



FASAB news
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Board Member Elizabeth M. Robinson
Concludes Her Service on FASAB

Elizabeth M. Robinson joined FASAB as the Congressional Budget Office (CBO) representative in January 2004. Dr. Robinson's departure is a result of her resignation from CBO to accept the position of Assistant Director for Budget within the Budget Review Division of the Office of Management and Budget (OMB).

Dr. Robinson assumed the position of Deputy Director of CBO on September 29, 2003. Previously, Dr. Robinson served as the Deputy Assistant Director for Budget Review and Concepts at the OMB. Prior to joining OMB's Budget Review Division, she worked as the OMB program examiner for energy issues, including the defense, intelligence, fossil energy, and science programs at the Department of Energy. From 1994 to 1998, she was a staff member on the Committee on

Science in the House of Representatives. From 1989 to 1994, Dr. Robinson worked at the Congress's Office of Technology Assessment. Before that, she was an assistant professor of geophysics at Stanford University.

The Board thanks Dr. Robinson for her time, experience, and service in assisting the Board in its collaborative effort to improve Government financial management. The Board and its staff wish Beth continuing good fortune in her new position at OMB and all future endeavors.

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.

Updating the FASAB Registry of Candidates--A Call for Candidates

An 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 non-federal members of the Board. The panel is currently recruiting candidates for chairman and anticipates conducting interviews in late 2006. In addition, due to Mr. Anania's resignation, the panel will begin reviewing candidates for an additional non-federal member in late 2006 as well.

The recruitment effort includes requests for assistance to numerous associations, public interest groups, GAAP standards setting bodies, and others. In addition, we have an open registry to which individuals can have their name added.

If you are interested in serving as a non-federal member of the Board, the FASAB website includes a Statement of Board Member Responsibilities, a list of current members and a fact sheet (see www.fasab.gov and "FASAB Facts"). The non-federal 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.

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, faxing it to 202 512-7366 or e-mailing it to fasab@fasab.gov. Candidates

wishing to be considered for the chairman position should submit a resume as

soon as possible but no later than October 15 and indicate their interest in the chairman's position. Candidates for the non-chairman position should submit a resume by October 15, 2005. If you have previously submitted your name, you will be contacted to confirm your continued interest.

Current Board Projects

Natural Resources

A representative from the Energy Information Administration (EIA) and a representative from the Department of the Interior (DOI) participated in the August 2005 Board meeting. Each participant gave introductory remarks, including what each thought the objective of the oil and gas project was, followed by discussions on questions the Board had identified in previous meetings. The participants recommended that the calculation for valuing the royalty interest the Federal government has in the proved reserves under its control be straightforward and manageable. Based on the discussions, staff will begin developing an Exposure Draft.

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

Fiduciary Activity

A public hearing on the Exposure Draft, *Accounting for Fiduciary Activities*, was held on August 17, 2005. Speakers at the public hearing were:

Department of Defense (DoD):

Zack Gaddy, Director of the Defense Finance and Accounting Service
William Kramer, Defense Security Cooperation Agency
Kathy Dee, Defense Finance and Accounting Service

Department of the Interior:

Debra Carey, Office of Financial Management,
Bert Edwards, Office of Historical Trust Accounting
Margaret Williams, Office of the Special Trustee for American Indians
Fred Winter, KPMG

A transcript of the public hearing is being prepared and will be made available on the FASAB website. DoD representatives raised issues relating to the Foreign Military Sales program. Interior representatives raised issues relating to the scope of the definition and the requirement for accrual accounting for fiduciary activities.

The comment period for the ED ended August 30, 2005. At the October 2005 Board meeting, the Board will review comments received.

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

Concepts Project

Objectives Phase

At the August 2005 Board meeting, staff presented a revised plan that included moving forward with the roundtable meetings because the main focus for the Objectives Phase of the Concepts Project is to evaluate the federal financial reporting objectives. Staff provided an overview of the staff team's plan for conducting the roundtable meetings. Staff plans to conduct four roundtable meetings--one for each objective of federal financial reporting. All the meetings will be completed by the end of calendar year 2005. Staff plans to include individuals from the following for participation: IG audit community, CFO financial statement preparation community, IPA firms, GASB, former FASAB Board members, OMB, GAO, Treasury, CBO, Public Interest Groups, Congressional staff members, and any other subject matter expert deemed appropriate.

Staff also presented an updated Draft White Paper on Objectives and a Draft Participants Package for the Board's review. The Draft White Paper on Objectives provides the purpose of the project, where the Board is in the process, major changes since SFFAC 1 was issued, and how the roundtables will play a part in the Board's consideration of the objectives. The Draft Participants Package included questions for consideration and the main discussion topics for the roundtable meetings.

The Board approved the staff plan to move forward with the roundtable meetings and suggested some minor changes to the draft documents.

Elements Phase

Staff presented a partial draft of a proposed concepts statement on *Definition and Recognition of Elements of the Financial Statements*. The draft comprised (a) a brief discussion of the purpose of Statements of Federal Financial Accounting Concepts (SFFAC); (b) an Introduction that explained the purpose of the concepts statement and defined the terms *elements*, *recognition*, and *recognize*; (c) a section that established and discussed recognition criteria and the distinction between meeting the definition of an element and qualifying for recognition in the financial statements; (d) a section on definitions of elements, including definitions of assets and liabilities and discussions of the essential characteristics of each element; the section also indicated where definitions of

net position, revenues, and expenses could be placed in a future draft; (e) a section on the effects of uncertainty on definitions of elements, their measurement, and financial reporting in general.

