FASAB News

Issue 74

June 2002 - July 2002

FASAB Welcomes Three New Board Members

David Mosso, the Chairman of the Federal Accounting Standards Advisory Board, is pleased to announce that the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States have appointed three new members to five-year terms on the Board. The new Board members will bring diversity of experience to the deliberations of the Board. They are drawn from financial auditing, financial management, and investment decision-making backgrounds. The new Board members are Joseph V. Anania Sr., Claire Gorham Cohen, and Alan H. Schumacher:

Mr. Anania was a member of the Financial Accounting Standards Board for 8 years following his retirement as a partner with Price Waterhouse LLP's Audit and Business Advisory Services. While at the Financial Accounting Standards Board, he had lead roles working with the Business Council, investment analysts associations, and the American Bar Association. He was instrumental in organizing and developing the Financial Accounting Standard Board's Business Reporting Research Project, which resulted in 3 reports, including, *Improving Business Reporting: Insights Into Enhancing Voluntary Disclosure*s. Mr. Anania is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants. Mr. Anania graduated Summa Cum Laude with a BBA from the University of Pittsburgh.

Ms. Cohen is a vice chairman at Fitch, Inc., a credit rating agency where she oversees state and state agency ratings. Ms. Cohen came to Fitch from Moody's Investor Service where she was vice president and managing director for state ratings as well as a chairman of the public finance department rating committee. Her career has spanned virtually all aspects of the municipal market as well as covering international sovereign issuers. Ms. Cohen started her career at Dun & Bradstreet after receiving an AB in government from Radcliffe College. She has served as chairman of the Municipal Analysts Group of New York and on the Board of Governors of the National Federation of Municipal Analysts. Ms. Cohen is a member of the Governmental Accounting Standards Advisory Counsel.

Mr. Schumacher was most recently Executive Vice President and Chief Financial Officer of the American National Can Group, a $2.5 billion NYSE listed manufacturing company where he spent most of his career. He began as a Senior Internal Auditor and held positions of increasing responsibility throughout his career. He developed and executed global financial strategies and directed all financial activities including Treasury, Cash Management, Tax, Accounting, Finance and Control, Internal Audit, Investor Relations and Risk Management functions. In his early career, he worked for three years as a senior auditor with Price Waterhouse LLP. Mr. Schumacher holds a BS in accounting from the University of Illinois at Chicago, and an MBA from Roosevelt University. He is a member of the Illinois Society of Certified Public Accountants, and the American Institute of Certified Public Accountants.

The appointment of these three members follows from a decision by the Federal Accounting Standards Advisory Board Principals; the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States, to restructure the Board to provide for greater non-federal representation. The nine-member Board will now have six non-federal members and three Federal members.

The change in membership enhances the independence of the Board by creating a supermajority of members who will not be responsible for implementing or auditing against the standards and, therefore, who will be independent in fact and appearance. The Board's Principals believe that an independent body should promulgate generally accepted accounting principles (GAAP) for federal reporting entities. The change ensures independence while providing for a qualified and informed Board to establish standards that meet federal financial reporting objectives following due process procedures.

The elimination of three federal positions on the Board to allow for the increase in non-federal representation will not diminish the ability of Federal entities to participate in the development of accounting standards. The Board has well-established due process procedures that offer interested federal parties (e.g., financial officers, inspectors general and program managers) opportunities to participate in development of standards by serving on task forces, testifying at public hearings, commenting on Board proposals, and addressing issues and concerns to the Board. In addition to the existing due process procedures, the Board is creating other means for federal constituents to monitor Board deliberations and offer input to the Board. The Board's website (www.fasab.gov) now provides access to most briefing materials supporting its open meetings. The Board also plans to hold public agenda hearings to solicit input on its projects and priorities for the future. Through these and other means the Board expects to have a process that ensures those previously represented on the Board will have adequate opportunity to offer input. These steps and the balance of federal experience on the Board ensure that any uniquely federal issues and concerns will be raised and considered by the Board in promulgating standards.

The six existing members who will continue to serve on the Board have had a variety of governmental and non-governmental experience. The current Board Chairman, David Mosso, after 22 years of Federal service, retired as Fiscal Assistant Secretary of the Treasury and subsequently became vice-chairman of the non-federal Financial Accounting Standards Board. John Farrell is a retired audit partner from KPMG LLP where he managed federal audit engagements in recent years. Dr. James Patton, professor of accounting at the University of Pittsburgh's Katz Graduate School of Business, has conducted extensive research in the area of state, local, and federal accounting. The three remaining federal members -- Robert N. Reid, Deputy Assistant Secretary for Accounting Policy at the Department of the Treasury; Joseph I.

Kull, Deputy Controller of the Office of Federal Financial Management at the Office of Management and Budget; and Philip T. Calder, Chief Accountant at the General Accounting Office -- represent the Board's Principals and together have over 30 years of federal service.

