

# FASAB News

Federal Accounting Standards Advisory Board, 441 G St., 6K17V, NW.Washington, DC 20548  
202-512-7350.FAX-202-512-7366.Web Page <http://www.financenet.gov/fasab.htm>  
Issue 61, Apr.-May, 2000

## AICPA issues SAS 91

As we previously reported, the American Institute of Certified Public Accountants (AICPA) has recognized FASAB as the body that promulgates generally accepted accounting principles for Federal reporting entities (see *FASAB News* Issues 58, 59 and 60). As a result of that action, the Auditing Standards Board has published Statement on Auditing Standards 91, *Amendment to Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report*. This will be codified in AICPA's *Professional Standards*, vol. 1, AU sec. 411). This establishes the generally accepted accounting principles, or GAAP, hierarchy for Federal financial reporting entities. Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, defines Federal financial reporting entities. The new federal GAAP hierarchy is as follows:

a) **Category (a)**, officially established accounting principles, consists of Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations, as well as AICPA and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to Federal governmental entities by FASAB Statements or Interpretations. FASAB Statements and Interpretations will be periodically incorporated in a publication by the FASAB.

b) **Category (b)** consists of FASAB Technical Bulletins and, if specifically made applicable to Federal governmental entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

c) **Category (c)** consists of AICPA Accounting Standards Executive Committee (AcSEC) Practice Bulletins if specifically made applicable to Federal governmental entities and cleared by the FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.

d) **Category (d)** includes implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the Federal government.

e) In the absence of a pronouncement covered by rule 203 or another source of established accounting principles, the auditor of financial statements of a Federal governmental entity may consider other accounting literature, depending on its relevance in the circumstances.

For more details, see SAS 91.

## Board Issues Its Eighteenth Accounting Standard

Statement of Federal Financial Accounting Standards (SFFAS) 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2*, was adopted in February 2000. It was the first FASAB standard to undergo the new approval procedures established in October 1999. SFFAS 18 went through a 90-day review by FASAB Principals, and became final on May 19, 2000.

SFFAS 18 provides new requirements to improve financial reporting for subsidy costs and performance of Federal credit programs. (See *FASAB News* Issue 60 for details on both the Rule 203 procedural changes, and on the content of SFFAS 18).

Point of contact: Richard Mayo, 202-512-7356, [mayor.fasab@gao.gov](mailto:mayor.fasab@gao.gov)

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**Board Issues Exposure Draft on  
Subsidy Reporting on  
Direct Loans and Loan Guarantees**

The Board originally addressed accounting for Federal loan programs in 1993 in its Statement of Federal Financial Accounting 2 (SFFAS 2), *Accounting for Direct Loans and Loan Guarantees*. On May 19, 2000, as described in the above article, the Board issued SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*. SFFAS 18 provides entity-wide reconciliation of the loan subsidies (see *FASAB News* Issue 60 for more details).

On May 10, 2000, the Board issued an exposure draft on reconciling the subsidy cost allowance for direct loans and loan guarantees on a program level within each agency. The exposure draft was issued to refine the reconciliation requirement adopted in SFFAS No. 18.

The proposed standard would require that in a note to their financial statements, reporting entities display for each major program as well as for the entity as a whole (per SFFAS 18) reconciliations between the beginning and ending balances of (a) the subsidy cost allowance for direct loans and (b) the liability of loan guarantees. Entity management would be responsible for identifying major programs based on each reporting entity's circumstances. The proposed standard states that the major programs that are reconciled individually should constitute at least 75 percent of the face amount of the reporting entity's outstanding direct or guaranteed loans. The reconciliation of other programs should be displayed in aggregate.

Respondents are requested to comment on the specific questions posed by the Board, and on the program-by-program reconciliation requirement. Since the entity-wide reconciliation requirement has been adopted in SFFAS 18, it is not a subject for comment. Respondents also are requested to comment on proposed technical amendments to SFFAS 2.

Written responses are due by August 10, 2000 and should be sent to: Wendy M. Comes, Executive Director, at FASAB (see address on the newsletter masthead). Point of contact:

Richard Mayo, 202-512-7356,  
[mayor.fasab@gao.gov](mailto:mayor.fasab@gao.gov).

