



FASAB News
Federal Accounting Standards
Advisory Board

February/March 2011

TABLE OF CONTENTS

Domenic Savini Earns CMA.....	1
Current Board Projects.....	2
Federal Entity	2
The Financial Report: MD&A, Statements, Notes, RSI and OAI.....	3
Natural Resources.....	3
FASB Reporting by Federal Entities (Appropriate Source of GAAP).....	3
Deferred Maintenance & Asset Impairment.....	3
Review of Existing Standards: Earmarked Funds.....	5
FASAB Current Technical Agenda and Status of Projects.....	6
Accounting and Auditing Policy Committee.....	7
FASAB Meeting Schedule.....	9
AAPC Meeting Schedule.....	9
Security Notice.....	9

Domenic Savini Earns CMA

FASAB Assistant Director Domenic Savini recently earned the designation Certified Management Accountant (CMA). Already a CPA, Mr. Savini elected to pursue this additional certification in light of the importance of managerial cost accounting and his prior experience supporting decision makers. Congratulations to Mr. Savini!

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.

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.

Federal Entity

At the February meeting, staff presented proposed standards to establish a broad principle regarding what entities represented core government entities and non-core entities.

Core (or general) government entities:

- Generally provide goods and services on a non-market basis, and are financed through taxes and other non-exchange revenues.
- Receive taxpayer support
- Accountability rests with elected officials
- Substantially all the risks and rewards fall to the taxpayer.
- Their governance structure is vertically integrated as evidenced by the establishment of organizational authorities and budgets by elected officials, and the appointment of organizational leaders through the political process.

Non-core entities:

- May provide core federal government goods and services but are more likely to provide goods and services on a market basis.
- Receive limited or no taxpayer support.
- Accountability rests with elected officials but elected officials have less direct involvement in decision

making than is true in core government entities.

- Limited risks and rewards fall to the taxpayers.
- In some cases, the relationship with the federal government is not expected to be permanent.

The Board approved the distinction between core and non-core entities. The Board also agreed with the general notion that entities in the budget are core entities that should be consolidated. Staff will determine possible exceptions to the budget consolidation rule and options for addressing. Staff will develop factors and criteria to assist in determining information that should be presented for non-core entities.

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

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

During the February 2011 meeting, FASAB reviewed the Reporting Model Task Force recommendations and will consider them during their technical agenda setting discussions. The task force report is available on the FASAB's Web site at <http://www.fasab.gov/reports.html>.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Natural Resources

FASAB continued deliberations on the following two different draft pronouncements:

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

At the February 23, 2011, board meeting, members discussed the comments received on the Exposure Draft, *Deferral of the Effective Date of SFFAS 38, Accounting for Federal Oil and Gas Resources*. The members directed staff to begin the process of finalizing the standard.

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

At the February 24, 2011, board meeting, members discussed the comments received on the Exposure Draft, *Technical Bulletin 2011-1, Accounting for Federal Natural Resources Other than Oil and Gas*. At that meeting, several board members expressed significant concern about the potential cost of the proposal based on the Department of the Interior's (DOI) letter and the conflicting views presented by DOI bureaus. The members asked for additional information from DOI. Staff has asked DOI to clarify their response to the Exposure Draft and invited representatives from DOI to the April meeting to allow the board members to ask questions about DOI's response.

Point of Contact: Julia Ranagan, 202-512-7377, 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

Deferred Maintenance & Asset Impairment

At the February 24, 2011 Board meeting the Board provided further direction to staff concerning both measurement and reporting and asset impairment issues.

Measurement and Reporting

The board tentatively agreed that although Deferred Maintenance & Repair (DM&R) is a complex area, the board is seeking more reliable and consistent DM&R information related to fiscal exposure. To that end, the board seems inclined to taking steps that might include (1) eliminating condition reporting on certain asset categories and (2) a more prescriptive standard relative to reporting requirements. The board would like to adopt an approach that provides some degree of measurement and reporting consistency from year to year without imposing any methodology but rather requiring agencies to follow the methodology it chooses consistently. In order to encourage and allow agencies the ability to adopt new and improved methods or technologies that might be brought about in the area of asset management, the board discussed adopting a “preferred change” approach that would allow agencies to change if they could demonstrate that the change is accepted by industry for the purposes of calculating deferred maintenance.

Staff will begin preparing a draft Exposure Draft for the Board’s review in April.

