Federal Accounting Standards Advisory Board

August 16, 2012

Memorandum

To: Members of the Board

Wendy M. Payne

From: Wendy M. Payne, Executive Director

Subj: Draft Annual Report – **Tab H**[1]

## MEETING OBJECTIVES

- To review a draft annual report and provide comments regarding content
- Approval of a final annual report is anticipated at the October meeting

## BRIEFING MATERIAL

- Attachment 1 - Draft annual report
- Attachment 2 - Summary of Performance Surveys

## BACKGROUND

This is the third year the board will produce its annual report. The content of the annual report is described in the rules of procedure as follows:

> The annual report will provide information regarding:
>
> 1. activities of the Administrative Steering Committee and the Appointments Panel,
> 2. whether a review of the FASAB's governance documents, including the Rules of Procedure and the Policies and Procedures for the FASAB Appointments Panel, was performed by the Board, the Steering Committee, or the Appointments Panel during the year
>  a. if so, whether any significant changes were made
>  b. if not, the date that the last such review was performed
> 3. the results of an annual survey of members regarding performance relevant to the criteria established for a GAAP standard-setting body,

[1] The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

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4. any issues identified through the annual confirmation that members were independent, adhered to the ethics policy, and that any undue influence experienced has been reported,
5. human and financial resources available during each of the past two years and anticipated for the coming year,
6. future opportunities and challenges including any suggestions for continuous improvement, and
7. the results of a self-assessment of trends in the annual performance results every fifth-year.

The attached draft provides the above content. Note however that items 3 and 6—the survey results and future opportunities and challenges including suggestions for continuous improvement will be augmented or modified based on board discussion.

The board will have an opportunity to discuss the survey results, any suggestions and next steps based on the results at the upcoming meeting. Additional text will be drafted based on feedback from the members and final results for FY 2012 operations.

**Publication of the Three-year Plan**

Note that the three-year plan was published in January, 2012, and covered 2012-2014. The timing was not ideal because we identified the February meeting to perform our annual review of the technical agenda. Members thought it would be ideal to solicit input on our plan prior to the review. Last year we solicited input in a relatively short window – one month – and discussed the feedback at the February and April meetings.

If members wish to solicit input prior to our February planning session, I suggest we combine our annual report and three-year plan in a single document for issuance by November 15th each year. The plan would be updated only to reflect (1) revised timelines based on work during the year, and (2) any decisions to restructure the active project plans (for example, the decision to form three task forces on the reporting model project). This would allow us to solicit input over a ten-week period and may increase the response rate.

Other alternatives include:

1. Publish separate reports concurrently to focus attention on the 3-year plan
2. Publish the annual report in November and the 3-year plan in early January to enable publication of project plans inclusive of actions through the end of the calendar year

**QUESTIONS FOR THE BOARD**

1. Are the required areas sufficiently and clearly addressed?
2. Is there any additional information that you recommend we include?
3. Are there any areas that you believe we should omit?
4. How and when do you wish to publish the three-year plan?

I welcome specific editorial suggestions before or after the meeting. (Note that this is a first draft and we will be seeking assistance in the final formatting for publication.)

Attachment 1: Draft Report

# FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

# ANNUAL REPORT
## For the Year Ended September 30, 2012
## and
## THREE-YEAR PLAN
## Fiscal Years 2013-2015

# Members

Tom Allen, Chairman

Norman Dong, Deputy Controller, Office of Management and Budget

Robert Dacey, Chief Accountant, Government Accountability Office

Michael Granof

Sam McCall

Mark Reger, Deputy Assistant Secretary Accounting Policy, Office of the Fiscal Assistant Secretary, Department of the Treasury

D. Scott Showalter

Harold Steinberg

Graylin Smith

**Organization**

The Federal Accounting Standards Advisory Board ("FASAB" or "the board") was established in October, 1990, by three federal officials responsible for federal financial reporting—the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States. These three officials possess legal authority under various laws to establish accounting and financial reporting standards for the federal government. Together, they entered into and have periodically modified a memorandum of understanding creating the board as a federal advisory committee.

Membership comprises individuals from each of the three federal agencies that established the board ("the sponsors") and six non-federal individuals.

