

UNCLASSIFIED

OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE
ASSISTANT DIRECTOR OF NATIONAL INTELLIGENCE AND
CHIEF FINANCIAL OFFICER
WASHINGTON, DC 20511

CFO-14-2229 Part 2


MEMORANDUM FOR: Ms. Wendy Payne
Executive Director, Federal Accounting Standards Advisory Board
(FASAB)

SUBJECT: (U) Intelligence Community (IC) Comments

REFERENCE: (U) FASAB *Public-Private Partnerships Disclosure Requirements*
Exposure Draft

(U) This memo provides the consolidated comments and questionnaire responses for the Intelligence Community (IC) to the FASAB *Public-Private Partnerships Disclosure Requirements* Exposure Draft.

If you have any questions, please contact Ms. Barbara Jones at 703-275-3405, bilger@dni.ic.gov or Ms. Lois Hite at 703-275-3210, hiteloi@dni.ic.gov.


Richard Fravel

26 JAN 2015
Date

UNCLASSIFIED

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
1	2	1	IC CFO, 7032753405	S	Recommend rephrasing the third sentence as follows: "Because P3s could be considered an investment...". The way this sentence is worded conflicts with pg 11, paragraph 2 and pg 15, paragraph 19	This wording implies all P3s are investments, however, there is criteria that is required to determine if an investment is a P3 in the document which suggests that further analysis is necessary to determine if (1) a P3 exists and (2) it should be disclosed.
2	6	Question 2b	IC CFO, 7032753405	C	Disagree. The proposed P3 definition appears to include contracts relating to standard procurements of capital assets under the Federal Acquisition Regulation, leases that include any other services related to the lease (e.g., leases including maintenance services), and arrangements or transactions where government skills are transferred to the private party. Inclusion of these routine contracts and other transactions in P3 disclosure consideration could unnecessarily create disclosure requirements for long-term contractual arrangements unrelated to P3s, where risks and rewards are not shared between the government and private parties.	
3	6	Question 2b	IC CFO, 7032753405	S	Disagree. The first sentence is a generic definition and could apply to any transaction between a contractor and a Federal Entity.	Agencies could interpret the first sentence to mean they have to apply all commercial contracts to the P3 requirement.

