



FASAB News
Federal Accounting Standards
Advisory Board

***** 100th Issue of the FASAB Newsletter *****
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FASAB Staff Wishes You a Safe and
Happy Holiday Season!!
The Next Issue of FASAB News will be in 2007!

FASAB Bids Chairman David Mosso a Fond Farewell

On November 16th, David Mosso chaired his final public board meeting and on December 31, 2006 he will conclude his ten year term as chairman.

Mr. Mosso served as Fiscal Assistant Secretary at the US Department of the Treasury from 1975 until 1977. In that capacity, he played a key role in developing prototype consolidated financial reports for the government. To support that effort, he participated in the Advisory Committee on Federal Consolidated Financial Statements from late 1975 until late 1977. This committee of experts from outside the government was asked

to consider conceptual issues “which need to be resolved before a useful and reasonably reliable set of consolidated financial statements can be prepared in accordance with generally accepted accounting principles [GAAP] applicable to the Federal Government.” Some 22 years later, in October 1999, Chairman Mosso was present at the American Institute of CPAs council meeting when the board was recognized of as the source for GAAP applicable to the Federal Government. His service to the board contributed significantly to its attainment and retention of GAAP recognition.



Mr. Mosso’s substantial and sustained contribution to the creation and improvement of GAAP for the Federal Government has provided a foundation on which future professionals will build for many generations. He will be missed by all his friends and colleagues at FASAB. We wish him well in his new endeavors!

FASAB Welcomes New Board Member

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced today that Norwood J. Jackson, Jr. has been appointed to a five-year term as a member of the Board. Mr. Jackson’s term will begin January 1, 2007.

Mr. Jackson has over thirty five years of experience in providing public and government accounting, auditing, and advisory services. He is currently managing vice president at AOC Solutions, Inc., a small management consulting firm in Northern Virginia. His previous experience includes serving as Deputy Controller of the Office of Federal Financial Management at the

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.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Office of Management and Budget as well as being a partner with KPMG LLP. Prior to his federal service, he was the Deputy Auditor of Public Accounts for the Commonwealth of Virginia. He also has been active in standard setting. He served an eight-year term on the United States Comptroller General's Advisory Council on *Government Auditing Standards*, a four-year term on the Auditing Standards Board of the American Institute of Certified Public Accountants, and a five year term on the FASAB as the representative from the Office of Management and Budget.

Mr. Mosso noted that Mr. Jackson's extensive federal experience combined with his knowledge of standard setting will be particularly helpful. He indicated that "I expect Mr. Jackson to contribute immediately and substantially to the Board's work. He is a recognized leader in the federal financial management community and his past experience with standard setting will be an asset to the Board."

Current Board Projects

Natural Resources

The Board is continuing to make revisions to the exposure draft (ED) entitled *Accounting for Federal Oil and Gas Resources*. Major changes made to the ED since the July meeting when this project was last discussed include:

1. The value of estimated petroleum royalties from natural gas plant liquids (NGPLs) are now proposed to be calculated separately from those from oil and lease condensate.
2. The pro forma transactions, the pro forma financial statements, and the pro forma disclosure and RSI presentations were revised due to the decision to identify and calculate the value of estimated petroleum royalties separately for NGPLs.
3. A clarification was made to use the "dry" gas price when calculating the value of estimated petroleum royalties for gas.

The Board tentatively agreed that a liability exists and should be recognized for the estimated petroleum royalties which the government is obligated in accordance with authoritative laws and regulations to distribute to others. The revised draft ED will be discussed at the January 2007 Board meeting.

Point of Contact: Rick Wascak, 202 512-7363, wascakr@fasab.gov

Fiduciary Activity

Staff Implementation Guidance

At the November Board meeting, the Board discussed the timeline for Staff Implementation Guidance (SIG) for Fiduciary Activities and the most recent draft of the SIG, which is in a "Q&A" format.

Conclusion: Staff will discuss the timeline for SIG with the Department of the Interior and with the Office of Management and Budget. The revised timeline would include a public comment period in January/February 2007.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Concepts Project

Objectives Phase

On November 2, 2006 FASAB issued the report FASAB Strategic Directions—*Clarifying FASAB's Near-Term Role in Achieving the Objectives of Federal Financial Reporting*. This document in essence serves as an update to cover developments in federal financial reporting since the issuance of SFFAC 1 and to define FASAB's strategic directions by clarifying the Board's near-term role relative to each reporting objective.

An electronic version of the report is available on the World Wide Web at <http://www.fasab.gov/stratdirections.html>.

