



FASAB *NEWS*

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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Board Addresses Changes to SFFAS 7

At its February meeting, FASAB agreed to several actions on Statement of Federal Financial Accounting Standards 7 (SFFAS 7), Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting. They are:

1) **Proposed Technical Amendment.** The FASAB will be proposing a technical amendment to SFFAS 7. The standard requires reconciling obligations with the net cost of operations through the Statement of Financing. On February 21, the Board agreed to propose removing from paragraph 80 the requirement that changes in accounts receivable due from the public as exchange revenue be reported in a specific location; the proposal will provide for flexibility in reporting that element. This change will foster aligning SFFAS 7 with the latest guidance on the Statement of Financing and the forthcoming guidance from the Office of Management and Budget on “Form and Content of Agency Financial Statements.”

Point of contact: Richard Fontenrose, 202-512-7358, fontenrosr@gao.gov

See SFFAS 7, Page 2

Board Delves Further into KPMG National Defense PP&E Study

At the December Board meeting, KPMG briefed the Board on the results of its study under contract with the Department of Defense, “Report on the Evaluation of National Defense PP&E Reporting Approaches.” In the report, KPMG recommends:

- reporting the units and condition of major end items in FY 2002 (Phase 1);
- capitalizing major end items (e.g., aircraft, ships, and combat vehicles) without depreciating them and capitalizing and depreciating other national defense property, plant, & equipment (e.g., intelligence and communication systems, and specific support equipment) beginning in FY 2006 (Phase 2).

At its February meeting, the Board discussed the above proposals and associated issues in two separate sessions.

The first session was designed to assist Board members in understanding the proposals. Staff provided exhibits of: 1) a high level summary of the proposals; 2) descriptive and expanded illustrations of Major End Items and Other National Defense PP&E; and, 3) illustrative financial statements showing stages of information, that is, prior to implementing the proposals, subsequent to implementing Phase 1, and subsequent to implementing Phase 2.

See PP&E STUDY, Page 2

2) **Eliminating Paragraph 65.2.** On February 22, the Board approved eliminating paragraph 65.2 of SFFAS 7. Paragraph 65.2 requires the disclosure of material revenue-related transactions affecting the beginning and end-of-period balances of accounts receivables, accounts payable for refunds, and the allowance for uncollectible amounts.

In November 2000 the Board had issued an exposure draft proposing the elimination of this paragraph. Of the 10 respondents: 5 were in favor, 3 were opposed, 1 group response was evenly divided, and 1 offered “no comment”. Following a discussion of the requirement in paragraph 65.2 and its flaws, the Board directed staff to prepare a Statement of Federal Financial Accounting Standard (SFFAS) to eliminate paragraph 65.2 of SFFAS 7. The Board’s tentative vote at the meeting was seven in favor of eliminating the paragraph and one opposed. The Board will vote on the actual SFFAS during late April.

Point of contact: Richard Fontenrose, 202-512-7358, fontenros@gao.gov

3) **Restating Prior Year Financial Statements.** The Board reviewed a draft exposure draft to amend SFFAS 7 to require restating prior year financial statements for material errors discovered in the current year. During discussion, several members suggested that the Board also should allow restatement of prior year financial statements for changes in accounting principle. They cited the example of the GAO building, a multi-use heritage asset. It had initially been capitalized, then removed from the books in accordance with SFFAS 6, *Accounting for Property, Plant, & Equipment (PP&E)*, and finally capitalized again, in accordance with SFFAS 16, *Amendments to Accounting for PP&E — Multi-use Heritage Assets*. In such a case, restatement to show the effect of capitalizing the GAO building consistently would make prior year financial statements presented for comparative purposes more useful to readers and decision-makers.

