



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

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**December 2010/January 2011**

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**FASAB Appointments Panel Bids John Hummel Farewell and Welcomes Beryl Davis**

The Appointments Panel assists the Board by recommending candidates for appointment as non-federal members. The panel was established in late 1999 in response to concerns about the member selection process. The Board’s sponsors opened that process to participation by members of the profession. Three seats are reserved for panel members from the American Institute of CPAs (AICPA) and the Financial Accounting Foundation (FAF).

The panel’s longest standing member, John Hummel, who served since its inception in late 1999, recently left the panel. Selected for service by the AICPA, Mr. Hummel actively participated in the selection of non-federal Board members until his retirement from KPMG LLP in December 2010. Mr. Hummel’s knowledge of federal financial management and his enthusiastic support were critical to the panel’s success over the years.

Beryl Davis, Director of Standards and Guidance at The Institute of Internal Auditors, is joining the Appointments Panel. She brings a wealth of experience in government to the panel. She served as director of audit services for the City of Orlando and was recognized by the AICPA as Outstanding CPA in Government in 2000.

Earlier newsletters solicited interested non-federal candidates for Board membership. In the next several weeks, the panel will be hard at work reviewing candidate resumes. Interviews will be conducted in the spring to fill upcoming vacancies. Ms. Davis will join current panel members Harold Monk, representing the AICPA; John Radford, representing the FAF; and FASAB members Tom Allen, Debra Bond, Robert Dacey, and Mark Reger in considering candidates.

## Hold the Date – Wednesday, March 16, 2011!

### 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).

Due to the tremendous feedback received from the first forum on managerial cost accounting held in June 2010, FASAB staff will be hosting a second forum on **Wednesday, March 16, 2011 from 8:30 AM – 12:30 PM** in the GAO Auditorium. The agenda is still being finalized, but the primary focus for this second forum will be on how cost accounting can be used in “non-wiget” operations, as requested by a number of participants at the June session.

Registration will be opening soon so please save the date on your calendars. As with the June session, this forum will provide four information-packed hours of continuing professional education at no charge. Keep your eye on the FASAB website and listserv for an invitation to register.

## 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.)*

### Federal Entity

At the December 2010 meeting, the Board approved staff’s revised approach to the proposed standard which focuses on consolidation principles. The Board also agreed with the approach to Related Parties; where most of the entities meeting consolidation principles would be

consolidated (as part of the core government) or not consolidated (due to being non-core) but disclosed, and related parties would be identified where substantial influence exists.

The Board agreed with maintaining flexibility in the disclosures but there should also be factors provided to bring clarity to the proposal. The Board agreed with maintaining a 'Misleading to Exclude Principle' to allow for unforeseen relationships to be resolved through judgments about fair presentation.

Although the Board agreed with the approach and some parts of the proposal, the Board requested staff to define and add a description of the different relationships to the beginning of the document.

Staff agreed to work on the following suggestions to the proposal for the next meeting:

- Narrative and definitions describing the categories and relationships of the following: core or primary government, accountable or affiliated entities and related parties;
- Consider the factors in the nature and extent of the disclosures for each of the relationships (there needs to be flexibility, but there should be some factors to help guide preparers to bring clarity to the proposal);
- Flow of the related party discussion; and
- Other changes suggested by Board members.

The Board agreed the focus of the next meeting should be on the relationships, definitions, and related attributes or criteria for each.

**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](#)

FASAB's Financial Reporting Model Task Force (task force) issued its report on enhancing the financial statements, terminology, and methods used to communicate basic federal financial information (the federal reporting model). The report includes illustrations of an enhanced reporting model and can be downloaded from the "Reports and Documents" section of the FASAB website at <http://www.fasab.gov/reports.html>.

The task force membership consisted of well-respected leaders with established backgrounds in federal financial reporting. They focused on the Financial Report of the U.S. Government (CFR) because the public would likely start with the CFR to learn about the fiscal health of the federal government. The task force also reviewed FASAB's user needs study and considered the questions, suggested lines of inquiry, and ideas of FASAB members. Consequently, they believed that to best meet FASAB's objectives and the public's needs for transparency and accountability, the federal government should adopt an electronic, Web-based method of communicating information about the financial condition and performance of the federal government. The task force noted that this method would enable the federal government to meet more user needs more quickly and at a lower cost than the paper-based method currently used. The task force envisioned that the electronic, Web-based method

would involve a central Web site for financial and performance information with multimedia presentations to help educate users about the significance of the information. In addition, the site should include: the ability for users to “drill-down” to the appropriate level of detailed material; machine-readable data to enable users to conduct searches and download data for analysis; and the ability to report cost and accomplishments in a variety of ways based on user preferences. The task force also recommended reporting additional financial and non-financial measures and changes in the presentation of information in existing reports to assist users in understanding the financial condition and performance of the federal government.