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
4	7	Question 2c	IC CFO, 7032753405	A	Yes. The definition mentions the “conveyance or transfer of real property”; however, it does not cover the occupancy or use of such property. Further, the disclosure requirements described in this document might be misaligned with the concepts covered in the Statement of Federal Financial Accounting Concept (SFFAC) No. 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statement. For example, property can be conveyed or transferred to a party but used or managed by another party. Which party shares in the benefit or bears the risk....the party which owns the property (transfer/conveyance) or which occupies/uses or manages the property? It is unclear in this document which party should report vice disclose the real property.	
5	7	Question 2e	IC CFO, 7032753405	C	Agree with the member's concern. The proposed P3 definition appears to include contracts relating to standard procurements of capital assets under the Federal Acquisition Regulation, leases that include any other services related to the lease (e.g., leases including maintenance services), and arrangements or transactions where government skills are transferred to the private party. Inclusion of these routine contracts and other transactions in P3 disclosure consideration could create a lack of clarity on the nature of P3s, and hinder FASAB's overall objective for the proposed standard.	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
6	8	Question 4	IC CFO, 7032753405	C	Conclusive Characteristic #1: Disagree with this conclusive risk-based characteristic. While many P3s may have this characteristic, standard procurements conducted under the FAR, not associated with P3s, may result in the conveyance or creation of a long-lived asset. Suggest reclassifying the characteristic as "suggestive".	
7	8	Question 5	IC CFO, 7032753405	C	Conclusive Characteristic #3: Disagree with this conclusive risk-based characteristic. While many P3s may have this characteristic, standard FAR procurements not associated with P3s may result in a total contract term over 5 years. Suggest reclassifying the characteristic as "suggestive".	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
8	9	Question 6a	IC CFO, 7032753405	C	Disagree, as the Board's position should be more clearly defined. To avoid ambiguity, and differences in interpretation of the standard by preparers and auditors, the Board should include additional guidance to define the "significant exposure" threshold, as well as the "reasonably high materiality threshold". How should these terms relate to overall financial statement materiality? Is the intent to apply existing materiality thresholds currently identified by preparers & auditors to the facts surrounding each P3, or to create a distinct materiality threshold for each P3?	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
9	9	Question 6b	IC CFO, 7032753405	C	Agree with the member's concern. (1) Disclosure of remote contingencies is not limited to the terms of contractual arrangements. Requirements to disclose remote contingencies should be more clearly defined to ensure reporting consistency across Federal agencies. (2) The concept of "significant exposure" threshold is less thoroughly defined than existing materiality definitions, and could result in confusion with the "significant deficiency" concept. The final standard should include additional definition for this area. (3) Required disclosures appear to include risks related to entity operations or performance, outside the scope of the financial statements. Additional guidance should be provided to foster agreement between preparers and auditors as to which risks require disclosure on the financial statements.	
10	10	Question 7	IC CFO, 7032753405	S	Agree that flexible reporting will allow agencies the ability to best present information in a matter that is concise and flows well within the GPFFR.	
11	10	Question 8	IC CFO, 7032753405	S	Evaluating implementation, measurement, recognition and reporting issues prior to the issuance of this standard would help to limit agency and auditor confusion in the interim, especially considering the lengthy timeline to issue subsequent FASAB or AAPC guidance. Additionally, per Table 2.0, there appears to be very limited or no OIG/public auditor input in the development of this Exposure Draft.	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
12	10	Question 8	IC CFO, 7032753405	S	<p>In paragraph A8, the basis for conclusions include some examples of P3s as service concession arrangements (economic development initiatives such as new roads, toll roads, highways, airports, railways, hospitals, etc...).</p> <p>As FASAB seeks to set a more broad definition of P3s, including specific examples of non-service concession P3s would improve understanding of the Standard by preparers and auditors. The Standard should clarify that no additional contingent liability reporting requirement under SFFAS 5 is created by the Standard.</p>	
13	10	Question 8	IC CFO, 7032753405	S	<p>This is a further expansion of the Reporting Entity exposure draft and will be completed in two phases, the first of which deals with disclosure requirements and the second will deal with financial reporting requirements. Could this lead to auditor problems if management is disclosing some of the financial risks of P3s; however, the auditor believes that a contingent liability exists and should be recorded?</p>	
14	11	2	IC CFO, 7032753405	S	<p>Could the FASAB provide examples of P3 arrangements and disclosure requirements, similar to what was provided for the Reporting Entity ED?</p>	<p>The ED acknowledges that P3 arrangements are extremely complex; therefore, the ED may not provide sufficient detail to allow the Federal financial management and audit community to agree on the necessary disclosures that are required to achieve the reporting objectives of the standard.</p>