The majority of the Board agreed that the proposed exposure draft should provide management with the option of restating prior year financial state-

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PP&E STUDY, From Page 1

In the second session, the objective was to resolve the Board’s issues and concerns prior to proposing a standard for national defense PP&E. A major concern was the inability to attribute a consumption value for Major End Items to periods of use. Other issues included 1) how to account for clean-up cost, 2) how to define, describe and use composite depreciation, and 3) how to pro rate the acquisition cost for items destroyed before a program is closed out.

The Board voiced broad support for the complete package of proposals, substantially as written, except for the clean-up cost issue. Staff will develop options for accounting for clean-up costs and include them in a draft Exposure Draft (ED) for national defense PP&E to be discussed at the Board’s April meeting.

Point of contact: Rick Wascak, 202-512-7363, wascakr@gao.gov

FASAB’s Roster of Board and Staff Members

Original Board Members

Chair

Elmer B. Staats, 1991-1997
Department of the Treasury
 Gerald Murphy, 1991-1998
Office of Management and Budget
 Susan Gaffney, 1991

General Accounting Office
 Donald Chapin, 1991-1997

Congressional Budget Office
 James L. Blum, 1991-1998

Defense & International Agencies
 Alvin Tucker, 1991-1997

Non-defense Agencies
 William L. Kendig, 1991-1994

Non-federal Representative
 Martin Ives, 1991-1997

Non-federal Representative
 Cornelius E. Tierney, 1991-1997

Subsequent Board Members

Chair

David Mosso, 1997-present
Department of the Treasury
 Donald V. Hammond, 1998-1999

Department of the Treasury
 Robert Reid, 1999-present

Office of Management and Budget
 Edward J. Mazur, 1991-1993

Office of Management and Budget
 Harold I. Steinberg, 1993-1994

Office of Management and Budget
 Norwood Jackson, 1995-1999

Office of Management and Budget
 Joseph L. Kull, 2000-present

General Accounting Office
 Philip T. Calder, 1997-present

Congressional Budget Office
 Barry B. Anderson, 1999-present

Defense & International Agencies
 Nelson Toye, 1997-present

Non-defense Agencies
 James E. Reid, 1994-1998

Non-defense Agencies
 Kenneth J. Winter, 1999-present

Non-federal Representative
 Donald H. Chapin, 1997-present

Non-federal Representative
 Linda J. Blessing, 1997-1999

Non-federal Representative
 James M. Patton, 1999-present

Original Staff Members

Executive Director

Ronald S. Young, 1990-1996

Deputy Executive Director

Jimmie D. Brown, 1990-1993
 Robert W. Bramlett, 1991-present
 Wendy M. Comes, 1991-1996
 Richard L. Fontenrose, 1991-present
 M. Lucy Lomax, 1991-present
 Richard C. Mayo, 1991-present
 Frank Rexford, 1991-1993 (deceased)
 Monica R. Valentine, 1991-present
 Richard Wascak, 1991-present
 Richard S. Tingley, 1991-2001
 Marian Nicholson, 1991-present
 Alice Keels, 1991-1993
 Allison Powell, 1993-1997

Subsequent Staff Members

Executive Director

Wendy M. Comes, 1996-present
 Andrea Palmer, 1997-present
 Charles W. Jackson, 2001-present

ments for changes in accounting principles, including adoption of new Federal accounting standards. However, two Board members believed that more discussion was needed on the possible consequences of this action.

The Chairman, therefore, recommended that the provision be accompanied by a strong caveat soliciting additional input from respondents to the exposure draft on possible consequences of the proposed action. Staff will send a pre-ballot draft of the

revised proposed exposure draft to Board members in the near future.

Point of contact: Andrea Palmer,
202-512-7360, palmera@gao.gov



Notice of Public Hearing

Notice of Public Hearing and Request for Written Comments on Board's Preliminary Views on Eliminating the Category "Required Supplementary Stewardship Information"

Public Hearing: April 27, 2001*

Beginning at 9:00 a.m.
Room 6N30
U.S. General Accounting Office
441 G Street NW
Washington, DC 20548

The Deadline for Written Notice of Intent to Speak on April 27 is April 13, 2001.