**Board Reviews  
Stewardship Responsibilities, Heritage  
Assets, and Stewardship Land**

In the world of Federal accounting and reporting, Stewardship Responsibilities as defined by the FASAB include:

- "risk assumed" information (SFFAS 5, *Accounting for Liabilities of the Federal Government*),
- the "current services assessment" (CSA) (SFFAS 8, *Supplementary Stewardship Reporting*), and
- "social insurance" information (SFFAS 17, *Accounting for Social Insurance*).

In that same world, Stewardship Property, Plant, & Equipment (PP&E) (SFFAS 6, *Property, Plant, & Equipment*, and SFFAS 8, *Supplementary Stewardship Reporting*) includes:

- "heritage assets,"
- "stewardship land," and
- "National defense PP&E."

Information about these items is currently designated "Required Supplementary Stewardship Information" (RSSI). RSSI is a category unique to Federal financial reporting. The Board intended RSSI to be similar to basic information in terms of the auditor's reporting requirements, but the Board contemplated that special guidance regarding the auditor's fieldwork would be provided.

In April the Board made tentative decisions about the future classification of information on stewardship responsibilities, heritage assets, and stewardship land (National defense PP&E is being addressed in a separate project) if the RSSI category is eliminated. These tentative decisions are describe below. After being confirmed by the Board, the decisions will be exposed for public comment.

**Risk Assumed**

The Board agreed that information about "risk assumed," should be Required Supplementary Information (RSI) rather than

basic information. One member, while acknowledging the difficulty in auditing the information, said that it should be basic because it is important. The other members believe the information should be RSI because the numbers are not sufficiently reliable and measurement methods are still experimental.

#### *Current Services Assessment (CSA)*

Some Board members expressed reservations about requiring the CSA as currently defined. For purposes of April's discussion, however, the Board focused on how to classify the CSA as currently defined. Within that context, all members prefer RSI treatment.

#### *Social Insurance*

One member said that social insurance information should be RSI because of the nature of the information. The other members believe it should be basic information.

#### *Heritage Assets and Stewardship Land*

The Board generally agreed that information on these items was of importance in meeting the Board objectives of providing useful, reliable data to users and decision-makers, was auditable, and therefore should be basic information. However, the Board supported the notion that information on condition should continue to be RSI because those numbers are not sufficiently reliable and measurement methods are still being developed.

Points of contact: stewardship responsibilities - Robert Bramlett, 202-512-7355, [bramletr.fasab@gao.gov](mailto:bramletr.fasab@gao.gov); heritage assets and stewardship land - Lucy Lomax, 202-512-7359, [lomaxm.fasab@gao.gov](mailto:lomaxm.fasab@gao.gov).

#### ***KPMG Provides Update on National Defense PP&E Acquisition Process***

At the April Board meeting, Woody Jackson, of KPMG gave a slide presentation to the Board on KPMG's study of the Department of Defense's acquisition process for property, plant, and equipment (PP&E) (see **FASAB News** Issue 60 for more background). The slide presentation showed that for national defense's property, plant, and equipment:

- the acquisition and investment process is complex and lengthy, and involves multiple acquisition phases, decision milestones, and continuous modifications;
- the costs include Research, Development, Test, and Evaluation (RDT&E), prime equipment, and components critical to national defense property effectiveness;
- a weapons system generally consists of assets that may come from multiple acquisition programs; and
- the current reporting:
  - ✓ focuses on 1) budget authority and 2) estimates of cost, scheduling, and performance, and
  - ✓ is designed for 1) internal management oversight and 2) Congressional oversight of major acquisition programs.

The Board will review the presentation materials and provide any questions to KPMG.

Point of contact: Rick Wascak, 202-512-7363, [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov).

#### ***Accounting and Auditing Policy Committee (AAPC) Update***

On May 11, 2000, the Accounting and Auditing Policy Committee (AAPC, or the Committee) held its first meeting of the calendar year. The AAPC noted the departure of Joe Kull, of the National Science Foundation, and James Short, of the Office of Management and Budget. It also welcomed two new members, De Ritchie, representing the Department of Defense and the Chief Financial Officer's Council, and David Zavada, representing the Office of Management and Budget.

#### **Status of ongoing projects:**

*Liabilities Covered and Not Covered by Budgetary Resources:* FASAB staff continues to work with the Office of Management and Budget to more clearly define "liabilities covered by budgetary resources" and "liabilities not covered by budgetary resources."

