



December 4, 2009

Memorandum

To: Members of the Board

From: Domenic N. Savini, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Deferred Maintenance and Asset Impairment ¹, **TAB D**

MEETING OBJECTIVES

The objectives for this meeting include: (1) reviewing the task force (definition-phase) results, (2) considering a revised maintenance definition, (3) considering a proposed definition for the term: repair, and (4) obtain comments or input concerning any of the task force's determinations, materials presented, and/or next steps.

BRIEFING MATERIAL

The following documents are attached to this memorandum:

Attachment 1 – Real Property Subgroup – Comparison of Maintenance Definition – July '09

Attachment 2 – Task force Analysis of Key Phrases – November '09

Attachment 3 – Staff Review of November Task force Analysis

BACKGROUND

At the October 2009 meeting the staff presented the Board with a project update. Additionally, the Board was consulted concerning two specific issues. The first issue was whether an incremental approach should be adopted addressing matters that the task force seeks guidance on, and the second issue was if the Board continued to agree that notwithstanding forthcoming improvements, agencies may continue to need flexibility in reporting when maintenance and repair activities have in fact been deferred.

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.

The Board discussed the concept of flexibility as well as how prescriptive any forthcoming guidance should be. It was noted that the current standard's flexibility might be contributing to the lack of comparability between agencies. However, it was also noted that experience in the state/local government arena over infrastructure reporting appears to support a more principles based approach such as agencies currently enjoy; any guidance that could be viewed as being prescriptive would need to consider agency cost versus benefit impacts. The use of multi-year trend information was discussed as a possible solution to agency lack of comparability. The Board also discussed the importance and benefits of having common terms and definitions.

The Board then discussed the value of deferred maintenance information and if the ultimate goal is to elevate this information to the face of the financial statements. Both merits and challenges of this ultimate goal were discussed. In addition to conceptual issues that might exist, practical hurdles would need to be addressed incrementally, beginning with common terms/definitions. However, the Board noted that obligations arising from deferred maintenance (i.e. fiscal exposure) might in fact need to be recognized.

In conclusion, the Board agreed with the direction that the task force is currently taking and noted that the incremental strategy in addressing the reporting issues over deferred maintenance seemed to be a sound approach.

PROJECT STATUS

A summary of the current project's milestone follows:

Milestone II: Issue analysis and option identification. At its most recent meeting in November the task force developed a revised maintenance definition to replace the existing standard 6 definition shown immediately below.

Current SFFAS 6 Definition of Maintenance:

“For purposes of this standard, maintenance is described as the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.” *SFFAS 6, Accounting for Property, Plant & Equipment*

The task force believes that in redefining the above maintenance definition (i.e. to better align with actual agency practices and developments), the resultant FASAB guidance should (1) better assist users in the application and implementation of asset management policies and (2) better align divergent practices. For example, by reaffirming that Maintenance and Repairs (M&R) exclude capital improvements, this should spill over to the condition index calculation used for Federal Real Property Reporting (FRPP), resulting in only having {to develop} one {common} number. In addition to eliminating confusion that could arise from having two sets of numbers, revising the definition is also expected to simplify implementation requirements in the

field.

Additionally, since asset maintenance plans can commingle capital improvements with M&R activities, the capital improvements (i.e. capital repairs) may get expensed resulting in not only a financial accounting mismatch, but also a mismatch with the accounting property records. Expected changes arising from clarifying the maintenance definition may require changes in some agency practices. However, the task force believes that the benefits outweigh the resultant costs while helping to reduce ambiguity, increase comparability and enhance financial reporting.

Specific to comparability, since the task force acknowledges that agencies are too diverse to warrant a one-size fits all approach, modifying the M&R definition alone may not eliminate variations in reporting. As such, the appropriate use of trend data should be considered in the reporting phase of the project.

Although no one definition stood out as being the most-favored definition among the task force members, at the November meeting the task force crafted a suggested revision for the Board's consideration. As you may recall, the task force began reviewing the SFFAS 6 definition by analyzing and debating the Federal Facilities Council's (FFC) critique and related recommendations.² In the end, two competing variations were finally reviewed resulting in the proposed definition shown immediately below first as it would appear and second, as a tracked-changes version.

Task force Suggested SFFAS 6 Definition of Maintenance and Repairs:

“Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, restoration, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.” Suggested SFFAS 6, Maintenance and Repair definition; November 20th, 2009 DM-AI Task force.

Color Legend:

RED FONT = initial TF review/changes.

GREEN FONT = November TF final review/changes.

² Deferred Maintenance Reporting for Federal Facilities, The National Academies, ISBN 0-309-56339-9, (2001).

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“Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, restoration, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than its current use.” *Task force Suggested SFFAS 6 Definition of Maintenance and Repairs.*

1. Task force Recommendations. As previously reported to you, consistent with findings from a study sponsored by the CFO Council and conducted by the FFC over SFFAS 6 implementation difficulties, the task force has concluded that the current maintenance definition as contained in SFFAS 6 needs revision and that the term “repair” needs to be defined in FASAB’s glossary of terms.

a. Maintenance definition. The task force consensus is that SFFAS 6 should be revised as follows:

- i. Include “repairs” both in the titling and definition in order to bring clarity. Such clarity will avoid inadvertently setting-up a reporting structure wherein some agencies could report deferred maintenance and not deferred repairs.
- ii. Although finally accepted by the majority of the task force, the term “acceptable condition” is deemed highly problematic by a minority view. Since it is not defined, it is subject to judgment leading to different agency interpretations causing a lack of agency comparability.
- iii. The term “restoration” was chosen to replace “normal repairs” in the second sentence due to (1) the functional community does not recognize or distinguish a “normal repair” as an activity, and (2) as a matter of house-keeping the term repair should not be used to define itself (in the preceding sentence).
- iv. The addition of the term “systems” was deemed an important enough activity to add to the definition of M&R since the replacement of a system is often a critical asset maintenance activity. Also, this term reflects technological advancements where highly integrated parts and components are not always separately identifiable.
- v. The term “structural components” was deemed oriented towards building and infrastructures and since SFFAS 6 applies to all classes of assets to include equipment and other personal property, the task force opined that eliminating “structural” from the phrase would be appropriate.
- vi. “Acceptable services” was eliminated since (1) the task force wanted to simplify the definition where possible and define M&R in a crisp and succinct manner, and (2) asset preservation to an “acceptable condition” standard inherently provides for “acceptable services”;

that is, mission effectiveness was inherently understood to be the underlying motive behind M&R. In essence, the task force viewed asset preservation or maintenance in its purest form; retaining and restoring an asset's functionality and not concerning the acceptability of the goods or services actually produced/yielded.

