



FASAB News
Federal Accounting
Standards Advisory Board

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Women in Public Finance
Recognize Claire Cohen’s Lifetime
Achievements

On January 18th, Claire Cohen received the first annual Lifetime Achievement Award from Women in Public Finance (WPF). WPF is a nonprofit, educational and professional networking organization for women in the public finance industry. The Lifetime Achievement Award is given to a woman

involved in the public finance field for 10 years or more who has consistently demonstrated skill, drive, integrity, and vision.

Ms. Cohen retired from her position as vice chair and head of Fitch's State Ratings Group at the end of 2004. In addition to serving as a member of FASAB, she remains a consultant to Fitch Ratings. Prior to joining Fitch, she was a vice president and managing director for state ratings at Moody's Investor Service and also chaired the Public Finance Department rating committee. She started her career at Dun & Bradstreet after receiving an AB in government from Radcliffe College.

In addition to her full-time positions, Ms. Cohen has actively engaged in professional activities and service. She served as chairman of the Municipal Analysts Group of New York, on the board of governors of the National Federation of Municipal Analysts, and as a member of the Governmental Accounting Standards Advisory Council, and the Board of Governors of the India House. She has often been named to the First Team of the 'All-Star Municipal Analysts Team' and has been the recipient of Career Achievement Awards from the National Federation of Municipal Analysts as well as from the Municipal Forum of New York.

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.

A Call for Candidates by the Appointments Panel

FASAB is currently updating its registry of potential candidates that are interested in serving five to ten years as a member of the Board.

The Appointments Panel advises the FASAB Sponsors – the Secretary of the Treasury, the Director of the Office of Management and Budget and the Comptroller General -- on appointments and re-appointments for the six nonfederal members of the Board. The Panel's procedures provide for maintenance of a Registry of Candidates for membership on the Board. This registry helps to ensure that FASAB is able to fill any vacancies among the nonfederal members quickly and that the public interest is well represented.

Currently, we are updating the registry to identify candidates for a vacancy occurring on July 1, 2007. We are particularly interested in candidates who have experience as analysts of financial and/or performance information.

The registry is open to professionals not currently employed by the federal government who are interested in serving as members of the Board. If you are interested in serving, the FASAB website includes a "Statement of Board Members"

Responsibilities,” a list of current members and a fact sheet (see <http://www.fasab.gov/aboutfasab.html>). The nonfederal members serve as part-time Special Government Employees.

The five non-federal members--other than the chairperson--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. However, periodic calls for candidates -- such as this one -- serve to update the registry. The registry will be updated by February 23, 2007 in preparation for a meeting of the Appointments Panel. The registry was last updated in mid-2005 and we will contact registered individuals to determine if each wishes to remain on the registry. Individuals wishing to be added to the registry should submit a 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 or fasab@fasab.gov.

Current Board Projects

Natural Resources

The Board is continuing to make revisions to the exposure draft (ED) entitled *Accounting for Federal Oil and Gas Resources*. Major changes made to the ED since the November 2006 Board meeting include:

1. The text of the ED was revised to establish a liability in conjunction with the recognition of the asset estimated petroleum royalties and revenue collections designated to be distributed to others, e.g., the states, the general fund of the U.S. Treasury, and other federal agencies. In addition, the pro-forma transactions and financial statements were also revised to address the liability
2. The transmittal letter in the ED, the question pertaining to an alternative view and the Executive Summary were revised to call attention to the alternative view and to provide references to it in each of these three sections.
3. Question number 3 was revised to ask how disclosure information and RSI would be used and the Basis for Conclusions was expanded to support the question.

The Board members were in general agreement with the changes that were made and approved staff's request to circulate a pre-ballot before the March 2007 Board meeting.