*Inter-entity Costs:* The Committee reviewed a draft Survey on Inter-Entity Costs prepared by the FASAB staff. The draft survey is designed to

assess the scope of inter-entity costs that are not reimbursed, or only partially reimbursed. Once the survey has been reviewed and approved, the AAPC will distribute the survey to the Chief Financial Officers of Federal agencies, who will have until the end of the summer to respond. The committee will use the survey results to identify specific inter-entity costs incurred by agencies and determine whether they meet the recognition criteria in SFFAS 4, *Managerial Cost Accounting Concepts and Standards*.

*Stewardship Land and Heritage Assets:* The AAPC task force on Stewardship Land and Heritage Assets is continuing its regular meetings to develop an implementation guide for agencies to report stewardship land and heritage assets in consonance with the changes to stewardship reporting being deliberated by the FASAB.

*Investments in Treasury Securities Not Expected to be Held to Maturity:* The Railroad Retirement Board submitted this issue to the AAPC. After initial research, the Committee determined that there may be a need for an accounting standard. Consequently, they decided to refer the issue to the FASAB.

**Two new projects added:**

*Proposed Implementation Guide to SFFAS 10, Accounting for Internal Use Software.* The CFO Council submitted this issue. AAPC member Frank Sullivan, Deputy Chief Financial Officer of the Department of Veteran's Affairs, will chair this task force.

*Request for Guidance on Grant Accounting.* This issue, submitted by the Federal Aviation Administration, deals with recognizing a liability for expenses incurred by a grantee after a letter of intent has been issued but before the grant agreement is executed. AAPC member Luise Jordan, Inspector General for the Corporation for National and Community Service, will chair this task force.

Point of contact: Monica R. Valentine, 202-512-7362, [valentinem.fasab@gao.gov](mailto:valentinem.fasab@gao.gov).

**FASAB's Upcoming Meetings**

June 8-9  
July 3 \*  
August 10-11

October 5-6  
December 7-8

Location: Room 7C13 of the General Accounting Office, 441 G Street, NW, Washington, DC 20548 (unless we post information to the contrary). Agendas are posted to the FASAB web page, <http://www.financenet.gov/fasab.htm> one week prior to meetings.

\*There will be a special FASAB meeting held on July 3 in San Francisco at the Association of Government Accountants Professional Development Conference.

**AAPC Upcoming Meetings**

July 13  
September 14  
November 9

Location: General Accounting Office, 441 G Street, NW, in Room 4N30, beginning at 1:30 PM. Point of contact: Monica R. Valentine, 202-512-7362, [valentinem.fasab@gao.gov](mailto:valentinem.fasab@gao.gov),

**Note:** *FASAB News* is published by the staff of the Federal Accounting Standards Advisory Board. This newsletter, highlighting recent Board actions, is issued after Board meetings to provide the public with an understanding of issues that the Board is considering. 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 Lucy Lomax, 202-512-7359. Please direct FASAB and AAPC administrative questions to Dick Tingley, 202-512-7361.

