



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

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**OCTOBER/NOVEMBER 2009**

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# 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 Board discussed a staff draft paper with revised principles and related criteria for defining the boundaries of the federal reporting entity at the October Board meeting. The draft included the Conclusive Principle for entities in the President's budget. The draft also presented indicative principles for entities: Existing as a matter of law within or established by the federal government to fulfill a public purpose or federally related mission; Over which the federal government has the ability to exercise control with expected benefits or risk of loss; or In which the federal government has a majority ownership interest.

The revised approach would capture the majority of entities within the boundary of the federal reporting entity by first assessing entities against the conclusive principle. This principle is consistent with existing concepts in Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display. The budget should as a general rule, be comprehensive of the full range of Federal activities and staff believes that a decision by the Office of Management and Budget or the Congress to include an entity in the budget settles the matter of the entity being "federal." The conclusive principle represents a starting point in analysis and the indicative principles are a second test necessary to ensure completeness in the context of the federal financial reporting objectives.

The draft also presented a Misleading to Exclude Principle for entities not meeting the conclusive or indicative principles, but for which exclusion would cause the federal reporting entity financial statements to be misleading or incomplete. The draft also contained a Temporary Exclusion for conditions that are not likely to remain in existence permanently.

The Board discussed the principles and related criteria and offered comments on improving the draft. (Specific comments can be found under the Minutes for the October Board meeting. Staff will work towards an Exposure Draft (ED) on the Federal Reporting Entity by incorporating the Board member comments discussed in the meeting.) Staff will develop criteria for determining when entities meeting indicative principles are consolidated and proposed disclosures for entities that are not consolidated. Staff will also consider ways to test the proposal, either case studies before or field testing in conjunction with the ED. Staff is also working with representatives from the Federal Reserve on performing an assessment of how the

Federal Reserve would be presented based on the draft principles. A briefing with the Federal Reserve and Federal Entity Task Force has been scheduled for November 18th.

**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

At the October 2009 meeting, the FASAB discussed the diverse needs of potential users and the challenges involved in meeting those needs. For example, some potential users seek transaction level data such as where federal funds are going, while others seek information that requires accumulating various types of data, such as intergenerational equity. FASAB members discussed the high level of interest in data being presented on the recovery.gov website and they discussed the accounting systems matters that the Office of Management and Budget observed while constructing the site. In addition, members noted the need for managerial accounting information to assist in managing agencies and the need to determine the displays that would capture the data that potential users are seeking.

The FASAB discussed the importance of understanding the needs of potential users and agreed that staff should continue with the user needs study. Also, staff will consider approaches for incorporating ideas for a reporting model. Some members suggested considering the models of other countries or state governments and inviting representatives from other countries or from state governments to attend a FASAB meeting.

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

#### Management's Discussion & Analysis

The FASAB discussed the MD&A work at its meeting on August 27, 2009. Since the task group concluded that SFFAS 15 is satisfactory and that a "best practices" guide would be useful, the Board decided to initiate a "best practices" Accounting and Auditing Policy Committee ("AAPC") project to that end. The MD&A project is on the AAPC's calendar for November 19, 2009. With respect to a reconsideration of the purpose, content, and audience for MD&A, the FASAB's reporting model project will afford an opportunity to analyze such fundamentals.

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#### Natural Resources

At the October 21, 2009, meeting, the majority of the board voted to (1) require that the information in the proposed standard on accounting for federal oil and gas resources be reported as required supplementary information (RSI) for three years, and (2) after experimentation with RSI the board would decide whether the asset value

should be recognized in the financial statements or disclosed in the notes. The board will use the experience gained by the U.S. Department of the Interior during the RSI period to inform their decision regarding financial statement recognition versus note disclosure. The board unanimously agreed to broaden the acceptable alternative measurement methods during the RSI phase to allow for greater flexibility in development of a valuation methodology. The board deferred the application of the proposed standard on oil and gas to other types of natural resources to a technical bulletin to be developed by staff immediately following the issuance of the standard on oil and gas. The board will continue its discussion about the requirement to report on fiduciary oil and gas activities at the next meeting.

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

### Social Insurance

At the October 2009 meeting the staff presented a draft social insurance standard for the Board's consideration. The draft reflected what the staff believed the members agreed to through August 2009. The draft social insurance standard represented a compromise that the members support. The two remaining issues for the Board's consideration involve the questions of (1) whether the table specified in the standard for the management's discussion and analysis section should be required or optional; and (2) whether the note disclosure of an accrued benefit obligation should be required.

In prior meetings the Board agreed to move forward with what it had previously approved. Initially the Board had voted to develop a new financial statement but decided to consider the issue of display – of financial statements – as part of a reporting model project.

