

Issue 72 – Feb – Mar 2002

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FASAB to Be Restructured

On January 11, 2002, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States announced a restructuring of the Federal Accounting Standards Advisory Board (FASAB) to increase the number of public members on the Board from three to six, decrease the number of federal government members from six to three, and provide for terms of up to ten years. The full text of the Joint Press Statement of the US Department of the Treasury, Office of Management and Budget, and the US General Accounting Office, is available on the website (www.fasab.gov/notice.htm).

The Board’s current public members David Mosso, formerly vice-chairman of the Financial Accounting Standards Board; John Farrell, retired partner from KPMG LLP; and James Patton, professor with University of Pittsburgh’s Katz School of Business will continue and will be joined by three new members.

Thank you to All Prior Federal Members: FASAB Staff wishes to express their gratitude to the many esteemed Congressional Budget Office, defense/international and civilian agency members who volunteered their time and talents to the work of FASAB. Without doubt, their contributions were a factor in the progress of the Board. Current and prior federal members (other than those from the three agencies that sponsor FASAB) include: Barry Anderson (CBO), James Blum (CBO), William Kendig (Interior), James Reid (Energy), Nelson Toye (Defense), Alvin Tucker (Defense), and Kenneth Winter (NASA). The enthusiasm and dedication of each of these members added greatly to the success of the Board and staff was honored to receive guidance from them.

Status of the Change: The FASAB’s Appointments Panel has solicited candidates from all areas of financial management. The Appointments Panel is made up of the FASAB Chairperson, the Treasury, OMB, and GAO FASAB members, and representatives of

the American Institute of CPAs, the Financial Accounting Foundation, and the Accounting Research Association. Those interested in Board service should visit <http://www.fasab.gov/fasabinfo.htm> to obtain more information about the Board. The site includes *FASAB Facts* as well as a Statement of Board Members' Responsibilities. Interested candidates should contact Marian Nicholson at 202 512-7350 for details on how to be considered.

In conjunction with this change, the FASAB Steering Committee has decided to take two actions intended to facilitate continued involvement by the federal community. The FASAB Internet site will be enhanced to permit posting of briefing materials for each Board meeting. These briefing materials will allow observers and others to follow more closely the Board's progress on active projects. As always, FASAB meetings are open to observers. In addition, on a trial basis, Agenda Hearings will be incorporated at selected meetings of FASAB. Participants will be invited to comment on (1) potential future projects being considered by the Board and (2) the progress of current projects in advance of formal proposals by the Board. Suggestions for enhancing the accessibility of information on FASAB activities are welcome. Please contact FASAB at 202 512-7350 or fasab@fasab.gov with your suggestions.

Status of Projects:

Consolidated Financial Report of the US Government (CFR)

Audience - The Board agreed to issue an exposure draft identifying the target audience of the CFR as external users. The Board issued the ED on March 19, 2002 with the comment period concluding June 30, 2002. Point of contact: Lucy Lomax, 202-512-7359, lomaxm@fasab.gov.

Financial Statements – The Board issued an exposure draft that would set specific standards for the CFR. The exposure draft proposes three standards:

- 1) clarifying that all Statements of Federal Financial Accounting Standards (SFFAS) apply to the CFR, as well as to component entities, unless otherwise provided by a current or subsequent standard.
- 2) exempting the CFR from the requirement to prepare the Statement of Budgetary Resources and Statement of Financing. (The Board is requesting that users comment on whether they believe these two reports, which provide information on appropriations and budgetary resources, would provide useful information to readers of the CFR.)
- 3) requiring two new CFR financial statements: a) reconciling the net operating results from the proprietary accounting system with the budget surplus or deficit (the "reconciliation statement"), and b) providing a cash flow statement in the form of a reconciliation between the budget surplus or deficit and the annual change in cash ("cash flow statement"). (The Board is requesting that users review and comment on the understandability of two different illustrations of cash flow statements. The illustrations were designed to make the information understandable for citizens who would not have special expertise in federal accounting or financial management.)

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

Board to Eliminate National Defense Property, Plant, and Equipment Category

On March 25th, the Board issued an exposure draft that would eliminate the category National Defense PP&E (NDPP&E). The exposure draft proposes:

- 1) rescinding the term ND PP&E,
- 2) categorizing previously considered ND PP&E as general PP&E. Accordingly, these items would be capitalized and, with the exception of land, depreciated.
- 3) permitting use of the composite or group depreciation methodology to calculate depreciation.

The amendments proposed in this exposure draft would be effective for accounting periods beginning after September 30, 2002. Comments are requested by May 20, 2002. Point of contact: Rick Wasca, 202-512-7363, wascakr@fasab.gov.

Trust or Dedicated Funds

At its February meeting, the Board reviewed a list of funds and the staff analysis on categorizing funds and the adequacy of current fund reporting. The Board requested that staff develop similar information on fiduciary funds and suggested characteristics that might help differentiate the funds, such as investment characteristics and the relationship between the source of receipts and their use. Point of contact: Andrea Palmer, 202-512-7360, palmera@fasab.gov.



Stewardship Responsibilities

On February 19th, the Board released for comment proposed Statement of Federal Financial Accounting Standards, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. Information about stewardship responsibilities is currently designated Required Supplementary Stewardship Information (RSSI), a category unique to federal financial reporting. Stewardship responsibilities include:

- **risk assumed** information required by SFFAS 5, *Accounting for Liabilities of the Federal Government*,
- the **current services assessment** (CSA) required by SFFAS 8, *Supplementary Stewardship Reporting*, and
- **social insurance** information required by SFFAS 17, *Accounting for Social Insurance*.