vii. Terms such as "expected life", "economic life" and "useful life", in addition to not being {adequately} defined in the FASAB glossary (leading to ambiguity); have little to no relevance in federal asset management practices since assets are often maintained well beyond any artificial time-horizon. For example, the term "expected life" infers a finite period whereas in practice, federal facilities are often used far beyond standard projections of expected life.

viii. The task force desired to clarify that not all assets are "preserved" or put another way, asset preservation such as one would find with a museum collection is different from asset maintenance. In the context of PP&E, asset preservation has a distinct meaning in the functional community as it implies a level of maintenance (e.g. museum collections) usually reserved for historical monuments/structures and synonymous with conservation techniques. Since the FASAB M&R definition covers all major asset classes, the task force recommended adding "maintain." Another suggestion was to drop both terms (preserve and maintain) and use "sustain." Objections over this alternative were raised due to its use in environmental contexts.

ix. "Current use" should replace the term "originally intended" since the current wording does not reflect three major issues: first, facilities are often renovated to reflect new functions quite different from the original intent; second, inadequate funding of facilities is a long standing problem and as a result, asset maintenance investment decisions often reflect this reality (i.e. assets are not kept in an acceptable condition as per original intent but rather per current mission requirements) and third, assets are maintained to effectively support an agency's mission as opposed to achieving a set number of years.

b. **Add Repair definition.** From a list of five potential definitions (see Attachment 2 for details), the task force elected the following definition for "repairs" to be added to the FASAB glossary:

Whereas maintenance is generally directed to keeping the assets in acceptable condition (retention of function), repairs are generally directed towards putting them back into an acceptable condition (restoration of function). *Adapted from Accountant's Handbook. 5th Ed. Wixon, Kell, Bedford Pg. 16-11*

The task force cited three primary reasons for adopting this definition over the others:

- i. Consistent with "acceptable condition" language currently in Standard 6.
- ii. Properly ties repair to restoration of function.
- iii. Clearly differentiates from "maintenance".

2. Staff Recommendations (see Attachment 3 for related comments). Staff concurs with the majority of the task force recommendations noting that expert input was critical in better aligning our accounting definition to current federal industry practices. The task force's technical prowess, thorough review and professional debate cannot be overemphasized.

The resultant task force definition which is an outgrowth of the functional and technical communities represented at the table, focuses on matters most important to those communities such as technical precision (e.g. “normal repairs” changed to “restoration”), breadth of scope (e.g. adding “systems” to activities), and asset stewardship (e.g. reflecting an asset’s current use as opposed to original intended use).

Notwithstanding their significant contributions, the Board is charged with promulgating an accounting standard that should meet the federal reporting objectives and assist all users from diverse technical and professional disciplines, including accountants, in their day-to-day interactions with deferred maintenance issues.

Accordingly, Staff advises that the Board consider the following in its deliberations:

a. The task force decided to eliminate an entire phrase currently in SFFAS 6. The phrase reads as follows: “...so that it continues to provide acceptable services and achieves its expected life.” This deletion eliminates any reference to an asset’s output or service as well as relating an asset’s use or performance to any prescribed set period.

i. “Acceptable services” was eliminated since (1) the task force wanted to simplify the definition where possible and define M&R in a crisp and succinct manner, and (2) asset preservation to an “acceptable condition” standard inherently provides for “acceptable services”; that is, mission effectiveness was inherently understood by the Task force to be the underlying motive behind M&R. In essence, the task force viewed asset preservation or maintenance in its purest form; retaining and restoring an asset’s functionality and not concerning the acceptability of the goods or services actually produced/yielded.

ii. The task force agreed with the FFC that when trying to apply SFFAS 6 to specific asset classes, “expected life” was problematic inasmuch as some assets have indeterminable lives and that an asset should be maintained beyond a subjective time frame that might be based on tax depreciation schedules.

b. However, per our reporting objectives, deferred maintenance accounting and reporting should aspire towards the achievement of {efficient or effective} operating performance and demonstrate an adequate stewardship role. As such, we should avoid inferring that asset preservation is an end unto itself. Consistent with the task force’s belief that an asset’s M&R reflect “current use” and since the FASAB glossary currently defines “condition” to include, “...ability to perform as planned and its {asset’s} continued usefulness”, staff advises that we tie an asset’s performance to these two attributes (and not specifically to acceptable services).

c. Concerning an asset’s expected life, from an accounting and reporting point of view, an estimate of an asset’s “useful life”³ is needed to first comply with the matching principle concept that helps ensure (depreciation) costs are in fact properly reflected and allocated to the statement of net cost, and second, by the very definition of “useful”, it is implied that an asset’s

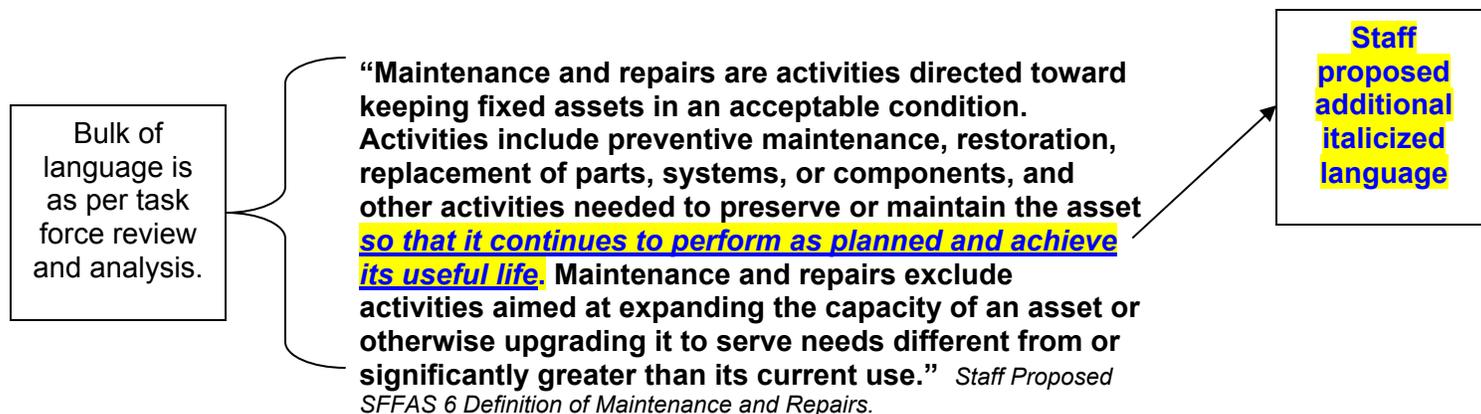
³ FASAB Appendix E; Consolidate Glossary pp. 1675 defines the term “Useful Life” as follows: “The normal operating life in terms of utility to the owner”.

intrinsic value is tied to its performance and that any degradation of performance needs to be reviewed for potential impairment.