Points of Contact: Melissa Loughan, 202 512-5976, loughanm@fasab.gov
Ross Simms, 202-512-2512, simmsr@fasab.gov

Elements Phase

The Board discussed issues related to the Elements Exposure Draft (ED). Those issues concerned whether the elements statement should state that consideration of the qualitative characteristics of information in financial reports applies in determining whether an item meets the recognition criteria, as proposed by members with an alternative view in the ED, and the applicability of current law when considering whether an item meets the definition of a liability. As a result of the discussions staff plans to:

- Add a reference to the qualitative characteristics of information in financial reports to the glossary in the Concepts Statement, with a reference to or reproduction of paragraph 156 of SFFAC 1, which lists the qualitative characteristics.
- Modify the preamble to the Concepts Statement to emphasize that the Concepts Statement is part of the Board's developing conceptual framework along with previously issued concepts statements, such as SFFAC 1 on financial reporting objectives and qualitative characteristics.
- Include information in the Basis for Conclusions to the final Concepts Statement. The Basis for Conclusions would include the Board's reasons for not repeating the qualitative characteristics in the Statement itself or

including a specific requirement to consider them when applying the recognition criteria. The Basis for Conclusions also would contain a brief discussion of the Board's reasoning in paragraph 44 concerning the applicability of current law when determining whether an item meets the definition of a liability.

At the next meeting, staff will address the issue of whether probability should be specifically mentioned in the definitions and/or recognition criteria. Staff also will provide a list of the issues that remain to be discussed before drafting a final Concepts Statement on Elements.

Points of Contact: Melissa Loughan, 202 512-5976, loughanm@fasab.gov
Ross Simms, 202-512-2512, simmsr@fasab.gov

The Financial Report: MD&A, Statements, Notes, RSI and OAI

As part of the Board's Conceptual Framework Acceleration Plan, the Board has noted that the essential features of a sound framework of objectives and fundamental concepts include describing the financial statements used to present elements, identifying means of communicating information necessary to meet reporting objectives, and describing when to use a particular means of communication. The Financial Report project will address these features and is the third phase of the five-phased Conceptual Framework Acceleration Plan.

The new project focuses on the financial report and its key components for communicating information, such as management's discussion and analysis (MD&A), disclosures, required supplemental information (RSI) other than MD&A, and other accompanying information (OAI). Staff will develop a concepts statement that describes financial statements and states how the statements relate to achieving the financial reporting objectives. The concepts statement would also identify means of communicating information and provide guidance on when to use a particular means, such as when it is appropriate to use notes versus recognition on the face of the financial statements and how to report information not related to elements.

To accomplish the project objectives, staff plans to identify financial reporting objectives not yet addressed through financial statements and suggest alternatives to meeting them. Two primary topics that will be studied in this area are sustainability and performance reporting. Staff has initiated work on the sustainability reporting topic and will utilize a task force approach. Staff plans to finalize the list of task force members and provide the Board with a draft briefing package at the January 2007 Board meeting. The briefing package, which will provide the task force members with background information and discussion topics, will follow the outline recommended by staff and approved by the Board at the July 2006 Board meeting.

In addition, staff plans to review prior concepts and standards and consider financial reporting issues that have developed since the FASAB issued its initial set of concepts and standards about a dozen years ago. Staff recently prepared an outline for the new concepts statement and the Board reviewed the outline at the November 2006 Board meeting. Board members provided comments which the staff plans to incorporate and begin developing the concepts statement.

Points of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov
Ross Simms, 202-512-2512, simmsr@fasab.gov

Social Insurance Liabilities

The Preliminary Views has been exposed for comment. The comment period ends April 16, 2007. As of December 15, 2006, five responses had been received. Responses can be viewed at <http://www.fasab.gov/commentletters.html>. A public hearing is scheduled for May 23, 2007.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Reporting the Effects of Changes in Assumptions and Other Requirements for Accounting for Post-Employment Benefits

During the November meeting the staff presented the second iteration of an exposure draft (ED) on assumptions, discount rates, and other issues, re-titled *Reporting the Effect of Changes in Assumptions and Other Requirements for Accounting for Post-employment and Retirement Benefits*. Changes had been made to reflect the Board's decisions at its September meeting regarding display and the discount rate.

The Board approved the proposed discount rate standard in principle. The discount rate standard will be a general, default standard that will apply unless otherwise provided in another FASAB standard. The CBO representative indicated that they might not support the general standard depending on its effect on particular programs. Staff will explore the possibility of an exception regarding the discount rate in cases where the Treasury rate might not reflect the entity's cost, for example, the PBGC. The text and illustrations in the proposed standard will be changed accordingly.

The Board directed staff to provide more analysis regarding the effect of expanding the scope of the display (and valuation date) standards; to work with Treasury to develop the display of total cost for the FR's SNC; and to explore the possibility of clarifying the meaning of "best estimate."