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
15	11	footnotes 5, 6	IC CFO, 7032753405	A	Font size of footnotes 5 and 6 is inconsistent with the other footnotes.	
16	12	6	IC CFO, 7032753405	S	Paragraph 6 appears to focus on forecasting or reporting information that is not consistent with other current financial statement and footnote reporting requirements. For example, information such as budget to actual comparisons and non-financial related performance results (e.g. return on investment, or achieving expected outcomes) are currently limited to Other Information (e.g. Management's Discussion and Analysis). It is also unclear how/where these items are covered under the subsequent list of footnote disclosure requirements in paragraph 23. Recommend removing paragraph 6.	
17	12	8	IC CFO, 7032753405	S	The disclosure of remote liabilities could be confusing and misleading to GPFFR users and is not consistent with the current practice of reporting other contingent liabilities. This also increases the burden on financial reporters to quantify risks that are not likely to occur and therefore provide little benefit relevant to an entity's current financial position. Recommend limiting disclosure/reporting requirements to those arrangements or transactions that have a probable or reasonably possible risk of significant fiscal exposure. Also recommend clarifying reporting requirements where the materiality is unknown (e.g. cannot be reasonably quantified).	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
18	14	13	IC CFO, 7032753405	S	<p>Recommend clarifying the definition of P3 contractual arrangements and transactions in the exposure draft to be more precise and require less judgmental interpretation. For example:</p> <p>* Paragraph 13 indicates that P3s may include "research and development arrangements;" however, question 2 indicates arrangements designed to "promote research and innovation...would generally be exempt from applying this Statement". Also, research and developmental activities are inherently risky since there is no guarantee of a usable output/return on investment. As such, investments in R&D activities are currently already required to be reported in GPFFRs in the Required Supplementary Information (not footnote disclosures).</p> <p>* Paragraph 13 also indicates that P3s may include grants. At what level would grants, determined to meet the definition of a P3, be attributed to a reporting entity? Often grants are passed down through intermediary agencies (federal, department, department-components); therefore it may be difficult to determine which reporting entity incurs actual risk. Also grants are generally provided for R&D activities, to foster goodwill or promote economic growth/development.</p>	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
19	15	19	IC CFO, 7032753405	S	Item 3 in the table under paragraph 19 indicates that the rationale for including procurements or contracts longer than five years in the P3 definition is due to potential increased costs that could potentially have been renegotiated under a shorter-term contract. This appears to place undue burden on agencies to determine/quantify opportunity costs on existing contracts. The rationale for the suggestive characteristics in the table under paragraph 20, also identifies potential risks that would be difficult to quantify and thereby disclose.	
20	15	19	IC CFO, 7032753405	S	It would be less confusing if all of the criteria were classified as suggestive and state that they need to be considered individually and in the aggregate. The actual impact of the two different criteria sets between conclusive and suggestive is not clear. The term "conclusive" in the table suggests a definitive result that a "yes" to any of the conclusive items <u>would</u> result in a required disclosure. However, the ED uses the term "should be considered" in paragraph 19 for conclusive characteristics. For suggestive criteria, the ED indicates the arrangement or transaction "may be subject to disclosure." Both definitions appear to require similar management judgment.	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
21	20	23	IC CFO, 7032753405	S	Recommend making the edits noted below to paragraph 23: - Sentence 2: Add the words “as applicable” so the sentence would read “The following information should be disclosed, as applicable.” Section (e) of paragraph 23 states other “as applicable” criteria for disclosure, however, it is not explained why only some disclosure criteria are on an “as applicable” basis. - Paragraph 23, e, ii states “instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction”. Please provide clarification as to why all instances of non-compliance should be disclosed rather than just the instances of financial non-compliance.	
22	20	23b	IC CFO, 7032753405	S	Provide examples or additional requirements around the requirement in paragraph 23(b).	Question around paragraph 23(b): “The mix and amount of funding, federal and non-federal, used to meet mission requirements and service delivery needs to support the P3” Is this a cumulative prospective, or just the mix/amount of funding associated with the reporting years?
23	39	A32 First Bullet	IC CFO, 7032753405	S	The definition of P3s, as Mr. Dacey pointed out in his dissention, may be too broad and could lead to disagreements between management and auditors on the scope of the Agency’s disclosure requirements.	

IC Comments on Federal Accounting Standards Advisory Board (FASAB) <i>Public-Private Partnerships Disclosure Requirements</i> Exposure Draft						
Intelligence Community Consolidated Comments to the P3 Exposure Draft						
*For comment matrix instructions, see "Instructions" tab at bottom right.						
Com ment #	Page #	Question/Para graph #	POC Info: Organization, Name, Title, Phone, Email	Comment Type: Administrative (A) Substantive (S) Critical (C)	Comments: (Use classification portion markings)	Rationale (Use classification portion markings)
24	39	A34	IC CFO, 7032753405	S	Agree with the alternative view that the definition of P3s presented in the ED is too broad and therefore could encompass the traditional procurement of capital assets or long-term contracts under the FAR, leases with maintenance services, and transactions where government skills are transferred to a private party, which may not equate to actual P3 arrangements.	