

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING  
FINAL MINUTES  
JANUARY 29, 2004**

The meeting was convened at 2:00 PM in room 6N30 of the GAO Building, 441 G St., NW, Washington, DC.

**ADMINISTRATIVE MATTERS**

• **Attendance**

Present: Ms. Comes, Ms. James (for Geier), Ms. Krell, Ms. Clarke (for Ritchie), Messrs. Dingbaum, James, Lund (for Sturgill), Maharay, McFadden, and Taylor.

Absent: Ms. Geier, Messrs. Moraglio, Ritchie and Sturgill.

• **Minutes**

The minutes of October 27, 2003 were previously approved as final, having been circulated by E-mail to members.

• **Project Agenda Status**

*Credit Reform*

Ms. Comes, AAPC Chair, opened the meeting by asking Ms. Valentine to update the committee on the status of Technical Releases 3 and 6. Ms. Valentine shared that Technical Release 3 and 6 were released on January 22, 2004 and are effective immediately. The hard copies have gone to print, but are not yet available. They are, however, available online at <http://www.fasab.gov>

*Appropriated Debt*

Ms. Comes began the discussion with a brief account of how the issue came to the AAPC committee. OMB initially reviewed the appropriated debt issue in September of 2003 to resolve a difference in accounting treatment between the Department of Energy (Energy) and the Department of the Interior (Interior). The issue was then referred to the AAPC, with the request that a decision be made by April 30, 2004. Ms. Comes then introduced Kristina Rennekamp, a FASAB detailee that had worked on the briefing materials for the committee. Ms. Comes asked that Ms. Rennekamp give a brief summary of the issue to the committee.

Ms. Rennekamp explained that Energy has four power marketing administrations (PMAs), which transmit and market hydro-electric power. One of the PMAs, the Western Area Power Administration, or simply "Western", receives appropriations from the Reclamation Fund, which is managed by Interior's Bureau of Reclamation. Western uses its appropriations to construct, operate and maintain power transmission assets. Western then sets power rates at a level

intended to recover the appropriated amounts, and subsequently returns power receipts to the Reclamation Fund.

Ms. Rennekamp further explained that Energy and Interior have interpreted the legislative language differently in regards to this arrangement, leading to different accounting treatments. Energy believes that there is a requirement for full repayment of the appropriation to the Reclamation Fund, and therefore records a liability to Interior upon receipt of the appropriation. Interior disagrees that there is a repayment requirement, and contends that there is only a liability upon collection of receipts. In other words, if Western is unable to collect receipts, then there is no liability to Interior. Interior therefore records a transfer-out when the appropriation is given to Western, and a transfer-in when any receipts are returned to the Reclamation Fund.

Ms. Rennekamp then asked the guests from Energy and Interior to introduce themselves and give a brief summary of their position.

Richard Loyd (Energy) introduced himself and explained that he is responsible for the financial statements that Energy prepares. Mr. Loyd then introduced Gary Michelson, Chief Accountant from the Western Area Power Administration. Mr. Loyd also introduced the other attendees who came on behalf of Energy.

Ed Abreo (Interior) introduced himself and explained that his office is responsible for the Annual Report of the Bureau of Reclamation. Mr. Abreo then introduced Debra Carey, who is the lead on preparing financial statements for Interior. Mr. Abreo also introduced the other attendees who came on behalf of Interior.

Mr. Maharay then stated that he needed to recuse himself from the discussion. Ms. Comes explained that it was a typical practice of FASAB members and since Mr. Maharay is the Deputy IG of Energy he is electing to recuse himself.

Ms. Comes prefaced the opening comments of Energy and Interior by saying that the committee had received fairly comprehensive briefing materials, including the original position papers of Energy and Interior, and that it would be helpful if the opening remarks were kept to a minimum.

Mr. Loyd gave a brief history of how Energy has accounted for its appropriated debt as a liability, and that it is treated differently by Energy than a typical appropriation would be treated. Energy further explained that they believe their treatment would better serve accountability needs. Mr. Loyd reiterated that the Bonneville Power Administration has a formal debt repayment instrument to Treasury and that, in substance, the situation between Energy and Interior is the same, although lacking a formal agreement.