The Board discussed how prescriptive the standard should be. Some thought the standard was too prescriptive. The move from the exposure draft's optional table in MD&A to a required table was part of the compromise that eliminated any balance sheet or operating statement reporting. The table provides line items that link all of the financial statements. Like financial statements, the table is an effective tool for communicating the summary information, more so than note disclosures. It complements and illustrates the MD&A narrative.

The Board discussed the value of linking information in the MD&A table to the partially unarticulated financial statements. The Board discussed the unique federal reporting model that contains basic financial statements that do not articulate with each other. One of the primary purposes of the MD&A proposal in the social insurance standard is to link the unarticulated financial statements.

The Board approved the MD&A standard with certain clarifying amendments.

The Board next discussed note disclosure of an accrued benefit obligation, which was required in paragraph 34 of the proposed standard. The disclosure originated with a prior Board member who had received many requests for the number from the public. The respondents to the exposure draft had been fairly evenly divided on the

requirement. One of the objections of those who did not favor the disclosure was the potential for confusion with multiple numbers.

The Board discussed the nature of the disclosure, including its applicability to Medicare, Parts B and D, where participants make a decision to participant upon reaching age 65. The Board decided not to require the disclosure.

**Point of Contact:** Richard Fontenrose, 202-512-7358, [fontenroser@fasab.gov](mailto:fontenroser@fasab.gov)

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

At the October 22, 2009, meeting, the board directed staff to begin work on the proposed project approach, starting with analyzing characteristics of federal entities that primarily apply generally accepted accounting principles (GAAP) issued by the Financial Accounting Standards Board (FASB), grouping them by type, and determining the primary users' needs of each major grouping. The results of staff's research will be used 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.

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

#### General PP&E Valuation

On October 14, 2009 the FASAB issued as final Statement of Federal Financial Accounting Standards (SFFAS) 35, *Estimating the Historical Cost of General Property, Plant, and Equipment -- Amending Statements of Federal Financial Accounting Standards 6 and 23*. SFFAS 35 amends SFFAS 6 and 23 to clarify that reasonable estimates of original transaction data historical cost may be used to value general property, plant, and equipment.

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

#### AICPA Omnibus

October 20, 2009, the FASAB approved and issued the exposure draft, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards*. The American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards (SAS) AU section 560, Subsequent Events, includes accounting and financial reporting guidance that is not discussed in the authoritative literature that establishes accounting principles. The objective of this proposed Statement is to incorporate that guidance into the authoritative literature of the FASAB.

Events or transactions that affect the financial statements may occur subsequent to the end of the reporting period but before the financial statements are issued. Some of those transactions and events require adjustments to the financial statements while

others may require disclosure in the notes to the financial statements. The ED addresses circumstances to consider in determining whether the financial statements require adjustment or disclosure.

The exposure draft requests comments by December 28, 2009. Respondents are encouraged to provide the reasons for their positions. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.html> ).

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

### Deferred Maintenance & Asset Impairment

At the October 2009 meeting the staff presented the Board with a project update. Additionally, the Board was consulted concerning two specific issues. The first issue was whether an incremental approach should be adopted addressing matters that the task force seeks guidance on, and the second issue was if the Board continued to agree that notwithstanding forthcoming improvements, agencies may continue to need flexibility in reporting when maintenance and repair activities have in fact been deferred.

In SFFAS 6, *Accounting for Property, Plant and Equipment*, the Board opined that (1) acceptable services and condition vary between and among agencies and (2) that management shall determine what level of service and condition is acceptable. Recognizing implementation difficulties, SFFAS 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting*, moved deferred maintenance reporting from note disclosure to required supplementary information.

The Board discussed the concept of flexibility as well as how prescriptive any forthcoming guidance should be. It was noted that the current standard's flexibility might be contributing to the lack of comparability between agencies. However, it was also noted that experience in the state/local government arena over infrastructure reporting appears to support a more principles based approach such as agencies currently enjoy; any guidance that could be viewed as being prescriptive would need to consider agency cost versus benefit impacts. The use of multi-year trend information was discussed as a possible solution to agency lack of comparability. The Board also discussed the importance and benefits of having common terms and definitions.

The Board then discussed the value of deferred maintenance information and if the ultimate goal is to elevate this information to the face of the financial statements. Both merits and challenges of this ultimate goal were discussed. In addition to conceptual issues that might exist, practical hurdles would need to be addressed incrementally, beginning with common terms/definitions. However, the Board noted that obligations arising from deferred maintenance (i.e. fiscal exposure) might in fact need to be recognized.

In conclusion, the Board agreed with the direction that the task force is currently taking and noted that the incremental strategy in addressing the reporting issues over deferred maintenance seemed to be a sound approach.

