

**ACCOUNTING AND AUDITING POLICY COMMITTEE MEETING
FINAL MINUTES
May 9, 2002**

The meeting was convened at 1:35 PM in room 6N30, of the GAO Building, 441 G St., NW, Washington, D.C.

ADMINISTRATIVE MATTERS

• **Attendance**

Present: Ms. Comes, Ms. Geier (for OMB), Ms. Jellish (for Ms. Krell), Messrs. Stout and Taylor.

Absent: Ms. Krell; Messrs. Eisenhart, Dingbaum, Maharay, Moraglio, Pugh, and Ritchie

• **Minutes**

The minutes of January 9, 2002 were previously approved as final, having been circulated by E-mail to members.

• **Introduction of New AAPC Members – William Maharay & Stephen D. Dingbaum**

Ms. Comes, AAPC Chair and FASAB Executive Director, informed the Committee of two new Committee members, William Maharay & Stephen D. Dingbaum. Ms. Comes noted that Mr. Gregory Friedman, Inspector General, Department of Energy, decided to relinquish his third 2-year term on the AAPC and recommended that Mr. Maharay complete the term on his behalf. Mr. Maharay is an Assistant Inspector General for Audit Services at the Department of Energy and has been sitting in for Mr. Friedman on the AAPC. Ms. Comes also noted that Mr. Dingbaum has been appointed to the AAPC as a new President's Council on Integrity and Efficiency (PCIE) representative. Mr. Dingbaum fills the vacancy left by the retirement of Ms. Luise Jordan, former Inspector General, Corporation for National and Community Service. Mr. Dingbaum is an Assistant Inspector General for Audits at the Nuclear Regulatory Commission and will be eligible for two 3-year terms on the Committee.

• **Project Agenda Status:**

Issue #14 Stewardship Guidance Work Group

Ms. Valentine, FASAB staffer, gave the members a brief update on the current status of the draft Stewardship guidance. She stated that she and Ms. Comes had met with two members of the task force to discuss the responses received during the comment period. It was recommended not to

make any revisions to the draft at this time based on the comment letters because of the changes being made in the area of Require Supplementary Stewardship Information (RSSI) by the FASAB. The draft is currently posted on the web with a note that the draft will not be further revised until the FASAB has completed its work on RSSI.

Issue # 20 Former Proposed Technical Release 6, Assigning Costs and Liabilities to Agencies that Result from Legal Claims against the Federal Government

Ms. Valentine informed the Committee that former proposed *Technical Release 6, Assigning Costs and Liabilities to Agencies that Result from Legal Claims against the Federal Government*, is currently being considered as a Technical Bulletin (TB) by the FASAB. She noted that the TB was discussed at the April 2002 FASAB meeting. At the FASAB meeting the members were given a summary of the 11 respondent letters received during the 30-day web-only comment period. The Board agreed with the latest version of the document and asked staff to add a summary of the comments to the Basis for Conclusions. Ms. Valentine informed the members that the TB is expected to be released as final by mid-summer. One AAPC member noted that this same type of issue has been raised as it relates to costs and liabilities associated with U.S. Treaties.

Issue #11 Inter-entity Costs

Ms. Comes introduced new FASAB staffer, Melissa Loughan, who is working on an issue related to intra-departmental inter-entity costs. Specifically, a question was raised to FASAB as to whether the provisions of SFFAS 4 par 110 preclude the recognition of intra-departmental inter-entity costs. Paragraph 110 states that OMB, with the assistance of FASAB staff, will identify and provide guidance on the specific inter-entity costs to be recognized. Ms. Loughan informed the members that the issue was briefly discussed by the FASAB at its last meeting. The Board asked staff to research current practice throughout the Federal government. Ms. Loughan asked the members if a staff draft proposed interpretation and pilot survey could be given to AAPC's Inter-Entity Cost task force for comment before it is sent to a wider audience. The staff draft proposed interpretation states that the limitations noted in paragraph 110 of SFFAS 4 apply solely to inter-departmental inter-entity costs and that intra-departmental inter-entity costs should be accounted for in accordance with the other provisions of SFFAS 4. Mr. Jim Taylor, AAPC's Inter-Entity Cost task force Chair, stated that it would be fine to send the material to the task force.

Mr. Taylor noted that the task force has meet once and is planning to meet again during the following week. The initial views of the task force were that no additional inter-entity cost items should be recognized. However, when the members were asked to brainstorm on some specific inter-entity cost items that they thought could be added to the four costs specified by OMB, the members responded with a list of items. Mr. Taylor noted that next week's task force meeting

would be used to go through the list of suggested items and start to formalize a recommendation to be presented to the AAPC. Mr. Taylor also informed the members that there was a good representation of entities involved in the task force. His expectations are that the task force would be able to make some recommendations to the AAPC at the July meeting.

• **Agenda Committee Report**

Mr. Stout, member of the AAPC Agenda Committee, reported that the committee had received a list of possible Property, Plant & Equipment questions from the FASAB staff. The recommendation of the Agenda committee is that a survey of the questions be prepared and circulated to the Federal financial management community to determine the depth of the issues. If the issues are determined to be wide-spread, then a forum would be the next step before a full-fledged project is added to the AAPC agenda. This recommendation was accepted by the members in attendance.

• **New Business**

Credit Reform

Ms. Comes introduced Ms. Courtney Timberlake of OMB and a representative for the AAPC Credit Reform task force. Ms. Timberlake's objective was to give the Committee a briefing of the proposed changes being suggested by the task force on *Technical Release 3, Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act (TR3)*. She noted that TR3 gives auditors guidance when auditing credit reform programs. She informed the Committee that most of the proposed changes were procedural in nature thus updating the document to reflect new guidance and changes in terminology in the area of credit reform (e.g., SFFAS 18 & 19; and OMB Circular A-11). Ms. Timberlake noted the following more significant changes to the document:

- Credit subsidy re-estimates can now include 6 months of actual data and 6 months of projected estimates. This would be a change from the current requirement of 9 months of actual data and 3 months of projected estimates.
- The document encourages entities to collaborate with OMB and their auditors when developing a reasonable plan to developing its re-estimates.
- The document encourages earlier reviews of the entity's cash flow model by the auditors due to the level of work necessary and the close of the year.
- Clarification of OMB's role in the credit subsidy estimations. The document outlines guidance and tools provided by OMB for entities to use during their calculations in the credit subsidy estimates. The guidance also states the OMB provides the economic assumptions to be used in the estimation of re-estimates.

Ms. Valentine noted that the next steps for the proposed updates to TR3 is for the staff to complete its review of the proposed changes. Once staff has made its review a redlined version of the document will be circulated by email to the AAPC membership for review by early June for discussion at the July 17, 2002 meeting.

- **Next Meeting**

The next meeting will be on Wednesday, July 17, 2002.

- **Adjournment**

The meeting was adjourned at 2:35 PM.