



*FASAB news*  
*Federal Accounting*  
*Standards Advisory Board*

**Issue 98 July 2006/August 2006**

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**Amendment of the Board’s Memorandum of Understanding**

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced today that the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States have amended the Memorandum of Understanding (MOU) governing FASAB. The amendment provides the sponsors an option to extend the current 90-day review period applicable to proposed Statements of Federal Financial Accounting Standards or Concepts (Statements) for 90 additional days. The option is only available once for each proposed Statement.

The prior MOU afforded the sponsors a 90-day period to consider each proposed Statement submitted by the Board. If, prior to the end of the 90-day period, either the Director of OMB or the Comptroller General objected to the proposed Statement it would not be issued. Absent an objection, the proposed Statement would be issued immediately

after the review period. Under the revised MOU, the newly created option to extend the review period could be used to address unanticipated circumstances.

The amendment was initiated in response to unprecedented circumstances. Two of the three Board sponsors were appointed only recently – the Secretary of the Treasury and the Director of OMB. In addition, a 90-day review period will conclude on July 25<sup>th</sup> and creates a need for an immediate decision on a previously submitted Statement of the Board. In addition, the OMB Board member, who also is newly appointed, did not participate in the development of the proposed Statement and wishes to resolve certain concerns prior to acting on it.

“In light of the highly unusual circumstances regarding the timing of this Statement – almost coincident with the appointment of two new sponsors - and the complexity of the issues at hand, the MOU amendment is a prudent step. It affords everyone involved the opportunity to address concerns that normally would have been resolved during the review period.” according to Chairman Mosso. Members discussed the revised MOU at the July 26<sup>th</sup> meeting. The meeting minutes include a record of that discussion and of activities planned during the second 90-day review period.

#### 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](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@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*. Significant changes made to the ED since the May meeting include:

1. The addition of an alternative view from the CBO regarding fair value and recognition of unproved reserves;
2. The addition of disclosure requirements showing the factors that produce the asset value for each reported period;
3. The movement of the sales volume and sales value information to RSI from disclosure; and
4. The addition of two questions in the Request for Comments section of the ED – one pertaining to fiduciary activities and the other regarding disclosures for the consolidated financial report (CFR).

During the July meeting, the Board agreed on the following:

1. The method of valuing natural gas liquid (NGL) proved reserves;
2. The price to be used to value gas;
3. A clarification of the term “deterministic”, which is a term used to measure and report single best estimate of recovering oil and gas reserves; and,
5. A pre-ballot ED could be circulated by staff.

Based on these decisions by the Board members, staff will make the appropriate revisions to the ED and circulate a pre-ballot ED to the Board members before the September Board meeting. The tentative

plan is to formally ballot the ED at the September Board meeting to issue the ED for public comment.

**Point of Contact:** Rick Wascak, 202 512-7363, [wascakr@fasab.gov](mailto:wascakr@fasab.gov)

## Fiduciary Activity

As a result of a recent revision to the Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury and the Office of Management and Budget, the review period for SFFAS 31, *Accounting for Fiduciary Activities*, has been extended until October 23, 2006.

At the July 2006 Board meeting, representatives from the Department of the Interior (DOI) presented prepared statements and responded to questions from the Board regarding the DOI's concerns with SFFAS 31. The primary issues were whether SFFAS 31 changed the basis of accounting for fiduciary activities from current reporting requirements (embodied in the "dedicated collections" reporting requirements in paragraphs 83-87 of SFFAS 7), and whether the requirement for accrual accounting applied beyond the note disclosure; for example, to individual beneficiary statements.

After an extensive discussion of the issues, it was decided that FASAB staff will work with representatives of the DOI to develop implementing guidance since the DOI representatives and the Board members describe very different means of complying with the proposal in SFFAS 31.

**Point of Contact:** Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

## Concepts Project

### Objectives Phase

Staff presented an update on the Objectives project at the July 2006 Board meeting and provided the Board with a revised report entitled, *FASAB's Strategic Directions—Clarifying FASAB's Near-Term Role in Achieving the Objectives of Federal Financial Reporting*. Staff noted that a draft of the document had been circulated to Board members and a review team that included participants from the Roundtable Meetings. The feedback from the Board members and review team was positive with minimal comments received. Staff incorporated the comments in the revised report that was included in members' July 2006 meeting materials.

Board members expressed that they were pleased with the revised report overall and they provided suggestions to help improve its clarity. Board members also discussed whether the document should present FASAB's plans regarding international public sector accounting standards. It was noted that the purpose of

the document was to express FASAB's strategic thinking in relation to the objectives of financial reporting, rather than presenting a formal strategic plan. Including a discussion on this topic may cause some to misinterpret that FASAB is committing to more actively engage in international public sector accounting standards. Also, it was noted that the Board currently shares draft standards with the international public sector and monitors their work. However, limited resources preclude the Board from having a more active role. The Board directed staff to explore whether FASAB's present activities regarding international public sector accounting standards could be included considering the scope of the document.

Staff noted that because the document is a report, rather than a standard, staff can issue the report upon approval from the Chairman. Accordingly, staff will incorporate the Board member comments received and provide members with a revised document for their review. Absent further comments, staff will seek the Chairman's approval to release the report.

**Points of Contact:** Melissa Loughan, 202 512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)  
Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

## Elements Phase

The exposure draft entitled *Definition and Recognition of Elements of Accrual-Basis Financial Statements* was issued on June 7, 2006. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.htm>). The exposure draft requests comments by August 5th. Submission of comments by this date will ensure inclusion of your comments in the first staff summary of comments forwarded to the Board in early September. Late submissions are provided to members on a rolling basis. Ultimately, the Board sees all comments submitted and we encourage those unable to meet the deadline to submit comments as soon as possible thereafter.