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Application of the Liability Definition

Staff is beginning development of a framework for identification of obligating events at the sub-class level (e.g., grants, insurance, benefit programs, etc.) rather than at the class level. The project will see further developments as the Elements project progresses through due process.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

Department of Defense Request Regarding Inventory Issues- Items Held for Remanufacture

U.S. Coast Guard comments

At the November Board meeting, staff distributed comments from the U.S. Coast Guard (USCG) that were received subsequent to the distribution of the briefing materials for the Board meeting. Staff noted that the revised draft included a change prompted by the USCG comment that the exposure draft implied that for Operating Materials and Supplies (OM&S), only the historical cost method was acceptable. The revised draft made it clear that the allowance and direct methods were also acceptable valuation methods.

DoD and Other Comments Received:

Based upon comments received, staff recommended changes that addressed the need for judgment by management in determining a reasonable, consistent and cost-effective manner to classify processes or “repair” or “remanufacture.”

Staff also drafted language stating that the Interpretation is not intended to address the asset classification of spare parts for internal use (which are currently classified as Property, Plant and Equipment (PP&E) or as OM&S).

Conclusion: Staff will confirm whether the revised draft sufficiently addresses the concerns of the DoD and the USCG.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov Other FASAB Information

Recent Documents Issued

- ❖ FASAB Strategic Directions—*Clarifying FASAB’s Near-Term Role in Achieving the Objectives of Federal Financial Reporting* was issued on November 2, 2006. An

electronic version of the report is available on the World Wide Web at <http://www.fasab.gov/>.

FASAB Current Technical Agenda & Status of Projects

Project	Previous Key Milestones	Quarter 4 2006	Quarter 1 2007	Quarter 2 2007	Quarter 3 2007	Staff Contact
Natural Resources		Research	Oil & Gas ED		Oil & Gas DP	Rick Wascak, 202 512-7363
Fiduciary Activity	ED-2003 PH-2003 Revised ED-6/2004 PH- 8/2004	UR and Final	Implementat ion Guidance Developed	Implement ation Guidance Finalized		Eileen Parlow 202-512-7356
Concepts Project: Objectives		Strategic Directions Report Issued				Melissa Loughan, 202-512-5976 Ross Simms, 202-512-2512
Concepts Project: Elements	ED –issued 6/2006 PH-9/2006	DP	DP	DP	UR	Penny Wardlow 202 512-7350
Concepts Project: Financial Reporting		Research	Research	Research	Research	Eileen Parlow 202-512-7356 Ross Simms, 202-512-2512
Concepts/Standards Project: The Federal Entity		Research	Research	Research	Research	Melissa Loughan, 202-512-5976
Social Insurance Liabilities		PV	DP	DP	DP	Richard Fontenrose, 202-512-7358
Application of the Liability Definition		Research	Research	Research	Research	Julia Ranagan, 202-512-7377

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

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 three task forces currently in place and all are chaired by AAPC members. The Heritage Assets/Stewardship Land (HASL) task force is chaired by Cindy George and Frank Synowiec. The HASL task force is tasked with assisting the AAPC in developing implementation guidance for SFFAS 29 *Heritage Assets and Stewardship Land*.

The Inter-Entity Cost (IEC) task force is chaired by Michael McFadden and D. James Sturgill. The IEC task force is developing implementation guidance for SFFAS 30 *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*.

The NASA Space Exploration Vehicle is chaired by Pat Healy. The issue facing this task force is the treatment of NASA's exploration vehicles and whether to treat those vehicles as capitalizable assets or as research & development costs. The Committee has decided to draft a technical release to address NASA's issue. The task force plans to have a draft TR available for review to the Committee by the January 25th, 2007 meeting.

Updates on all three of these task forces were discussed at the last AAPC meeting on Tuesday October 31, 2006. The minutes for that meeting can be found on the FASAB/AAPC website at <http://fasab.gov/aapc/meeting.html>.

AAPC Committee member Mr. Greg James, Deputy CFO at the Department of Labor (DOL), announced his resignation from the Committee due to his departure from DOL and relocation out of the Washington, DC area. The whole Committee wishes Mr. James great successes in his new endeavors.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2007 Meetings:

Wednesday, January 17th and Thursday, January 18th
Wednesday, March 21st and Thursday, March 22nd
Wednesday, May 23rd and Thursday, May 24th
Wednesday, July 25th and Thursday, July 26th
Wednesday, September 19th and Thursday, September 20th
Wednesday, November 14th and Thursday, November 15th

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 2007 Meetings:

Thursday, January 25th, 2007 (7C13)
Thursday, March 29th, 2007 (7C13)
Thursday, May 31st, 2007 (7C13)
Thursday, July 12th, 2007 (7C13)
Thursday, September 27th, 2007 (7C13)
Thursday, November 29th, 2007 (7C13)

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 **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.