**Mission**

The FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

*The Mission Supports Public Accountability*

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

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# CHAIRPERSON'S REPORT

## Overview

During fiscal year (FY) 2012, the board took significant action to improve its strategic focus and outreach. Members adopted a new mission statement clarifying the board's focus on serving the public interest. The board has long recognized its dual focus on internal and external user needs. Nonetheless, as the source of generally accepted accounting principles (GAAP) for the federal government, the board must be committed to acting in the interest of the public above all else. The new mission statement is:

> *The FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.*

The mission statement emphasizes users and their needs. Hence, outreach is a critical element of due process. The board improved its outreach by deciding to publish a three-year plan annually. To that end, the board reviewed its project plans and prioritized new projects in late 2011. In January, 2012, the board published its three-year plan – including a list of potential projects not prioritized for action during the next three-years – and invited informal feedback. The response was very positive and the board benefited greatly from hearing the views of stakeholders. (See page X for our plan-in-brief.)

The board continued its efforts to improve the federal financial reporting model and to clarify the boundaries of the reporting entity. Both efforts rely heavily on the contributions of experts serving on task forces and are benefiting from the insights they have offered. Task force proposals and ideas to improve the reporting model are anticipated early in FY 2013. The board anticipates issuing proposed standards regarding the reporting entity in the first quarter of FY 2013.

The board completed two new standards. The first, *Deferred Maintenance and Repairs,* completes long-standing efforts to improve information regarding needed maintenance and repairs that have been deferred. The second, *Dedicated Collections*, results in a clear presentation of internal borrowing as the government uses resources collected for a specific purpose for other purposes.

**Documents Issued During the Fiscal Year Ended September 30, 2012**

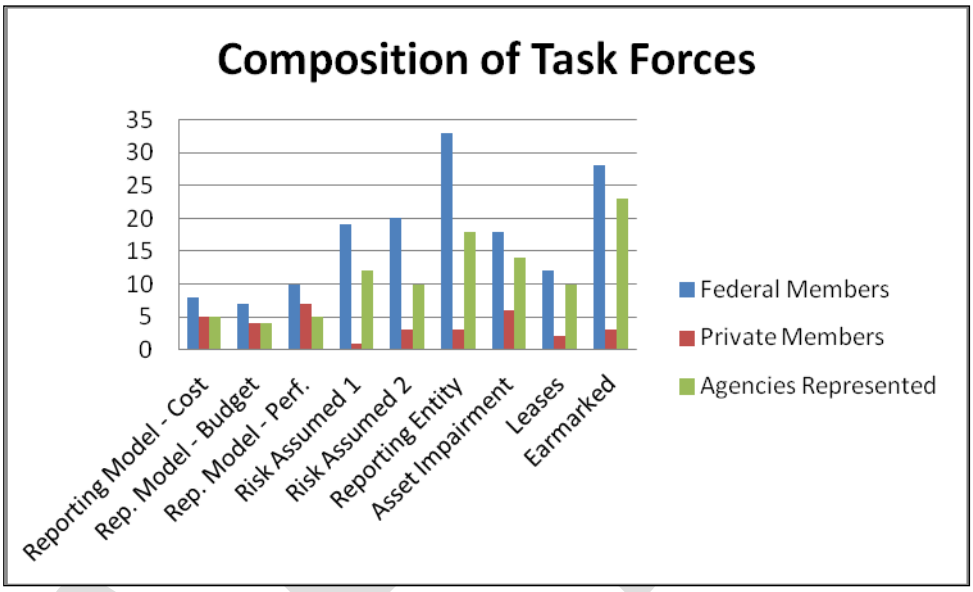
- SFFAS 42—Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32
- SFFAS 43— Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds
- Technical Release 14—Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment (PDF)
- Exposure Draft: Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use
- The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook) through June 30, 2012

This is our third annual report and is intended to provide our stakeholders with an opportunity to consider the board's governance, how well we performed against the AICPA criteria for GAAP standards-setting bodies, and monitor our standards setting progress. Your input regarding the content of this report is welcome. Please send your comments to fasab@fasab.gov.

## Board Technical Activities

During this fiscal year, the staff worked with over 180 members serving on eight task forces to support the board's standards-setting efforts. Task forces are formed early in each major project and assist in gathering information about current practices, issues, and options. The board greatly appreciates the efforts of these

volunteers. The resulting standards are greatly improved by the input we receive from task force members and their active participation allows the board to make timely progress on pressing issues.