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Board Approves Elimination of National Defense Property, Plant, and Equipment Category

In March 2002, the Board issued an exposure draft, *Eliminating the Category National Defense Property, Plant, and Equipment (ND PP&E).* The exposure draft would rescind SFFAS 11, *Amendments to Property, Plant, and Equipment -- Definitional Changes* and would amend SFFAS 8, *Supplementary Stewardship Reporting* and SFFAS 6, *Accounting for Property, Plant, and Equipment*. At the end of the comment period, May 20, 2002, the majority of the twenty comment letters received supported the proposals presented in the exposure draft. Concerns raised by the respondents dealt mostly with providing additional guidance for the valuation and consumption of items.

The Board concluded its discussions, changes were made, and the Board approved SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, which:

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

SFFAS 23 was submitted concurrently to Congress and to the three sponsors of the FASAB: the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. If no member of Congress and none of the Board's sponsors object, the standard will be published by FASAB. [Note: The Chief Financial Officer Act requires that before being adopted, accounting standards dealing with capital must sit before the Congress for a 45 day review period. The FASAB's Memorandum of Understanding provides that FASAB sponsors have 90 days to review an accounting standard.]

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

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Board to Continue Discussing Reclassifying Stewardship Responsibilities

The Board reviewed comments received on the exposure draft Reclassifying Stewardship Responsibilities and Eliminating the Current Services Assessment. The Board will continue its deliberations on this proposed statement of standards at its August 7-8 meeting.

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

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Board Continues Discussing Dedicated Collections Project

Fiduciary Collections

The objective of the dedicated collection project is to clarify for the public the terms “fiduciary,” and “trust fund.” Despite the importance of “trust funds” in the budget, there is confusion about the distinction between federal trust funds and private trust funds, about how trust funds compare to other types of funds, about how earmarked funds are controlled in the federal budget, and about the relationship between fund accounting and the Government’s overall financial condition.

The dedicated collections project will define fiduciary and other dedicated collections. The Board will address the collection/revenue issues as well as the asset or Fund Balance With Treasury accounting issues. The dedicated collections project will consider accounting standards based on the nature of the collection.

The Board will be considering whether the distinguishing line between fiduciary collections and other dedicated collections is those collections that create a liability and those that do not. To address this issue, the Board will be analyzing the distinction between an exchange and a non-exchange transaction in the FASAB definition of a liability. For example, the distinction separates federal employee pension liabilities, which are considered deferred compensation and therefore exchange transactions, from social insurance transactions that are considered non-exchange transactions that have critical information reported outside the balance sheet. Moreover, the FASAB liability definition may not address such situations as when the Government withholds money from employees for payment of taxes or contributes to the Thrift Savings Fund (which creates a liability for the Government but is not an exchange transaction).

Dedicated Collections

Staff brought to the Board a definition of Dedicated Collections that would include all collections dedicated by law to a specific fund for a specific purpose or program. Much of the Board’s subsequent discussion revolved around whether or not it was necessary for the definition to include specific funds. Some Board members argued that any promise made by Congress to apply specific collections to a specific purpose was sufficient to qualify them for additional disclosure. Others argued that unless the definition specified specific funds it would be too broad to be practicable. The Board agreed that examining these arguments would be addressed under the project plan’s next steps, which would include testing the definition against different types of collections. The topic is scheduled to return to the Board in October 2002.

At its June 2002 meeting, the Board approved the project plan for fiduciary and other dedicated collections and directed the staff to continuing developing definitions and issues.

Points of contact: Andrea Palmer, 202-512-7360, palmera@fasab.gov, and Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov.

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Board Considers Intra-departmental Inter-entity Cost Interpretation

The Board is currently considering issuing an interpretation related to intra-departmental inter-entity costs. Specifically, FASAB had been asked whether a component (of a department or larger reporting entity) is prohibited by paragraph 110 of SFFAS 4, *Managerial Cost Accounting*, from recognizing imputed intra-departmental inter-entity costs. Intra-departmental inter-entity costs are considered the costs of goods and services provided by other components or responsibility segments within the department or larger reporting entity, with or without reimbursement. The Board wants to address the question in a manner consistent with full costing, but requested staff to gather more information on the current practices.

At the June Board meeting, the Board approved a Questionnaire on Intra-departmental Inter-entity Costs for distribution to the Chief Financial Officers and Inspector Generals of the major 24 executive departments and agencies (Chief Financial Officer Act agencies.) The Questionnaire will be used to obtain information about current practices related to the accounting for intra-departmental costs as well as to obtain feedback on key areas of consideration in the staff draft proposed interpretation. The draft interpretation proposed by staff and being considered by the Board explains that the limitation on recognition of inter-entity costs in paragraph 110 of SFFAS 4 is directed at inter-departmental costs, although SFFAS 4 does not use that term. The proposed interpretation indicates that reporting entities should account for intra-departmental costs in accordance with the provisions of SFFAS 4 other than paragraph 110.

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

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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 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:

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:

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

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FASAB to Transition to Limited Mailings of Printed Documents

We have posted this notice in the last several editions of ***FASAB News***.
We are posting it again to alert the audience to the pending change.

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 in 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.

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

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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.

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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.

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