

Accounting and Auditing Policy Committee (AAPC) Meeting Minutes
September 16, 2020, 1:00 PM ET
WebEx and Conference Call

Attendance

Members

Ms. Monica Valentine (FASAB, AAPC Chair)
Dr. Brett Baker (At-Large)
Mr. Brian Casto (Treasury)
Mr. Prasad Kotiswaran (CFOC)
Present: Ms. Kim Laurance (CFOC)
Ms. Patricia Layfield (CIGIE)
Mr. Elliot Lewis (CIGIE)
Mr. Walter Obando, for Mr. Kurt Hyde (CIGIE)*
Mr. Joseph O'Neill (GAO)
Mr. Robert Smalskas (CFOC)

Staff

Mr. Ricky Perry, Senior Analyst
Ms. Christi Dewhirst, Fellow

Apologies: Ms. Carol Johnson (OMB)

*Absent from 2:00 PM until 3:30 PM and from 4:30 PM until adjournment

Welcome (Agenda Item #1)

The meeting began at 1:00 PM. Ms. Valentine welcomed everyone and thanked Mr. Perry and Ms. Dewhirst for their work in drafting the implementation guidance and collaborating with the task force.

Updates on Recent Task Force, Board Developments (Agenda Item #2)

Mr. Perry stated that major edits made since the August meeting will be discussed. He also noted that staff made a few minor edits since the meeting materials were distributed, and those will be discussed with the Committee as well. Mr. Perry indicated that a verbal vote on the pre-ballot would be taken at the end of the meeting with the expectation that a final ballot version released electronically for review shortly thereafter.

Mr. Perry directed Committee members to tab A of the [meeting materials](#). He noted that staff expects to release the joint exposure draft for public comment around November 5, 2020, with comments due back around February 4, 2021. He reminded the Committee that a supplementary meeting has been scheduled for March 2021 to review the comment letters in advance of the April Board meeting.

Mr. Perry noted that the leases omnibus project is on schedule as well and that staff expects to ballot the draft proposal shortly after the October Board meeting.

Discuss pre-AAPC-ballot Technical Release Draft - Parts 1-2 (Agenda Items #3-4)

Mr. Perry directed members to tab C of the meeting materials. He noted that the uniformity and grammar checks have been completed by staff, and independent proofing will later be completed by the FASAB communications specialist and a task force member.

Mr. Perry stated that the joint cover letter, executive summary, and questions for respondents section (QFR) were drafted. He reviewed each question in the QFR section and requested feedback from the Committee.¹ He stated that staff's intent was to keep the questions broad and open-ended to encourage respondents to review both documents in tandem and provide thoughtful feedback. He explained that the same questions will be listed in the technical release (TR) and the omnibus.

Mr. O'Neill recommended adding a question to indicate if respondents generally agree with the proposals. Ms. Laurance and Ms. Valentine agreed with that suggestion, and Mr. Perry stated that he would add the recommended question.

Mr. Casto requested an edit on QFR 2 to strike the reference to paragraph numbers and use references to "applicable guidance" instead. He noted that since this QFR asks about issues not currently addressed in the proposals paragraph numbers from SFFAS 54 or the TR may not be relevant. Staff agreed with this recommendation and made the requested edit.

Mr. Perry invited members to provide feedback and edits on draft questions in numerical order. For paragraph numbers not listed below the members had no comments.

Paragraphs 2-3: Ms. Valentine recommended using the phrase, "proposed TR" because the TR is still in draft status. Mr. Perry agreed and made the requested edit.

Paragraph 4: Mr. O'Neill questioned the need for this paragraph in the federal government. Ms. Dewhirst stated that although it is uncommon, this paragraph could be useful for some agencies. Ms. Laurance indicated that DoD would find it useful and prefers to keep it in the guidance.

Paragraph 7: Mr. Perry stated that he has an outstanding question with the Department of State related to this paragraph. They indicated previously that they do not typically have consideration for license agreements, but staff requested more information to determine if in-kind consideration may apply. Mr. Perry recommended including the paragraph contingent on feedback from the Department of State. Mr. Smalskas expressed concern about using the term, "license agreement", and Ms. Hudson from the Office of General Counsel echoed that concern. Mr. Perry proposed several edits to the paragraph to remove the troublesome term. Ms. Dewhirst also noted that the term, "property owner" should be revised because the party indicated is actually leasing the asset and then sub-leasing it to another party. Mr. Perry agreed and stated that a new term would be proposed after the meeting.

Paragraph 12: Mr. Perry noted that this is a new question adapted from GASB implementation guidance update 2020-1. He explained that staff reviewed the GASB release and included a few questions and answers from it that would be helpful for federal entities.