The task force believed that the success of the electronic, Web-based method of reporting and its other recommendations requires adequate public awareness of federal financial reporting. Thus, the task force recommended establishing a federal financial information Web site and taking steps to raise public awareness of its availability.

During its December 2010 meeting, FASAB discussed the task force report and the role of the Board with respect to the recommendations. As a result of the discussions, the Board determined that an analysis of the recommendations would be needed to help them plan the next steps for the overall project. Staff will prepare the analysis and include a discussion of existing FASAB standards that are relevant to the task force recommendations. The Board will decide on next steps at the February 2011 meeting.

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

### Natural Resources

The following two separate Exposure Drafts related to the natural resources project are currently open for comment – a proposed standard and a proposed technical bulletin:

#### 1. Exposure Draft of a Standard -- Deferral of SFFAS 38 for One Year

On November 18, 2010, the Department of the Interior's (DOI) Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE, formerly part of the Minerals Management Service (MMS)) formally requested that FASAB consider deferring the effective date of Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, for one year. The request explained that a variety of issues and challenges have arisen as a direct result of a major reorganization of MMS that will greatly complicate the implementation of SFFAS 38 for fiscal year 2012.

At the December 16, 2010, meeting, members considered BOEMRE's request and discussed a draft exposure draft of a standard that would defer the effective date of SFFAS 38 for one year. If approved, the new effective date of SFFAS 38 would be for periods beginning after September 30, 2012 (i.e., fiscal year 2013).

While a reorganization in and of itself would not normally be a justification for deferring a standard, members noted that the nature and extent of the MMS reorganization goes above and beyond what would be considered within the normal course of operations. The board unanimously supported the proposal but emphasized that earlier implementation is encouraged and strongly urged that the standard be implemented for fiscal year 2012 if at all possible. Staff emailed a ballot draft to members on Thursday, December 23, 2010.

Chairman Allen announced the release of the Exposure Draft, *Deferral of the Effective Date of SFFAS 38, Accounting for Federal Oil and Gas Resources*, on January 5, 2011. The Exposure Draft may be accessed directly from the FASAB website at <http://www.fasab.gov/exposure.html>. Comment letters are due February 7, 2011, and will be discussed at the February FASAB meeting.

## 2. Exposure Draft of a Technical Bulletin – Applying SFFAS 38 to Other Types of Natural Resources

At the October 28, 2010, meeting, staff presented a draft Exposure Draft of a technical bulletin that proposes to apply the concepts from SFFAS 38, *Accounting for Federal Oil and Gas Resources*, to other types of non-renewable natural resources under lease, contract, or other long-term agreement and reasonably estimable as of the reporting date. After the meeting, FASAB staff incorporated member comments and submitted the draft to DOI for a fatal flaw review. Staff then incorporated DOI's comments and submitted the revised Exposure Draft to members for a 15-day review period. None of the members objected to the release of the Exposure Draft for comment.

Wendy Payne, Executive Director, announced the release of the Exposure Draft, *Technical Bulletin 2011-1, Accounting for Federal Natural Resources Other than Oil and Gas*, on January 5, 2011. The Exposure Draft may be accessed directly from the FASAB website at <http://www.fasab.gov/exposure.html>. Comment letters are due January 31, 2011, and will be discussed at the February FASAB meeting.

**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 December 16 Board meeting the Board provided consultation and advice concerning current issues being addressed by the Deferred Maintenance and Asset Impairment task force. Staff identified and reviewed four major project goals for discussion purposes concerning the measurement and reporting phase of the project. The goals reviewed and discussion of the related work done to-date follow:

**(1) Project Goal #2: Criteria appropriately considered in establishing “acceptable condition.”**

Although the Board sees merit in providing the accounting guidance presented by staff in this regard, it acknowledges that this is a management function that is not easily guided by accounting standards. The Board was advised that OMB was resuming active Federal Real Property Council (FRPC) meetings and that it should consider transferring this project objective to the council for study and implementation.