*Extension to an additional date or dates may be announced at the hearing.

Basis for the hearing. The FASAB has scheduled a public hearing to obtain information from interested individuals, organizations, and groups about the issues discussed in *Preliminary Views on Eliminating the Category "Required Supplementary Stewardship Information."* Copies of this document were mailed in December to those on FASAB's mailing list. Additional copies are available on request from FASAB or on the World Wide Web at <http://www.financenet.gov/financenet/fed/fasab/exposure.htm>. Members of the Board and its staff will conduct the hearing. Interested parties are encouraged to participate.

Public hearing oral presentation requirements. Individuals, organizations, or groups that want to make an oral presentation at the public hearing should provide, by **April 13, 2001**, a written notification of intent and written comments addressing the issues in *Preliminary Views*. The notification and written submission should be addressed to Wendy Comes, Executive Director, at comesw@gao.gov or at:

Federal Accounting Standards Advisory Board
441 G Street NW, Mailstop 6K17V
Washington, DC 20548

The hearing may be canceled if insufficient interest is expressed by the deadline. The Board intends to schedule all who want to make oral presentations and will notify them of the time of the presentation. The time allotted each individual, organization, or group will be limited to about 30 minutes—10 minutes to summarize or elaborate on the written submissions, or to comment on the written submissions or presentations of others; and 20 minutes to respond to questions from those conducting the hearings. Please see the note on building security and requirements for admission elsewhere in this newsletter.

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

Board Issues SFFAS 19

The Federal Accounting Standards Advisory Board (FASAB) has issued Statement of Federal Financial Accounting Standards (SFFAS) 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*. The Board approved the Statement in December 2000 and submitted it to FASAB principals for a 90-day review. The review period ended on March 20, 2001.

In SFFAS 19, the Board adopted a number of technical amendments to SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, to clarify that:

- the cash flow discount method used in the accounting standards prescribed in SFFAS 2 is consistent with the method required in the Federal Credit Reform Act of 1990, as amended in July 1997,
- the effective interest rate of a cohort of direct loans or loan guarantees is the interest rate adjusted for the interest rate re-estimate, as defined in paragraph 9(A), SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*, and
- the measurement principle for the default costs of direct loans and loan guarantees specifies certain cash flow elements that should be included or excluded in measuring default costs.

The standards prescribed in SFFAS 19 are effective for periods beginning after September 30, 2002. Hard copies of the statement will be mailed to the FASAB mailing list; it also is available on the FASAB web site at www.financenet.gov/fasab.htm or by calling 202 512-7350.

Point of contact: Richard Mayo, 202-512-7356, mayor@gao.gov.



FASAB Email Addresses Temporarily Changed

Have you received notices that FASAB's email addresses have changed? Did you wonder if FASAB had moved? Well, we have not! However, there has been a temporary change in our email addresses.

Most of our readers are aware that the Federal Accounting Standards Advisory Board is sponsored by the Department of the Treasury, the Office of Management and Budget and the General Accounting Office but is located in the General Accounting Office Building. The General Accounting Office provides administra-

tive support to the FASAB in the form of office space, and personnel and computer support. Recently, the General Accounting Office upgraded some of its network capabilities, including its email system. As a result, the "FASAB" portion of our email address has been temporarily lost somewhere in cyberspace! So, our email addresses, which followed the format of

<last name plus first initial.fasab@gao.gov> are currently changed to:
<last name plus first initial@gao.gov>

This change has caused some confusion and we are working to correct the problem. With support from the General Accounting Office's computer team, FASAB has acquired the rights to

the "FASAB.gov" domain. The next step is to create the domain so that we will be able to receive email at "name@fasab.gov". We will announce this change through the newsletter and electronic means. In the meantime, the email system will continue to recognize our old email addresses (for a few more months) or our new temporary email addresses. (Unfortunately, each time you use the old email addresses, you will receive a notice informing you of the change. To avoid this, you may wish to simply use the new temporary email addresses.)