The board completed its project on **deferred maintenance and repairs** in April 2012 with the issuance of Statement of Federal Financial Accounting Standards (SFFAS) 42. The SFFAS will improve the measurement and reporting of deferred maintenance and repairs (DM&R) by responding to concerns raised by the financial and technical communities. The principal changes require entities to (1) describe their maintenance and repairs policies and the prioritization of activities, (2) identify factors considered in determining acceptable condition standards, (3) identify the general property, plant, and equipment (PP&E) and stewardship PP&E to which DM&R relates, (4) provide DM&R balances by category of PP&E, and (5) explain significant changes from the prior year. Through collaboration among experts from the government and private sector, the board developed standards that will result in understandable, relevant, and reliable information regarding the government's management of its property, plant, and equipment. This information can be useful in considering overall needs for maintenance and repairs as well as progress in meeting such needs over time.

In June, 2012, the board completed amendments resulting from its review of existing standards for reporting on earmarked funds. SFFAS 43, ***Dedicated Collections****: Amending SFFAS 27, "Identifying and Reporting Earmarked Funds",* will improve reporting on dedicated collections (that is, collections for a specific purpose, such as Social Security taxes and Medicare premiums) by adopting more understandable terminology and by excluding funds that were not intended to be included in this category. SFFAS 43 will also reduce the reporting burden on financial statement preparers by permitting combined rather than consolidated reporting on this category of funds. The board hopes the changes will aid users in assessing the magnitude of revenues committed for use in specific programs and understanding how such commitments will impact the use of resources in the future.

During the fiscal year, the board also made substantial progress towards issuing standards guiding entities to report the effects of **impairments** to general PP&E in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the G-PP&E or upon disposal of the G-PP&E. To enhance its own efficient, the board relied heavily on standards established for other governmental entities by the Governmental Accounting Standards Board (GASB) and the International Public Sector Accounting Standards Board (IPSASB). Further, the board had the advice of a task force throughout its efforts. These actions accelerated development of the standards. The board approved a final SFFAS in September and has submitted it for review by its sponsors. Upon implementation, the SFFAS would enable users of financial statements to discern the cost of impairments when they occur, the financial impact on the reporting entity, and the cost of services provided following the impairment. The standards will provide a cost-effective approach in light of the diverse universe of federal PP&E. The board believes users will benefit from a consistent approach to reporting material impairment losses so that the financial effects of major events can be assessed.

The board considers its **reporting model** project to be its highest priority. The objective is to ensure the information available—both through the general purpose federal financial reports themselves and the

systems that support the reports—is relevant and understandable to users. To date, the board has completed a user needs study, a report on how accrual-basis financial information is used in other countries, task force recommendations for more effective communication from the government-wide perspective, and feedback from staff roundtables and interviews regarding financial information about components of the government. Changes participants in the most recent roundtables and interviews suggested include the following:

- Restructure the financial statements and develop a statement of spending
- Require that less time be spent on asset valuation
- Develop a presentation that shows costs and value delivered
- Develop a presentation with drilldown capability and improve user interactivity
- Provide more useful information in the statement of net cost and provide additional cost accounting guidance
- Improve performance reporting

Based on its extensive research, the board determined the reporting model project should be segmented into multiple projects. The segments currently being addressed by the board include improving performance reporting, the statement of net cost, and budgetary information. Staff is working with three separate task forces for these projects to develop actionable ideas for the board's consideration.

The board anticipates issuing proposed standards regarding the **federal reporting entity** in early FY 2013. Development of standards addressing what organizations should be included in the government-wide and component level financial reports has been a challenge in light of the complex relationships, roles and responsibilities of the federal government. The board has been aided in its efforts by a task force with extensive relevant experience. The proposal is expected to address the boundaries of the federal financial reporting entity as well as reporting on related parties.

The board initiated two new projects during FY 2012 addressing **risk assumed** and **leases**. The staff has formed task forces to advise it regarding current practice, issues, and options.

The risk assumed project is being undertaken because existing standards on risk assumed apply only to insurance contracts and explicit guarantees (other than loan guarantees). Reporting on all significant risks assumed, not just risks related to insurance contracts and explicit guarantees, is important.

The leases project is needed because current standards are viewed by some as ineffective because they do not make meaningful distinctions between capital and operating leases regarding the substance of lease transactions and to consider emerging standards in other domains. The board hopes to collaborate with GASB so that experiences and ideas can be shared and common solutions developed where appropriate.