Point of Contact: Rick Wascak, 202 512-7363, wascakr@fasab.gov

Concepts Project

Federal Entity Phase

Staff presented the Federal Entity Project Plan to the Board. Staff explained the project is part of the overall Conceptual Framework Project and is expected to last approximately three years. The project plan identifies issue areas that will be addressed in the project as well as milestone dates and included several appendices that contain pertinent excerpts from existing concepts, standards, and other reports that relate to the entity and consolidation issue from U.S., national and international standard setters that will be analyzed in greater detail throughout the project.

Staff obtained the Board's feedback on the scope of the project, overall approach of the project, and issue areas identified. Overall, the Board members agreed with the Federal Entity Project Plan. Board members agreed that there are a number of entity issues, including a lot of unique government relationships that will need to be considered. Board members suggested that staff consider the following:

- reporting financial activities for which an entity may be responsible
- “unit of analysis” issue as it relates to the kinds of “things” that would be included in an entity—other entities, activities, guarantees, functions, etc
- often by law or regulation, a certain activity is required to publish a financial statement
- federally funded research development centers
- public-private partnerships in other countries
- situations where the government is contracting out things that used to be a government function
- Boards, councils, etc. that are not considered part of the federal government because they are not in the Budget, yet the President appoints the members
- consider what type of “related party disclosures” should be to disclose information about unique relationships (not be part of the federal entity)
- implication of the language in the Accountability for Tax Dollars Act

Staff will move forward on the Federal Entity Project. Staff plans to focus on the “unit of analysis” issue as it relates to the kinds of “things” that would be included in an entity—other entities, activities, guarantees, functions, etc. Staff will also begin research on Issue 1: Definition of Entity / Reporting Entity.

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

Elements Phase

Ms. Wardlow presented a paper that addressed whether an assessment of probability should be explicitly required (a) as part of determining whether an item meets the definition of an element and (b) in the recognition criteria, and whether the Board should explicitly acknowledge the existence of a probability threshold in each case. Those proposals were made in the Alternative View (AV) in the Exposure Draft (ED) on Elements. The staff paper reviewed the responses to the ED, which were evenly divided in their support for the ED position or the AV position. The paper also discussed the current and developing Elements definitions and recognition criteria of other standard-setting authorities, including the FASB, the GASB, the Australian, Canadian, New Zealand, and United Kingdom boards, and the IASB/FASB joint project to revise their conceptual frameworks. The paper also included a list of issues that remain to be discussed before issuing a final Concepts Statement.

The Board discussed different points of view concerning the meaning of “probability assessment” and at which stage(s) it should occur—definition, recognition, and/or measurement and revisions to the ED were proposed. In paragraph 60, the ED states that “Items that are judged to meet the definition of an element qualify for recognition . . .” It was noted that the “flip side” could be explicitly added to the paragraph by inserting a sentence that states something to the effect that: “Items that are judged not to meet the definition of an element do not qualify for recognition.” That would make it explicit that both sides of the coin are addressed. Particularly, the new sentence would be an explicit acknowledgment that one may make a judgment that uncertainty about whether an item meets the definition of an element is so great that one would not recognize the item. One would not need to ask whether the item meets the second recognition criterion.

In addition, it was proposed that the following sentence be added to the ED definition of measurable in paragraph 5: “An item is measurable if it can be determined with reasonable certainty or is reasonably estimable.” The Board approved the substance of the proposed changes to paragraphs 5 and 60 of the ED and agreed that staff should modify the wording of those paragraphs as needed. At the March meeting, the Board would look for a draft final document that would pull together the changes discussed and incorporate some of the recommendations of the respondents. The Board would discuss the draft in March and consider a final standard at the May meeting.

Points of Contact: Melissa Loughan, 202 512-5976, loughanm@fasab.gov
Ross Simms, 202-512-2512, simmsr@fasab.gov

The Financial Report Phase: MD&A, Statements, Notes, RSI and OAI

Staff presented the Board with an update on the status of the financial reporting model project. Staff incorporated the Board’s previous comments on an outline of a

proposed concept statement regarding key components of the federal financial report. One key change to the outline was the addition of a discussion on management's responsibility for financial reporting. The Board discussed the notion of adding management's responsibility for financial reporting to the proposed concepts statement and determined that management's responsibility for financial reporting, along with the notion of fair presentation, should be discussed in possibly another vehicle rather than the proposed concepts statement on key components of the financial report. However, additional research is needed to determine the appropriate means of articulation.