The exposure draft proposes that risk assumed information and the CSA be reclassified as required supplementary information (RSI). Because it is deemed essential to fair presentation, Social Insurance information would be reclassified as an integral part of the basic financial statements. FASAB Chairman David Mosso said, "The Board believes the changes will strengthen and clarify the message sent to all who read federal

financial reports. It will also provide added assurance about the reliability of some of the most important information contained in federal financial reports.” The Exposure Draft also includes the Alternative Views of one Board member.

The exposure draft also proposes that the requirement to report the CSA be eliminated after FY 2003, because improved timeliness in issuing audited financial statements should mean that these statements will be available before the President’s Budget is published. The President’s Budget is the source of the CSA. “This proposed change is made possible by this advance in federal financial reporting,” Mr. Mosso explained.

As a result of technology intended to eliminate stray “specks” from printed materials, all “dots” were removed from this ED. That includes all periods and similar punctuation marks. In addition, mail delivery was unusually slow. We apologize if this has caused you any difficulty in understanding or responding to the proposal. To request a copy of the document including its punctuation marks, please call FASAB at 202 512-7350, or access the document on the World Wide Web at www.fasab.gov/exposure.htm. Comments are requested by May 20, 2002. Problems with the e-mail list have been corrected. You may register for electronic notification at www.fasab.gov/subscribe.htm



FASAB Staff Seeks Comments on Technical Bulletin

The FASAB has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems. Currently, the FASAB staff is seeking comments on proposed Technical Bulletin, *Assigning Costs and Liabilities to Agencies that Result from Legal Claims Against the Federal Government*.

This proposed technical bulletin is intended to clarify the required reporting of costs and liabilities resulting from legal claims against the federal government. The exposure draft on this bulletin proposes that all liabilities and costs related to legal claims and judgments must be attributed to the component entities responsible for the programs or activities that contributed to the claims or to their successor component entities. This attribution follows the general principle that all transactions or events reported on the consolidated statements should be attributed to some federal component entity.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses are due by April 12, 2002 and should be sent by e-mail to ValentineM@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to: Monica R. Valentine, Assistant Director, Federal Accounting Standards Advisory Board, Mailstop 6K17V, 441 G Street, NW, Suite 6814, Washington, DC 20548.

AAPC Inter-entity Cost Task Force to be Reactivated

At its January 9, 2002 meeting the AAPC announced the reactivation of its Inter-entity Cost task force. The task force was originally formulated to deal with issues related to the Office of Management and Budget's (OMB) April 6, 1998 *Technical Guidance for the Implementation of Managerial Cost Accounting Standards in Statement of Federal Financial Accounting Standards (SFFAS) No. 4*. This guidance requires reporting entities to recognize several major categories of costs that are incurred by a reporting entity but are paid by other entities (this recognition is also required in SFFAS No. 4 and OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*). The task force's initial work involved gathering inter-entity cost information from agencies by sending a survey on inter-entity costs to each Federal Chief Financial Officer in July 2000. Under its reactivation it again will assist the AAPC and OMB in developing effective guidance on inter-entity costs.

The AAPC is asking for agencies to provide representatives to the reactivated task force. The representatives will help in the information gathering by sharing agency experiences, ideas and concerns on inter-entity costs. Point of contact: Monica Valentine, 202-512-7362, ValentineM@fasab.gov.

FASAB to Transition to Limited Mailings of Printed Documents

We have been faced with increased delays in printing and traditional mail delivery. We also appreciate that there is increased public access to electronic means. Therefore, we believe that routinely mailing printed copies of our products, specifically exposure drafts and this newsletter, is no longer an efficient option. Since most of our products contain time-sensitive material (defined comment periods, Board meeting topics, etc.), we believe that the exclusive use of electronic media will allow us to focus our efforts on getting the widest and timeliest dissemination of products and the broadest response base. We are beginning to plan for discontinuing our routine mailings and will establish a target date in the next two months to accomplish the change.

We welcome your comments as we develop our plan. Please let us know what access you have to electronic communication (e.g., fax, email, or Internet) and which FASAB products you are most interested. Also, please let us know if and how you believe that either 1) continued traditional printed copy mail delivery or 2) electronic delivery of our exposure drafts and newsletters would help or hinder your ability to comment in a timely manner, or conduct other FASAB-related business, such as attending Board and AAPC meetings. Of course, even if we change the policy to eliminate routine mailing of printed documents, you will continue to be able to request that a printed copy of our documents be mailed to you by calling FASAB at 202-512-7350, faxing a request to 202-512-7366 or by e-mail to fasab@fasab.gov.

If you have electronic access, please fax comments to us at 202 512-7366 or e-mail them to fasab@fasab.gov. If you do not have electronic access, please send you comments to us at:

Federal Accounting Standards Advisory Board
Attn: Wendy Comes
441 G Street NW
Suite 6814
Washington, DC 20548

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.

Board 2002 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 is 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:

- April 23 and 24
- June 18 and 19
- August 7 and 8
- October 9 and 10
- December 11 and 12

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:

- May 9
- July 17
- September 4
- 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

Reminder: FASABs Web Site has Moved!

Effective December 1, 2001, FASAB's new web address became www.fasab.gov

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.