Paragraph 13: Mr. Perry stated that staff consulted with Mr. Domenic Savini on this paragraph and changed the question and answer significantly. The revised question asks if this agreement meets the definition of a lease under SFFAS 54. Staff made a point to distinguish between the lease of the land and any payments made as a result of the oil and gas exploration, development, or production. The Committee proposed additional edits to further clarify this distinction. Mr. Perry agreed with the edits and incorporated them into the answer.

¹ Through use of the presentation / shared screen (controlled by staff) function in WebEx, the Committee viewed and provided feedback on the draft guidance as staff walked them through the document. Staff made edits / notations to implement and track such feedback.

Paragraph 16: Mr. Perry noted that the interest expense was confirmed by Mr. O'Neill and Mr. Casto to be appropriately included in this disclosure.

Paragraph 17: The Committee recommended a clarifying edit to express that the right-to-use lease asset is recognized over the lease term.

Paragraph 19: Mr. O'Neill provided a minor clarifying edit that was accepted.

Paragraph 28: Mr. Perry explained that this question and answer was added at the request of GSA. The paragraph clarifies how to reassess the lease term.

Paragraph 36: Mr. Perry noted that this is a new question adapted from GASB 2020-1. He explained that staff reviewed the GASB release and included a few questions and answers from it that would be helpful for federal entities.

Paragraph 37: Mr. Perry explained that the term, "significant evidence" was removed from this paragraph because it does not exist in SFFAS 54 in this context.

Paragraph 41: Mr. Perry stated that this answer was revised based on changes in the omnibus proposal.

Paragraph 51 and 57: Mr. Perry noted a minor clarifying edit that was accepted.

Paragraph 63: Mr. Perry noted a minor clarifying edit that was accepted. Mr. O'Neill raised a concern about the phrasing, "contingent liabilities are subject to disclosure requirements..." He was concerned that entities may disclose everything based on this guidance, even if it is not significant. Mr. Perry agreed to review and propose an edit to clarify the intent of this paragraph. Mr. Perry cautioned that the phrase "subject to" does not necessarily mean "necessitate," but concurred with the concern and suggested that replacement of the term "are" with "may be" could further clarify.

Paragraph 66: Mr. Perry noted a minor clarifying edit that was accepted.

Paragraph 74: Mr. Perry discussed the edits made based on the Committee's feedback in August.

Paragraph 78 and 85: Mr. Perry explained that this was revised based on changes to the omnibus proposal.

Paragraph 89: Mr. Perry noted a minor clarifying edit that was accepted.

Paragraph 92: The Committee discussed the use of the term, "occupancy assignments" as it relates to the context of this paragraph. Mr. Smalskas expressed concern with the term because it has a specific meaning and may cause confusion in this setting. Mr. Perry and Ms. Dewhirst agreed to research this further and work with a small group to attempt to find another term.

Paragraph 95: Mr. O'Neill was not aware of any of sale-leaseback transactions in intragovernmental leases and would prefer that they not be included in this disclosure. Ms. Valentine recommended including a question in the QFR to gauge the level of use in intragovernmental leases. Mr. Perry concurred and recommended the same approach be taken for paragraph 4.

Paragraph 101: Mr. Perry noted that staff corrected some statements left over from GASB and edited the term, "capital asset".

Paragraph 102: Mr. Perry stated that the first sentence of the answer was deleted because it was deemed unnecessary. SFFAS 54 provides clear guidance for implementation that should be followed in all cases.

Mr. Perry reviewed the basis for conclusions with the Committee. He stated that it is currently a project history but more will be added after the exposure period.

Vote on the exposure of the proposed TR for public comment (Agenda Item #5)

Ms. Valentine requested that staff work on paragraph 92 and replace the term, “occupancy assignment” if possible prior to the ballot draft being distributed to the Committee.

Ms. Valentine conducted a pre-ballot verbal vote to determine if the Committee was comfortable moving forward. The Committee members that were present (all except Ms. Johnson and Mr. Hyde) approved the pre-ballot draft.

Next Steps, Subsequent Meetings (Agenda Item #6)

Mr. Perry stated that staff will incorporate all recommended edits from the Committee and will work with a small group to address the few outstanding issues. Once those issues are addressed, staff will finalize the ballot draft and release it to the Committee for a vote, likely within one week.

Mr. Perry noted that the Board will be meeting in October and will consider the joint proposal for balloting at that time.

Mr. Perry stated that the next AAPC meeting is scheduled to be November 19, 2020. He explained that the leases staff will not have anything for the Committee at that meeting because it will be during the exposure period. However, another member of staff may have something to bring to the Committee for discussion. (Staff note: The November meeting was later cancelled after consultations with the Executive Director and the project manager.) There is another meeting on February 4, 2021, that would potentially be for non-leases-related items as well. The supplementary meeting on March 11, 2021, will be to discuss the comment letters received on this proposal.

Adjournment

Ms. Valentine and Mr. Perry thanked the Committee for a productive meeting and their insightful feedback.

The meeting adjourned for the day at 5:05 PM.