### Implementation Guidance

Implementation guidance was provided through the Accounting and Auditing Policy Committee (AAPC). The AAPC is a committee comprising representatives from the Chief Financial Officers Council, the Council of Inspectors General on Integrity and Efficiency, the U. S. Department of the Treasury ("Treasury"), the Office of Management and Budget (OMB), and the Government Accountability Office (GAO). The board's executive director serves as chairperson of the committee. While staff support is provided, the committee accomplishes its mission largely through the efforts of volunteers serving on task forces. Volunteers come from federal agencies, independent public accounting firms, and nonprofits. The committee is currently in the midst of an intensive effort to resolve long-standing issues related to accounting for PP&E. During the year, the committee finalized guidance regarding the removal of PP&E from service. In addition, a task force continued development of guidance for identifying the costs incurred to place PP&E into service.

### Collaboration

During the year, the board worked collaboratively with other standards-setters including GASB, which establishes standards for state and local governmental entities, and the IPSASB, which establishes international standards for governmental entities. Staff maintains communication on common issues and looks for areas where collaboration might be beneficial. In addition, the board's executive director serves on advisory groups for relevant projects at the international level and ensures that the board is aware of developments internationally that may influence its work.

During FY2011, concerns regarding electronic reporting were identified and both the GASB and the FASAB encouraged the Association of Government Accountants (AGA) to undertake a research project. The AGA report was issued in July, 2012. The report identifies the need for guidance on specific issue areas such as definition of terms and formats for presenting information. Preferences for prescriptive guidance or identification of best practices were also established.

### Presentations and Other Assistance

The board and its staff continue to actively support the federal financial management community by providing education, facilitating collaboration among agencies, presenting information and ideas in journal articles, and assisting others. Over XX hours of educational training were provided by members and staff through their participation in international, national, regional and local conferences sponsored by groups such as the AICPA, AGA, state CPA societies, and the American Accounting Association. Four hours of continuing professional education were provided free of charge to over 70 individuals who attended an accounting forum hosted by the staff. In addition, staff members routinely provide assistance to accounting textbook authors and respond to questions regarding federal accounting.

### Conclusion

The board's accomplishments were many this year and we hope to continue to contribute to improving federal governmental transparency and accountability. In 2012, we bid farewell to three accomplished members who will be missed—Debra Bond, Norwood Jackson, and Alan Schumacher. Each shared their talents tirelessly with the board and contributed greatly to the board's mission.

During the year, we welcomed three new members—Norman Dong, Sam McCall and Graylin Smith. Each brings unique perspectives to the important issues before the board and I am confident each will contribute to development of important proposals during their time on the board.

TOM ALLEN (signature)

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## GOVERNANCE AND OPERATIONS

### Governance Activities

As reported earlier, the board adopted a new mission statement in FY 2012. No changes to the board's rules of procedure (adopted in 2010) were made during FY 2012.

The Steering Committee, composed of the members representing Treasury, OMB and GAO and the chairman, annually review the operating budget and participate in ongoing Appointments Panel activities. Committee members continued to emphasize the budget constraints faced by all agencies and affirmed their commitment to supporting the needs of the board. Budgetary resources are reported in the following section. Final approval of FY 2013 and 2014 resources is dependent on appropriations established through the federal legislative process. The committee also provided the executive director's annual performance appraisal and set expectations.

The Appointments Panel, established in 1999, assists the board's sponsors in recruiting and selecting non-federal members and provides advice regarding the board's ongoing efforts to improve its operations. The panel comprises the members of the Steering Committee, two representatives of the AICPA, and one representative of the Financial Accounting Foundation. Two new members joined the panel during FY2012 representing the FAF and the AICPA. Members leaving the panel during the year included John Radford, FAF, and Beryl Davis, AICPA. Mr. Radford and Ms. Davis provided exceptional insights while on the panel and will be missed.

| Appointments Panel Members |
| --- |
| Tom Allen, Chairman |
| Robert Dacey, GAO |
| Cynthia Eisenhauer, FAF |
| F. Carter Heim, AICPA |
| Harold Monk, AICPA |
| Norman Dong, OMB |
| Mark Reger, Treasury |

The panel's assistance is an important factor in the board's independence and continued conformance to the criteria for a GAAP standards-setting body. The panel assists in preparing the board's annual reports and monitors the annual performance survey so that any concerns regarding the board's status as a GAAP standards-setting body may be conveyed to the AICPA in a timely manner. In addition, the panel established a timeline for member recruitment activities related to appointments occurring in the next three years.

