



FASAB news
Federal Accounting
Standards Advisory Board

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TABLE OF CONTENTS

FASAB Welcomes New Board Member and Successor Chairman: Mr. Tom Allen 1

FASAB Call for Candidates 2

Current Board Projects 4

 Natural Resources..... 4

 Fiduciary Activity 4

 Concepts Project 5

 Social Insurance Liabilities 6

 Application of the Liability Definition 8

Other FASAB Information 8

 Recent Documents Issued 8

 Links to Fiscal Year 2005 Reports..... 9

 FASAB Current Technical Agenda & Status of Projects..... 11

Accounting and Auditing Policy Committee 12

FASAB Meeting Schedule 12

AAPC Meeting Schedule 13

Security Notice 13

FASAB Welcomes New Board Member and
Successor Chairman: Mr. Tom Allen



On January 10th, the Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced that the FASAB sponsors have selected Tom Allen to succeed him as Chairman of the Board next year. Mr. Allen will serve as a nonfederal member until Mr. Mosso’s term expires on December 31, 2006, at which time Mr. Allen will assume the role of Chairman.

Appointments to the FASAB are made by the FASAB Sponsors under advisement of the FASAB Appointments Panel. After careful consideration of several highly qualified

candidates, the panel recommended and the FASAB Sponsors – John W. Snow, the Secretary of the Treasury; Joshua B. Bolten, the Director of the Office of Management and Budget; and David M. Walker, the Comptroller General – appointed Mr. Allen.

Mr. Allen is currently serving on the accounting department faculty at Weber State University. He retired June 30, 2004 as Chairman of the Governmental Accounting Standards Board (GASB) after serving in that capacity for nine years. Prior to becoming the GASB Chairman on July 1, 1995, he served one year as a part-time member of the Board. Mr. Allen was elected as Utah State Auditor in 1984 and served as the State Auditor of Utah until he resigned to chair the GASB. He is a certified public accountant and a member of the American Institute of Certified Public Accountants where he served from 1987 to 1990 as Chairman of the AICPA Members in Government Committee. He also served on the American Institute of Certified Public Accountant's Ethics Executive Committee, Government Accounting and Auditing Committee, and Auditing Standards Board.

“The FASAB has worked diligently over the last 15 years to develop a core set of financial accounting standards and adopt accountability and decision-making as the two overall goals for federal financial reporting,” according to Mr. Mosso. “I feel confident that Tom will build on that foundation and continue to maintain a high standard of excellence for the FASAB.”

Biographies for all current Board Members are available on the World Wide Web at <http://www.fasab.gov/fasabinfo.htm>

FASAB Call for Candidates

The Federal Accounting Standards Advisory Board is currently updating its registry of potential candidates that are interested in serving as a member of the Board. Term of membership is an initial five year term with potential for reappointment for an additional five years.

The FASAB 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 nonfederal members of the Board. The Panel's procedures provide for maintenance of a Registry of Candidates for membership on the Board. This

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.

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, FASAB is updating the registry in anticipation of a January 1, 2007 vacancy.

David Mosso, currently the Board's chairman, will complete his term on December 31, 2006. The sponsors recently appointed Tom Allen to fill an immediate vacancy on the Board and to succeed Mr. Mosso as chairman in January 2007. At that time, there will be one vacancy among the non-federal members. The panel plans to make a recommendation regarding an individual to fill that vacancy by mid-2006 so that adequate time is available for the individual to become familiar with the Board's ongoing projects.

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 five non-federal members not serving as chairman 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 February 15, 2006 in preparation for a meeting of the Appointments Panel. The registry was last updated in 2005 and FASAB will contact registered individuals on the current registry to determine if each wishes to remain on the registry. Individuals wishing to be added to the registry should submit a resume before February 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.

Current Board Projects

Natural Resources

The Board discussed a draft exposure draft (ED), entitled *Accounting for Federal Oil and Gas Resources*. Before discussions on the ED began, staff described the proposed calculation in the proposed standards for valuing the Federal government's royalty share of proved oil and gas reserves, referred to as "estimated petroleum royalties". Staff explained that instead of using national level information to calculate the estimated petroleum royalties, staff proposed using estimated quantity, price, and royalty rate information on a regional basis. The values of estimated petroleum royalties calculated on a regional basis would be added together to provide a national value of estimated petroleum royalties for reporting on the balance sheet. In addition, staff explained it had addressed future royalty rights held for sale in the proposed standards.