Should an agency develop more discrete accurate data concerning an asset's useful life, prospective adjustments can always be made via an accounting change-in-estimate.

d. Therefore, staff recommends that in addition to the task force recommendations, the following language be considered for adoption by the Board:

"....so that it continues to perform as planned and achieve its useful life."



3. Ultimate effects. Benefits of revising the maintenance definition include but are not limited to:

- a. Developing FASAB terminology that is meaningful to the industry/agencies.
- b. Helping reduce disparate and non-uniform definitions and/or terms.
- c. Increasing measurement / data accuracy by reducing variations among terms.
- d. Improving financial reporting results.

The task force believes that the FASAB guidance it helps write (beginning with definitional changes) should (1) hopefully assist users in the application and implementation of asset management policies and (2) better align divergent practices.

For example, asset maintenance plans sometimes commingle capital improvements/repairs with those repairs that get expensed and there is not always a precise fit to the accounting property records. Although proposed definitional changes may require changes of some agency practices, the task force believes that benefits will be accrued during field implementation.

OTHER MATTER(S) TO BE REPORTED

A strongly held minority view exists among certain task force members that guidance concerning deferred maintenance accounting and reporting is too flexible and that current and proposed definitions “*rely heavily on unspecified human judgment.*” Although the majority task force view does not concur with this perspective, the minority raises an interesting point worthy of consideration. That is, should FASAB annunciate an overarching policy of what the goals of

deferred maintenance reporting are? The minority view holds that unless we extract a policy from whatever deferred maintenance definition is ultimately adopted, agencies will continue to lack understanding as to what the ultimate goals are for deferred maintenance reporting, thus leading to incomplete/inaccurate financial reporting.

Put another way, is the lack of comparability which exists today in deferred maintenance reporting truly a result of agency uniqueness; or different user needs resulting in the use of different analytical frameworks or possibly a combination of both?

The minority view would lead us to consider establishing goals for deferred maintenance reporting that could help better frame and put the data in context and thus, help reduce lack of comparability arising from data analysis as opposed to data presentation. The framework that the data could speak to would enhance its meaning and allow for clearer interpretations. The minority view would in essence ask us to articulate policy. For example, such a policy statement could include the following goals:

- a. Keeping fixed assets in an acceptable condition or in an acceptable condition that serves a useful purpose as deemed by an agency's most senior managers.
- b. Asset maintenance philosophies should look beyond traditional asset maintenance or preservation techniques and consider factors such as current and near-term agency mission requirements, sustainability issues, agency funding, new technologies, etc.
- c. Allow an asset to achieve its "useful life" without increasing its "service or physical life."

NEXT STEPS

Subject to Board approval, the Task force will continue meeting with the near-term goal of beginning the measurement phase of its work and then turning to the reporting phase.

QUESTIONS FOR THE BOARD

QUESTION 1 – Beginning in March of '09, the Task force and its two subgroups met for a total of six times to review potential changes to the current SFFAS 6 maintenance definition. In addition to these meetings, there were several off-line agency one-on-one meetings conducted in order to gain unique agency perspectives. As a result of these meetings, it was clear that many felt that revisions were long overdue and that several of the FFC recommendations were still valid. Since the Task force consisted of a mix of disciplines from diverse professional communities, establishing a “common-language” proved challenging, however, this exemplified some of the problems currently being faced by agencies. Consistent with academic research done in this area, the Task force acknowledged that (1) in general, agencies needed to better link asset management practices to those responsible for accounting and reporting said information and (2) albeit that some changes could be viewed by a “non-functional” as being mere housekeeping in nature, to the extent practical, accounting standards should reflect functional terminology and current practices in order to avoid ambiguity and confusion.

Do the changes proposed by the Task force and as amended by staff serve as sufficient basis to revise the existing “maintenance” definition? Are there any terms or phrases that the Board believes should be either considered or revisited?

QUESTION 2 – Two of the issues addressed by the Task force were (1) defining “repair” in light of numerous agency interpretations and practices and (2) whether or not to continue excluding capital improvements from the maintenance definition. Concerning the term repair, it was clear that clarifying/expanding the maintenance definition to now explicitly include “repairs” would require a FASAB glossary definition. As such, the basic principle the Task force set was that maintenance activities “retain” function whereas repair activities “restore” function. Notwithstanding the measurement and reporting phases of the project, the Task force agreed that excluding capital improvements was appropriate for the two following primary reasons: (1) capital improvements are in fact much different than routine M&R and need to be accounted for separately for various reasons (i.e. budget and financial reporting, nature of funding) and (2) commingling capital improvements with M&R would result in complicating and/or adversely impacting the Condition Index calculation.⁴

Does the Board agree with the Task force’s selection of a “repair” definition as adapted from the referenced accountant’s handbook? Are there any other definitions or elements that the Board believes should be either revisited or considered?

⁴ **Condition Index (CI)** is a general measure of the constructed asset’s condition at a specific point in time. *CI* is calculated as the ratio of Repair Needs to Plant Replacement Value (PRV). *Formula: CI = (1 - \$repair needs/\$PRV) x 100*. Source: 2009 GSA’s Guidance For Real Property Inventory Reporting dated JULY 14, 2009

QUESTIONS FOR THE BOARD

(continued)

QUESTION 3 – The minority view holds that unless we extract a policy from whatever deferred maintenance definition is ultimately adopted, agencies will continue to lack understanding as to what the ultimate goals are for deferred maintenance reporting, thus leading to incomplete/inaccurate financial reporting. The minority view would lead us to consider establishing goals for deferred maintenance reporting that could help better frame the data and thus, help reduce lack of comparability arising from data analysis as opposed to data presentation. The framework that the data could speak to would enhance its meaning and allow for clearer interpretation.

The minority view would in essence ask us to articulate policy since they would posit that the data do not speak for themselves, or in the case of deferred maintenance, users who may in fact share similar end-goals, are using different frameworks resulting in confusion/ambiguity over the most effective use of deferred maintenance information.

SFFAS 6 was written recognizing that federal managers are entrusted with setting agency policies in accordance with applicable laws, regulations, standards and rules. In setting such policies, it is management who must exercise professional judgment and assume ultimate responsibility for its actions. If a central agency policy is needed, it is usually set by management in consultation with other stakeholders such as OMB and Congress.

