Federal Accounting Standards Advisory Board

April 11, 2012

Memorandum

To: Members of the Board

From: Wendy M. Payne, Executive Director

Subj: Technical Agenda Review – **Tab H**[1]

MEETING OBJECTIVES

- Review the three-year plan and identify any changes.

BRIEFING MATERIAL

This memo summarizes the status of current projects and presents open items for discussion. It is accompanied by:

Attachment 1: Updated Plan in Brief

Attachment 2: Minutes from February 2012

Appendix 1: Three-Year Plan as of January 2012

Tabs following this memo provide more detailed updates regarding projects not actively on the Board meeting agenda but in progress. This material is provided for informational purposes only and will not be discussed as discrete topics at the April meeting unless specifically requested by one or more board members. Instead, awareness of these plans will inform discussion of the technical agenda.

Tab H-1 – Risk Assumed

Tab H-2 – Leases

Tab H-3 – Investments

Tab H- 4 – Public-Private Partnerships

[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.

BACKGROUND

In early January, the Board issued its *Report to Stakeholders: Three-Year Plan* (available at appendix 1). Reponses to the plan were discussed at the February meeting during the annual review of the technical agenda. Members and staff identified information they would like to have before considering any changes to the technical agenda (see attachment 2 for the relevant meeting minutes). These were:

1. Reporting model project plans focusing on the areas of concern raised by members during the discussion.
2. An update regarding the Department of Defense's (DoD) intentions to follow-up on the recommendation to expense military equipment presented in the May 2011 Financial Improvement and Audit Readiness (FIAR) plan. (Mr. Reger and Ms. Kearney agreed to make inquiries and brief the Board at the April meeting.)
3. A status report regarding the schedule of spending pilots which Ms. Kearney committed to providing.
4. An update regarding ongoing projects.

At the April meeting, we'll discuss whether any changes are needed to the technical agenda in light of the proposed next steps for the reporting model project (Tab E) and developments in other areas.

STAFF ANALYSIS AND RECOMMENDATIONS

Attachment 1 provides a snapshot of the work plan for the next three years with changes from the January timeline marked. Changes are most significant in the leases and public-private partnerships projects.

As you know, we are monitoring the Financial Accounting Standards Board (FASB)/International Accounting Standards Board (IASB) progress on lease accounting standards. While staff does not assume the Board is committed to converging with the FASB/IASB, we do understand that we timed this project so that we would be considering issues only after the FASB/IASB project is completed. Since the FASB/IASB has not yet released a revised proposal, we have deferred some of our work as well. Ms. Valentine, the leases project manager, is now able to devote approximately one-half of her time to assist on the risk assumed project.

Having released the asset impairment proposal for public comment, Mr. Savini made use of the brief lull to begin the planning phase of the public-private partnership project. His findings (see Tab H – 4) led to a recommendation to defer the project until final standards addressing the reporting entity and leases are available. At that time, he believes implementation guidance may be needed to ensure consistent application of the entity and leasing principles to complex public-private partnership arrangements. Such arrangements typically involve the creation of organizations that have governmental and private-sector aspects making it difficult to determine whether they are governmental or not. Other arrangements involve complex leases which may be addressed through revised lease standards.

Rather than considering a replacement project at this time, I plan to assign Mr. Savini to assist the reporting model effort following completion of the asset impairment standards. If all three components of the reporting model plan are approved, his assistance could ensure the proposed timelines are met.

QUESTIONS

1. Considering the update provided by Mr. Reger and Ms. Kearney, do members wish to undertake a project on military equipment in advance of a specific proposal from DoD?

   If so, do you wish to consider project plans that are:
   i. Limited to considering the merits of expensing military equipment upon acquisition?
   ii. Broader to consider alternative approaches?

2. Does the Board approve the recommendation to defer the public-private partnership project?

3. Does the Board wish to consider other revisions to the technical agenda?