Mr. Abreo stated that Interior believes it is following existing FASAB standards. Interior believes that the transfer-out of funds to Western is a separate and distinct transaction from the transfer-in of receipts. Ms. Carey added that this situation is similar to many others within the government where user fees are expected to recoup costs of appropriations from the Treasury General Fund or other funds. Ms. Carey also said that she can find nothing in the law that

requires Energy to transfer funds absent the sale of power, and that this furthers the notion of separate transactions.

Ms. Comes proceeded by stating that the committee would need to work quickly, but with due diligence in order to come to a conclusion by the April 30 deadline. She then explained that one of the components of the decision is to interpret the legislation. Ms. Comes introduced Jeff Jacobson, the FASAB General Counsel, who was asked to look into the issue.

Mr. Jacobson had questions for the representatives from Energy and Interior. Mr. Jacobson asked why this arrangement was any different than others where Congress provides appropriations to an agency for an activity that will ultimately result in receipts coming back to the Federal Government.

Mr. Michelson said the difference is that there is an obvious expectation that the capital and operating investments for the power transmission assets be repaid. Mr. Michelson believes that it is not subject to administrative determination, but is a Congressional requirement, whereas user fees are usually based on an administrative decision. Mr. Michelson also pointed out that this particular arrangement requires repayment with interest, unlike many other arrangements in the government. He believes that this is further evidence that it should be treated as a debt instrument. Mr. Michelson said that there is also a term of repayment, and that only Congress can relieve the obligation to repay, which further differentiates this situation from a user fee situation.

Mr. Jacobson asked whether Mr. Michelson was suggesting that the fact that Congress had provided for the collection of interest was a key factor. In other words, if Congress had specified repayment without a provision for interest, would that have changed the way that Energy viewed the situation.

Mr. Michelson said it was possible that Energy would have viewed it differently without the provision for collection of interest, but that he was not able to make that determination. Mr. Michelson repeated that it was clearly at the top of the list in terms of Energy's reasons for believing that the repayment should be treated as a debt instrument. Mr. Michelson said that the circumstances of the arrangement have all of the elements of a debt instrument, and compared it to the issuance of preferred stock and its treatment in SFFAS 150, which moves portions of preferred stock from the equity to the liability section of the balance sheet.

Ms. Carey answered the question by saying that Interior sees the repayment as management direction rather than an accounting transaction. There are examples where Congress directs reimbursable activities to recover their costs. Ms. Carey pointed out that, in past accounting models, working capital funds were required to record revenue every time they incurred an expense, under the assumption that they would recover their cost because they were required to do so. Ms. Carey stated that, just because Congress directs that an entity be required to break even, that does not create an accounting transaction. She went on by saying that there is nothing due to the Reclamation Fund until power is sold. Ms. Carey said that, by her reading of the appropriation language, it is fairly straightforward in saying that the money is appropriated with no requirement to repay.

Mr. Michelson responded that, by their reading of the legislation, the money will be deposited, or covered into the Reclamation Fund upon collection.

Ms. Carey pointed out that the phrase was “upon collection”.

Mr. Loyd said that, if the funds are not available to repay in the first year, that balance rolls over and accrues interest on the unpaid amounts, so it is not simply a matter of depositing collections whenever they become available.

Mr. Abreo agreed with Ms. Carey that Interior views this like any other appropriation where Congress gives them money to fund a reimbursable activity, such as power production. Although the legislation requires recovery, it is treated as a separate and distinct issue in the accounting system.

Mr. Jacobson agreed that Congress routinely directs that an activity should generate enough revenue to recover costs. His question is whether an accounting transaction is created by the direction to cover the cost into a different location than usual, namely sending the money to the Reclamation Fund rather than Energy covering it into their own receipts.

Ms. Carey stated that there are other examples of Congress giving direction on where to cover funds, but that it still does not create a liability for the transferring agency until they collect the funds and have a requirement to make the transfer.

Mr. Michelson pointed out that Congress used the term “repay” in the legislative language, which creates the nexus between an outlay and an obligation to repay it. He further pointed out that the language requires any collections above and beyond the repayment amount to be covered into the Treasury General Fund.

