



*FASAB News*  
*Federal Accounting Standards*  
*Advisory Board*

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**OCTOBER/NOVEMBER 2010**

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**Managerial Cost Accounting Videos Online**

Videos of the FASAB forum on “Managerial Cost Accounting: Requirements, Uses, and Best Practices” that was held Tuesday, June 15, 2010, in the GAO Auditorium have been posted online. In addition to a FASAB staff session on the requirements of Statement of Federal Financial Accounting Standards 4 (SFFAS 4) and the results of staff's recent survey, speakers included Steve Porter, Director of the Activity Based Information (ABI) Division at the Patent and Trademark Office (PTO); Doug Webster, former Chief Financial Officer (CFO) at the Department of Labor; and Peggy Sherry, Acting CFO at the Department of Homeland Security. Presentations are available to view at [http://www.fasab.gov/costacc\\_bestuses.html](http://www.fasab.gov/costacc_bestuses.html).

The forum was very well received and attendees suggested that additional sessions be offered in the future. The Board and staff greatly appreciate the speakers' willingness to share their time and experiences with the larger federal financial management community. Staff plans to organize another educational session on cost accounting to be held in the near future.

# FASAB Website Being Redesigned

The FASAB website will be redesigned during 2011. To ensure that we meet the needs of our website users, we invite you to share suggestions for the website. You are encouraged to let us know what features you'd like to see added as well as existing features you hope we keep. Please submit your suggestions to [fasab@fasab.gov](mailto:fasab@fasab.gov) by December 2<sup>nd</sup>.

## Current Board Projects

*(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)*

### **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](mailto:loughanm@fasab.gov).

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov).

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, [jacksoncw1@fasab.gov](mailto:jacksoncw1@fasab.gov).

### Federal Entity

The Federal Entity Task Force will meet on November 17<sup>th</sup> to discuss an issue paper on Related Parties. The Task Force will also consider different versions/approaches to an Exposure Draft on the Federal Entity that would be forwarded to the FASAB Board at the December meeting.

**Point of Contact:** Melissa Loughan, 202-512-5976, [loughanm@fasab.gov](mailto:loughanm@fasab.gov)

### The Financial Report: MD&A, Statements, Notes, RSI and OAI

The Financial Reporting Model Task Force (task force) presented nine preliminary draft recommendations intended to increase users' understanding, access, and use of financial information while avoiding costly requirements that do not add value. The task force considered user needs data, the Consolidated Financial Report of the U.S. Government (CFR), and issues raised by FASAB members, and discussed a wide-range of issues and possible recommendations. Members of the task force include:

- Jonathan D. Breul, Executive Director, IBM Center for The Business of Government, Partner, IBM's Global Business Services
- Patricia E. Healy, Executive Consultant, CGI
- Marvin Phaup, Director, Federal Budget Reform Initiative, Pew Charitable Trusts
- Al Runnels, Deputy Chief Financial Officer, Department of the Treasury
- Jeffrey C. Steinhoff, Executive Director, KPMG Government Institute, and Managing Director, KPMG LLP

- Michael J. Hettinger, Executive Director of Practice Planning and Marketing, Global Public Sector, Grant Thornton LLP
- John H. Hummel, Partner and Federal Segment Leader, KPMG LLP
- Edward J. Mazur, Senior Advisor—Public Sector Services, Clifton Gunderson LLP
- Sheila Weinberg, founder and CEO, the Institute for Truth in Accounting

The presentation discussed the following preliminary draft recommendations:

1. Adopt an Electronic, Web-Based Reporting Method. The method would provide a central location for information and have drill-down capability. The task force provided an illustration of an electronic, web-based reporting method for the federal government.
2. Present a Functional Statement of Net Cost in the CFR. The task force presentation included an illustrative statement.
3. Provide a Presentation of Net Cost by Budget Function and Department. The task force provided an illustrative presentation.
4. Consider the Statement of Spending being Developed by the Chief Financial Officer's (CFO) Council
5. Change the Balance Sheet Display to Emphasize Net Position
6. Add Note to the Balance Sheet that explains the Connection between Net Position and Fiscal Gap.
7. Move the Information in the Statement of Changes in Cash Balance from Unified Budget and Other Activities to either a Note or Required Supplementary Information (RSI), depending upon its Relative Importance to Understanding Financial Position.
8. Change the Labels on the Reconciliation of Net Operating Cost and Unified Budget Deficit to those illustrated in Standard 24, Selected Standards for the Consolidated Financial Report of the U.S. Government
9. Consider Intergovernmental Financial Dependency Reporting in RSI

The FASAB was particularly interested in the preliminary draft recommendation to adopt an electronic, web-based reporting method. Features of this method included: a central website for federal financial information which permits users to select the appropriate level of technical information. Also, the website would be searchable, possess drill-down capability, present machine-readable data, permit data to be downloaded in different formats, use multimedia for explanations of statements, and present some information using graphical and other user-friendly displays. FASAB members discussed the benefits and need to implement this recommendation soon. In addition, FASAB members noted that some initiatives along the lines of web-based reporting have been started. The task force plans to finalize the report for the December 2010 Board meeting.

