



FASAB news
Federal Accounting
Standards Advisory Board

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Resignation of Board Member
Joseph V. Anania. Sr.

Mr. Joseph V. Anania, Sr., FASAB member, recently announced his resignation from the Board. Mr. Anania joined the Board on July 1, 2002.

Prior to joining the Board, Mr. Anania was a member of the Financial Accounting Standards Board (FASB) for eight years following his retirement as a partner with Price Waterhouse LLP's Audit and Business Advisory Services. While at the FASB, he had lead roles working with the Business Council, investment analysts

associations, and the American Bar Association. He was instrumental in organizing and developing the FASB's Business Reporting Research Project, which resulted in three reports, including "Improving Business Reporting: Insights Into Enhancing Voluntary Disclosures."

Mr. Anania demonstrated a deep interest in the challenges of federal financial management and offered a unique perspective. His prior experience in standard setting served as a valuable asset to the Board. FASAB Chairman David Mosso acknowledged the value of Mr. Anania's service and commented that "Joe will be greatly missed by members and staff. He approached standard setting with enthusiasm tempered by a deep understanding of the process and the determination to search out the next possible solutions to accounting problems. We are thankful for his contributions to FASAB and wish him well."

The Appointments Panel is beginning the effort of recruiting a new Board member. See related article on page 3.

FASAB Welcomes New Staff Member and Summer Intern

FASAB recently welcomed a new Assistant Director--Ross Simms. FASAB also welcomed a summer intern--Nicholas A. Dorsey. Their biographies and contact information have been included as an introduction and for your reference. FASAB welcomes Mr. Simms and Mr. Dorsey and looks forward to benefiting from their extensive experience.

ROSS SIMMS

Mr. Simms is an Assistant Director with the FASAB. He joined the FASAB in May 2005 after serving in various roles with the Federal Deposit Insurance Corporation's (FDIC) Office of Inspector General (OIG). He was the Director of Financial Management Audits and the Deputy Assistant Inspector General for Financial Audits. He managed assurance services of financial operations and was instrumental in implementing a redesigned audit approach that facilitated more timely feedback to the client and more timely completion of assurance work. Also, Mr. Simms served as an accountant with the Government Accountability Office (GAO) and conducted financial audits and audits of internal control at various federal entities. Mr. Simms frequently shares his experience with others in the financial management community. He has been a speaker at various conferences and training sessions on financial management and assurance topics.

Mr. Simms is a Certified Public Accountant licensed in the state of Texas and holds an MBA from Mississippi State University. Mr. Simms graduated with honors from Jackson State University with a Bachelor of Science in Accounting and is member of the American Institute of Certified Public Accountants.

Phone: 202-512-2512 E-mail: simmsr@fasab.gov

Nicholas A. Dorsey

Mr. Dorsey is a student intern with the FASAB. While at the FASAB, he will perform research to support the conceptual framework project and will assist with other ongoing projects when needed. Prior to joining the FASAB, Mr. Dorsey interned in the audit practice of a major public accounting firm where he served financial and manufacturing clients. He also worked on several projects as a research assistant in the Banking and Finance Department of the Weatherhead School of Management at Case Western Reserve University (Cleveland, Ohio). Mr. Dorsey will graduate with both a BS and a Master's in Accountancy from the Weatherhead School of Management in May, 2006. He is planning to sit for the CPA exam upon graduation. He is currently a student member of the Ohio Society of Certified Public Accountants.

Phone: 202-512-6010 E-mail: dorseyn@fasab.gov

A Call for Candidates

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

In October 1999, the American Institute of Certified Public Accountants (AICPA) conferred Rule 203 status on the FASAB. One of the changes that resulted from the AICPA's accompanying recommendations was the creation of an Appointments Panel. The purpose of the Panel is to advise 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 for two purposes:

1. To identify candidates for the position of chairperson. Our current chairman, Mr. David Mosso, will complete the maximum ten years of service on December 31, 2006.
2. To identify candidates for positions other than chairperson.

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.

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 Chairperson is compensated at half of an executive level salary. The remaining five 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. However, periodic calls for candidates --such as this one -- serve to update the registry. The registry will be updated by October 15, 2005 in preparation for a meeting of the Appointments Panel. The registry was last updated in early 2004 and we will contact registered individuals by September 1st to determine if each wishes to remain on the registry. Individuals wishing to be added to the registry, should submit a resume before October 15th 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. Please indicate in your submission whether you wish to be considered for the position of chairperson.

FASAB Issues Invitation to Comment on *Technical Agenda* Options

FASAB is requesting comments on options for adding projects to its technical agenda. Input from constituents is vital as the Board considers what new projects to undertake. In selecting new projects, the pervasiveness and seriousness of the issue are important factors. Outside input will assist the Board in assessing these factors and prioritizing new projects.