In SFFAS 6 Basis of Conclusions (Para.177), the Board stated the following in regards to the two asset assessment methodologies (i.e. life-cycle and condition assessment):

Both of these methods will be under the control of entity program managers since deferred maintenance is dependent on the purpose for which PP&E is held and on judgment regarding what condition PP&E should be in to meet that purpose. Entities are permitted flexibility in (1) setting standards for maintenance requirements and (2) establishing cost beneficial methods to estimate the cost of deferred maintenance.

Staff notes that although improvements to the existing accounting policies that might currently exist in SFFAS 6 concerning deferred maintenance may be appropriate, such improvements should work preferably in tandem with existing managerial policies and not be inadvertently seen as replacing or substituting managerial policies/responsibilities.

Does the Board wish to (1) make the SFFAS 6 view that management should establish policy regarding acceptable condition explicit by including it in the authoritative standards (rather than the basis for conclusions) or (2) provide more robust guidance regarding factors that management may appropriately consider in determining acceptable condition (e.g., a decision model)?

Real Property Subgroup Results

Comparison of Maintenance Definitions

FASAB	For purposes of this standard, maintenance is described as the act of keeping fixed assets in acceptable condition . It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life . Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended .
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1. Raw ranking status - **Last place (least favored)**.

2. Pro to Con Ratio – 0.44 (7/16)

3. Soft Vote Percentage – 10.0% (1 out of 10) – **vote results equal to Alt. 3, Alt. 4 and Alt. 4-Revised**

4. Comments -

- a. We don't think that any of the alternatives are as good as the original FASAB definition.
- b. Doesn't weigh criticality of equipment.

Real Property Subgroup Results Comparison of Maintenance Definitions

- c. Acceptable condition can be left up to interpretation and may not have standardized applicability. Perhaps some parameters around what is meant by this term would be helpful especially in a government-wide reporting environment.**

- d. The term "expected life" gets back into the accounting language dealing with depreciation of costs over the "life" of the asset. Also, "expected life" is a function of how the asset is used in addition as to how well it has been maintained, and is difficult to define.**

5. Listing of Pro's and Con's

Pro's FASAB	<ol style="list-style-type: none"> 1. Clear and concise. 2. It's the current standard. 3. Reasonably comprehensive. 4. Term reflects the asset and not activities occurring in association with the asset. 5. Stresses condition-based assessment. 6. Addresses both daily and lifetime expectations. 7. Capacity - An all encompassing term for the limits of the entity.
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Real Property Subgroup Results
Comparison of
Maintenance Definitions

Con's FASAB	<ul style="list-style-type: none">13. Some may not realize that capacity includes physical dimensions too.14. No definition for “acceptable condition”.15. The “originally intended” of the asset may no longer be the same as the current use of the asset.16. Expected life is typically exceeded in Fed. Bldgs.
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Real Property Subgroup Results

Comparison of Maintenance Definitions

FFC	Maintenance and repairs are activities directed toward keeping fixed assets in a condition to effectively support the mission. Activities include preventive maintenance, repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to support the mission. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.
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1. Raw ranking status – **1st place (Most favored)**.
2. Pro to Con Ratio – **1.00 (13/13)**
3. Soft Vote Percentage – **20.0% (2 out of 10) - vote results equal to Alt. 1 and Alt. 2**
4. Comments -
 - a. Doesn't address cost benefit of replacement.
 - b. Our vote is for the FFC version with reference to the life cycle of the asset.
 - c. It might be difficult for the facility manager to determine which assets that are critical to the mission vs. not critical.

Real Property Subgroup Results Comparison of Maintenance Definitions

- d. The consensus for our agency is that our vote be cast for the FFC definition. Everything we identify as deficiencies do support the "mission" and "current use". The opinion here is we prefer the FFC definition which says maintenance is to keep assets in a condition "to effectively support the mission" as opposed to FASAB which says keep them in an "acceptable condition" (no definition of what "acceptable" means).**
- e. A difference is that the FFC definition says M&R excludes activities that expand the capacity of an asset or upgrade it to serve needs different from or significantly greater "than its current use", while the FASAB definition says different from or greater than "originally intended".**
- f. Based on the discussions and alternate options, I suspect the "support the mission" did not have wide appeal among the task force members.**

Real Property Subgroup Results Comparison of Maintenance Definitions

	<p>13. Assets in a condition that would “support the mission” instead of “acceptable condition”.</p>
<p>Con’s</p> <p>FFC</p>	<ol style="list-style-type: none"> 1. The words “effectively support mission” are more verbose than “acceptable condition” without adding substance. Also, the distinction between “needs ... Originally intended” and “needs... greater than its current use” is trivial. 2. Doesn’t address useful life. 3. Does not cover maintenance that must be carried out to comply with statutes, codes or policy. 4. Inclusion necessitates a separate definition for “repairs”. 5. Not all agencies agree on the appropriate scope of repair. 6. Redundant with the second sentence that includes the term “repairs”. 7. The asset may no longer fit the mission, then what? 8. ‘Effectively’ seems extraneous. 9. Turns preserving the asset into an end unto itself. 10. Current ‘use’ has more to do with the activities associated with an asset, then with the needs of the asset itself. 11. Some may not realize that capacity includes physical dimensions too.

Real Property Subgroup Results
Comparison of
Maintenance Definitions

Con's FFC	<p>12. The concepts of maintaining mission but limiting DM to current use appears conflicting- this might be confusing. If not attempting to capture full fiscal exposure, then mission changes or evolutions over time may have unintended consequences on the space type and therefore deferred maintenance.</p> <p>13. Supporting Mission requirements typically exceeds the expected life or requires change.</p>
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Real Property Subgroup Results

Comparison of Maintenance Definitions

Alternate 1	Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, repairs, replacement of parts and structural components, and other activities needed to preserve the asset. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.
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1. Raw ranking status – **3rd place**.
2. Pro to Con Ratio – **0.67 (12/18)**
3. Soft Vote Percentage – **20.0% (2 out of 10) - vote results equal to FFC and Alt. 2**
4. Comments -
 - a. Picks up FASAB language but doesn't address component of useful life ...no significant value added.
 - b. My suggestion would vote for alternative 1, but would add, ..."**keeping fixed assets in an acceptable and functional condition.**"

Real Property Subgroup Results Comparison of Maintenance Definitions

- c. My suggestion would vote for alternative 1, but would add, "Activities include preventive maintenance, **condition based monitoring**, repairs...."

- d. Acceptable condition can be left up to interpretation and may not have standardized applicability. Perhaps some parameters around what is meant by this term would be helpful especially in a government-wide reporting environment.