Also, during the October 2010 meeting, the FASAB discussed a staff proposal to review disclosures. The proposed objective of the project was to refine existing disclosure requirements by determining whether certain required information is no longer relevant or useful; could be streamlined; or improved, as well as whether additional information is needed. The scope of the project was intended to be comprehensive and would involve panels reviewing each disclosure or a cluster of

disclosures. Approximately 18 review panels would be conducted and the panels would consist of preparers, auditors, and analysts. Following the panel discussions, interviews with users would be conducted to provide input about: a) specific items of information they find most valuable or useful and why; and b) their understanding of and interest in specific illustrative disclosures.

FASAB members considered the benefits of the approach and the resources that would be required, and determined that the major issues need to be determined so that resources can be focused and the project streamlined. For the December 2010 meeting, staff plans to provide a proposal for refocusing the objectives and scope of the project.

**Point of Contact:** Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

### Natural Resources

At the October 28, 2010, meeting, staff presented a draft exposure draft of Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*. The Technical Bulletin proposes to apply the concepts from SFFAS 38, *Accounting for Federal Oil and Gas Resources*, to other types of natural resources under lease, contract, or other long-term agreement and reasonably estimable as of the reporting date. The board approved moving forward with the proposed technical bulletin. Staff will incorporate members' comments from the meeting, submit the draft to the Department of the Interior for a fatal flaw review, and then send a revised exposure draft to the board for an additional review period before releasing it for comment. Staff expects to release the exposure draft for comment on or around January 5, 2011.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

### FASB Reporting by Federal Entities (Appropriate Source of GAAP)

Staff is continuing research to determine whether additional reporting should be required for any of the entities that primarily apply FASB GAAP in order to meet users' needs and federal financial reporting objectives. Further progress on this project will depend on workload demands of projects that have been designated as higher priority.

**Point of Contact:** Julia Ranagan, 202-512-7377, [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)

### Deferred Maintenance & Asset Impairment

At the October 28 Board meeting the Board reaffirmed its decision to amend the maintenance definition in SFFAS 6, *Accounting for Property, Plant and Equipment* and proceed with the measurement and reporting phase of the project. Staff will provide the Board with a briefing concerning this next phase at December's meeting.

The Board wishes to thank those who took the time to respond to the Exposure Draft as well as attend the October 28 meeting and invites interested parties and stakeholders to contact staff should they have any questions. Please contact Mr. Domenic N. Savini at 202-512-6841 or email at [savinid@fasab.gov](mailto:savinid@fasab.gov).

**Point of Contact:** Domenic Savini, 202-512-6841, [SaviniD@fasab.gov](mailto:SaviniD@fasab.gov)

#### Review of Existing Standards: Earmarked Funds

The Board reviewed a staff proposal during its October meeting. Members supported staff proposals to (1) clarify that an external source of funding is required for a fund to be classified as earmarked, (2) eliminate the requirement to separately display information about earmarked and all other funds on the face of financial statements, and (3) permit presentation of combined or consolidated amounts so long as the amounts are properly labeled. The Board requested that staff further research options for classifying funds receiving both earmarked and other revenue as well as funds receiving exchange revenue including deferred compensation funds.

The Board will consider a draft exposure draft at the December meeting.

**Point of Contact:** Eileen Parlow, FASAB Assistant Director, will be on leave for a few weeks (202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov)). During her absence, please contact Ms. Payne at 202 512-7357 or [paynew@fasab.gov](mailto:paynew@fasab.gov) if you have questions regarding earmarked funds.

# FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 4 CY2010	Quarter 1 CY2011	Quarter 2 CY2011	Quarter 3 CY2011	Staff Contact
Natural Resources	Oil & Gas Final – April 2010	Draft Technical Bulletin	ED	Technical Bulletin UR	Final Technical Bulletin	Julia Ranagan, 202-512-7377
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
FASB Reporting by Federal Entities		Research	Research	Research	Research	Julia Ranagan, 202-512-7377
Deferred Maintenance & Asset Impairment		Research DP - Definition	Research Final - Definition	Research on measurement and reporting	ED on measurement and reporting	Domenic N. Savini, 202-512-6841
Earmarked Funds		Research	Research	ED	DP	Eileen Parlow, 202-512-7356
<b>Conceptual Framework Project:</b>						
Measurement Attributes		ED	DP	DP	UR	Penny Wardlow, 202-512-7350
Financial Reporting Model		Research	Research	Research	Research	Ross Simms, 202-512-2512

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  
 PV—Preliminary Views Issued  
 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

## **General PP&E Project**

At its September meeting the AAPC reviewed two draft Federal Financial Accounting Technical Release Exposure Drafts entitled *Implementation Guide for Estimating the Historical Cost of G-PP&E* and *Implementation Guidance on the Accounting for the Disposal of G-PP&E*. The draft EDs are expected to be balloted by the Committee at the November AAPC meeting. The guidance was developed by two subgroups of the G-PP&E task force.