Note also that the Board plans to hold a public hearing on this proposal on September 27th. Please contact Melissa Loughan at 202 512-5976 if you wish to participate in the public hearing.

**Points of Contact:** Melissa Loughan, 202 512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)  
Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

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

At the July meeting, FASAB staff presented a proposed list of task force members for Sustainability Reporting and a draft outline of a briefing package for task force members. The Board approved the outline briefing package and discussed additions to the proposed list of task force members.

Staff plans to draft the full briefing package and begin to contact potential task force members.

**Point of Contact:** Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

## Social Insurance Liabilities

At the July meeting the Board decided to issue a preliminary views (PV) document instead of an exposure draft. Among other things a PV will avoid the perception that the Board is acting precipitously, and it affords an opportunity to consider the response to the elements ED. Although issuing a PV will delay the issuing of a standard from 120 days to a year, it will not effect the ultimate effective date for the eventual standard – FY 2010.

The plan for the social insurance project is now as follows:

1. The timeline for social insurances is as follows:
  - a. August 31 – alternative view circulated to members and staff for comment
  - b. September 13 – pre-ballot draft to members
  - c. September 27 – ballot draft
2. The preliminary views document will have the following features:
  - a. The transmittal will point up controversy and highlight points of agreement.
  - b. The executive summary will be balanced with the alternative view getting full coverage.
  - c. The questions for respondents will be scaled back. There will be at least one question. It will state that some members would accrue a liability starting with the first day of work in covered employment and some would accrue at the “due and payable” date, but that the majority supports accrual at 40 quarters and ask what the respondent agrees with and why.
  - d. There will be an alternative view following the standards section and before the basis for conclusions.
  - e. The comment period will be at least 120 days.
3. A hearing will be scheduled for March.

**Point of Contact:** Richard Fontenrose, 202-512-7358, [fontenroser@fasab.gov](mailto:fontenroser@fasab.gov)

## Application of the Liability Definition

Staff circulated a survey to the federal CFO and IG community to solicit feedback on the enhancements to the class definitions drafted by staff and the completeness of

the liability sub-classes based on the feedback from the task force. Responses were requested by August 15, 2006. Staff plans to compile the responses and provide a summary to the board at the September meeting.

Point of Contact: Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

## Department of Defense Request Regarding Inventory Issues

At the July Board meeting, the Board approved an Exposure Draft (ED), *Interpretation: Items Held for Remanufacture*, which was issued on August 1, 2006, with comments requested by October 15, 2006.

The ED is available at <http://www.fasab.gov/exposure.html>

Point of Contact: Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)

## Other FASAB Information

### Recent Documents Issued

Exposure Draft, *Interpretation: Items Held for Remanufacture*, issued August 1, 2006.

## FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 3 2006	Quarter 4 2006	Quarter 1 2007	Quarter 2 2007	Staff Contact
Natural Resources		Research	Oil & Gas ED		Oil & Gas UR	Rick Wascak, 202 512-7363
Fiduciary Activity	ED-2003 PH-2003 Revised ED-6/2004 PH- 8/2004	DP	UR and Final			Eileen Parlow 202-512-7356
Concepts Project: Objectives		Strategic Directions Report Complete				Melissa Loughan, 202-512-5976 Ross Simms, 202-512-2512
Concepts Project: Elements	ED –issued 6/2006	DP PH-9/2006	DP	UR		Penny Wardlow 202 512-7350
Concepts Project: Financial Reporting			Research	Research	Research	Eileen Parlow 202-512-7356
Concepts Project: The Federal Entity		Research	Research	Research	Research	Melissa Loughan, 202-512-5976
Social Insurance Liabilities		PV	DP	DP	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

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

At the July AAPC meeting the members welcomed the three newest AAPC members. Mr. Luther Bragg, Assistant Auditor General, Financial Management and Comptroller Audits – Department of the Navy, Naval Audit Service, is the newest PCIE representative replacing Bill Maharay; Ms. Patricia Healy, Deputy CFO – US Department of Agriculture, is the newest CFOC representative replacing James Taylor; and Mr. Frank Synowiec, Assistant Director – GAO, replacing Janet Krell.

Updates were given on two AAPC task forces, Heritage Assets and Stewardship Land and Inter-Entity Cost. The Committee also agreed to establish a new task force to address an issue brought by NASA. The issue deals with the treatment of NASA's exploration vehicles and whether to treat those vehicles as assets or as research & development costs. The task force will be chaired by AAPC member Patricia Healy.

AAPC Meeting information can be found on the AAPC webpage at <http://fasab.gov/aapc.html>.

Point of Contact: Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

## FASAB Meeting Schedule

### Schedule for 2006 Meetings:

Wednesday, September 27<sup>th</sup> and Thursday, September 28<sup>th</sup>  
Wednesday, November 15<sup>th</sup> and Thursday, November 16<sup>th</sup>

### Schedule for 2007 Meetings:

Wednesday, January 17<sup>th</sup> and Thursday, January 18<sup>th</sup>  
Wednesday, March 21<sup>st</sup> and Thursday, March 22<sup>nd</sup>  
Wednesday, May 23<sup>rd</sup> and Thursday, May 24<sup>th</sup>  
Wednesday, July 25<sup>th</sup> and Thursday, July 26<sup>th</sup>  
Wednesday, September 19<sup>th</sup> and Thursday, September 20<sup>th</sup>  
Wednesday, November 14<sup>th</sup> and Thursday, November 15<sup>th</sup>

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/briefingmats.htm> approximately one week before the meetings.



# AAPC Meeting Schedule

## Schedule for 2006 Meetings:

Tuesday, September 12<sup>th</sup>  
Tuesday, October 31<sup>st</sup>

Unless otherwise noted, meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 6N30. 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](mailto: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.