**AICPA Rule 203 Criteria**

**Independence –** The body should be independent from the undue influence of its constituency.

**Due Process and Standards –** The body should follow a due process that is documented and open to all relevant aspects or alternatives. The body's aim should be to produce standards that are timely and that provide for full, fair, and comparable disclosure.

**Domain and Authority –** The body should have a unique constituency not served by another existing Rule 203 standards-setting body. Its standards should be generally accepted by its constituencies.

**Human and Financial Resources –** The body should have sufficient funds to support its work. Its members and staff should be highly knowledgeable in all relevant areas.

**Comprehensiveness and Consistency –** The body should approach its processes comprehensively and follow concepts consistent with those of existing Rule 203 standards-setting bodies for analogous circumstances.

### Performance Results

To annually assess conformance to the five criteria essential for a GAAP standards-setting body, members annually confirm their independence and adherence to its ethics policy as well as complete a board performance survey. The annual performance survey allows each member to identify any changes – whether positive or negative – in the board's performance relative to the five criteria. Members are encouraged to

offer an explanation for their views as well as their suggestions for future improvements. This annual report summarizes the results so that individual member views are made publicly available on a timely basis.

In addition to these annual processes, members have agreed that the AICPA will be notified of any reportable events as they occur. Together, these efforts serve to alert the AICPA to significant changes relevant to the board's continued conformance with the established criteria and its ongoing recognition as the GAAP standards-setting body for federal governmental entities.

This year all members confirmed they conformed to the requirements regarding independence, ethics, and undue influence. Further, the survey results show no significant change during the year but some concern regarding future resources. Chart 1 below reports the number of members who believed the board improved, stayed the same, or declined when considering three criteria: (1) due process, (2) knowledge of staff and members, and (3) comprehensiveness and consistency.

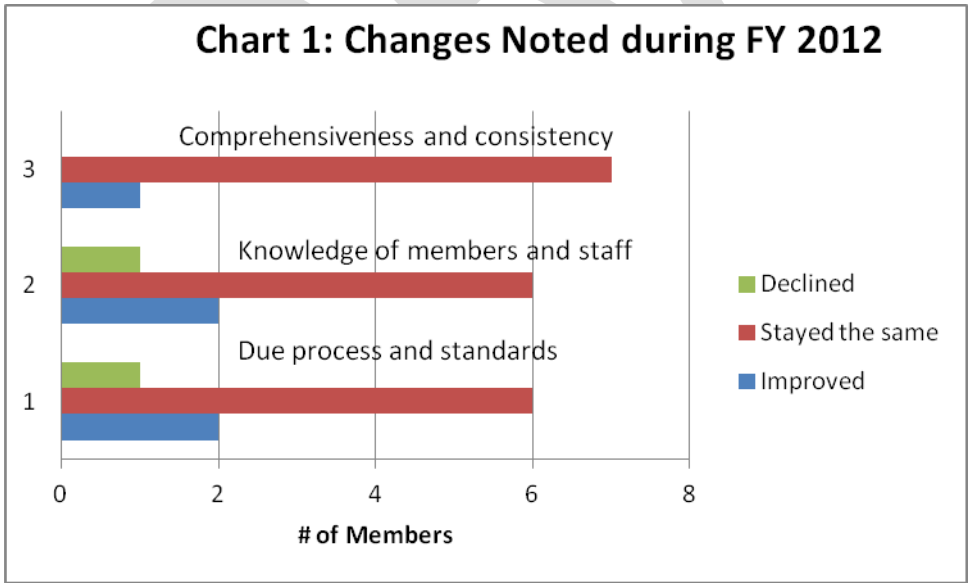
Members noting improvement in due process attributed it to increased use of task forces, solicitation of input on the three-year plan, and improvements in staff briefing materials bringing greater focus to meetings. Some suggested further improvement could be obtained by engaging members of the federal financial management community earlier in the process of developing standards. Some encouraged greater collaboration with GASB and IPSASB as a means to further improve comprehensiveness and consistency. Regarding the knowledge of members and staff, some expressed concern regarding the depth and breadth of knowledge over time and suggested ways to leverage our resources and obtain skills not adequately represented.

**ANNUAL CONFIRMATION PROVIDED BY MEMBERS**

**Independence:**
I acknowledge that I have neither personal nor external impairments that will keep me from objectively reaching independent conclusions on matters under consideration by FASAB, nor did I during the preceding fiscal year. I will promptly notify the Chairperson if my independence is or may be impaired.