5. Listing of Pro's and Con's

<p>Pro's</p> <p>Alternate 1</p>	<ol style="list-style-type: none"> 1. Close to current standard. 2. Adds "current use" instead of original use as the baseline. 3. Adding "repairs" seemingly increases scope of activities included property sustainment. 4. Coupling these terms (M plus R) better reflects how real property management occurs. 5. "Acceptable condition" reflects the asset and not activities occurring in association with the asset.
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Real Property Subgroup Results Comparison of Maintenance Definitions

	<ol style="list-style-type: none"> 6. “Acceptable condition” stresses condition-based assessment. 7. Presumes the asset is responsive to the tenants’ needs. 8. Assumes an infinite service life. 9. “Greater than its current use” refers to present state. 10. Capacity - An all encompassing term for the limits of the entity. 11. “current use” instead of “originally intended”. 12. “support the mission” was removed.
<p style="text-align: center;">Con’s</p> <p style="text-align: center;">Alternate 1</p>	<ol style="list-style-type: none"> 1. The distinction between “needs Originally intended” and “needs... greater than its current use” is trivial. 2. Doesn’t address useful life. 3. Reverts to undefined “acceptable” condition. 4. Does not cover maintenance that must be carried out to comply with statutes or policy. 5. Inclusion necessitates a separate definition for “repairs.” 6. Not all agencies agree on the appropriate scope of repair. 7. Redundant with the second sentence that includes the term “repairs.” 8. “Acceptable condition” introduces subjective judgment. 9. Interpretation of “Acceptable condition” varies among key decision

Real Property Subgroup Results
Comparison of
Maintenance Definitions

<p>Con's</p> <p>Alternate 1</p>	<p>makers (program managers, facility managers, tenants, etc.).</p> <ol style="list-style-type: none">10. The term “acceptable condition” may be unnecessary if the phrase “acceptable services” remains in the {final} definition.11. Turns preserving the asset into an end unto itself.12. Current ‘use’ has more to do with the activities associated with an asset, then with the needs of the asset itself.13. Some may not realize that capacity includes physical dimensions too.14. Too Broad.15. No definition for “acceptable condition”.16. Incomplete phrase: “to preserve the asset” – to what level?17. The term “acceptable condition” will need to be fleshed out further in guidance if ultimately retained in the definition.18. “Current use” will need to be fleshed out further. I understand the reason it was added but believe it will need to be re-visited.
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Real Property Subgroup Results Comparison of Maintenance Definitions

Alternate 2	Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, repairs, replacement of parts and structural components, and other activities needed to preserve the asset and achieves its service life. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.
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1. Raw ranking status – **2nd place**.

2. Pro to Con Ratio – **0.68 (13/19)**

3. Soft Vote Percentage – **20.0% (2 out of 10) - vote results equal to FFC and Alt. 1**

4. Comments -

- a. Change “and” to a comma between **asset** and **achieves** then add “to support the mission.
- b. Our preference is Alt 2 with the inclusion of the mission from FFC.

Real Property Subgroup Results Comparison of Maintenance Definitions

5. Listing of Pro's and Con's

<p>Pro's</p> <p>Alternate 2</p>	<ol style="list-style-type: none"> 1. Takes parts of FFC and FASAB that work. 2. Adds “current use” instead of original use as the baseline. 3. Adding “repairs’ seemingly increases scope of activities included property sustainment. 4. Coupling these terms (M plus R) better reflects how real property management occurs. 5. “Acceptable condition” reflects the asset and not activities occurring in association with the asset. 6. “Acceptable condition” stresses condition-based assessment. 7. Presumes the asset is responsive to the tenants’ needs. 8. Assumes an infinite service life. 9. “Service life” speaks to how long the asset is needed. 10. “Greater than its current use” refers to present state. 11. Capacity - An all encompassing term for the limits of the entity. 12. “Current use” is an improvement. The concept of maintaining the
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Real Property Subgroup Results Comparison of Maintenance Definitions

<p>Pro's</p> <p>Alternate 2</p>	<p>asset for the service life would be best if attempting to capture cost of maintaining current service.</p> <p>13. This definition included “service life” which is similar to {our} agency manual definition which mentioned “acceptable services and achieves its expected life”.</p>
<p>Con's</p> <p>Alternate 2</p>	<ol style="list-style-type: none"> 1. The distinction between “needs Originally intended” and “needs... greater than its current use” is trivial. 2. Doesn't say anything about supporting the mission. 3. Reverts to undefined “acceptable” condition. 4. Does not cover maintenance that must be carried out to comply with statutes or policy. 5. Inclusion necessitates a separate definition for “repairs”. 6. Not all agencies agree on the appropriate scope of repair. 7. Redundant with the second sentence that includes the term “repairs”. 8. “Acceptable condition” introduces subjective judgment. 9. Interpretation of “Acceptable condition” varies among key decision makers (program managers, facility managers, tenants, etc.). 10. The term “acceptable condition” may be unnecessary if the phrase “acceptable services” remains in the {final} definition.

Real Property Subgroup Results Comparison of Maintenance Definitions

<p>Con's</p> <p>Alternate 2</p>	<ol style="list-style-type: none"> 11. Turns preserving the asset into an end unto itself. 12. The phrase, “achieves its service life” addresses a concept of little value except to finite projects. 13. Current ‘use’ has more to do with the activities associated with an asset, then with the needs of the asset itself. 14. Some may not realize that capacity includes physical dimensions too. 15. No definition for “acceptable condition”. 16. Recommend using “useful life” instead of “service life” as that term is already defined within the context of PP&E within FASAB standards. Also, it is a widely recognized term within standard-setting bodies (e.g. IPSASB, IFRS, GASB, and FASB), with slight variations but has broad application within accounting literature. Possible wording: “to preserve the asset to continue to achieve its useful life.” 17. The term “acceptable condition” will need to be fleshed out further in guidance if ultimately retained in the definition. 18. “Current use” will need to be fleshed out further. I understand the reason it was added but believe it will need to be re-visited. 19. Service life is typically exceeded in Fed. Bldgs.
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Real Property Subgroup Results Comparison of Maintenance Definitions

Alternate 3	Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, repairs, replacement of parts and structural components, and other activities needed to preserve the asset over its life-cycle. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.
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1. Raw ranking status – **5th place. (next to last place)**
2. Pro to Con Ratio – **0.50 (9/18)**
3. Soft Vote Percentage – **10.0% (1 out of 10) - vote results equal to FASAB, Alt. 4 and Alt. 4-Revised**
4. Comments -
 - a. **Include some information on life-cycle costing (i.e. standardized definition).**

Real Property Subgroup Results Comparison of Maintenance Definitions

5. Listing of Pro's and Con's

Pro's Alternate 3	<ol style="list-style-type: none"> 1. Adds “current use” instead of original use as the baseline. 2. Adding “repairs’ seemingly increases scope of activities included property sustainment. 3. Coupling these terms (M plus R) better reflects how real property management occurs. 4. “Acceptable condition” reflects the asset and not activities occurring in association with the asset. 5. “Acceptable condition” stresses condition-based assessment. 6. Presumes the asset is responsive to the tenants needs. 7. Assumes an infinite service life. 8. “Greater than its current use” refers to present state. 9. Capacity - An all encompassing term for the limits of the entity.
Con's Alternate 3	<ol style="list-style-type: none"> 1. The term “life-cycle” confuses the concept of “expected life” because it includes construction and disposal processes that are not related to maintenance. 2. Reverts to undefined “acceptable” condition.