Mr. Jacobson asked that if the purpose of financial reporting is to get an understanding of the financial position of an entity, what do the respective treatments of Energy and Interior do to further that objective.

Mr. Michelson said that Energy believes the liability model shows that there is an obligation to credit the monies back to the Federal Government upon collection. Energy also believes that it establishes independent accountability to the entities involved.

Mr. Abreo said that Interior believes it is being conservative in their treatment. Interior does not believe that at the point in time of providing the appropriation to Western, that they have performed the goods or services necessary to record a receivable. Mr. Abreo pointed out that Reclamation has long-term repayment contracts on some of their irrigation projects, but that after careful review the associated receivables were removed from the balance sheet. Interior believes that the two situations are similar.

Ms. Carey added that the essential characteristic is that the services have not yet been provided to the public, and that recovery is dependent on future sales.

Mr. Jacobson asked what the long-term history has been with regard to the ability to recover project costs through power sales to the public.

Mr. Michelson answered that Western believes it is currently ahead of schedule on the repayment of its costs, so that there is adequate ability to recover the cost of the asset. Mr. Michelson said that because they are dealing with an unknown water supply, the schedule of payment may be imprecise, but that over a long period of time there is consistency.

Ms. Carey went back to the previous question that had been asked, regarding how best to serve users of the financial reporting. She stated that Interior's position is to record accurately the transactions that had already occurred. In all probability, Western will be able to make its repayment, but it is dependent on transactions which have yet to occur. Ms. Carey said that she believes the public is not served best by recording a transaction just because it is assumed that it will happen.

Mr. Loyd agreed that Energy would not record anything for future expected sales to power customers, but that it still records a liability to Interior for the amount which it has received and used for its investment in power assets.

Mr. Jacobson asked that the representatives speak to the accounting treatment of the Bonneville Power Administration (Bonneville), and how it relates to the other three PMAs, with the understanding that the legislative language is slightly different for Bonneville and it operates its own fund.

Mr. Loyd said that prior to the Bonneville Power Administration Refinancing Act, Bonneville was in the same situation as the other three PMAs. All of the PMAs receive their funding from either the General Fund or the Reclamation Fund. With the passage of the Refinancing Act, Congress directed Bonneville to "refinance" its outstanding balance of repayment to the General Fund at prevailing market rates. Bonneville now has a formal agreement with Treasury to make its repayment.

Mr. Jacobson asked whether Bonneville had its own fund even before the Refinancing Act.

Mr. Loyd said that, yes, Bonneville had been operating for many years prior as a revolving fund.

Mr. Jacobson asked whether Interior was suggesting that Bonneville change their treatment as well.

Ms. Carey said that her understanding of the Bonneville situation is that Congress has specifically linked the appropriation with repayment, but that it would be wrong to say that just because the situation has been linked in one specific entity, that does not mean that Congress has made the connection in the situations that it has chosen to remain silent on.

Mr. Jacobson added that, if Bonneville does not sell energy, it does not have receipts to make the payments that are required to Treasury. Mr. Jacobson pointed out that the argument had been

made earlier that one should be sympathetic to Interior's view because the collection of receipts was not guaranteed and there could therefore be no obligation to repay.

Mr. Abreo said that he believed the situations were similar between Bonneville and Western, but that the difference was in the fact that Bonneville actually has bonds outstanding to Treasury. In other words, they actually have a debt instrument in place that creates their liability.

Mr. Jacobson posed a hypothetical situation. If in the private or public sector an entity gave money to another entity with the agreement that the amount would be repaid sometime in the next forty years, only to the extent that the receiving entity could take that amount and turn it into an activity that generated revenue, would the two entities therefore not record any assets or liabilities?

Ms. Carey stated that she did not see that as quite the same situation. In this case, Congress directs that a certain amount of appropriated funds will come out of the Reclamation Fund, period. She said that the appropriation language does not include any stipulation about repayment, just "here's your money". Other legislative language describes that, to the extent of your ability to collect, a certain portion should go to the Reclamation Fund, with the rest going to the General Fund. Ms. Carey pointed out that the situation would be different if the appropriation stated "here is your money and you have to pay it back". She described a situation like that with the Helium Fund at Interior, where the appropriation explicitly stated that the appropriation would be repaid.