**Ethics:**
I have reviewed the FASAB ethics policy and confirm that I satisfied all requirements and limitations established under the policy during the preceding fiscal year.

**Undue Influence:**
I have notified the Chairperson of any and all matters that I judge to be undue influence. "Undue influence" is defined as external influences or pressures that impact a member's ability to objectively reach and/or communicate independent conclusions.



For the remaining two criteria (domain and authority, and human and financial resources), the survey solicits narrative responses rather than an assessment of changes. This facilitates identification of ideas for improvement. In FY 2011, five ideas were adopted for action. The status of these improvement efforts is reported in Table 1 below.

In FY 2012, ideas for improving board operations also were provided by individual members. Members noted the extensive outreach to and participation by outside parties in developing standards is continuing as noted in the prior year. Members made suggestions such as (a) seek specialized expertise from relevant communities or agencies, (b) increase staff resources on the reporting model project, and (c) focus resources on the greatest needs.

Members expressed varying views regarding resources both for the current fiscal year and in the future (see the resources section below for detailed information about resources). Some members noted that the priority projects identified in the technical agenda for the upcoming three-year period were adequately resourced considering the support offered through task force volunteers. Other members noted that projects would advance more quickly with more staff. Some members also expressed reservations about the potential impact of staff turnover as well as the shortening of board meetings in some instances. Generally, members agreed that the present budget constraints faced by all federal agencies mean that the board should make every effort to improve its own efficiency, be mindful of the agencies' ability to implement new standards, and focus on matters of most importance to stakeholders.

**Table 1: Status of FY2011 Improvement Recommendations**

| Recommendation | Status |
|---|---|
| 1. Increase efforts to solicit outside input and assistance on projects | On-going with significant participation from previously under-represented groups on new task forces |
| 2. Contact organizations sponsoring intern programs to coordinate opportunities | On-going with one intern serving during Spring 2012 |
| 3. Establish an annual cycle for reviewing its technical agenda | Established an annual review beginning in February 2012 |
| 4. Publish its technical agenda annually and include information about how to convey suggestions to the board | Published the technical agenda in January 2012 and received five comments (Discuss options for 2013 – timing) |
| 5. Improve the availability of draft electronic documents to members to allow for more efficient review and input to staff | Word versions of draft Board documents are now routinely provided to members |

## RESOURCES

The board's budgetary resources have been relatively stable since the significant reduction taken in FY 2010. Individual members have noted that the smaller staff size - as well as the timing of deliberations on new projects – results in shorter meetings and slower progress. Still, the three-year technical agenda can be accomplished with approved FY 2012 staffing levels supported by the work of task forces and possibly staff assigned by agencies to work with FASAB. However, approved staffing levels are not being realized due to recent staff turnover. Following the resignation of an experienced staff member the steering committee has approved filling the vacancy. However, administrative approval to advertise the vacancy has been withheld pending resolution of the possible January, 2013, sequestration. Failing to fill the vacancy timely may significantly delay progress on the technical agenda and has made it challenging to respond to ongoing technical inquiries and provide a liaison to standing government-wide groups such as the US Standard General Ledger committee.

Actual funding levels are dependent on final FY 2013 appropriations and will be determined after appropriations are provided to each of the board's sponsors. Chart 2, *Budget 2010-2013,* illustrates budget

resources used during FY 2010 through FY 2012 as well as anticipated resources for FY 2013. Chart 3, *Staff Time by Activity*, illustrates how resources were used during FY 2012.

