

# FASAB at Fifteen

by *Melissa Loughan, CPA*

October 2005 marked the 15th anniversary of the creation of the Federal Accounting Standards Advisory Board (FASAB). Accordingly, FASAB staff thought it would be appropriate to highlight this by providing the following: a bit of history on how FASAB came to be, trivia or somewhat interesting tidbits on FASAB as it hits 15 years, and some thoughts from our current Chairman, David Mosso.

## *How FASAB Came to Be*

For all of those history buffs, this section provides a quick recap of how FASAB was created. Congress passed the Chief Financial Officer's Act (CFO Act) in 1990. That law required audited financial statements, in accordance with "applicable standards," for selected federal reporting entities. (The Government Management Reform Act of 1994 extended the requirements of the CFO Act by requiring each of the CFO Act agencies to have audited financial statements covering all their accounts and the Secretary of the Treasury to prepare, and the Comptroller General of the United States to audit, financial statements covering all the accounts of the executive branch.)

The CFO Act did not define the source or nature of the "applicable standards." As part of the work preceding passage of the CFO Act, it was necessary for the relevant parties to agree on a mechanism for defining those standards. This was a difficult challenge. The Budget and Accounting Procedures Act of 1950 had provided for the Government Accountability Office (GAO) to set accounting standards for Federal agencies. GAO subsequently published such standards as "title 2" of its Policies and Procedures Manual for the Guidance of Federal Agencies. Agencies generally adopted those standards, but the Office of Management and Budget (OMB) did not require agencies to do so. Some OMB officials asserted that the GAO standard setting provision of the 1950 Act was unconstitutional because it authorized a legislative agency to define accounting standards for executive agencies.

The constitutional gap was bridged in October 1990 when Secretary of the Treasury Nicholas Brady, Director of OMB Richard Darman, and Comptroller General Charles Bowsher jointly agreed to create and sponsor the Federal Accounting Standards Advisory Board. The Board would consider and recommend the appropriate accounting standards for the federal government. For the first time, the legislative and executive branches agreed to work together in an agreed framework, with an open, public process, to determine the accounting standards that federal agencies should follow.

## *15 Interesting FASAB Tidbits*

1. As of October 2005, FASAB has issued four Concepts, 30 Standards, six Interpretations, five Technical Bulletins, six Technical Releases, one Exposure Draft, and three Research Reports. Some of the math wizards may conclude that on average it takes approximately two years to issue a standard or that FASAB issues approximately four documents a year.
2. The Board held its first meeting on January 25, 1991. The Board has met approximately 165 days over the past 15 years, which equates to approximately 1,070 hours or 64,200 minutes of official Board meetings and deliberations.
3. There have been 34 Board members over the past 15 years. FASAB's original Board contained six federal members and three non-federal members. In 2002, the Board's sponsors altered the Board's structure to increase the level of non-federal representation to enhance the perceived independence of the Board. The nine-member board would now have six non-federal members and three federal members (representatives from the three principles—GAO, OMB, and Treasury). In 2003, the Board was expanded to provide for additional legislative branch input. The Board grew to ten members with the addition of a representative from the Congressional Budget Office. The Board now has six non-federal members and four federal members.
4. FASAB established the Accounting and Auditing Policy Committee (AAPC) in July 1997 as a permanent committee. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues within the framework of existing authoritative literature.
5. FASAB currently has seven technical staff members and one Executive Director (or Technical Staff Director). There have been 16 staff members at FASAB over the past 15 years. Four have been with FASAB the entire fifteen years — Wendy Comes, Rich Fontenrose, Monica Valentine, and Rick Wasack. FASAB has had two Executive Directors since its inception in 1990. Ronald S. Young, the first Executive Director served until 1996. Wendy Comes, the current Executive Director (and former technical staff member) began serving in 1996.