Real Property Subgroup Results
Comparison of
Maintenance Definitions

**Con's
Alternate 3**

- 3. Does not cover maintenance that must be carried out to comply with statutes or policy.**
- 4. Inclusion necessitates a separate definition for “repairs”.**
- 5. Not all agencies agree on the appropriate scope of repair.**
- 6. Redundant with the second sentence that includes the term “repairs”.**
- 7. “Acceptable condition” introduces subjective judgment.**
- 8. Interpretation of “Acceptable condition” varies among key decision makers (program managers, facility managers, tenants, etc.).**
- 9. The term “acceptable condition” may be unnecessary if the phrase “acceptable services” remains in the {final} definition.**
- 10. Turns preserving the asset into an end unto itself.**
- 11. Implies a renewal phase which may extend beyond maintenance.**
- 12. Current ‘use’ has more to do with the activities associated with an asset, then with the needs of the asset itself.**
- 13. Some may not realize that capacity includes physical dimensions too.**
- 14. No definition for “acceptable condition”.**
- 15. Incomplete phrase: “to preserve the asset” – to what level? “over its life-cycle” addresses timeframe but not to what level?**
- 16. The term “acceptable condition” will need to be fleshed out further in**

Real Property Subgroup Results
Comparison of

<p>Con's Alternate 3</p>	<p>17. "Current use" will need to be fleshed out further. I understand the reason it was added but believe it will need to be re-visited.</p> <p>18. Life cycle is typically exceeded in Fed. Bldgs.</p>
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Real Property Subgroup Results Comparison of Maintenance Definitions

Alternate 4 SUPERCEDED (SEE NOTE BELOW)	All work identified as being required to correct existing deficiencies to allow the asset to meet the needs of the current use within the current footprint.
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1. Raw ranking status – 4th Place

2. Pro to Con Ratio – 0.62 (5/8)

3. Soft Vote Percentage – 10.0% (1 out of 10) **vote results equal to FASAB, Alt. 3 and Alt. 4-Revised
NOTE: Revised Alt 4 also 1 out of 10 or 10%.**

4. Comments -

a. The original Alternate 4 was not designed as a definition for maintenance.

b. If we had to pick one of the six, it would be the original alternative #4, especially if we can add in preventive maintenance.

Real Property Subgroup Results Comparison of Maintenance Definitions

c. Could the definition not be as simple as: "Maintenance is the act of preventing and correcting deficiencies?"

d. The **revised** Alternative 4 has my vote with two words changed. See below.

REVISED ALTERNATIVE 4 - For the purposes of this standard, the term "maintenance" is an umbrella term that covers all types of maintenance and **repair**-including daily, preventive, corrective, and **work** required by statute, codes or policy-that preserves or restores an asset, within the existing footprint, to a condition that allows the asset to effectively support the use currently assigned to the asset.

e. I like the original definition under Alternate 4 just because it is a catch all and probably closest to reality.

f. This **REVISED ALTERNATIVE 4** term is circular - using "maintenance" to define maintenance. That can be corrected by saying something like - activities undertaken to maintain the operation and function. How about maintenance required or suggested by the manufacturer? This doesn't seem to be included. Also, not sure what the part about "existing footprint" means; is that the PHYSICAL footprint (length, width, height), or the functional footprint (output, HP, BTUs, etc..) or is it both? Only because of these concerns, I like the original Alternative 4 better as a very GENERAL definition. However, I could live with this revised version if necessary.

Real Property Subgroup Results Comparison of Maintenance Definitions

g. Overall, this **REVISED ALTERNATIVE 4 describes the types of maintenance but does not define “maintenance” itself per se.**

h. For the **REVISED ALTERNATIVE 4 email version:**

- **“policy” is a problematic term: Do we mean any policy, the entity’s policy, OMB policy, or what?**
- **“statutes” or “codes” could be simplified to “laws” if we are referring to public laws, private laws, and administrative laws. The Statutes at Large only contain certain laws. The U.S. Code codifies certain laws (publication has timing issues). I believe the Code of Federal Regulations is part of the body of administrative laws. Were there other matters that would not be captured the term “law”?**

Real Property Subgroup Results Comparison of Maintenance Definitions

5. Listing of Pro's and Con's

<p style="text-align: center;">Pro's</p> <p style="text-align: center;">Alternate 4 SUPERCEDED</p> <p style="text-align: center;">(SEE NOTE BELOW)</p>	<ol style="list-style-type: none"> 1. Eliminates subjective judgments. 2. Includes all deficiencies, even those of low priority. 3. Stresses existing condition. 4. Footprint has a plain meaning. 5. The facility manager can identify all maintenance needed without any concern relating to the “mission” or “originally intended” of the asset. This method may be the closest to what the facility managers currently do.
<p style="text-align: center;">Con's</p> <p style="text-align: center;">Alternate 4 SUPERCEDED</p> <p style="text-align: center;">(SEE NOTE BELOW)</p>	<ol style="list-style-type: none"> 1. Overall, a much less helpful definition than FASAB. 2. Neglects work that would <u>prevent</u> deficiencies. 3. The phrase “Correcting existing deficiencies” removes an expert approach to identifying qualifying work. 4. The term “footprint” misses the capabilities of the asset and thus may inadvertently allow through component system upgrades. 5. Too Broad. Unclear what is meant by “current footprint.” Not addressing

Real Property Subgroup Results Comparison of Maintenance Definitions

<p>Con's Alternate 4 SUPERCEDED (SEE NOTE BELOW)</p>	<p>upgrades to the asset may or may not be a Con- if this would be recognized in the financial statements we would want to make sure capital improvements are not be double counted.</p> <p>6. OMB and GAO should be consulted since there might be an issue with an Agency potentially overstating costs.</p> <p>7. Current use does not reflect original design or usage.</p> <p>8. Correcting existing deficiencies is too general. This could apply to Code & Regulatory requirements as well as mission or usage changes – too much.</p>
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NOTE: Superceded by, "For the purposes of this standard, the term "maintenance" is an umbrella term that covers all types of maintenance-including daily, preventive, corrective, and maintenance required by statute, codes or policy-that preserves or restores an asset, within the existing footprint, to a condition that allows the asset to effectively support the use currently assigned to the asset."