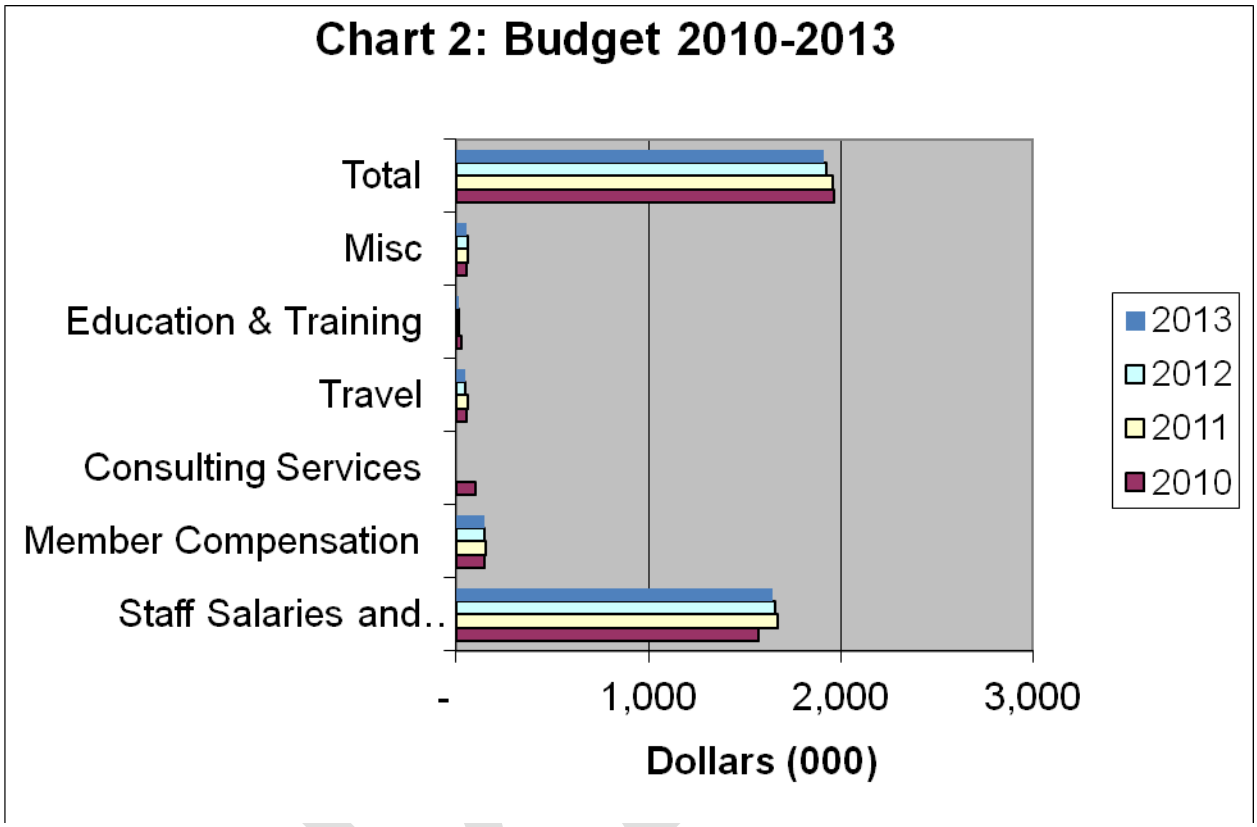



**Chart 3 – staff time by activity to be included in next version.**

## TECHNICAL AGENDA

## FROM THE CHAIRPERSON

We hope this annual report aids us in engaging our stakeholders—both in understanding our performance in the prior year and in planning our technical agenda. The board's stakeholders include those who use, prepare and audit financial reports. Users of federal financial information include citizens, citizen intermediaries, elected and appointed officials, and financial and program managers. By publishing this three-year plan as a component of our annual report we hope our stakeholders will be able to:

- Participate fully in the standards-setting process
- Plan for changes in generally accepted accounting principles (GAAP)

Stakeholder participation in the standards-setting process is critical to effective standards-setting. There are many opportunities to participate such as by helping to identify high priority projects, volunteering for task forces created to support ongoing projects, providing informal assistance directly to staff, and/or responding to formal requests for comments on proposals.

In February, 2013, we will discuss our priorities and make needed adjustments to this plan. Your assistance in identifying areas needing attention would be very helpful in that discussion. We would greatly appreciate receiving such input before January 31, 2013.

The board is well aware of the challenges facing the federal financial management community and potential users of financial statements. We carefully consider the costs to our stakeholders as well as the benefits. Your input regarding any specific areas where the costs of providing or using GAAP based information outweigh the benefits would be helpful to us in setting priorities.

Challenges such as budget constraints and new initiatives make planning for changes in GAAP more important than ever. An awareness of the board's expectations regarding major projects—both their timing and scope—will be helpful to those who must plan to implement future standards as well as those relying on financial statements for information.