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6. FASAB launched its website at [www.fasab.gov](http://www.fasab.gov) in December 2001. The FASAB website receives approximately 6,500 requests for pages or hits per day. FASAB has expanded the website in recent years. For example, in 2002 FASAB began posting Board briefing materials on the website. This year, FASAB implemented an Active Projects link that provides a history of each active project.
7. FASAB has had two Chairmen since its inception in 1990. Elmer Staats, the first Chairman of the Board served from October 1990 until January 1997. David Mosso, the current Chairman of FASAB was appointed in February 1997. Mr. Mosso's term will end on December 31, 2006. (An Appointments Panel advises the FASAB Sponsors on appointments and re-appointments for the six non-federal members of the Board. The panel is currently recruiting candidates for chairperson and anticipates conducting interviews in late 2005.)
8. The Original Pronouncements or Volume I of the FASAB Codification was published in July 1997. The Original Pronouncements compiles and codifies the documents produced by the FASAB. It is designed to meet the needs of users for an authoritative reference to concepts, standards, interpretations, technical bulletins, technical releases, and other issuances. It contains extensive cross-referencing and indexing. The Current Text or Volume II of the FASAB Codification was published in June 2003. The Current Text presents the authoritative portions of the Original Pronouncements in a topical arrangement by combining FASAB guidance according to the major subject areas to which they apply. Volume I is over 1300 pages and Volume II is approximately 750 pages. Both Volume I and Volume II have been updated through SFFAS 25.
9. FASAB issues its own bi-monthly newsletter, FASAB News, to keep the federal community informed about current developments. The October-November 2005 issue of FASAB Newsletter marks the 94th issue of FASAB News. The newsletter is posted on the FASAB website and is distributed via the FASAB Listserv. FASAB's Listserv currently has over 1,800 subscribers.
10. In October 1999 the American Institute of Certified Public Accountants' (AICPA) Council recognized FASAB as the accounting standards-setting body for federal government entities under Rule 203 of the AICPA's Code of Professional Conduct. This designation identified FASAB as the Board that promulgates generally accepted accounting principles (GAAP) for federal entities.
11. FASAB completed the core set of accounting standards (SFFAS 1 through SFFAS 8) in 1996. Since then, Social Insurance and National Defense Property, Plant, and Equipment (PP&E) have been the most widely discussed agenda topics at FASAB meetings. Social Insurance has been on the agenda approximately 40 times and National Defense PP&E has been on the agenda approximately 35 times.
12. FASAB members and staff typically provide approximately 65 hours of training (Continuing Professional Education) through participation in conferences each year. During the 1990s, FASAB staff also developed courses on the core standards and taught them at Treasury and AGA conferences. FASAB staff estimates that they have provided over 1,000 hours of training over the past 15 years.
13. The nine current Board members (one vacant non-federal seat is in the process of being filled) bring the following collective experiences and qualifications to deliberations:
  - a. 78 years of federal service, 98 years of government-related experience in the private sector, and 86 years of financial management experience in the private sector;
  - b. Nine Bachelor Degrees, four Master Degrees, three PhDs, and one JD;
  - c. Seven Certified Public Accountants, one Certified Information Systems Auditor, and two Certified Government Financial Managers; and,
  - d. 10 years of prior standard-setting experience.
14. FASAB members and FASAB technical staff have contributed (and continue to contribute) to the profession by serving on AGA committees or boards or as chapter volunteers, serving on AICPA committees or boards, writing published articles in scholarly journals and reviewing textbooks. Additionally, FASAB technical staff members often assist the financial management community by participating in government-wide task forces. Examples of government-wide task forces that FASAB staff members have participated include the following: Federal Financial Management Council, Financial Statement Audit Network, JFMIP System Requirements Projects, Issues Resolution Committee of the SGL Board, Intra-Governmental Eliminations Committee, Form and Content Subcommittee of the CFO Committee, and OMB's Capital Programming Guide working group.
15. FASAB is located in the Government Accountability Office building at 441 G. Street, NW, Washington DC 20548. FASAB was previously located at two other locations--the Building Museum on F Street and commercial space at 750 First Street NW.

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### *15 Thoughts on FASAB*

*by Chairman David Mosso*

Mr. David Mosso joined the Board in 1997 and serves as its Chairman. Interestingly enough, as October 2005 marked 15 years of FASAB's existence, it also marked 15 months remaining for Chairman Mosso at FASAB. Therefore, we thought it would be appropriate to include 15 thoughts on FASAB from Chairman Mosso. Specifically, we requested that Mr. Mosso include five thoughts on each of the following: FASAB's Most Significant Contributions and Accomplishments, FASAB's Current Agenda and FASAB's Future.

#### *Thoughts on FASAB's Most Significant Contributions and Accomplishments*

1. Established a triumvirate of principle users as the target of federal financial reporting: the citizenry, the Congress, and the Executive Branch – with the citizenry being primary.
2. Adopted accountability and decision-making as the two overall goals for federal financial reporting.
3. Developed a credible core set of financial accounting standards.
4. Adopted and applied a rigorous due process which, along with item number 3, earned FASAB the designation by the AICPA as the body to set generally accepted accounting principles for federal entities.
5. Recruited, developed, and maintained a superb technical staff.

#### *Thoughts on FASAB's Current Agenda*

6. Fleshing out and extending the core set of accrual accounting standards and also addressing implementation problems.
7. Reconsidering FASAB's existing conceptual framework and extending the framework into previously unaddressed areas, and doing this concurrently with setting standards in important areas, in particular the following three areas.
8. Filling in gaps in asset reporting in the natural resource area, starting with oil and gas reserves and then moving on to coal, timber and other resources.
9. Exploring liability reporting for programs all across the federal establishment.
10. Clarifying the boundaries of the federal government for purposes of consolidated financial reporting by examining, for example, off-balance sheet financing entities and special purpose entities.

#### *Thoughts on FASAB's Future*

11. FASAB will continue to improve accounting standards by developing standards for new transactions and reconsidering existing standards when necessary.
12. FASAB standards will achieve wider recognition and support as agencies develop the integrated systems necessary to produce financial reports without heroic year-end efforts.
13. FASAB standards will become more useful as cost and performance accounting and reporting becomes more common in agency management, in the budget process, and in oversight efforts like the President's Management Agenda.
14. FASAB will see the development of a concise and user-friendly consolidated federal financial report and a clean and concise audit opinion on the full consolidated report.
15. FASAB will experience greater competition for superior staff resources.

A full list of current and past FASAB Board members, AAPC members, and staff will be available in the October-November issue of the FASAB News, available at <http://www.fasab.gov/news.html>.

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*Melissa Loughan is an Assistant Director with FASAB. Her 15-year federal career has included auditing, accounting, and policy positions with the Department of Commerce and the Department of Justice.*