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

### Grants Accounting

The Grants Accounting Task Force Working Group is developing draft guidance that describes cost-effective methods for making reasonable estimates of grant accruals. The draft will be submitted to the Accounting and Auditing Policy Committee (AAPC) for discussion at the January 2010 AAPC meeting as a potential AAPC Technical Release (Level C GAAP).

**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 4 2009	Quarter 1 2010	Quarter 2 2010	Quarter 3 2010	Staff Contact
Natural Resources	Revised ED – July 2009	Oil & Gas DP	Oil & Gas UR & Draft Technical Bulletin	Oil & Gas Final	Final Technical Bulletin	Julia Ranagan, 202-512-7377
The Federal Entity		Research	Research	Research	ED	Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006 ED –Nov. 2008	DP	UR			Richard Fontenrose, 202-512-7358
FASB Reporting by Federal Entities		Research	Research	Research	ED	Julia Ranagan, 202-512-7377
Deferred Maintenance & Asset Impairment		Research	Research	Research	ED	Domenic N. Savini, 202-512-6841
Grants Reporting		Research	SIG or ED			Eileen Parlow, 202-512-7356
Conceptual Framework Project:						
Measurement Attributes		Research	Research	ED	DP	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

The AAPC has issued two Federal Financial Accounting Technical Release exposure drafts entitled *Implementation Guidance on Cleanup Costs Associated with Equipment and Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*. The guidance was developed by a task force chaired by AAPC members, Donjette L. Gilmore, Director - Assistant Director Accounting & Finance Policy, Office of the Under Secretary of Defense (Comptroller)/DCFO -- Department of Defense and Daniel Fletcher, Deputy Chief Financial Officer -- US Department of the Interior.

The *Implementation Guidance on Cleanup Costs Associated with Equipment* is to address cleanup costs associated with equipment as it applies to SFFAS 1, 5, 6 and TR 2. The guide focuses on cleanup of hazardous waste associated with equipment and when the cleanup should be recognized as an environmental liability and when it should be expensed as a routine operation. In addition the guide includes two examples – one example is associated with equipment cleanup when a liability should be recognized and one is associated with equipment cleanup when the costs should be expensed as routine operations. This proposed technical release provides steps that can be followed to help federal entities consistently apply existing standards to help ensure consistent, accurate and meaningful application of the standard and should allow for consistent application of the provisions listed in the current standards. The proposed guidance will also assist federal entities to provide reasonable estimates of cleanup costs associated with the disposal of equipment assets, when required.

The *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* addresses important implementation questions regarding the consistent application of TB-2006-1 as it relates to asbestos cleanup costs associated with facilities and installed equipment. As federal agencies continue to develop their approach to implementing SFFAS 6 and TB 2006-1 for recognition of cleanup cost associated with asbestos, it has become apparent that an implementation strategy is needed to ensure consistent reporting of asbestos cleanup liabilities. Many federal agencies continue to struggle with interpreting SFFAS 6 and Technical Bulletin 2006-1 while attempting to determine a cost effective standard implementation methodology for identification and recognition of an estimated liability for asbestos cleanup. This guidance provides additional clarification of SFFAS 6 and TB 2006-1 and a framework for identifying assets containing asbestos, assessing the asset to collect information and/or develop key assumptions in applying acceptable methodologies to estimate asbestos cleanup costs for federal facilities and installed equipment.

Specific questions for respondents are included in the exposure drafts and other comments are welcome. Responses to both exposure drafts are requested by December 4, 2009. The exposure drafts are 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 2009 Meetings:

Wednesday, December 16<sup>th</sup> and Thursday, December 17<sup>th</sup>

## Schedule for 2010 Meetings:

Wednesday, February 24<sup>th</sup> and Thursday, February 25<sup>th</sup>  
Wednesday, April 28<sup>th</sup> and Thursday, April 29<sup>th</sup>  
Wednesday, June 23<sup>rd</sup> and Thursday, June 24<sup>th</sup>  
Wednesday, August 25<sup>th</sup> and Thursday, August 26<sup>th</sup>  
Wednesday, October 27<sup>th</sup> and Thursday, October 28<sup>th</sup>  
Thursday, December 16<sup>th</sup> and Friday, December 17<sup>th</sup>

Unless otherwise noted, meetings begin at 9 AM and conclude at 4 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 2009 Meetings:

Thursday, November 19<sup>th</sup> (**Conference Room 6N30**)

## Schedule for 2010 Meetings:

Thursday, January 21  
Thursday, March 18  
Thursday, May 20  
Thursday, July 15  
Thursday, September 16  
Thursday, November 18

Unless otherwise noted, 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.