During discussions on the draft ED, Board members provided many suggestions for improving the ED but otherwise gave tentative approval of the proposals. Staff will make the changes suggested by the Board members and develop a pre-ballot ED.

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

Fiduciary Activity

The Board discussed a draft statement of federal financial accounting standards based on the exposure draft and input from respondents. The following changes to the proposed standards were tentatively adopted based upon comments received and staff recommendations:

- ❖ The Board decided that for fiduciary activities that issue separately audited financial statements, the component entity's fiduciary note should state the basis of accounting separately from the audit opinion on the financial statements.
- ❖ The Board decided that information for activities that have a fiscal year-end other than September 30th may be aggregated with information for activities that have a September 30th fiscal year-end. It was noted that the permission to aggregate applies to individually immaterial fiduciary activities.
- ❖ In response to Department of Justice comments, the Board agreed that activity resulting in seized property does not meet the definition of fiduciary activity.

- ❖ Some suggested dropping paragraph 14 (the requirement that information disclosed to be measured in accordance with GAAP). Some members believe paragraph 14 is redundant and others believe it is not necessary or appropriate to designate a measurement basis (that is, that cash or modified cash basis measurement is permissible). Members voted five to five on the issue. Due to the tie vote the paragraph remains in the text.

Staff is preparing a preballot draft. Members planning to dissent were requested to provide written dissents to staff in a timely manner.

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

Concepts Project

Objectives Phase

Staff presented the summaries and analysis for the Budgetary Integrity and Operating Performance Roundtable meetings at the January 2006 meeting. Staff explained that the participants at the both roundtables discussed the importance of the objectives in federal financial reporting and they discussed issues and methods that could enhance achievement of the objectives and concerns with the financial statements used to achieve the objectives. Staff explained that most of the participants at both roundtables agreed that the objectives were very broad, but believed that was the intent.

Staff explained that the participants did not expect FASAB or financial statement reporting to meet all the objectives alone. Staff explained that based on the discussions and the analysis of the first two roundtables, it appears that a feasible approach for the Board to consider (as it moves forward) is to develop a strategic plan or strategic objectives for FASAB (versus amending the objectives). Staff explained that the strategic plan would identify the objectives from SFFAC 1 that most influence FASAB's direction for the next 3-5 years.

Most of the Board members were pleased with the results of the roundtables and supported the focus on strategic planning efforts as a means to define FASAB's role and articulate FASAB's short term goals. The Board also noted that there are several issues related to changes in the environment and FASAB's comparative advantage in the Draft White Paper on Objectives. The Board requested that staff elaborate further on accrual accounting, internal versus external users, proper matching of expenses and revenues, and the advantages of GAAP in the white paper. The Board also discussed that many of the topics from the white paper will ultimately be brought into a new concepts statement or perhaps an amendment to Concepts 1.

Staff will present the summaries and analysis for the Stewardship and Systems and Control Roundtable meetings at the March Board meeting. Staff will also continue with and elaborate on certain topic areas in the Draft White Paper on Objectives.

Elements Phase

The Board discussed the revised draft proposed concepts statement on elements and recognition criteria. Additionally, the Board also considered a memo that compared the definitions of revenues and expenses adopted by various standard-setting authorities and recommended definitions of federal government revenues and expenses. The memo recommended that gains and losses should not be treated as separate elements in the concepts statement but should be considered sub-elements or subsets of revenues and expenses. The Board agreed and concluded that whether and under what circumstances certain items should be reported as gains and losses instead of revenues and expenses is a display issue and should be addressed in financial reporting standards.

The Board discussed various issues with the draft proposed concepts statement, including issues related to: appropriations, materiality, qualitative characteristics, probability, and other issues. The Board anticipates discussing a draft pre-ballot concepts statement on elements and recognition criteria at the March 2006 meeting.

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

Social Insurance Liabilities

The Board began reviewing a draft exposure draft (ED) at the January 2006 meeting. In the draft ED, staff raised 11 questions for the Board's consideration. The draft begins with a section on the statement of social insurance (SOSI) and then presents the liability, expense, disclosures, and required supplemental information in subsequent sections. If approved by the Board, the draft would propose changes to the SOSI format. New line items are proposed to identify the liability amount and a new SOSI section is proposed to explain changes in the present values during the reporting period, especially changes relating to the liability and expense amounts.

