

FASAB News

Issue 76

October - November 2002

The following articles provide highlights of the FASAB's October 9-10, 2002 Meeting. Detailed minutes of the meeting will be posted to FASAB's web page in approximately six weeks at:

www.fasab.gov

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FASAB Approves Two Statements on the Consolidated Financial Statements of the US Government

The Board approved Statement of Federal Financial Accounting Standards 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, and Statement of Federal Financial Accounting Concepts 4, *Intended Audience for the Consolidated Financial Report of the United States Government*. Both documents, dated October 29, 2002, have been sent to the FASAB principals, the Secretary of the

Treasury, the Director of the Office of Management and Budget, and the Comptroller General, for a 90-day review period. If none of the principals objects to the documents, they will be issued and posted to FASAB's web page in early February.

Points of Contact: Richard Fontenrose, 202-512-7358, fontenrosr@fasab.gov, and Lucy Lomax, 202-512-7359, lomaxm@fasab.gov.

Agenda Hearing

The objective of the FASAB agenda hearing was to solicit input regarding the board's prioritization of future projects. Notice of the hearing was provided in the Federal Register and FASAB News. Staff provided brief project descriptions via the FASAB website and electronic delivery to the CFO Council, the President's Council on Integrity and Efficiency, the FASAB list serve, and to past respondents to exposure drafts.

At the hearing, the Board received input from:

1. Robert Bruce Holstein, Comptroller, Government Printing Office
2. Marilyn A. Kessinger, Director, and Neil J. Ryder, Assistant Director Department of Justice, Office of Inspector General, Financial Statement Audit Office
3. The American Institute of CPAs represented by Pat McNamee, Partner, PriceWaterhouse Coopers and Wendy Frederick, American Institute of CPAs

Mr. Holstein recommended that the board consider a project dealing with revolving fund operations. He expressed concern regarding the matching of revenue and expense in an environment in which regulation prevented inclusion of certain accrued expenses in rates.

Ms. Kessinger and Mr. Ryder discussed lease accounting by federal entities. Based on their experiences at Department of Justice and input provided at government-wide working groups, they do not believe comparable accounting for leases has been achieved. They asked the board to consider a project on lease accounting that would address terminology and leasing practices peculiar to the federal government.

Mr. McNamee and Ms. Frederick suggested criteria for the board's use in selecting projects.

Reclassifying Stewardship Responsibilities and Eliminating the Current Services Assessment

In October the Board reconfirmed its tentative decision that information about “risk assumed” should be reclassified as “required supplementary information” (RSI). The Board discussed whether to mandate use of OMB’s *Midsession Review* current services estimates in lieu of the current services estimates published in the *President’s Budget*. A member had suggested this option at the last Board meeting. The Board concluded that the requirement to present the current services assessment should be eliminated.

Representatives of American Institute of Certified Public Accountants (AICPA) joined the Board to discuss issues regarding the audit of the Statement of Social Insurance, if it were classified as an integral part of the basic financial statements. The representatives were Chuck Landes, AICPA’s Director of Auditing Standards (by speakerphone from New York), Pat McNamee, Chairman of AICPA’s FASAB liaison taskforce and social insurance taskforce, and Wendy Frederick, Technical Manager with AICPA’s Washington, DC office.

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

Board Continues Discussing Fiduciary and Dedicated Collections Projects

Fiduciary Activity

The staff presented a draft exposure draft (ED) as a framework for discussion of fiduciary accounting. Although the accounting standards section of the ED was fully developed, some sections of the ED were in outline to form a framework for discussion. The objective of the proposed standard would be to provide accounting guidance for fiduciary activities that have a private purpose, and to differentiate them from other activity with a public purpose. In many cases, public purpose activities involve resources that are dedicated to a specific Federal program that are accounted for in accounts designated “trust funds.” This has resulted in a lack of clarity about how Federal trust funds differ from private trust funds and other Federal “funds,” about the linkage between trust fund activity and Federal program expenditures, and about the relationship between trust fund accounting and the Federal Government’s overall financial condition.

The proposed standard would provide additional accounting guidance regarding fiduciary activities. Current accounting standards do not address the universe of

fiduciary activity, which includes both agency type activity and managing-trustee type activity. Most fiduciary activity, in terms of number of accounts, represents escrow or bailment activity. Such funds serve short-term goals, are generally not invested, and involve little management discretion. Managing-trustee activity, on the other hand, involves fewer accounts but significant amounts and difficult managerial challenges.

The Board reviewed parts of the draft ED. The Board approved the title, "Accounting for Fiduciary Activity;" and made other changes to the draft provisions. Moreover, the Board discussed the three methods for holding fiduciary assets presented by the staff: (1) commingled with the entity's cash, (2) not commingled, and (3) separate and apart from the entity. The Board will discuss fiduciary activity again in December.

Point of contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov.

Dedicated Collections

The Board decided that dedicated collections are less than a liability but represent an implied promise to the American citizens. The Board will consider requiring recognition of dedicated collections as a form of segregated equity or net position. Additional disclosures similar to the ones currently required will still be addressed.

At its December meeting, the Board will discuss a new name for "dedicated collections," which collections are included, and whether a trust or special fund balance is a liability. It also will review illustrations of agency and governmentwide (consolidated financial report or CFR) balance sheets showing 1) fund balances as a liability, and 2) segregation of equity between "unexpensed earmarked revenues" and "unexpensed general fund revenues."

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

Board Discusses Intra-departmental Cost Interpretation

The Board continued discussing the intra-departmental cost draft interpretation. The Intra-departmental cost project relates to whether a component (of a department or larger reporting entity) is required to impute intra-departmental costs or if paragraph 110 of SFFAS 4 limits such recognition. Intra-departmental imputed costs are the unreimbursed portion of the full costs of goods and services provided by other components or responsibility segments within the same department or larger reporting entity.