1	2	Number	Title	Date Issued	FY to Implement	GPO/Other Information*	Price
F	C	SFFAC 1	Objectives of Federal Financial Reporting	09/02/1993	N/A	On Web Only	N/A
F	C	SFFAC 2	Entity and Display	06/06/1995	N/A	041.001.00456.1	\$3.75
F	C	SFFAC3	Management's Discussion & Analysis	Apr-99	N/A	041.001.00541.2	\$5.00
F	S	SFFAS 1	Accounting for Selected Assets and Liabilities	03/30/1993	1994	On Web Only	N/A
F	S	SFFAS 2	Accounting for Direct Loans and Loan Guarantees	08/23/1993	1994	On Web Only	N/A
F	S	SFFAS 3	Accounting for Inventory and Related Property	10/27/1993	1994	On Web Only	N/A
F	S	SFFAS 4	Managerial Cost Accounting Concepts & Standards	07/31/1995	1998	041.001.00457.2	\$7.50
F	S	SFFAS 5	Accounting for Liabilities of the Federal Government	12/20/1995	1997	041.001.00463.7	\$7.50
F	S	SFFAS 6	Accounting for Property, Plant & Equipment (PP&E)	11/30/1995	1998	041.001.00462.9	\$6.50
F	S	SFFAS 7	Accounting for Revenue and Other Financing Sources	05/10/1996	1998	041.001.00475.1	\$18.00
F	S	SFFAS 8	Supplementary Stewardship Reporting	06/11/1996	1998	041.001.00493.9	\$7.50
F	S	SFFAS 9	Deferral of Implementation Date for SFFAS 4	10/03/1997	1998	041.001.00494.7	\$1.75
F	S	SFFAS 10	Accounting for Internal Use Software	10/09/1998	2001	041.001.00524.2	\$4.00
F	S	SFFAS 11	Amendments to Accounting for PP&E - Definitions	12/15/1998	1999	041.001.00519.6	\$2.25
F	S	SFFAS 12	Recognition of Contingent Liabilities from Litigation	02/05/1999	1998	041.001.00527.7	\$2.50
F	S	SFFAS 13	Deferral of Para.65.2-Material Rev.-Related Transactions	02/05/1999	1999	041.001.00530.7	\$2.00
F	S	SFFAS 14	Amendments to Deferred Maintenance Reporting	Apr-99	1999	041.001.00531.5	\$3.00
F	S	SFFAS 15	Management's Discussion & Analysis	Apr-99	1999	041.001.00542.1	\$3.00
F	S	SRAS 16	Amendments to Accounting for PP&E - Multi-Use Heritage Assets	Jul-99	2000	Under Hill Review	
F	S	SFFAS 17	Accounting for Social Insurance	Aug-99	2000	041.001.00540.4	\$12.00
F	S	SFFAS 18	Amendments to Accounting Standards for Direct & Guaranteed Loans	05/19/00	2001	Available from FASAB & web	
F	ED	N/A	Governmentwide Supplementary Stewardship Reporting	Jun-97		Deferred Project	N/A
F	ED	N/A	Amendments to Accounting for Direct Loans and Loan Guarantees in SFFAS 2	Mar-99		Ongoing Project	N/A
F	ED	N/A	Credit Program Reconciliation and Technical Amendments to SFFAS 2 and SFFAS 18	May-99		10-Aug-00	N/A
F	IFV	N/A	Accounting for the Cost of Capital by Federal Entities	Jul-96		Deferred Project	N/A
F	I	I-1	Reporting on Indian Trust Funds	03/12/1997		On Web Only	N/A
F	I	I-2	Accounting for Treasury Judgment Fund Transactions	03/12/1997		On Web Only	N/A
F	I	I-3	Measurement Date for Pension and Retirement Health Care Liabilities	08/29/1997		On Web Only	N/A
F	I	I-4	Accounting for Pension Payments in Excess of Pension Expense	12/19/1997		On Web Only	N/A
F	I	I-5	Recognition by Recipient Entities of Receivable Nonexchange Revenue	Dec-98		On Web Only	N/A
F	R	Report 1	Overview of Federal Financial Accounting Concepts and Standards	12/31/1996		Available - FASAB	N/A
F	Cod	Volume 1	FASAB Volume 1, Original Statements	Mar-97		On Web Only	N/A
A	TR	TR 1	Audit Legal Letter Guidance	03/01/1998		041.001.00503.0	\$1.00
A	TR	TR 2	Environmental Liabilities Guidance	03/15/1998		041.001.00504.8	\$2.00
A	TR	TR 3	Preparing and Auditing Estimates for Direct and Guaranteed Loans	Feb-99		On Web Only	
A	TR	TR 4	Reporting on Non-valued Seized and Forfeited Property	07/31/99		On Web Only	

**Key:**

Column 1: F = FASAB; A = AAPC

Column 2: C = Concept; S = Standard; ED = Exposure Draft; IFV = Invitation for Views; I = Interpretation; R = Report;

Cod. = Codification; TR = Technical Release

\* "In Printing Process" - Document signed and approved for implementation; available on Web. Print version not yet available.

"Under Hill Review" - Signed recommended capital accounting standard undergoing 45 day Hill review period. When released by Hill, will be available for implementation - Web version will be updated, list will be updated, and print version will be issued.

"UR" and "SFFAS Under Review" - "UR" means "Under review." Document approved by FASAB and sent to principals for 90-days. At the end of the 90-day period, the document will be posted to the Web, this list will be updated, and the print version will be issued.

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