Regarding question #14 (Does the Board agree that SFFAS 17 should be rescinded?), the members agreed to rescind SFFAS 17 since the proposed standard would incorporate all the provisions of SFFAS 17 as well as revisions to align with the new proposal.

Regarding question #15 (Does the Board agree that the new SOSI line items and the new SOSI section ... should be added?), the staff explained the modifications and changes made to the SOSI. No objections were raised to the staff approach for the SOSI.

With respect to display, the current draft ED proposes a line item on the balance sheet for the social insurance liability and a disaggregated cost presentation on the statement of net cost (SNC). The increase in the present value of participants' social insurance benefit based on work in covered employment in the current year and the interest on the obligation would be line items under operating costs. Gains and losses from actuarial changes and/or prior service costs would be a separate SNC line item(s) below operating cost but included in the "net cost" total. The Board discussed making the requirement for a separate line item for actuarial gains and losses applicable (1) only at the component entity level and (2) government-wide. The staff was directed to consider how to accomplish it.

The Board discussed the issue of Medicare accounting. The Board agreed to characterize the social insurance liability as involving multiple obligating events: one occurs initially at 40 quarters and additional obligating events occur subsequently with the increments in the obligation due to work in covered employment.

The Board also discussed whether the accounting treatment for Medicare HI and Medicare SMI should be the same. The staff proposed providing additional analysis of the differences between Parts B and D for the March meeting. The Board agreed to consider the issue again at the next meeting.

Regarding determination of assumptions, the Board concluded that the goal with respect to assumptions should be to avoid boxing the preparers in and yet provide some reasonable constraints. Some constraints are necessary but it should be primarily from an actuary's perspective.

Regarding the valuation date requirement, the proposed language in the draft ED would allow the preparer to use a valuation date within a year of the balance sheet date. This was the approach used in SFFAS 17 to accommodate the Social Security Trustee's and SSA actuaries' timeframe. The Board agreed with the staff approach.

Staff plans to revise the draft exposure draft in accordance with the Board's decisions. In addition, further analysis of certain issues will be prepared for the March meeting.

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

Application of the Liability Definition

Staff presented the Board with a revised project plan that includes the four classes of liabilities from SFFAS 5 (exchange transactions, nonexchange transactions, government-related events, and government-acknowledged events), maps transaction types to each of the four classes, and proposes the engagement of a task force. The plan also proposes the following five tasks:

- Task One – Test the four Classes and Sub-classes of Liabilities through the use of a task force.
- Task Two through Five – Develop principles for determining when an obligating event has occurred and related recognition criteria for each of the four liability classes, prepare standards for each sub-class, and issue an exposure draft.

Staff solicited input and approval from the Board on the revised project plan.

The Board was in overall agreement with the revised project plan. Several Board members indicated that they preferred that tasks two through five be completed concurrently; they would favor issuing one complete exposure draft over one exposure draft for each class. Two Board members indicated that they would like to see an enhanced discussion on how conditions relate to the determination of obligating event as the project progresses. Staff will begin completion of Task One by assembling a task force of individuals representative of the federal financial management community and each of the four classes of liabilities.

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

Other FASAB Information

Recent Documents Issued

- ❖ **Exposure Draft of a Statement of Federal Financial Accounting Standard entitled *Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 “Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government”*--**

The exposure draft proposes amendments to the disclosures required in the consolidated financial report (CFR) of the United States Government. These proposed amendments relate primarily to standards issued prior to the issuance of Statement of Federal Financial Accounting Concepts (SFFAC) 4 in January 2003. Earlier standards did not give explicit consideration to

whether disclosures were appropriate for both the CFR and component entity reports. One member, Mr. Robert Dacey, opposes the proposed standards and offers an alternative view. His view is that differences in reporting requirements between the CFR and component entity reports should be limited to unique or unusual reporting issues present in the federal reporting environment, recognizing that, based on materiality, disclosures may be aggregated and in less detail in the CFR. The exposure draft poses specific questions for respondents and invites general commentary. **Comments are requested by March 1, 2006.** If adopted, the proposed standard would be effective for periods beginning after September 30, 2005. Copies of the exposure draft are available at the FASAB website (<http://www.fasab.gov/exposure.htm>).

Links to Fiscal Year 2005 Reports

As a service to our subscribers, we are providing a link to the Financial Report of the US Government and large agency Performance and Accountability Reports (PARs).