Staff presented for the Board's review a pre-ballot Exposure Draft. The draft interpretation had been updated to address comments from the August Board meeting.

Major revisions included clarifying that the interpretation was specific to imputed costs; using simpler terminology (no longer including 'inter-entity' after the terms inter-departmental and intra-departmental); providing definitions and examples for imputed intra-departmental costs and inter-departmental costs; adding language regarding recognition criteria; clarifying reporting disclosures; and illustrating the inter/intra departmental relationships with a chart.

At the meeting, the Board provided input and comments on the pre-ballot Exposure Draft. The major revision was to clarify that paragraph 110 of SFFAS 4 does not specifically prohibit recognition of imputed costs. However, paragraph 110, when considered in conjunction with OMB guidance in Bulletin 01-09, *Form and Content of Agency Financial Statements*, Section 4.3, paragraph 2, limits the recognition of inter-entity costs to specific costs. The Board agreed that the interpretation should be clarified. Additionally, wording within the exposure draft interpretation will be revised to remove language that speaks to paragraph 110 as 'prohibiting or precluding.'

The Board provided other minor comments and wording changes. Staff will incorporate the Board's comments, forward the revised pre-ballot Exposure Draft for final comments, and then forward the final Exposure Draft with ballot for a Board vote. The Exposure Draft is expected to be issued in November.

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

Board Discusses Natural Resources Project

After putting the project "on hold" pending higher priorities, the Board has revived the Natural Resources project. In June, the FASAB Staff and the Natural Resources Task Force, chaired by R. Schuyler Leshner, Department of the Interior, had presented a Discussion Paper. At this meeting, staff solicited Board input on the following items:

- project objective
- project scope
- project plan
- initial project issues

Some of the major issues discussed focused on 1) the conditions and manner under which an item would be valued, quantified, and reported, and 2) whether natural resources information should be reported as Required Supplementary Stewardship Information (RSSI), which the Board is considering eliminating, or Required Supplementary Information (RSI). The progress on the project will depend on the amount and type of data available for each category, the ability to determine what is measurable and recognizable, and how the categories will be classified. For example, it was noted that FASAB has only a "working definition" of assets from SFFAS 6 so it may be difficult to answer the question whether natural resources are assets.

Board members were asked to provide comments to staff on the issues presented and on the recommendations made by the task force in the June 2000 discussion paper.

Point of contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov and Rick Wascak, 202-512-7355, wascakr@fasab.gov.

Department of Defense Provides Progress Briefing

In June, representatives of the Department of Defense had briefed the Board on initiatives at the Department for implementing accounting and reporting on military equipment (see FASAB News Issue 75). At the October Board meeting, representatives provided a further update by telling the Board that to early implement the property, plant, and equipment accounting standard, one “pilot” acquisition program had been selected from each Military Department: the Paladin from the Army, the DDG-51 from the Navy, and the F-15 from the Air Force. The pilot programs are being valued and reported in the Department of Defense’s FY 2002 financial statements. The representatives also said that in April, Team IBM was awarded a contract for the Department’s financial management enterprise architecture project, and in September, a “strawman” of the “To Be” architecture was delivered on schedule.

Point of contact: Rick Wascak, 202-512-7355, wascakr@fasab.gov.

Board 2002 – 2003 Calendar

All meetings will be held in the General Accounting Office Building, 441 G Street, NW, Washington, DC 20548, from 9:00 a.m. until 4:00 p.m. Room numbers will be available before each meeting. The meeting agenda will be released approximately one week before the meeting. The agenda will be available via the electronic mailing list, the FASAB website, or by calling, 202-512-7350.

Meeting dates:

December 11 - 12, 2002
February 12-13, 2003
April 18-19, 2003
August 13-14, 2003
October 8-9, 2003
December 10-11, 2003

AAPC 2002 Calendar

All Accounting and Auditing Policy Committee meetings will be held from 1:30 to 4:00 p.m. in room 6N30 of the GAO Building (441 G Street NW).

Meeting dates:

November 6

Agendas will be posted to the FASAB web page one week prior to meetings. Point of contact: Monica R. Valentine, 202-512-7362, ValentineM@fasab.gov

FASAB Discontinues Mailing Printed Documents

FASAB discontinued mailing print versions of its publications to its mailing list. All documents will be sent to FASAB's electronic mailing list (see next article for directions on how to subscribe) and will continue to be available for downloading directly from FASAB's website:

www.fasab.gov

Electronic Mailing List Subscription Information

The FASAB mailing list is a 'send only' list used to distribute information about Board activities to interested parties. Messages will be sent to provide Board meeting agendas, distribute newsletters, announce publications, and make other Board news available on a timely basis. We also may announce financial management training events periodically as a service to the community. The mailing list is sponsored by the General Accounting Office and will include "GAO" in the address.

You may subscribe to the list as follows:

Send an email message to listserv@listserv.gao.gov. In the body (not the subject line) of your message, type "subscribe fasab" without the quotes. (Note that the use of stationery in e-mails sometimes prevents the listserv from recognizing your command.)

If you are already on the list you may unsubscribe by, sending an email to listserv@listserv.gao.gov. In the body (not the subject line) of your message type "unsubscribe fasab" without the quotes.

If you have difficulty subscribing or unsubscribing, please send a message to fasab@fasab.gov and we will try to help you as soon as possible.

Disclaimer

NOTE: 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 Lucy Lomax, 202-512-7359, lomaxm@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.