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

“Maintenance and Repairs” (adding Repairs)

Task force consensus is to add the term *Repair* to the definition.

The definition of Repair can follow later as part of implementation guidance; what do you think it should look like?

Ranking	Source	Definition of Repair	Pros – why?	Cons –why?
<p>1st (Most popular)</p>	<p>Adapted from Accountant’s Handbook. 5th Ed. Wixon, Kell, Bedford Pg. 16-11</p>	<p>Whereas maintenance is generally directed to keeping the assets in acceptable condition (retention of function), repairs are generally directed towards putting them back into an acceptable condition (restoration of function).</p>	<ul style="list-style-type: none"> • Consistent with “acceptable condition” language currently in Standard 6. • Properly ties repair to restoration of function. • Clearly differentiates from “maintenance”. • At some agencies, correction of a specific failure referred to as restoration matches Wixon’s definition. • Succinctly written and allows flexibility by the use of “generally”. 	<ul style="list-style-type: none"> • The term “generally” allows for interpretation and yields inconsistencies. • Basing these on strictly accounting standards will alienate the facility managers in the field. • Attempts to define two terms and not simply “repairs”.

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Ranking	Source	Definition of Repair	Pros – why?	Cons –why?
2nd	Kohler’s Accounting Dictionary. 4 th Ed. Pg. 368	The restoration of a capital asset to its full productive capacity after damage, accident, or prolonged use, without increase in the previously estimated service life or capacity.	<ul style="list-style-type: none"> ● Properly ties repair to restoration of function. ● Properly excludes those repairs which increase service life or capacity. ● Clearly distinguishes that repairs “restore” function. 	<ul style="list-style-type: none"> ● Introduces “productive capacity” as a new undefined phrase causing confusion. ● Excludes repairs that increase service life/capacity. ● Basing these on strictly accounting standards will alienate the facility managers in the field. ● At some agencies, repairs are deemed a subset of maintenance (overarching term including restoration and retention) and as such, this excludes retention leading to confusion. ● The term “capital” seems unnecessary; cause of the deficiency is usually irrelevant.

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Ranking	Source	Definition of Repair	Pros – why?	Cons –why?
3rd	U.S. Statute <i>10 USC 2811</i>	A project to restore a real property facility, system, or component to such a condition that it may effectively be used for its designated functional purpose.	<ul style="list-style-type: none"> ● Designated functional purpose clearly ties asset to a purpose; i.e. mission and function. ● Is broad enough to allow management flexibility. ● Includes ‘components’ as separate allowable activity. 	<ul style="list-style-type: none"> ● Not all activities are projects; what do you do with such repairs? ● We should not tie ourselves to legislative or statutory language which could change for non-technical reasons thus affecting comparability. ● Mil-Con authorities do not apply to civilian agencies. ● The term “project” has distracting or hidden meanings via the three identified levels causing greater lack of comparability.
4th	FRPC	The amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to	<ul style="list-style-type: none"> ● Properly ties repair to restoration of function. 	<ul style="list-style-type: none"> ● Originally intended seems to be at odds with “current use” concept. ● Introduces “substantially

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Ranking	Source	Definition of Repair	Pros – why?	Cons –why?
		the originally intended and designed capacity, efficiency, or capability.		<p>equivalent” as a new undefined phrase causing confusion.</p> <ul style="list-style-type: none"> ● Conflicts with current FASAB standard that does not address efficiency. ● Only deals with asset in its entirety. Does not address components/systems. ● The phrase, “amount necessary” is not an activity, but a funding stream.
<p style="text-align: center;">5th (Least popular)</p>	<p>GAO <i>21 Comp. Gen. 90, 91-92 (1941)</i></p>	<p>It has been held that the term ‘repair’ includes anything that is reasonably necessary to keep up the premises.</p>	<ul style="list-style-type: none"> ● Provides ultimate flexibility. 	<ul style="list-style-type: none"> ● Far too broad a statement. ● This GAO definition clearly commingles maintenance and repair and causes confusion. ● Introduces “reasonably necessary” as a new undefined phrase causing confusion. ● Only addresses “premises”

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Ranking	Source	Definition of Repair	Pros – why?	Cons –why?
				<p>and not equipment.</p> <ul style="list-style-type: none"> • Too narrow a definition and presumably case-specific.

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Task force process of elimination would result in retaining the term “preserving the asset.”

However, do we tie asset preservation to **achievement of either a service or useful life?**

Only difference between Alt 1 and Alt 2 reflects different asset maintenance philosophies.

Alternate 1 Philosophy – Where the asset is King.

Alternate 2 Philosophy – Where the asset’s purpose of achieving a service/useful life is King.

The preliminary input shows an even 50/50 split on this question.

“preserving the asset.”	“preserving the asset so that it achieves its service/useful life.”
<ul style="list-style-type: none"> ● Pros <ul style="list-style-type: none"> ○ Lean budgets create an intrinsic incentive to avoid over allocating resources to less critical assets. ○ Focuses on asset preservation regardless of agency mission or usage which could change periodically; ensures asset is always in acceptable condition. ○ Reflects reality. An asset will be maintained in acceptable condition for reasons beyond mission; i.e. health and safety. 	<ul style="list-style-type: none"> ● Pros <ul style="list-style-type: none"> ○ Service life is management’s best estimate of intended use and purpose. ○ Fixing a period of time facilitates the accountant’s matching principle to match expenses with related income/revenue. ○ Fixing a period of time facilitates estimating “total operating cost”. ○ Better stewardship since an asset’s very existence is tied to either a service or useful life. ○ Establishes a requirement that an asset should only be maintained or kept on the books if it is in fact “in service”;

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

“preserving the asset.”	“preserving the asset so that it achieves its service/useful life.”
	directly related to mission or agency requirements.
<ul style="list-style-type: none"> ● Cons <ul style="list-style-type: none"> ○ In its purest form, this is only applicable to historic assets. ○ Places too much emphasis on preserving an asset when in fact, mission requirements could justify disposal or excess. ○ Budgets are much too lean to empower asset managers with such flexibility that does not take mission requirements or asset criticality into consideration. ○ Mission requirements are independent of these definitions. Whether an asset is needed for mission support is irrelevant in whether the asset is preserved or useable. This is the difference between the API and FCI chart. 	<ul style="list-style-type: none"> ● Cons <ul style="list-style-type: none"> ○ Preserving is tied to historical assets, as such, another verb such as “maintaining” should be considered. ○ At an agency, who defines “useful life” is problematic; i.e. liability concerns drive the period in some cases. ○ Achieving a service/useful life is not applicable to historic structures however, repairs are equally important to preserving these assets. ○ Fails to realize that service/useful life criteria are vague and periodic changes could adversely impact the asset’s condition. ○ Introduces greater subjectivity leading to lack of comparability. ○ Who defines service life or useful life? That is, without relating an asset to its mission, this makes no real difference. ○ Does not account for assets that exceed their useful life. ○ Historic structures (such as ruins, unoccupied cultural assets) do not have a service life so this would cause a

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

“preserving the asset.”	“preserving the asset so that it achieves its service/useful life.”
	conflict.