The Board's discussion of the draft proposed concepts statement focused on responding to fifteen questions that were included in the cover memo and followed the sequence of the draft. (See final Minutes for the August meeting for a detailed discussion of each question and resulting issues.)

Staff will present a revised draft of a proposed concepts exposure draft that incorporates the Board's comments at the October Board meeting.

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

Social Insurance Liabilities

At the August 2005 FASAB meeting the staff presented 10 questions along with recommendations for each. Staff noted that most of the questions essentially are seeking agreement in principle. Details would be specified as the drafting progressed.

1. What attribute should be measured for social insurance? Staff recommended present value.
2. Should OASDI and Medicare liabilities include projected amounts in excess of the current statutory limit? The staff recommended including the full cost and full liability to the participants.
3. What assumptions should be used in projecting cash flow? The staff recommended a general requirement as in SFFAS 5 with a reference to actuarial standards of practice.
4. How should uncertainty be illustrated? In addition to the recommendations regarding display, disclosure and RSI, the staff recommended exploring the use of "expected present value" as an alternative to present value based on the "best estimate."
5. What should be recognized as social insurance expense or "cost"? The staff recommended four components for Social Security and Medicare Hospital Insurance (Part A) and, for Medicare Supplemental Medical Insurance (Parts B and D), the staff recommends essentially using insurance accounting.

6. What should be recognized as the social insurance liability? The staff recommended that liability be the accumulated cost.
7. What should be displayed for social insurance on the statement of net cost, balance sheet, and other statements? The Social Insurance project staff recommended a total amount for cost on the statement of net cost and liability on the balance sheet representing all components of accrued cost and liability. The totals could be disaggregated by, for example, age cohort, and/or by degree of uncertainty, and/or by “service cost” plus interest on the liability and actuarial gains and losses.
8. What should be disclosed about social insurance in the notes? The staff did not recommend anything at this time.
9. What should be done with RR Retirement, Unemployment Insurance, and Black Lung Benefits? Staff recommended, for Railroad Retirement, analogizing to OASDI and SMI, and for Unemployment Insurance and Black Lung Benefits, continue to apply SFFAS 17.
10. What is the reporting objective for social insurance? The staff recommended that the objective should be to report the costs incurred in during the reporting period based on obligating events in that period.

A majority of the Board generally agreed with the staff’s recommendations regarding questions 1 through 6 and 10. The Board did not have an opportunity to consider questions 7 through 9.

For the October meeting staff will provide:

1. Pro forma illustrations and other analysis regarding display and disclosure alternatives as discussed in questions 7 and 8 above. Most members supported reporting the statutory limitation on payments either on the face of the financial statements, in a footnote, or elsewhere.
2. Further discussion of annual and accumulated cost recognition at 40- quarters compared to recognizing the full future net obligation at 40- quarters. This will include consideration of how to characterize both the 40- quarters obligating event and subsequent work in covered employment that increments the obligation. For example, whether such increments should be characterized as obligating events, as in the phrase “future outflows attributable to obligating events occurring in the reporting period,” or as a function of measurement.

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

Research into the Application of the Liability Definition

At the August 17, 2005, meeting, staff summarized the project results to date and presented three options for continuing:

- Present educational sessions on IASB and FASB work on expected values and obligations;
- Begin developing an operational approach to different classes of liabilities; or,
- Divert staff resources to another project.

Staff noted that there are fundamental disagreements between the Board members, particularly on whether the liability is the future sacrifice itself or the stand-ready obligation to make that sacrifice. As a result, continuing to review individual programs one by one would probably not result in the timely settlement of many of these differences.

After a brief discussion, the Board members unanimously agreed that the project should continue but should focus on classes of liabilities from this point forward, rather than a review of individual programs. Staff will research potential classes of liabilities and present a list of options for the Board to consider.

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

Inter-entity Project

SFFAS 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts* was issued on August 15, 2005. This standard requires full implementation of the inter-entity cost provision in SFFAS 4 in FY 2009.

SFFAS 4 requires that reporting entities report the full costs of outputs in general purpose financial reports. The full cost of an output should include the costs covered by other reporting entities. These costs are referred to as “inter-entity costs.” SFFAS 4 recognized the difficulties in attaining this goal and provided for gradual implementation of inter-entity costing. This standard establishes a date certain for implementation of the inter-entity cost provision.

This standard requires full implementation of the full cost standards in FY 2009. This is eleven years after the implementation of managerial cost accounting standards by the federal government. Cost information is an important element of performance measurement and this standard will ensure all material costs are included in full cost measures.

The standard is effective for reporting periods beginning after September 30, 2008 with earlier implementation encouraged. The standard affords time to provide needed guidance before the effective date. The Board anticipates the release of one or more Technical Releases that will address implementation issues during this time. Entities may also use the time period between the issuance of this standard and the actual effective date to establish reimbursable agreements, seek implementation guidance on specific issues if necessary, and develop internal guidance on recognizing inter-entity costs.

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

Other FASAB Information

Recent Documents Issued

The following FASAB documents were issued during August-September 2005:

- ❖ Statement of Federal Financial Accounting Standards (SFFAS) 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts* was issued on August 15, 2005. This standard requires full implementation of the inter-entity cost provision in SFFAS 4 in FY 2009.

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 Objectives Elements		Research/ Roundtable Meetings on Objectives	Research/ Roundtable Meetings on Objectives	Research	Objectives - Research Elements - ED	Melissa Loughan, 202-512-5976 Ross Simms, 202-512-2512
Social Insurance Liabilities		Research	Research	Research	ED	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 is scheduled for September 16, 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, 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.