AGA

Advancing Government Accountability

2208 Mount Vernon Ave.
Alexandria, VA 22301-1314
PH 703.684.6931
TF 800.AGA.7211
FX 703.548.9367
www.agacgfm.org

September 13, 2011

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its June 27, 2011 exposure draft entitled Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, 14, 29 and 32. Among other matters, this draft proposes changes that would allow greater comparability of deferred maintenance and repair information across federal agencies.

The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB agrees with the proposed changes contained in the exposure draft. The FMSB supports the fundamental concept that information should be comparable across entities whenever possible. This provides greater opportunities for meaningful analysis of financial information amongst federal agencies. Our answers to the questions posed in the exposure draft follow.

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.

We agree with the Board's proposal to no longer require condition reporting. A lack of uniform methods for determining condition will result in non-comparable information that may mislead the

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reader of the financial statements. Until such time as uniform standards for measuring condition are developed, we would recommend that condition information not be reported by the agencies.

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.**

We agree with this proposed standard. This will provide useful information to the informed reader and should assist decision makers in determining the unfunded needs for deferred maintenance and repairs.

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

We agree with the proposed standard. Reporting the causes of significant changes to any accounting estimate is essential for transparency and accountability.

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.**

We agree that entities should apply methods and formats consistently to ensure comparability of the information from period to period. Consistency is important so that a reader may judge if any issues or problems are getting worse or improving.

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

Consistent with the rationale used to support the answer to Q3 a., any significant changes should be explained by 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.

We agree that entities should provide narrative information describing the policies, significant changes to policies and other non-financial information that is useful to the reader to understand the information provided.

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.

We agree that the use of diverse professionals will provide the best information as these are not estimates that are regularly developed by financial staff.

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.

We agree that a single point estimate should be used and elimination of the requirement that a range be reported.

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.

We agree with eliminating the distinction between critical and non-critical assets in the reporting of D M&R. The difficulties in classifying the DM&R with the various definitions were a significant issue that this change will eliminate.

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.

We agree with the implementation date.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter of comments. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 703-684-6931, extension 307.

Sincerely,

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA
AGA National President

Association of Government Accountants
Financial Management Standards Board

July 2011 – June 2012

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