



June 30, 2006

Wendy Comes, Executive Director
Federal Accounting Standards Advisory Board
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Advancing
Government
Accountability

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Dear Ms. Comes:

The Association of Government Accountants (AGA) Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the FASAB's exposure draft of proposed Technical Bulletin (TB) 2006-1 entitled *Recognition and Measurement of Asbestos-Related Cleanup Costs*.

FMSB comprises 21 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, and reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

We agree generally with the provisions of the proposed ED. However, we note that the provisions are not comparable to the new GASB pollution remediation standard, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The proposed FASAB TB provides for treatment consistent with that of SFFAS 5 and SFFAS 6. The FASAB does not appear to have considered the new GASB standard in this area. Specifically, we are thinking of concepts such as probabilities, liabilities of third parties, etc. Consistency among the different standard setting bodies is a laudable goal, but perhaps is not possible when issuing a Technical Bulletin rather than a Statement of Standards. We hope that in the final guidance, the FASAB will consider explaining why the provisions are not the same as in the GASB ED. See the next page for our specific comments on this.

We noticed that the Executive Summary to the TB says "II. If adopted, the effect of this technical bulletin would be to clarify ... b. Federal entities should disclose information related to friable and nonfriable asbestos-related cleanup costs that are probable but not reasonably estimable in a note to the financial statements, consistent with SFFAS 5 and SFFAS 6." However, we could find no statement to this effect in the TB itself, unless it is somehow implied. It is certainly not in the section dealing with "note disclosures" in paragraphs 33 and 34. The only mention of the need to disclose this information (e.g., probable but not reasonably estimable) is at the end of Appendix B. It seems that this requirement should be in the TB itself, not presented in an Appendix. We recommend that the FASAB consider adding the statement to the note disclosures section.

Our specific responses to the Request for Comments are as follows:

1. Does the guidance in paragraphs 1 through 4 clearly explain who and what is affected by this technical bulletin?

Yes



2. *Does the guidance in paragraphs 5 through 19 clearly explain the difference between friable and nonfriable asbestos and the accounting issue being addressed?*

Yes

3. *Do you agree with the guidance in paragraphs 20 through 32 that federal entities should estimate both friable and nonfriable asbestos-related cleanup costs and recognize a liability and related expense for those costs that are probable and reasonably estimable, consistent with SFFAS 6, Chapter 4, Cleanup Costs, and Technical Release 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government?*

Yes

4. *Do you agree with the guidance in paragraphs 33 through 34.e regarding note disclosures required for both friable and nonfriable asbestos-related cleanup costs, consistent with SFFAS 6, Chapter 4, Cleanup Costs?*

Yes. See also our comment about the need for note disclosure for probable but not estimable costs.

5. *Do you agree with the guidance in paragraphs 35 through 39 regarding the treatment of both friable and nonfriable asbestos-related cleanup costs related to stewardship PP&E (Heritage Assets and Stewardship Land), consistent with SFFAS 6, Chapter 4, Cleanup Costs?*

Yes

Finally, we suggest that the FASAB may want to indicate in the TB if consideration was given to the guidance in the GASB ED on pollution remediation obligations. If the FASAB had considered it in developing its guidance, but decided to disregard it, we think it would be appropriate to state that and provide a short rationale for the decision to do so. Admittedly, there are no significant differences; the examples under both EDs do show that a liability should be recorded for ‘expected outlay’ and GASB does not have ‘note disclosures’ concerning the asbestos remediation.

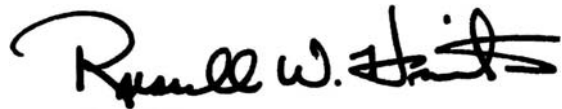
The GASB in paragraph 84, page 26 of the GASB ED used the following wording to indicate that they had chosen not to follow FASB EITF guidance:

“The Board considered referring to existing guidance, such as FASB Emerging Issues Task Force (EITF) Issues No. 89-13, “Accounting for the Cost of Asbestos Removal,” and No. 90-8, “Capitalization of Costs to Treat Environmental Contamination.” However, that guidance often would result in capitalization of outlays that the Board believes extinguish obligations more than they create future benefits.”

We suggest that the FASAB could use similar wording to address the issue of consideration of the GASB guidance.

The FMSB appreciates the opportunity to comment on the exposure drafts. No members objected to its issuance. This response letter represents a consensus of the views of the FMSB members. We would be pleased to discuss this letter with you at your convenience. You can contact me at hintonrw@audits.state.ga.us or (404) 656-2174 or Anna D. Gowans Miller, CPA, AGA's Technical Manager and facilitator for this project, at amiller@agacgfm.org or (703) 684-6931, ext. 313.

Sincerely,

A handwritten signature in black ink that reads "Russell W. Hinton". The signature is written in a cursive style with a large, stylized initial "R".

Russell W. Hinton, CGFM, Chair,
AGA Financial Management Standards Board

cc. Sam M. McCall, MPA, CGFM, CPA, CIA, CGAP
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2005 – June 2006

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