Asset Impairment

Staff provided a brief overview of a sub-group’s analysis of the impairment standards promulgated by the FASB, GASB, and IPSASB. The sub-group was comprised of a financial analyst, engineer, and budget analyst. Staff advised that concurrent with or shortly after the draft Exposure Draft on measurement and reporting, it would like to take the subgroup’s analysis and test it with the broader community beyond the task force to get other points of view.

The subgroup has recommended following the GASB 42 approach with the difference being that any federal asset impairment standard would allow for the reversal of partial impairment losses in the event that an asset’s functionality or use is restored. The reason for this adjustment is to recognize that Federal assets are usually used well beyond any measurable economic or physical life and that asset managers typically do whatever they can to maintain and/or preserve assets as part of their stewardship responsibilities.

Staff invites interested parties to feel free and share input or observations at any time.

Board briefing materials are found at <http://www.fasab.gov/meeting.html>; select Tab J.

Should you have any questions, input or observations that you would like to share, please contact Mr. Domenic N. Savini at 202-512-6841 or email at savinid@fasab.gov.

Point of Contact: Domenic Savini, 202-512-6841, SaviniD@fasab.gov

Review of Existing Standards: Earmarked Funds

At the February Board meeting, the Board made the following decisions regarding a proposed exposure draft (ED) that would amend Statement of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Earmarked Funds*:

1. The ED will include an exclusion of funds that are established to account for federal (civilian and military) retirement and other post-employment benefits.
2. The ED will propose a new term for earmarked funds: “funds from dedicated collections.”

The Board discussed whether to propose guidance on funds with mixed sources of funding, of which only some of the funding meets the criteria of earmarked funds in paragraph 11 of SFFAS 27. The members decided that unless agencies provide support for such guidance, such guidance will not be included in the ED. Staff sent a query to the agency representatives on the Earmarked Funds Task Force.

Point of Contact: Eileen Parlow, 202-512-7356, 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	SFFAS UR	Final SFFAS	Research	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	ED	DP	UR	Eileen Parlow, 202-512-7356
Conceptual Framework Project:						
Measurement Attributes		ED	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 January meeting the AAPC reviewed a draft discussion paper on the use of the "Construction Work in Process" (CWIP) account as it relates to the contract vehicle, "Contract Financing Payments" (CFP), in the acquisition of G-PP&E capital assets. Currently in the Department of Defense (DoD) financial statements, certain contract financing payments are reported as Advances and Prepayments under the title "Outstanding Contract Financing Payments" in the Other Assets line item on the Balance Sheet. Audits completed by the Office of the Inspector General, DoD (OIG, DoD), have taken exception to this accounting treatment and have recommended that contract financing payments be recorded as Construction Work in Progress (CWIP) and presented in that manner on the financial statements. At the end of the discussion staff assured the Committee that the subgroup would further explore their options and suggestions and make the necessary revisions to the discussion paper. Some of the specific areas to consider are:

- Developing factors to allocate the CFP costs into the appropriate accounts at the time the CFP payments are made and considering the cost benefit factors as it relates to the allocation of those costs.
- The discussion guide should take a broad enough perspective in order to capture any related issues.
- Stress the use of estimating methodologies (as outlined in SFFAS 35).
- Allow the subgroup to further develop those other implementation areas noted in the discussion paper as educational sections

As of March 1, fifteen comment letters had been received for Technical Release Exposure Draft *Implementation Guide for Estimating the Historical Cost of G-PP&E* and seventeen comment letters for Technical Release Exposure Draft *Implementation Guidance on the Accounting for the Disposal of G-PP&E* for release for comment. Responses were requested by February 11, 2011. Both guides were developed by the AAPC G-PP&E 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.

The AAPC also reviewed a draft "management's discussion and analysis" ("MD&A") best practices report. 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 Committee asked staff to also include in the Guide examples of the following areas:

- High-risk,
- Trend data greater than 2 years (both performance and financial), and
- Improper payments.

An updated draft guide will be discussed at the March 17 AAPC meeting.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2011 Meetings:

Wednesday, April 27th and Thursday, April 28th
Wednesday, June 22nd and Thursday, June 23rd
Wednesday, August, 24th and Thursday, August 25th
Wednesday, October 26th and Thursday, October 27th
Monday, December 19th and Tuesday, December 20th

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, March 17th
Thursday, May 19th
Thursday, July 21st
Thursday, September 15th
Thursday, November 17th

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 **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.