Mr. Jacobson asked if there was any question that Congress expects the money to be repaid in this situation.

Mr. Michelson said that there was no question, from Energy's point of view, that Congress expects the money to be repaid. It would take a Congressional action to relieve the debt.

Mr. Jacobson asked whether it was a 40-year period over which the advance was to be recovered.

Harrison Pease (Energy) said that it was originally 40 years, but was now 50 years.

Mr. Jacobson had a question for Interior's lawyers on whether, from Interior's point of view, that if an amount is not repaid by the end of the 40 or 50-year period, the responsibility for Western to repay goes away.

Doug Denardo (Interior) said that they had spoken with a person from Interior's Office of the Solicitor, and that the lawyer saw no provision in the law for a liability to Interior if Western were to cease operations.

Ms. Comes clarified that the question was not referring to what would happen if Western ceased operations, but instead what would happen at the end of the repayment period if repayment had not occurred.

Mr. Michelson said that, from Energy's perspective, interest would continue to accrue and that they are not aware of any provision that would relieve Energy of the obligation at the conclusion of the repayment period.

Ms. Carey said that the question is not whether the funds should be collected and returned to the Reclamation Fund, but whether Energy had an actual debt. She stated that Western, along with Energy and Reclamation, should be managing the situation in such a way that they keep trying to meet the repayment, even if the official repayment period has elapsed, but that it still does not create a debt.

Mr. Jacobson said that the determination of whether it is a debt or not is the answer to the question, and the way to get to the answer is by trying to identify the various components and characteristics of the situation.

Ms. Carey repeated that, in the appropriation language, there was no term of repayment, but simply a discussion of the amount that would be given to Western from the Reclamation Fund.

Mr. Pease asked to clarify the previous statements about no specification in the appropriation language for a term of repayment. He wished to clarify the separation between the annual appropriation language and the legislation that specifies and obligation to repay. Mr. Pease said that the obligation to repay is in Reclamation Law, and not the appropriation language.

Ms. Comes then said that she wished to go around the table to see whether committee members had questions or opinions that they wished to share.

Mr. James began by asking whether all of the money generated by Western goes back to the Reclamation Fund.

Mr. Michelson answered that all of the money that came from the Reclamation Fund goes back to the Reclamation Fund.

Mr. James then wished to clarify that after the amount that came from the Reclamation Fund is paid back, the rest goes to the General Fund.

Ms. Carey wished to point out that the over and above amounts which go to the General Fund do not go via the Reclamation Fund first, but directly from Western.

Mr. James said that he agreed with Mr. Jacobson in that, if there is a debt on one side, there needs to be a receivable on the other. Mr. James said that it concerned him that if the PMAs did not show a debt on their side, it would be distorting the financial condition of the PMAs by including the amounts in equity. For those reasons, Mr. James tended to lean on the side of Energy.

Ms. James wanted to follow up on the statement that the appropriation language does not require repayment, but that the requirement is in a separate law. To her, that gave credibility to Interior's treatment of showing a transfer of the appropriation, and showing the subsequent receipt as a

separate transaction. Ms. James said that Energy was very convincing, but that she is just not sure on whether Energy should be showing a debt, and whether the situation meets the criteria for Interior to show a receivable.

Mr. Pease said that the appropriation language does not have to state that the amounts are repayable, because it is already in the historical Reclamation Law. The rate-setting process and the obligation to repay was already established.

Mr. Michelson agreed, and said that this prevents Congress from having to include the repayment language in each year's appropriation.

Ms. Carey said that she would take the opposite view, and that the rate-setting specifications are for management direction and not accounting transactions.

Mr. Lund said that he also believes that Energy makes a very strong case, but that he is not quite at the point where he agrees that a debt should be recorded. He is persuaded by the notion that there is no claim against Energy until power is actually sold, although there may be a strong expectation.

Ms. Krell withheld any preliminary judgment, but thought that the committee was heading in the right direction by trying to link the two transactions and determine whether there was a liability and a related receivable. Ms. Krell thought that the next step was determine, if there is a receivable, what is its value and how collectible is it. Ms. Krell suggested that perhaps a reserve amount could be held against the receivable and that Energy and Interior might end up in virtually the same place by determining its ability to be collected. She appreciates the desire of Energy and Interior to be conservative.

