ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
MINUTES
February 19, 2015

The meeting was convened at 1:05 PM in room 7C13 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

- Attendance

Present: Ms. Payne (chairperson), Ms. Anderson, Mr. Alston, Ms. Chadwick, Mr. Donzell, Mr. Easton, Ms. Kearney, Mr. Marchowsky, Mr. Rymer and Mr. Zane.

FASAB/AAPC project manager, Ms. Wu, FASAB project director, Mr. Savini and FASAB project director Ms. Valentine were present at the meeting.

Absent: none

- Minutes

All previous meeting minutes have been approved.

- Administrative

Ms. Payne introduced Ms. Grace Wu who will serve as a full time staff for the AAPC. The members welcomed her. Ms. Wu proposed alternative dates for the August 20, 2015 AAPC meeting by noting the upcoming year-end busy time for federal agencies. AAPC members will provide feedback on the suggested alternative dates.

PROJECT MATTERS

- Agenda Committee Report

  - FASAB Three-Year Plan

Ms. Payne began the discussion by noting to the Committee the upcoming FASAB Board meeting topic of the FASAB three-year priority plan and asked the members’ feedback on the plan. She informed the Committee that the auditors who participated in the recent Audit Round Table meeting have concerns on the implementation of the Reporting Entity standard and asked feedback from the Committee on the issues when they begin to plan for implementation. Since risks associated with treaties has been reported by GAO as an issue for government-wide financial statement reporting for many years, Ms. Chadwick suggested that the State and the DOD actively participate in the Risk Assumed project from beginning given the project may require some recognition of treaty issues related to those agencies.

Ms. Payne stated that the FASAB will help coordinate the efforts between the Treasury and
the GAO teams to find out if the standards are sufficiently clear on the treaty issue and consider the potential impact to the new standard.

➢ Internal Use Software (IUS) Working Group Status

Ms. Shiller briefed the Committee on the results of meetings with the Board and the OMB. The Board requested that the working group peruse two concurrent avenues:

- Perform research on information relevant to the users of the Financial Statements to determine if a change to the standard would be appropriate
- Draft implementation guidance for IUS

In addition, the working group met with OMB to understand budgetary reporting requirements and noted that:

- OMB requirements align to the standard in that costs associated with each software development phase should be reported
- OMB and GSA moving toward agile development acquisition practices focused on short-term software capability deliveries

The working group then interviewed program managers from select agencies such as TSA, DHS, DNI & Commerce to understand goals and software investment decisions and noted that the agency project managers and leadership typically focus on total program / project costs, not just the development (capital) portion. The working group believes that a change to the standard that does not completely remove the reporting requirement within the financial statements and notes would cause agencies to incur costs that would exceed the expected benefit.

Ms. Wu noted that the working group would hold a re-entrance meeting later in February 2015 to re-engage agencies in drafting Implementation guidance. The guidance will consist of two major topic areas: standard clarification and practical examples of implementation. It requires input from agencies who have successfully undergone an audit of their IUS balances. The working group and the members recognized the challenges facing the agencies in certain topics such as significant enhancement definition, indirect cost allocation and estimate useful life, etc. Mr. Easton stated that DOD had set up a working group in this area and will participate in drafting of the implementation guide.


Mr. Savini began the discussion by briefing the Committee on the background of the issue. He informed the Committee that the Commerce department did a good job in early implementation of the SFFAS 42. He explained that the agency discussed differences between the significant changes between the periods and followed one of the illustration
formats listed in the current standard. He stated that it is important for agencies to follow
the same format when they implement the SFFAS 42 from period to period. Mr. Savini said
he would share the early implementation experience with the Deferred Maintenance - Asset
Impairment task force.

• New Business

Ms. Payne informed the Committee that FASAB is considering the implementation issues
on the SFFAS 3: Accounting for Inventory and Related Property and asked the members to
share their lessons learned or pain points on this area from their agencies at future
meetings.

The meeting adjourned at 1:45 pm.