The Invitation to Comment includes descriptions of four potential projects: The Federal Entity, Leases, Conceptual Framework Acceleration, and Appropriate Source for GAAP. Each project description indicates the types of issues to be addressed. Respondents are requested to rank the four in order of priority. In addition, respondents are invited to identify other projects they considered a higher priority.

Responses are requested by September 9, 2005. An electronic version of the invitation to comment is available on the World Wide Web at <http://www.fasab.gov/exposure.html>.

Current Board Projects

Natural Resources

Representatives from the Department of Interior and the Energy Information Administration will be present at the August 2005 Board meeting to discuss issues raised by the Board related to proved oil and gas reserves issues.

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

Heritage Assets and Stewardship Land

Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land* was issued on July 7, 2005. This standard reclassifies heritage assets and stewardship land information as basic information, except for condition information, which is classified as required supplementary information. "This reclassification improves the clarity of federal financial reporting by defining heritage assets and stewardship land information as essential to fair presentation," according to Mr. Mosso. The standard also requires additional reporting disclosures about entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the entity's mission. The standard also includes the requirements for the U.S. Government-wide Financial Statement.

The standard is effective for reporting periods beginning after September 30, 2005 with the exception of certain reporting requirements that are to be phased-in. The standard provides for a phase-in of disclosure requirements being

reported as basic information such that the standards will be fully implemented for reporting periods beginning after September 30, 2008.

The statement is available on the FASAB Web site at www.fasab.gov/standards.html. The FASAB has discontinued printing hard copies.

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

Fiduciary Activity

An exposure draft (ED), *Accounting for Fiduciary Activities*, was issued on June 27, 2005. If adopted, the proposed standard would be effective for periods beginning after September 30, 2006. A public hearing has been scheduled for August 17, 2005, and written comments are requested by August 30, 2005.

In addition to the proposed standards, the exposure draft seeks comment on two alternative views. One member does not believe that the proposed disclosures for the consolidated financial report of the United States Government are sufficient. Another member believes that a basic financial statement is the appropriate mechanism to use in reporting on fiduciary activity.

The Board will hold the public hearing in conjunction with its August 17-18, 2005 Board Meeting to hear comments on the ED. The public hearing will also permit the Board to ask questions about information and points of view submitted by respondents. Those interested in testifying should contact Eileen Parlow, Assistant Director (contact information below), no later than two weeks prior to the hearing and provide a short biography and written copies of prepared testimony.

The ED is available on the FASAB website www.fasab.gov under Exposure Drafts. If a hard copy is needed, please call 202-512-7350.

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

Concepts Project

Staff presented a portion of the Draft White Paper on Objectives. The Board discussed whether concepts are for the Board or for the Board and the profession. The Board also discussed the evolution of FASAB's role. Staff will continue drafting portions of the white paper related to the nature and limits of federal financial reporting. In addition, staff will begin to plan for the roundtable meetings to be held later this year (fall and winter.) The roundtables will be on each of the four reporting objectives and will provide the Board with insights from experts involved in specific areas, as well as those external to the accounting

community. The roundtables will also serve as an outreach opportunity with the goal of engaging the community.

The Board also discussed two papers related to the Elements portion of the Concepts Project at the June 2005 meeting. The first paper discussed the recognition criteria adopted, respectively, by the FASB and six other standard-setting authorities for elements of financial statements. The second paper explained amendments made to the March draft of the liabilities section of a possible FASAB document on elements of financial statements. Most of the amendments had been requested by the Board in March. An amended draft was attached to the June paper.

For the August meeting, staff plans to present a section for the draft concepts statement that would discuss the issues of uncertainty and probability, including references to, respectively, definition and recognition. Staff plans to make some changes to the current draft on liabilities along the lines discussed at the meeting. Additionally, staff plans to add the assets draft that the Board previously reviewed to the amended liabilities draft, so that the Board could view them together at the next meeting. The Board also suggested including a discussion of the recognition criteria. The Board also requested staff to reconsider the need for and language concerning an entity's ability to unilaterally specify or change the settlement date of a liability.

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

Social Insurance Liabilities

For the June 2005 FASAB meeting, the staff presented revised paragraphs on eligibility and achieving eligibility intended to reflect the Board's position regarding the obligating event for social insurance developed at the May FASAB meeting. At the May 2005 FASAB meeting, a member requested a discussion of the reasons for rejecting the possibility that attaining age 62 was a necessary condition for liability determination, and the staff presentation in June also explained why "attaining age 62" was rejected as a condition for eligibility.

The Board decided that the basis for conclusions for the eventual new standard on social insurance should explain the 40-quarters obligating event was superior to the beginning-work-in-covered-employment, attaining age 62, and other alternative obligating events. The Board decided that, for the argument regarding the superiority of 40-quarters obligating event over attaining age 62, there are three key pieces missing: (1) control over conditions being met not

resting with the potential beneficiary; (2) conditions can relate either to being eligible for a payment or the timing of it; and (3) the notion of matching of cost.