### How the Board Establishes Its Three-Year Plan

In its 2006 Strategic Directions Report, *Clarifying FASAB's Near- Term Role in Achieving Objectives of Federal Financial Reporting*, the board established that it will prioritize projects based on:

1. the likelihood that potential projects will significantly contribute to meeting the operating performance and stewardship reporting objectives established in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*
2. the criteria for ranking projects adopted in October 2004:
    a. significance of the issue relative to meeting reporting objectives
    b. pervasiveness of the issue among federal entities
    c. technical outlook and resource needs

Early in 2011, the board confirmed the 2006 Strategic Directions Report did not require updating and the board would continue to plan based on the above factors. An addendum announced this decision and identified factors such as recent developments, conditions, and trends individual members believe are likely to influence federal financial reporting. The factors considered significant by individual members include (1) a focus on citizens and citizen intermediaries as the primary users of the financial report of the US government, (2) budgetary pressures from resource limitations, (3) increasing risks, and (4) more electronic reporting. The addendum illustrates how individual members believe these factors relate to standards-setting and is available at http://fasab.gov/pdffiles/strat_directions2011.pdf

The board first published its three-year plan in January, 2012. Several responses were received and the board considered them along with information gathered from prior outreach, federal and non-federal member experiences, and staff input. The board will review its plans annually to ensure it is focusing on areas of the greatest importance to its stakeholders.

### How You Can Submit Feedback on the Three-Year Plan

The board welcomes stakeholder feedback on all aspects of its work. This document presents the three-year plan in brief on page 15. A project plan for each active project follows. The final item in the document is a list of potential projects considered by the board. You are welcome to submit suggestions on any aspect of this material or any ideas not presented herein.

If you have suggestions regarding the three-year plan, please submit them by email to:

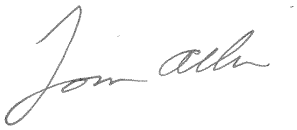
fasab@fasab.gov

Or in hard copy to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 6814
Washington, DC 20548

If you have questions regarding the three-year plan, please feel free to contact Ms. Payne at 202 512-7350.

Sincerely,



Tom Allen

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Chairperson

# FIGURE 1: THREE-YEAR PLAN IN BRIEF

| Project and Objective | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 – and Later |
|---|---|---|---|---|---|
| **Natural Resources** Consider implementation guidance and recognition requirements for information reported during experimental period as Required Supplementary Information | Implementation Guidance as Needed | [Period of experimentation FY13-FY15] | | Begin Review to Reclassify Information | |
| **The Federal Entity** Consider what organizations and relationships should be included in federal entity reports and how information is to be presented | Develop Proposal | Issue Exposure Draft and Finalize Standards | Implementation Guidance as Needed | | |
| **Deferred Maintenance & Repairs** Improve existing standards | Finalize Standards | Implementation Guidance as Needed | | | |
| **Asset Impairment** Provide for recognition of losses arising from partial impairment of assets continuing in service | Develop and Issue Exposure Draft | Finalize Standards | Implementation Guidance as Needed | | |
| **Financial Reporting Model** Consider whether the existing model meets user needs and reporting objectives | Consider Options and Results of Pilots led by CFO Council | Develop Exposure Draft | Issue Exposure Draft | | Finalize Standards |

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| Project and Objective | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 and Later |
|---|---|---|---|---|---|
| **Leases**<br>Evaluate existing standards to improve comparability and completeness of reporting | | Develop Exposure Draft | Issue Exposure Draft, Public Hearing and Redelibera-te | Finalize Standards | |
| **Risk Assumed**<br>Develop standards so that information about risks assumed by the federal government and their potential financial impacts are available | Develop Issues and Options | Develop and Issue Exposure Draft | Public Hearing and Redelibera-te<br>Finalize Standards | | Implemen-tation Guidance as Needed |
| **Investments in non-federal securities**<br>Consider how the financial effects of such investments should be measured, recognized, and reported | | Begin Research and Develop Exposure Draft | Finalize and Issue Exposure Draft | Finalize Standards | |
| **Public Private Partnerships**<br>Consider how financial reporting objectives are met with regard to public private partnerships | NOTE STAFF PROPOSAL TO DEFER IS UNDER CONSIDERATI ON. | Develop Project Plan and Begin Research | Develop and Issue Exposure Draft | | Finalize Standards |

[Remaining pages would present updated project plans for each active and planned project followed by the list of potential projects. See http://www.fasab.gov/pdffiles/annual_report_2012.pdf for the January 2012 published Three-Year Plan.]

DRAFT

**We want to hear from you**

Do you like this report? Do you believe it should include any other information?

Please let us know by contacting the Chairman at FASAB@FASAB.GOV or 202.512.7350.

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