Mr. Pease wished to reiterate that, based on historical data, Energy believes that the entire amount is collectible.

Ms. Clarke wanted clarification on the point at which Energy records a liability to Interior.

Mr. Michelson said that Energy records the liability upon receiving the appropriation. Energy's position is that, if the liability is not recorded until the collection of power fees, then no liability would ever be shown because the receipts are immediately transferred to Interior.

Mr. McFadden asked about the comparison to user fees. He wondered if, normally, an agency would receive an appropriation and deposit any collected user fees back to its own fund rather than this situation where Western gives receipts back to Interior.

Ms. Carey said that there are many instances where Congress gives money to one agency with the direction to forward it on to another agency.

Mr. McFadden asked whether repayment is expected in any of the instances cited by Ms. Carey.

Ms. Carey said that she did not have any specific examples, but that she was positive that there were cases where repayment was required.

Mr. Abreo reminded the committee that Western was originally a part of the Bureau of Reclamation at Interior, before the Energy Organization Act of 1977.

Mr. Michelson restated that user fees are not subject to interest or any term lengths in their repayment, and he was unaware of any user fee programs that required full repayment of the appropriation.

Mr. McFadden said that his impression is that government entity's would not record a receivable in advance of revenues from the public, but that this situation is intragovernmental and the recording of a liability and receivable seems appropriate.

Mr. Taylor thanked Interior and Energy for bringing such expertise to the table. He then asked whether it was codified anywhere in Energy policy that, if they were to not repay the Reclamation Fund in the specified time period, the liability would still be owed to Interior.

Mr. Michelson answered that the provision that Energy relies on is that there is no relief from the obligation specified anywhere, and that it would take an act of Congress to grant relief.

Mr. Taylor asked whether Energy points to the interest provision as evidence that the revenue stream may fluctuate but the money is still owed.

Mr. Michelson said yes, and that the interest will continue to accrue when Energy fails to make a required repayment.

Mr. Taylor then asked Interior what Congress should have said in the appropriation language if it intended the amounts to be repaid.

Ms. Carey again pointed to Interior's Helium Fund and specified that its appropriation language can be summarized as, "here is a loan, you will repay it". If Congress had intended that Western repay the appropriation, they would have used such specific language.

Mr. Michelson wished to point out that Western is also required to recover operating costs and that, occasionally, customers are unable to make the associated payments. In that case, Western capitalizes the costs and begins to accrue interest on the unpaid amounts. There is no relief there, and customers still owe the amounts although they are unable to pay.

Mr. Taylor asked whether Interior believed that Congress would continue to give Western an annual appropriation if Western was unable to make repayments to Interior.

Ms. Carey said that Congress would absolutely keep providing the appropriation.

Mr. Dingbaum did not have any comments or questions.

Ms. Krell said that the discussion has been very focused on what should be included on the balance sheet, but that solely focusing on that would not tell any reader of the financial statements what was going on, whether a liability and receivable were recorded or not. Ms. Krell believes that the key for readers will be in good disclosure of the true nature of the arrangement. Ms. Krell thought that it would be helpful to see the current disclosure from Energy and Interior's financial statements.

Ms. Carey mentioned that Interior added a disclosure in the past year to their footnotes. Ms. Carey also said that the impact of recognizing an asset would be on the balance sheet and net cost statements, rather than on any expense or revenue statements.

Sky Leshner (Interior) asked Energy whether they accrue interest on the unpaid debt.

Mr. Michelson said that they were.

Mr. Leshner then asked whether the accrued interest comes back to Interior and whether Interior knows how much of the payment is principal vs. interest.

Mr. Abreo said that Interior does not know the breakout of principal vs. interest when it receives money from Western.

Mr. Leshner then said that, in that case, the amount to be repaid is unknown and will vary depending on the length of time the repayment requires.

Mr. Michelson said that the repayment schedule that Energy keeps is very detailed in terms of principal vs. interest, and that Interior receives the entire principal amount plus associated interest.

Ms. Clarke asked how the collections were being recognized on the budgetary side.