The staff also presented a project plan for the Social Insurance Liability Project for the next several FASAB meetings – August, October, 2005, and January 2006.

The Board discussed the merits of issuing various types exposure documents, e.g., invitation to comment, exposure draft, etc., where the subject matter is controversial and/or presents technical issues. The Board did not determine which type of document to issue at this time. It discussed the possibility of issuing a document that presented the first exposure document for social insurance concurrently with the liability definition and possibility other concepts that are under development.

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

Research into the Application of the Liability Definition

At the June 22, 2005 meeting, staff presented an analysis of the Corporation for National and Community Service's (the Corporation) Service Award Liability. Staff selected this program as an example of a government program that recognizes a liability before the due and payable point even though it is a nonexchange transaction and not all conditions have been met for the member to have a legal claim to the award. The Corporation currently recognizes a liability for each member after he has completed 15 percent of his term of service.

Staff compared the Corporation's program to the other programs presented by staff at prior meetings (Supplemental Security Income, Milk Income Loss Contract, and Feed Grains Direct and Counter-Cyclical Payment) and suggested that the point at which the member applies for the program could be considered the obligating event based on the same logic applied by staff to the other programs (the point at which a mutual understanding/"meeting of the minds" has been formed).

Board members did not make a formal decision on the obligating event at this meeting, but did agree that it seems appropriate for the Corporation to recognize some amount earlier than due and payable for this program. However, under current FASAB SFFAS 5, a liability would not be recognized until due and payable if the transaction is characterized as nonexchange.

In addition, several Board members debated whether (1) the program was actually nonexchange and (2) the liability should, in fact, either be recognized in full after the member has completed service or on a prorated basis as he is performing service. The alternative recognition points proposed by members would still result in earlier recognition than due and payable, which for this

program, is after a member has completed his full term of service and incurred eligible educational expenses.

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

Inter-entity Project

The Board approved the *Inter-Entity Cost Implementation* draft statement of federal financial accounting standards for issuance. The statement was forwarded to the sponsors for review. Although the Board vote is final, there is a 90 day clearance for OMB and GAO to offer an objection. FASAB anticipates the release of the final standard in August 2005.

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

Other FASAB Information

Recent Documents Issued

The following FASAB documents were issued during June-July 2005:

- ❖ Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land* was issued on July 7, 2005. The standard is effective for reporting periods beginning after September 30, 2005 with the exception of certain reporting requirements that are to be phased-in.
- ❖ Exposure Draft (ED), *Accounting for Fiduciary Activities*, was issued on June 27, 2005. A public hearing has been scheduled for August 17, 2005, and written comments are requested by August 30, 2005.
- ❖ Invitation to Comment on *Technical Agenda Options* was issued on July 22, 2005. Responses are requested by September 9, 2005.

FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 3 2005	Quarter 4 2005	Quarter 1 2006	Quarter 2 2006	Staff Contact
Natural Resources		Oil & Gas Research	Oil & Gas Research	Oil & Gas ED	Oil & Gas UR	Rick Wascak, 202-512-7363
Heritage Assets and Stewardship Land	ED-2003 PH-2004	Final				Melissa Loughan, 202-512-5976
Fiduciary Activity	ED-2003 PH-2003 Decision to re-expose – 12/2004	DP	UR	Final		Eileen Parlow 202-512-7356
Concepts Project		Research/ Roundtable Meetings on Objectives	Research/ Roundtable Meetings on Objectives	Research	Research	Melissa Loughan, 202-512-5976 Ross Simms, 202-512-2512
Social Insurance Liabilities		Research	Research	Research	Research	Richard Fontenrose, 202-512-7358
Research into the Application of the Liability Definition		Research	Research	Research	Research	Julia Ranagan, 202-512-7377
Inter-entity Project	ED-2004 PH-2004	Final				Melissa Loughan, 202-512-5976

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

The next AAPC meeting will be scheduled for some time in September 2005. The Committee will be continuing its discussion on Inter-Entity Cost Implementation Guidance and Heritage Assets and Stewardship Land Guidance. 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

FASAB Meeting Schedule

Schedule for 2005 Meetings:

Wednesday, August 17th and Thursday, August 18th
Wednesday, October 5th and Thursday, October 6th
(No December meeting is scheduled for 2005.)

Schedule for 2006 Meetings:

Wednesday, January 11th and Thursday, January 12th
Wednesday, March 29th and Thursday, March 30th
Wednesday, May 24th and Thursday, May 25th
Wednesday, July 26th and Thursday, July 27th
Wednesday, September 27th and Thursday, September 28th
Wednesday, November 15th and Thursday, November 16th

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.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to Marian Nicholson, at 202-512-7350 or nicholsonm@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.