

## AAPC Disposal Subgroup Meeting – 4 June 2008

*Meeting Began at 1300*

### Attendees:

Alaleh Amiri  
Fred Carr  
Sharon Dubrow  
Donjette Gilmore  
Joe Knarich  
Stephen Lipscomb

Stewart Petchenick  
Ken Schreier  
Monica Valentine

### *Via Teleconference:*

Alice Carey  
Phyllis Lam  
Nello Lavorini  
Jared Leicht  
Seth Waugaman

The meeting started with a discussion of the subgroup scope document and the revisions since the last meeting. The next item of discussion was the removal of the term general PP&E and instead using a further breakdown of Real and Personal Property.

The discussion noted that with Real Property there is generally a legal document that triggers the disposal of an asset and removes its cost and associated depreciation from the accounting records.

However, with Personal Property the question is how we take into account the difference between removal from service and disposal. In addition there needs to be further discussion about the types of triggers that denote the removal of an asset from service as well as how assets that are removed from service and returned or not returned to service are treated.

The current position of the Department, as well as the position noted in the issues document, is that the property is removed from the accounting records and depreciation is stopped once it is removed from service unless there is persuasive evidence of a return to service.

A discussion of the comments from DLA and USACE brought forth further questions regarding the scope of the document. It was noted that it is easy to get into other areas, especially physical accountability for PP&E. The subgroup noted that although these business processes trigger financial events, they are outside the scope of the subgroup and the AAPC and clarification or revision of these business processes should not be covered by this subgroup. The final decision of the group was to exclude physical accountability from the scope of the document for the current time and maintain the ability to add it back to the document if future changes warrant its inclusion.

Further comments from USACE/DLA dealt with document retention for disposed assets. This comment should be forwarded to John Lynskey, the chair of the records retention group. This group should be able to help determine the need for retention of the documents noted and the minimum period for retention.

The group determined that the appropriate title for Section III would have reference to Environmental Liabilities. The title has been changed to read: "Recognition and

Measurement of Asbestos Related Cleanup Costs and Disposal Related Environmental Liabilities". In addition, this section needs to have a specific statement about friable asbestos in the description of the issue. The group realizes that there is a liability for friable asbestos; however, the document should focus on the requirements for disclosure of non-friable asbestos.

A comment was made about the revisions made to the document in the future. It was requested that if any changes are proposed to the document, that those change proposals accompany suggested revised language to be incorporated in the document.

Further, the group decided that the focus should be on the estimability of the potential liability rather than recognition or disclosure. This is important because many times the method of disposal is unknown, although it may be reasonably certain that the asset will be disposed.

It was decided that the group should also look at the scope of TB 2006-1 to see if it was modeled after FIN 47, because it may need additional revision in order to meet that goal. In addition, the group should contact Julia Ranagan at FASAB, who wrote TB 2006-1 for additional clarification regarding the intent of the document and some of its provisions. Also, the group needs to ensure that interpretation is provided for the existing provisions of TB 2006-1 where there is a lack of clarity. The subgroup should differentiate those recommendations that provide clarification to the existing guidance from those that could potentially revise the federal accounting standard or guidance.

A recommendation was made to modify the format of the scope document. The document should show the language from all the applicable standards where the group is recommending implementation guidance or possible changes.

In a discussion regarding environmental liabilities (EL) associated with disposal, the group believes that there needs to be a better definition of when a liability is recognized. The document format will be revised and Sharon will work on adding technical requirements for the recognition of an EL versus what items are classified as costs associated with operations and maintenance. It was noted that any additional documentation regarding the point in time for liability recognition is welcome, although the sense of the group is that the liability should be recognized over the life of the property.

The group needs to work with other agencies outside of DoD as well. There needs to be additional investigation into current practice and whether other agencies are having issues with recognition of Environmental Liabilities associated with Disposal. This could help with resolving some of the issues that are internal to DoD with respect to the recognition of those liabilities.

A discussion regarding property exchanges highlighted that there are differences between the FASB and the FASAB treatment for property exchanges. There may not be a need for the government to change their standard requirements on exchanges of dissimilar assets as the future economic benefit of the received asset is often moot when compared to private sector exchanges.

Monica will look into the genesis of the issue and see if there are any other items to investigate for property exchanges.

Next Meetings: The next meeting dates were proposed to be the fourth Tuesday of Each Month, continuing on: 22 July, 26 August, 23 September, 28 October, 25 November, 23 December.

All meetings proposed to be at BEI Offices (400 Army-Navy Drive, Suite 206) from 1300-1500.

Meeting adjourned at 1505.

Action Items		
Responsible Party	Action	Due Date
Ken Schreier Nello Lavorini	Work to see if there are any additional items for personal property that will provide clarity on the events that trigger a removal from service.	
Alaleh Amiri Joseph Knarich	Add further examples from FIN 47, add further legal drivers and a glossary for terms, especially asbestos-related.	
Disposal Working group members	Look at the entire document and reformat per the suggestion provided, with language from the appropriate standard and proposed clarification. Also, specify what is clarification for asbestos-related liabilities and what is new information (associated with FIN 47).	
Disposal Working group members	Look at the scope of TB 2006-1 to see if it was modeled after FIN 47.	
Sharon Dubrow	Contact other agencies to benchmark their practices for disposal and associated EL.	
Sharon Dubrow	Work on adding technical requirements for the recognition of an EL associated with disposal of equipments versus costs that should be associated with operations and maintenance	
Fred Carr	Bring policy related equipment issues from Air Force and Seth will bring same from Army. Navy will need to be contacted for their issues with disposal related EL.	
Ken Schreier Nello Lavorini	Work on additional information regarding the disposal of personal property by next meeting.	
Monica Valentine	Look into the genesis of the issue and see if there are any other items to investigate for property exchanges.	