Mr. Denardo said that the amounts going in the Reclamation Fund are unavailable receipts, so there is no budgetary impact.

Richard Cambosos (GAO – OGC) asked whether the other PMAs that receive appropriations requiring repayment are treated in the same way.

Mr. Loyd said that all of the PMAs record liabilities to the funds from which they receive their appropriations, but that Treasury does not record associated receivables into the General Fund.

Mr. James then asked whether Interior knows when they have recovered all of the appropriation from Western.

Mr. Abreo said that the amounts are tracked by project and that Interior knows when the appropriations are repaid.

Mr. James asked how Interior accounts for the interest amounts in terms of tracking whether the appropriation has been repaid.

Mr. Abreo stated that he was not sure how it was broken out, but it is being done in the project schedules.

Mr. Taylor then said that what they were really getting at was that, if Interior does not know the break out between principal and interest in the amounts they are receiving from Energy, isn't the amount of principal that's been repaid being overstated.

Mr. Abreo said that Interior does actually know the break out, but that he personally does not know the mechanics of how it is done.

Ms. Carey thought that it was important to distinguish that Reclamation has many projects that are tracked closely and individually, but that the amount being appropriated to Western is one lump sum and not specified for individual projects. Therefore, although the interest and repayment is tracked project-by-project, the lump sum of the appropriation itself is not tracked. She believes that this is further evidence of two separate events.

Ms. Comes then explained that Ms. Valentine was tasked with listening closely to the direction that the committee seemed to be heading in order to determine the next step in the process. Ms. Valentine thought that committee did not seem to be near consensus. The first option that Ms. Valentine suggested was an additional meeting to further the discussion, more or less established as a task force. Ms. Valentine would work with a member who chose to lead the task force and help them prepare another meeting, as well as to compile more questions that the committee may have. Ms. Valentine also said that, if her impression was wrong and the committee was close to a decision, then one might possibly be made. Another option would be for the committee to forward its questions and try to obtain responses through email, although that might be a little difficult.

Ms. Comes asked to conduct a quick survey of committee members so that Energy and Interior might have an idea of how close the committee was to a decision. She posed that the committee members should raise their hands to one of three options, (1) that Interior had a receivable, (2) that more information was needed to decide, or (3) that Interior did not have a receivable.

Mr. Taylor expressed that those demarcations bothered him in the sense that more information would always be useful. He believes that Energy is doing exactly what it would be doing were it a business, but it is not.

Ms. Comes asked the opposite question of whether Energy needs to get rid of its payable.

Mr. Taylor said that he had trouble with that idea too.

Ms. Comes said that when she first saw this issue, she was not sure that it was material for a Technical Release. However, the more she listens to the deliberation, Ms. Comes believes that it would make a fairly rich Technical Release with respect to the somewhat unclear legislation.

Unless Congress says that there is a term, interest requirement and payable, an agency believes that it does not have a liability, whereas Congress rarely expresses things in such plain language. Ms. Comes knows that a Technical Release would not be possible by April 30, but that it might be possible for the committee to get reasonably close to consensus so that Interior and Energy could begin planning their next course of action. Ms. Comes agreed with Ms. Valentine that it might be difficult to do anything but a task force for the next step.

Mr. Taylor suggested that, instead of a task force, it might be more appropriate to just schedule another meeting.

Ms. Comes said that one of the benefits of a task force is that it identifies clearly the parties responsible for the next step. Ms. Comes suggested that the staff may be able to come up with more questions for Energy and Interior, and that the committee would benefit from seeing the answers in writing. She thought it might also be helpful to further the parallels between this situation and that of user fees.

Mr. Michelson pointed out that the committee's decision affects more parties than Energy and Interior, including Treasury and the Corps of Engineers, so that if the committee decides to go with a Technical Release it might be useful to issue an exposure draft.

Ms. Comes said that Ms. Valentine will develop a plan and a list of possible dates to meet again on Appropriated Debt before the April AAPC Meeting.

- **Agenda Committee Report**

Mr. Maharay reported that two issues were referred to the Agenda Committee and that they were recommending one of the issues be taken up by the AAPC.

