

From: Smutny, Tammy L

Sent: Monday, August 22, 2011 12:28 PM

To: DefMaint

Cc: SIDARI, David P; Vaiana, Jerome A; Tucker, Gerald A

Subject: FASAB Request for Comments regarding Deferred Maintenance and Repairs

Thank you for the opportunity to provide comments on the above exposure draft. Attached are the Department of Housing and Urban Development's comments for this exposure draft. Please direct any questions concerning our response to me at the number listed below.

Tammy L. Smutny
Financial Policies & Procedures Division
Office of the Chief Financial Officer

Word Version of Request for Comments**Deferred Maintenance and Repairs - Exposure Draft****Comments Requested by September 16, 2011**

Name of Respondent: FHA

Organization Represented:

Q1. The Board proposes to eliminate the requirement to report condition information. Refer to paragraphs 13, 14, and 17 of the proposed standards and paragraph A8 in Appendix A - Basis for Conclusions for a discussion and related explanation.

Do you agree or disagree with the Board's proposal to no longer require condition reporting? Please provide the rationale for your answer.

The Department agrees that condition information is not essential to financial reporting and therefore, should not be included with DM&R. In addition, the different condition assessment methods used by entities could potentially be confusing to the users of the financial statements in their interpretation of the deferred maintenance estimate.

Q2. The proposed standards would require that DM&R estimates for beginning and ending balances be presented with an explanation of significant changes in estimates. Refer to paragraph 14.f. and g. of the proposed standard and paragraph A20 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- a) **Do you agree or disagree that DM&R estimates for beginning and ending balances should be presented? Please provide the rationale for your answer.**

Yes, the Department agrees that differences in DM&R during the year should be presented by showing beginning and ending balances (see b). This information could impact future funding decisions.

- b) **Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.**

Yes, HUD feels that users would be interested in a **significant** change in DM&R by major asset category and why this change occurred. The Department recommends that the Board clarify in the statement that management is responsible for identifying what a significant change is for their agency.

Q3. The proposed standards state that entities should apply reported methods and reporting formats consistently unless management determines that changes are necessary and if changes to methods or formats are necessary, such changes should

be explained. Refer to paragraph 11 of the proposed standards and paragraphs A10 and A11 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- a. **Do you agree or disagree that entities should apply reported methods and reporting formats consistently? Please provide the rationale for your answer.**

Yes, HUD agrees that there should be consistency with the condition standards, related assessment methods, and reporting formats applied. This will assist the user in comparability of prior years' data. The Department recommends adding "by major asset category" in paragraph 11 to confirm that different methods may be used for different PP&E.

- b. **Do you agree or disagree with requiring an explanation if entities change methods or formats? Please provide the rationale for your answer.**

Yes, HUD agrees that an explanation would be helpful when changing methods to alert users that a change occurred, why the change occurred, and whether DM&R is not comparable to the prior period. This full disclosure facilitates greater transparency to the general public.

Q4. The proposed standards would require entities to provide narrative information describing M&R policies and other non-financial information including any significant changes to policies and other factors from the prior year. Refer to paragraphs 13 and 14, items a. through f. of the proposed standards and paragraphs A11 and A17, respectively in Appendix A - Basis for Conclusions for a discussion and related explanation.

Do you agree or disagree with each of the above referenced requirements? Please provide the rationale for your answer.

HUD agrees that entities should provide narrative information on M&R policies so that users can best understand how entities allocate its available resources.

Q5. The proposed standards state that communication with and consideration of input from professionals in diverse disciplines is necessary to effectively compile and report DM&R. Refer to paragraph 11 of the proposed standards and paragraphs A15 and A16 in Appendix A - Basis for Conclusions for a detailed discussion and related explanation. .

Do you agree or disagree that communication with and consideration of input from professionals in diverse disciplines is necessary to effectively compile and report DM&R? Please provide the rationale for your answer.

HUD believes that communication among diverse disciplines should be *encouraged* when evaluating DM&R for a more holistic approach. Expert witnesses should be utilized in determining DM&R amounts.

Q6. The proposed standards would eliminate the option to report a range of DM&R estimates and the distinction between critical and non-critical amounts. The reported amount of DM&R may be disaggregated in a variety of ways without explicit mention in the standards. Refer to paragraph 14 of the proposed standards and to paragraphs A18 and A19 in Appendix A - Basis for Conclusions for a discussion and related explanations.

- a. **Do you agree or disagree with eliminating the option to report a range of DM&R estimates? Please provide the rationale for your answer.**

The Department agrees that a single DM&R estimate is more appropriate and informative.

- b. **Do you agree or disagree with eliminating the distinction between critical and non-critical DM&R estimates? Please provide the rationale for your answer.**

HUD agrees to the elimination of the distinction between critical and non-critical estimates since it may cause inconsistency problems, especially since there are three different definitions of critical.

Q7. The proposed standards would be effective beginning in fiscal year 2015 with earlier implementation permitted.

Do you agree or disagree with the proposed effective date? Please provide the rationale for your answer.

The Department agrees to the effective date with early implementation permitted since it allows agencies sufficient time to prepare (i.e., implement system changes) for the additional information required to be reported by this standard.