Point of contact: Charles W. Jackson, 202-512-7352, jacksoncw1@gao.gov.



Accounting and Auditing Policy Committee Update

At its March 8, 2001 meeting, the Accounting and Auditing Policy Committee (AAPC) discussed the following:

Proposed Technical Release 5, Implementation Guidance on Statement of Federal Financial Accounting Standard 10 *Accounting for Internal Use Software*:

Responding to a request from the Chief Financial Officers Council, the AAPC addressed issuing implementation guidance on Statement of Federal Financial Accounting Standard 10, (SFFAS 10), *Accounting for Internal Use Software*. After considering the results of task force meetings, AAPC discussions, and comments received through the AAPC web site, the Committee approved sending the proposed Technical Release (TR), *SFFAS 10 Implementation Topics/Issues*, to the FASAB for review. If the FASAB does not object to the TR during a 45-day review period (which will end in late May), the TR will be released as final.

Stewardship Guidance Work Group:

In 1998, the AAPC commissioned a multi-agency work group to draft guidance to help Federal entities implement the stewardship land and heritage assets standards. Two members of the group briefed the Committee on the group's draft guide. The guide addresses 1) identification, categorization, and physical units; 2) determining materiality; 3) measuring and reporting condition, and 4) the auditor's assurance. The draft is expected to be available for comment on the AAPC web site by summer 2001.

Point of Contact: Monica R. Valentine, 202-512-7362, valentinem@gao.gov



NEW! Federal Accounting and Auditing Update Course (2000-2001 Edition)

Until now, no CPE course in any format focused solely on new developments in Federal accounting and auditing. And there is more activity in this area than ever because of such events as:

- the American Institute of Certified Public Accountants (AICPA) recognizing the FASAB's Statements of Federal Financial Accounting Standards

as Generally Accepted Accounting Principles (GAAP) for applicable Federal Government entities, and

- the General Accounting Office issuing *Standards for Internal Control in the Federal Government* (the Green Book).

The objectives of the "Federal Accounting and Auditing Update" are to:

- Understand recent final and proposed pronouncements issued by the FASAB, the General Accounting Office, and other standards-setting bodies

- Apply the new requirements efficiently and effectively

The only prerequisite for the course is knowledge of Federal Government accounting and auditing. The course, developed by W.A. Broadus, Jr., CPA, CGFM, is available from the AICPA, 1-888-777-7077. It is in video format and features FASAB Chair David Mosso, FASAB members Robert Reid and Joseph Kull, and FASAB Executive Director, Wendy Comes. Its product number is 181008.



FASAB's Upcoming Meetings

2001

April 26 & 27
June 18 & 19
August 23 & 24
October 25 & 26
December 13 & 14

Location

General Accounting Office, 441 G Street, NW, Room 6N30, Washington, DC 20548.
Agendas and meeting times will be posted to the FASAB web page one week prior to meetings.



FASAB's Web Page:

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, lomaxm@gao.gov

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1.@gao.gov

Accounting and Auditing Policy Committee (AAPC) Upcoming Meetings

2001

May 10

July 12

Sept 13

Nov 8

Location

General Accounting Office, 441 G Street, NW, in Room 4N30, beginning at 1:30 PM.
Agendas and meeting times will be posted to the FASAB web page one week prior to meetings.
Point of contact: Monica R. Valentine, 202-512-7362, valentinem@gao.gov,

Meeting Attendance Security Reminder

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to Marian Nicholson, 202-512-7350, or email, nicholsonm@gao.gov at least one day prior to the meeting. The General Accounting Office has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.

Change of Address or Cancellation?

Forward this form to FASAB at:
441 G Street, NW, Room 6K17V
Washington, DC 20548

or

Fax to:
(202) 512-7366

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