In addition, at the November 2006 meeting, Board members believed that the Board could begin to consider how to report performance information and staff could address the issue as part of the project. Accordingly, staff discussed plans for how to proceed with the project. The staff plans included two types of outreach activities - roundtable meetings to discuss agency Performance and Accountability Report (PAR) issues and an educational session on cost accounting. Constituents had recently raised concerns that PARs have grown too voluminous and that agencies are not developing cost information to integrate with performance reporting, such as reporting the cost of specific programs and the amount spent on achieving results. Staff proposed the outreach efforts as a way to inform constituents on existing FASAB guidance and to gather information on whether additional FASAB guidance is needed.

The Board noted that the financial reporting project involved many broad subjects which required analysis. Consequently, members believed that the project needed further development before proceeding with outreach activities, and staff should proceed with the project by reviewing the concepts supporting the existing general purpose federal financial report (GPFFR). Also, in the meantime, staff plans to serve as an observer on existing work-groups focusing on streamlining the PAR and integrating financial and performance information and inform the Board of areas where FASAB could provide a comparative advantage.

Points of Contact:

Ross Simms, 202-512-2512, simmsr@fasab.gov

Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Fiscal Sustainability Reporting

At the January Board meeting, the Board reviewed a briefing package that staff is preparing for task force members. A panel of technical experts will meet in April 2007 to develop recommendations for fiscal sustainability reporting in the Federal government's financial statements. Subsequently, a panel of financial statement users and communications experts will meet to discuss how to make the information understandable and meaningful to readers.

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

Social Insurance Liabilities

The Preliminary Views document was issued October 2006. Comments are requested by April 16, 2007. A public hearing is scheduled for May 23, 2007.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenrosr@fasab.gov

Reporting the Effects of Changes in Assumptions and Other Requirements for Accounting for Post-Employment Benefits

The proposed standard on reporting gains and losses from changes in assumptions and selecting discount rates and valuation dates addresses (1) reporting gains and losses from changes in assumptions (the “display standard”), (2) selecting discount rates (the “discount rate standard”), (3) guidance regarding the phrase “best estimate” and (4) selecting valuation dates (the “valuation date standard”).

Tentative Decisions :

- The draft ED will be vetted with preparer and actuarial personnel before further Board deliberation.
- General decisions of the Board:
 1. The scope paragraph in the ED, paragraph 3, tentatively captures the scope of the standard—long term liabilities— provided that the words “and discounted present value” are deleted to reflect the fact that the discount rate assumption is considered a long-range assumption rather than a criteria for being within the scope of the standard.
 2. The display standard will be general but list examples of the known programs.
 3. Explore the concepts of controllable and non-controllable assumptions and operating and non-operating costs to govern what types of changes are “changes in assumptions” and what types are operational.
 4. Resolve the issue of dramatic swings in estimates each year due to short term fluctuations in interest rate assumptions without conflicting with actuarial practices and professional standards.
 5. Judgment on the necessity of a materiality paragraph is pending staff research for the March meeting.
 6. Consult with affected agencies and auditors regarding their experiences with the current “best estimate” language.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenrosr@fasab.gov

Application of the Liability Definition

Staff is continuing development of a framework for identification of obligating events at the sub-class level (e.g., grants, insurance, benefit programs, etc.) rather than at the class level. The project will see further developments as the Elements project progresses through due process.

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

Department of Defense Request Regarding Inventory Issues - Items Held for Remanufacture

At the January Board Meeting, the Board unanimously approved Interpretation 7: *Items Held for Remanufacture*. The approved Interpretation will be sent to the Board members representing OMB, GAO and Treasury for a 45-day review period. Upon completion of the review period, the Interpretation will be issued and will be effective upon issuance.