The *Implementation Guide for Estimating the Historical Cost of G-PP&E* draft ED addresses the historical cost estimating of G-PP&E as it applies to SFFAS 6, 23, and 35. The guide provides support and direction relative to the types of estimating methodologies and the documentation that could be used to support the valuation estimates of G-PP&E. This guidance provides a foundation for preparers to exercise judgment in formulating those estimates. The examples outlined in this guide illustrate the use of various estimating methodologies to derive the historical cost of G-PP&E in accordance with SFFAS 35. SFFAS 35 clarifies that federal entities should report their G-PP&E based on historical cost information in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended. However, reasonable estimates of historical cost may be used to value G-PP&E assets. Although the measurement basis for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions of SFFAS 6.

The *Implementation Guidance on the Accounting for the Disposal of G-PP&E* draft ED addresses important implementation questions regarding the consistent application of SFFAS 6 (paragraphs 38 and 39,) which outlines the requirements for the disposal, retirement, or removal from service of general property, plant, and equipment. In addition, SFFAS 6 (paragraphs 97 and 98) outlines the requirements for recognition and measurement of disposal related cleanup costs. The purpose of this proposed technical release is to provide implementation guidance that further clarifies these SFFAS 6 requirements. The implementation guidance attempts to clarify existing guidance contained in SFFAS 6 regarding the disposal, retirement, or removal from service of G-PP&E and clearly differentiate between permanent and temporary removal from service of G-PP&E assets. The implementation guidance also recognizes the many complexities involved in the disposal of G-PP&E, as well as delineates events that trigger discontinuation of depreciation and removal of G-PP&E from accounting records.

## **Management's Discussion and Analysis Project**

The AAPC is developing a "management's discussion and analysis" ("MD&A") best practices report under the leadership of AAPC member Regina Kearney. An ad hoc AAPC task group ("TG") was formed in March 2010 to review FY 2009 MD&As based



on criteria developed from the Office of Management and Budget's Circular A-136. Circular A-136 MD&A guidance is essentially the same as Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, and Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*, and therefore also reflects the Association of Government Accountants' Certification of Excellence in Accountability Reporting (CEAR) review guidance, which cites Circular A-136 almost paragraph-by-paragraph.

The TG has met several times to review and discuss selected examples of FY 2009 MD&A. The TG has concluded its work and a final draft of the report will be submitted to the AAPC for its consideration.

### **NRO Cost Accounting**

The AAPC Agenda Committee presented an issue from the National Reconnaissance Office (NRO). NRO asked the AAPC to interpret the application of SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, as it relates to the construction of satellites and ground or launch assets. Currently, NRO excludes certain acquisition management costs from capitalization and instead treats them as period costs. However NRO's auditors have told NRO that some of those acquisition management costs should be allocated to the cost of the constructed NRO assets. The Agenda Committee recommended that the issue be added to the AAPC agenda for further review and be incorporated into the work of the G-PP&E task force. The full Committee agreed with the Agenda Committee's recommendation. The AAPC also agreed to broaden the scope of the project to address the issue of cost-benefit when assessing the inclusion of certain costs into G-PP&E.

**Point of Contact:** Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)



# FASAB Meeting Schedule

## Schedule for 2010-2011 Meetings:

Thursday, December 16<sup>th</sup> and Friday, December 17<sup>th</sup>  
Wednesday, February 23<sup>rd</sup> and Thursday, February 24<sup>th</sup>  
Wednesday, April 27<sup>th</sup> and Thursday, April 28<sup>th</sup>  
Wednesday, June 22<sup>nd</sup> and Thursday, June 23<sup>rd</sup>  
Wednesday, August, 24<sup>th</sup> and Thursday, August 25<sup>th</sup>  
Wednesday, October 26<sup>th</sup> and Thursday, October 27<sup>th</sup>  
Monday, December 19<sup>th</sup> and Tuesday, December 20<sup>th</sup>

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/meeting.html> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2010-2011 Meetings:

Thursday, November 18<sup>th</sup>  
Thursday, January 20<sup>th</sup>  
Thursday, March 17<sup>th</sup>  
Thursday, May 19<sup>th</sup>  
Thursday, July 21<sup>st</sup>  
Thursday, September 15<sup>th</sup>  
Thursday, November 17<sup>th</sup>

Unless otherwise noted, AAPC meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. 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](mailto:fasab@fasab.gov) **at 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.