Financial Report of the United States Government
<http://www.fms.treas.gov/fr/index.html>

Note: The Government Accountability Office published a Guide to Understanding the Annual Financial Report of the United States Government. A link to this guide is available at the bottom of this page:

<http://www.gao.gov/financial/fy2005financialreport.html>

Department of Agriculture
<http://www.usda.gov/ocfo/usdarpt/usdarpt.htm>

Department of Commerce
<http://www.osec.doc.gov/bmi/budget/FY05PAR.htm>

Department of Defense
<http://www.defenselink.mil/comptroller/par/>

Department of Education
<http://www.ed.gov/about/reports/annual/index.html?src=ln>

Department of Energy
<http://www.mbe.doe.gov/progliaison/par2005.htm>

Department of Health and Human Services
<http://www.hhs.gov/of/reports/account/index.html>

Department of Homeland Security
<http://www.dhs.gov/dhspublic/display?theme=54&content=4208>

Department of Housing and Urban Development
<http://www.hud.gov/offices/cfo/reports/2005par.cfm>

Department of the Interior
<http://www.doi.gov/pfm/deptrept.html>

Department of Justice
<http://www.usdoj.gov/ag/annualreports.html>

Department of Labor
<http://www.dol.gov/sec/media/reports/annual2005/>
Department of State
<http://www.state.gov/s/d/rm/rls/perfrpt/2005/>

Department of Transportation (not posted as of 1/31/2006)
<http://www.dot.gov/cfo/budgperf.htm>

Department of the Treasury
<http://www.ustreas.gov/offices/management/dcfo/accountability-reports/>

Department of Veterans Affairs
<http://www.va.gov/budget/report/>

Agency for International Development
<http://www.usaid.gov/policy/par05/index.html>

Environmental Protection Agency
<http://www.epa.gov/ocfo/finstatement/apr.htm>

General Services Administration
http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_DOCUMENT&contentId=10444&noc=T

Government Accountability Office
<http://www.gao.gov>

National Aeronautics and Space Administration
http://www.nasa.gov/offices/ocfo/budget/Par_detail.html

National Science Foundation
http://www.nsf.gov/publications/pub_summ.jsp?ods_key=par

Nuclear Regulatory Commission
<http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/v11/>

Office of Personnel Management
<http://www.opm.gov/qpra/opmgpra/>

Small Business Administration
<http://www.sba.gov/cfo/reports.html>

Social Security Administration
<http://www.ssa.gov/finance/>

FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 1 2006	Quarter 2 2006	Quarter 3 2006	Quarter 4 2006	Staff Contact
Natural Resources		Oil & Gas Research	Oil & Gas ED	Oil & Gas DP	Oil & Gas UR	Rick Wascak, 202 512-7363
Fiduciary Activity	ED-2003 PH-2003 Revised ED-6/2004 PH- 8/2004	DP	DP	UR	Final	Eileen Parlow 202-512-7356
Concepts Project Objectives Elements		Research/ Roundtable Meetings on Objectives	Research	Objectives- White paper Elements - ED		Melissa Loughan, 202-512-5976 Ross Simms, 202-512-2512
Social Insurance Liabilities		Research	Research	ED	DP	Richard Fontenrose, 202-512-7358
Application of the Liability Definition		Research	Research	Research	Research	Julia Ranagan, 202-512-7377
The Federal Entity	Project Added to the Agenda	Research	Research	Research	Research	

	10/2005					
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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 Committee is continuing its discussion on Inter-Entity Cost Implementation Guidance and Heritage Assets and Stewardship Land Guidance. The Committee is also looking for people to assist in the development of these guidance projects. If your agency has specific issues or best practices in either of these areas and would be interested in participating on the Inter-Entity Cost Implementation Guidance task force or the Heritage Assets and Stewardship Land (HA/SL) Guidance task force please contact FASAB Staff person Monica Valentine at the telephone number or email listed below.

The HA/SL task force has scheduled its first meeting for February 9, 2006. The task force currently includes participants from various Federal agencies that represent agency’s CFO offices. The Committee would like to specifically ask for additional volunteers representing the IG offices. Private firms auditing agencies involved in HA/SL would also be welcome to participate. Please contact Monica Valentine to volunteer for the task force.

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 2006 Meetings:

Wednesday, March 29th and Thursday, March 30th
 Wednesday, May 24th and Thursday, May 25th (Room 5N30)
 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.

AAPC Meeting Schedule

Schedule for 2006 Meetings:

Tuesday, March 14th
Tuesday, May 9th
Tuesday, July 18th
Tuesday, September 12th
Tuesday, October 31st

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 **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.