NEWS RELEASE


The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Mr. Tom Allen, announced today that the FASAB is seeking input on an Exposure Draft, Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment. This exposure draft proposes amending Statement of Federal Financial Accounting Standards (SFFAS) 6, Accounting for Property, Plant, & Equipment (PP&E). The amendments (1) clarify that deferred repairs are included, (2) revise the examples of maintenance and repair (M&R) activities, and (3) address the distinction between maintenance, repairs and new capital expenditures.

The proposed amendments represent a first step toward improving reporting on deferred maintenance. The Board is working, and will continue to work, closely with stakeholders interested in improving reporting on deferred maintenance and repairs. By addressing definitional issues as a first step, the Board will facilitate continued cooperation toward improved financial reporting. Two areas in need of improvement relate to (1) the lack of comparability when assessing asset condition both within and among agencies and (2) measurement and reporting practices that vary greatly among agencies. These issues arise—in part—due to agencies having differing interpretations regarding the definition of “deferred maintenance” in SFFAS 6.

“The Board is of the opinion that redefining the term “maintenance” as it currently exists in SFFAS 6 (paragraph 78) is an initial step in resolving the problems noted above,” according to Chairman Allen. “However, the Board also plans to address measurement and reporting issues through continued consultation with stakeholders which could lead to the issuance of additional guidance and/or standards.”

This proposal does not alter financial reporting requirements but may result in changes in practice due to the enhanced definition. The ultimate benefits of revising the M&R definition include but are not limited to:
a. Developing FASAB terminology that is meaningful to federal agencies and users.
b. Helping reduce disparate and non-uniform definitions and/or terms.
c. Increasing comparability by reducing definitional variations among agencies.

The exposure draft requests written comments by June 25, 2010, and encourages respondents to provide the reasons for their positions. The exposure draft in PDF format and the specific questions for respondents in Word format are available on the FASAB website at http://www.fasab.gov/exposure.html.

ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.