**(2) Project Goal #3: Consider whether fixed assets should be classified as critical/non-critical (or another alternative) for reporting purposes.**

The Board acknowledged the task force recommendation to report active/inactive classifications. The members expressed concerns about agencies’ capacity for tracking information in various categories, potential changes to the real property classification scheme in the future, and comparability. Member noted that comparability can result from flexible classifications because each management decides and explains its classification.

**(3) Project Goal #4: Identify relevant measures or indicators being used in practice (e.g., condition index, return on investment) and decide if any additional measures should be included in federal financial reports.**

Similar to the discussion held concerning Project Goal #2, the Board was advised that OMB was resuming active Federal Real Property Council (FRPC) meetings and that it should consider deferring this project objective to see what the council develops.

**(4) Project Goal #4b(i) - Determine if techniques are desirable and permissible under existing standards.**

Although the Board acknowledged the value of consistent reporting, it asked staff to first consider options that would include relaxing or eliminating reporting requirements (i.e., condition reporting). The Board would like to study these options before considering requirements over consistency.

The Board unanimously voted to approve the issuance of *Statement of Federal Financial Accounting Standards 40, Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*. SFFAS 40 was subsequently submitted to the Board’s sponsors for a 90-day review and to Congress for a 45-day review as required by the CFO Act for all capital asset standards.



Board briefing materials are found at <http://www.fasab.gov/meeting.html>; select Tabs I and J. Should you 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

At the December Board meeting, the Board approved the rationale presented in the Basis for Conclusions explaining the Board's decisions (a) to require an external source of funds, (b) to allow flexibility in the placement of information in the statements or notes, and (c) to allow combined totals in reporting earmarked funds.

The Board also discussed the possibility of excluding certain categories of funds, such as federal deferred compensation funds, by revising the criteria in the definition rather than adding exclusions of paragraph 18 of SFFAS 27.

FASAB staff will work with the Earmarked Funds Task Force to develop potential revisions to SFFAS 27 that would exclude (a) exchange revenue funds, (b) funds that are not intended to benefit members of the general public, and (c) deferred compensation funds. Those potential revisions will be provided to the Board for discussion at the February 2011 Board meeting.

**Point of Contact:** Eileen Parlow, 202-512-7356, [parlowe@fasab.gov](mailto:parlowe@fasab.gov))

# FASAB Current Technical Agenda and Status of Projects

| Project                                 | Key Milestones               | Quarter 1 CY2011                 | Quarter 2 CY2011                    | Quarter 3 CY2011                      | Quarter 4 CY2011                | Staff Contact                   |
|---|------------------------------|----------------------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------------------|
| Natural Resources                       | Oil & Gas Final – April 2010 | Technical Bulletin & SFFAS ED/DP | Final Technical Bulletin & SFFAS UR | Final SFFAS                           |                                 | 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

At its November meeting the AAPC approved two 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* for release for comment. Both guides were developed by a task force chaired by AAPC member, Donjette L. Gilmore, Director - Accounting & Finance Policy, Office of the Under Secretary of Defense (Comptroller)/DCFO -- Department of Defense. AAPC Chairperson Wendy Payne stated that, "The task force, with Ms. Gilmore's leadership, has drafted guidance to address long-standing and challenging issues in the area of accounting for property, plant and equipment. With input from the public and larger federal financial management community, I am hopeful that final guidance to help resolve these issues can be issued soon."

The *Implementation Guidance on the Accounting for the Disposal of G-PP&E* exposure draft addresses important implementation questions and will lead to consistent accounting treatment for the disposal, retirement, or removal from service of general property, plant, and equipment as well as related cleanup costs. The purpose of this proposed technical release is to provide implementation guidance that further clarifies existing SFFAS 6 requirements. The implementation guidance should help 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.

The *Implementation Guide for Estimating the Historical Cost of G-PP&E* exposure draft addresses the historical cost estimating of G-PP&E. The guide provides direction on types of estimating methodologies and the documentation 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 illustrate the use of various estimating methodologies to derive the historical cost of G-PP&E in accordance with existing guidance permitting use of estimates.

Specific questions for respondents are included in the exposure draft and other comments are welcome. Responses are requested by February 11, 2011. The exposure drafts in PDF format and the specific questions for respondents in Word format are available on the FASAB website at <http://www.fasab.gov/exposure.html>.

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

# FASAB Meeting Schedule

## Schedule for 2011 Meetings:

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 2011 Meetings:

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.