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

FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 1 2007	Quarter 2 2007	Quarter 3 2007	Quarter 4 2007	Staff Contact
Natural Resources		Oil & Gas ED		Oil & Gas DP		Rick Wascak, 202 512-7363
Fiduciary Activity	SFFAS 31 Issued – October 2006		Implementation Guidance Developed	Implementation Guidance Finalized		Eileen Parlow 202-512-7356
Concepts Project:						
Elements	ED – 6/2006 PH-9/2006	DP	DP	UR	Final	Penny Wardlow 202 512-7350
Financial Reporting		Research	Research	Research	Research	Eileen Parlow 202-512-7356 Ross Simms, 202-512-2512
The Federal Entity		Research	Research	Research	Research	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006	DP	DP with PH	DP	ED	Richard Fontenrose, 202-512-7358
Reporting Gains & Losses from Changes in Assumptions		Research	Research	ED	DP	Richard Fontenrose, 202-512-7358
Application of the Liability Definition		Research	Research	Research	Research	Julia Ranagan, 202-512-7377

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 introduced two new members to the Committee at the January 2007 meeting. Mr. Daniel Fletcher, Deputy Chief Financial Officer – Department of the Interior, is the newest CFOC representative replacing Greg James and Ms. Kristine Chadwick, CFO – Security and Exchange Commission, is the new at-large member.

The AAPC has three task forces currently in place and all are chaired by AAPC members. The Heritage Assets/Stewardship Land (HASL) task force is chaired by Cindy George and Frank Synowiec. The HASL task force is tasked with assisting the AAPC in developing implementation guidance for SFFAS 29 *Heritage Assets and Stewardship Land*.

The Inter-Entity Cost (IEC) task force is chaired by Michael McFadden and D. James Sturgill. The IEC task force is developing implementation guidance for SFFAS 30 *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*.

The NASA Space Exploration Equipment is chaired by Pat Healy. The issue facing this task force is the treatment of NASA's exploration vehicles and whether to treat those vehicles as capitalizable assets or as research & development costs. The Committee released its exposure draft on this issue on February 1, 2007. The exposure draft technical release is entitled *Clarification of Standards Relating to the National Aeronautics and Space Administration's Space Exploration Equipment*.

The purpose of this proposed technical release is to provide technical guidance to the National Aeronautics and Space Administration (NASA) regarding the accounting treatment of NASA's space exploration equipment for financial reporting purposes. At issue is whether it is permissible to treat the acquisition or development costs of any of this equipment as research and development costs. Three specific questions were posed to the AAPC by NASA in reference to the issue. The objective of this technical release is to provide guidance to NASA on the application of the current FASAB standards.

Specific questions for respondents are included in the exposure draft and other comments are welcome. Responses are requested by March 2, 2007. An electronic version of the exposure draft is available on the World Wide Web at www.fasab.gov/exposure.htm.

Updates on all three of these task forces were discussed at the last AAPC meeting on Tuesday October 31, 2006. The minutes for that meeting can be found on the FASAB/AAPC website at <http://fasab.gov/aapc/meeting.html>.

FASAB Meeting Schedule

Schedule for 2007 Meetings:

Wednesday, March 21st and Thursday, March 22nd
Wednesday, May 23rd and Thursday, May 24th
Wednesday, July 25th and Thursday, July 26th
Wednesday, September 19th and Thursday, September 20th
Monday, December 4th and Tuesday, December 5th

Unless otherwise noted, meetings begin at 9 AM and conclude at 4 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/meeting.html> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2007 Meetings:

Thursday, March 29th, 2007 (7C13)
Thursday, May 31st, 2007 (7C13)
Thursday, July 12th, 2007 (7C13)
Thursday, September 27th, 2007 (7C13)
Thursday, November 29th, 2007 (7C13)

Unless otherwise noted, 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://fasab.gov/aapc/meeting.html> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to staff at 202-512-7350 or fasab@fasab.gov **at least two days before the meeting**. The Government Accountability Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.