*RECP/EEOICP Issue*

Mr. Maharay explained that Congress has established two separate programs [Radiation Exposure Compensation Program (RECP) and Employees Occupational Illness Compensation Program (EEOICP)] to assist people who were exposed to radiation associated with work that the Department of Energy (Energy) does. Neither program is administered by Energy. One program (EEOICP) is administered by the Department of Labor (Labor) and the other program (RECP) is administered by the Department of Justice (Justice). The Labor program comes up with a long-term estimated liability, claims are filed, and payments are made periodically. Energy then records Labor's payments as an imputed financing source. Justice, on the other hand, does not record a liability for their program until claims are approved and no adjustments are made by Energy for imputed financing sources because of the timing of the recognition of the liability. The first question from this situation is whether Energy should be recording the imputed financing source for the Labor program. Mr. Maharay believes that the bigger question is whether there should be uniformity between the treatments of the two programs. Mr. Maharay stated that the Agenda Committee recommends that the AAPC take up this issue.

Ms. Comes asked that the committee take up a vote on whether to accept the issue, acknowledging that they did not have quorum and majority rule would have to prevail. Mr. Lund stated that there are really two parts to this issue. He believes that the first one, whether Energy should be recording an imputed financing source, is relatively easy to resolve. Mr. Lund believes that SFFAS #4 does not allow Energy to record an imputed financing source because OMB has not recognized the funding received from Labor as an imputed financing source. The second issue, of whether Labor and Justice need to be treating their programs consistently, will require longer-term work by the committee.

Ms. Comes then asked the committee whether they wanted to take up that portion of the issue related to consistency between Labor and Justice. The committee agreed to take up the issue.

Ms. Comes asked the committee whether they wished to take up the inter-entity cost issue between Energy and Labor. The committee decided not to take up the issue.

Ms. Comes shared that because the issue came to FASAB staff first, there was a large amount of research already done on the issue of consistency between Labor and Justice. In addition, because of the breadth in applicability of the answer, it would be best issued as a Technical Release. Ms. Comes said that what has been developed so far is somewhat of a decision tree in terms of applying liability standards. The materials that have been prepared so far will be provided to the committee for the next meeting in order to determine how much additional work is necessary to get to the point of a Technical Release.

### *Spare Parts Issue*

Mr. Maharay deferred to Mr. Lund to describe the second issue that was before the Agenda Committee.

Mr. Lund said that the Agenda Committee does not think that the AAPC should take up the Spare Parts Issue because there is sufficient guidance in FASAB Standards now. The spare parts in question appear to be durable spare parts with useful lives of two years or greater, which would qualify them as PP&E rather than O&M supplies.

As a matter of background, Ms. Comes pointed out that various entities are approaching the classification of spare parts differently. The reason the issue was referred to the committee was to see whether further research would be useful to determine the range of diversity in accounting practices. Ms. Comes stated that she is not sure that diversity of treatment is necessarily a bad thing and that justifications could be made for a variety of approaches. What she wants to prevent is situations where preparers choose one approach and are told by their auditors that they should be using a different approach based on a narrow reading of the literature..

Mr. James asked whether the differences in approach are due to different fact patterns surrounding the spare parts or different interpretations of the standards.

Ms. Comes replied that she believed it was due to different interpretations of the standards because of the assertion that it was misleading to ever classify spare parts as O&M. Ms. Comes

asked the committee whether they wished to take up the issue as a research project with no commitment to make a decision.

Ms. Krell asked whether the committee knew the materiality of the difference between the specific entity in question and the opinion of their auditors. Ms. Krell further asked whether the entity was willing to switch their treatment.

Ms. Comes replied that the entity was willing to switch their treatment, but took great exception to the idea that the switch was due to a correction of an accounting error.

The committee decided against taking up the issue as an exploratory project.

Ms. Comes said that when it's available she will share the accountability report of the particular entity which raised this issue in order to illustrate the issue better to the committee.

- **New Business**

None

- **Next Meeting**

The next meeting is scheduled for April 8, 2004. Ms. Valentine will be sending out an E-mail message about a meeting in the interim to discuss the Appropriated Debt issue.

- **Adjournment**

The meeting was adjourned at 3:40 PM.