

From: Palmer, Katherine (SES)
Sent: Wednesday, September 28, 2011 11:54 AM
To: Savini, Domenic N
Cc: Shea, James (Jerry); Jones, Wesley E. (VACO)
Subject: RE: VA Response to FASAB for Deferred Maintenance and Repair

Good morning,

Attached are the VA's comments on the

Deferred Maintenance and Repairs (DM&R) - Exposure Draft

Thank you for this opportunity to engage as this continues to be an issue of interest to the VA.

Regards, Katherine Palmer

Katherine Palmer

ADAS for Financial Policy

Comments on Deferred Maintenance and Repairs (DM&R) - Exposure Draft

Organization Represented: Department of Veterans Affairs

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.

Agree. Rationale: Aggregating condition information across a wide variety of classes of General Property Plant and Equipment (GPP&E) is of questionable value from a direct-reporting perspective.

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.

(a) Agree. Rationale: This will provide useful information for management and report users to evaluate the change that occurred within the year and permit year-to-year comparable trend information regarding the state of asset management.

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

(b) Agree. Rationale: The requirement to explain significant DM&R changes will provide useful information regarding any major contributing events that had significant impact regarding the increase or decrease in the DM&R during the reporting year.

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.

- (a) Agree. Rationale: Maintaining the reporting method and format provides consistency and comparability of trend information of the DM&R reporting, year-to-year, for decision makers.

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

- (b) Agree. Rationale: Receiving an appropriate explanation as to why an entity changed its methods or formats aids users and decision makers who strive to preserve their understanding of the comparability of the entity's DM&R reporting, year-to-year, and awareness of any major influences that impact an entity's asset management.

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.

Agree. Rationale: In order to understand an agency's asset management philosophy, the report users need to understand the agency's maintenance and repair policies. This requires the agency to explain its process for determining need for maintenance and repair. If there is any significant change in that process, the agency needs to explain that to allow the reader to assess the comparability and consistency of the reported current year deferred maintenance and repair information to that of the prior year.

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.

Agree. Rationale: Assessing the condition and the applicable maintenance and repair appropriate to PP&E, and making the important decisions regarding what can or cannot be funded in a given fiscal year, of necessity, does involve collaboration of personnel from various disciplines – such as engineers, facility managers, accountants, and budget analysts. This integrated collaboration is the basis for effective DM&R compilation and reporting.

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.

Agree. Rationale: VA uses the Facility Condition Assessment (FCA) survey methodology to develop the maintenance and repair costs for specific items of PP&E rated in poor or critical condition. This approach allows VA to derive a particular total rather than a range of DM&R estimates.

(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.

Agree. Rationale: The terms “critical” and “non-critical” can take on a broad range of meaning for DM&R reporting and can lead to ambiguities of interpretation across agencies.

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.

Agree. Rationale: Agencies over time may experiment with different aspects of approaches to asset management. Some agencies may need this time provided to refine and implement any decision changes in policy or asset management and repair measurement methodology (FCA survey, life cycle costing methods etc.). With earlier implementation encouraged, any agency that is ready can implement the guidance sooner.