12.00
F	S	SFFAS 18	Amendments to Accounting Standards for Direct & Guaranteed Loans	05/19/00	2001	020.000.00277.8	$4.25
F	ED	N/A	Governmentwide Supplementary Stewardship Reporting	Jun-97		Deferred Project	N/A
F	ED	N/A	Amendments to Accounting for Direct Loans and Loan Guarantees in SFFAS 2	Mar-99		Ongoing Project	N/A
F	ED	N/A	Credit Program Reconciliation and Technical Amendments to SFFAS 2 and SFFAS 18	May-99		10-Aug-00	N/A
F	IFV	N/A	Accounting for the Cost of Capital by Federal Entities	Jul-96		Deferred Project	N/A
F	I	I -1	Reporting on Indian Trust Funds	03/12/1997		On Web Only	N/A
F	I	I -2	Accounting for Treasury Judgment Fund Transactions	03/12/1997		On Web Only	N/A
F	I	I- 3	Measurement Date for Pension and Retirement Health Care Liabilities	08/29/1997		On Web Only	N/A
F	I	I- 4	Accounting for Pension Payments in Excess of Pension Expense	12/19/1997		On Web Only	N/A
F	I	I- 5	Recognition by Recipient Entities of Receivable Nonexchange Revenue	Dec-98		On Web Only	N/A
F	R	Report 1	Overview of Federal Financial Accounting Concepts and Standards	12/31/1996		Available - FASAB	N/A
F	R	Research Report	Accounting for the Natural Resources of the Federal Government	Jun-00		Available from FA-SAB & web	N/A
F	Cod	Volume 1	FASAB Volume 1, Original Statements	Mar-97		On Web Only	N/A
A	TR	TR 1	Audit Legal Letter Guidance	03/01/1998		041.001.00503.0	$1.00
A	TR	TR 2	Environmental Liabilities Guidance	03/15/1998		041.001.00504.8	$2.00
A	TR	TR 3	Preparing and Auditing Estimates for Direct and Guaranteed Loans	Feb-99		On Web Only	
A	TR	TR 4	Reporting on Non-valued Seized and Forfeited Property	07/31/99		On Web Only	

Key:
Column 1: F = FASAB; A = AAPC
Column 2: C = Concept; S = Standard; ED = Exposure Draft; IFV = Invitation for Views; I = Interpretation; R = Report;
Cod. = Codification; TR = Technical Release

* "In Printing Process" - Document signed and approved for implementation; available on Web. Print version not yet available.

"Under Hill Review" - Signed recommended capital accounting standard undergoing 45 day Hill review period. When released by Hill, will be available for implementation - Web version will be updated, list will be updated, and print version will be issued.

"UR" and "SFFAS Under Review" - "UR" means "Under review." Document approved by FASAB and sent to principals for 90-days. At the end of the 90-day period, the document will be posted to the Web, this list will be updated, and the print version will be issued.

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