Some have recommended using “useful life” instead of “service life” as that term is already defined within the context of PP&E within FASAB standards. Also, it is a widely recognized term within standard-setting bodies (e.g. IPSASB, IFRS, GASB, and FASB), with slight variations but has broad application within accounting literature. Possible wording: “to preserve the asset to continue to achieve its useful life.” Also, useful life appears in OMB Circular A-11: Part 7, *Planning, Budgeting, Acquisition, and Management of Capital Asset* as part of the definition for capital asset. **Preliminary input shows that “useful life” would be an acceptable substitute to “service life”.**

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

“**M&R excludes...activities....or...upgrading to serve needs...greater than its (the asset’s) current use**”¹.

Task force process of elimination would base M&R exclusions not on how an asset’s use was “originally intended”, but rather on its “current use”.

Preliminary input shows that there are no objections to using “greater than its’ (the asset’s) current use”.

Phrase	Pros – why?	Cons – why?
Current use	<ul style="list-style-type: none"> • Current use reflects current capabilities; i.e. mission needs/requirements. • From an appraisal/valuation point of view, when considering insurance needs as an example, the cost of reproduction is more consistently tied to “current use” than what 	<ul style="list-style-type: none"> • Current use can change causing greater lack of comparability. • Factors complex capacity issues into equation causing confusion.

¹ Some have suggested that “current use” be changed to “current configuration” or “current capability”. Although “current configuration” might ignore issues of capacity or efficiency, the definition is tightened. “Current capability” focuses on what the asset “could” do as opposed to what it is doing; this focuses on potential service benefit of an improvement regardless of management’s use of the asset; could reduce accounting manipulation. Some have proposed adopting 10 USC 2811 language that refers to “designated functional purpose”. This seems to assign exclusions based on an asset’s designated use as opposed to its original intent. **Preliminary input shows little to no support for the terms “current configuration”, “current capability”, and “designated functional purpose”.**

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Phrase	Pros – why?	Cons – why?
	<p>was originally intended.</p> <ul style="list-style-type: none"> • Reflects reality and not some long forgotten or outdated purpose. • Exclusions based on an asset’s actual service benefit. • For some agencies, reverting to an “originally intended” state would be problematic. 	
Current configuration	<ul style="list-style-type: none"> • Objective & readily ascertained. • Reflects reality in how asset is being used. 	<ul style="list-style-type: none"> • Configuration is an obtuse term. • Configurations can change often thus affecting comparability. • Too technical. • Ignores capacity/efficiency. • Far too “space-use” specific. • Introduces “configuration” as a new undefined term causing confusion. • Who defines configuration; engineers, asset managers, program manager?
Current capability	<ul style="list-style-type: none"> • Focuses on what the asset “could” or 	<ul style="list-style-type: none"> • Factors complex capacity issues into equation

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Phrase	Pros – why?	Cons – why?
	<p>“should” do as opposed to what it is doing.</p> <ul style="list-style-type: none"> ● Focuses on potential service benefit of an improvement regardless of management’s use of the asset; could reduce accounting manipulation. 	<p>causing confusion.</p> <ul style="list-style-type: none"> ● Introduces greater subjectivity possibly increasing accounting manipulation.
<p>Designated functional purpose</p>	<ul style="list-style-type: none"> ● Designated functional purpose clearly ties asset to a purpose; i.e. mission and function. ● Is broad enough to allow management flexibility. ● Avoids complex capacity or technical issues. 	<ul style="list-style-type: none"> ● We should not tie ourselves to legislative or statutory language which could change for non-technical reasons thus affecting comparability. ● Not really different from the simpler “current use” but sounds more complicated. ● Introduces “configuration” as a new undefined term causing confusion.

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

“Acceptable Condition” (Alternates 1 and 2 – see next page)

Task force process of elimination would lead to retaining the term “*acceptable condition*” as opposed to “*in a condition to effectively support the mission.*”

Initial Board discussions confirm intent to allow for agency/management flexibility.

Despite “cons”, preliminary input shows unanimous acceptance of “acceptable condition”.

“Acceptable Condition” Pros – why do we like?	“Acceptable Condition” Cons – why don’t we like?	FASAB Glossary
<ul style="list-style-type: none"> • Term reflects the asset and not activities occurring in association with the asset • Stresses condition-based assessment • Provides agencies with operational flexibility • Aligns with FRPC performance measures (Condition Index) and direction. 	<ul style="list-style-type: none"> • Introduces subjective judgment. • Interpretation of term varies among key decision makers (program managers, facility managers, tenants, etc.) • May be unnecessary if the phrase “acceptable services” remains in the definition 	<ul style="list-style-type: none"> • Acceptable – not defined • Condition – defined (see below)

FASAB “Condition” Definition – “The physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset’s condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence.” *FASAB Consolidated Glossary Appendix E.*

Analysis of Key Phrases for a FASAB Maintenance Definition

(Based on “Comparison of Maintenance Definitions” 07/01/2009 FASAB Task Force Document, Working Group Input 9/25/09, and Task Force Preliminary November Input)

Alternate 1 - Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, repairs, replacement of parts and structural components, and other activities **needed to preserve the asset**. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.

Alternate 2 - Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, **repairs**, replacement of parts and **structural** components, and other activities **needed to preserve the asset so that it achieves its service life**. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.

Based on preliminary feedback throughout this document, the recommended wording would be:

“Maintenance and repairs are activities directed toward keeping fixed assets in an **acceptable condition**. Activities include preventive maintenance, **rehabilitation**, replacement of parts, systems, or **components**, and other activities **needed to preserve or maintain the asset**. Maintenance and repairs exclude activities whose primary intent is aimed at expanding the capacity of an asset or otherwise upgrading it to increase efficiency or serve needs different from or **significantly greater than its current use**.”

**Staff Review of Task Force Analysis
Conducted November 2009
Deferred Maintenance & Asset Impairment (DM-AI)**

Where FASAB started in November 1995:

SFFAS 6 Definition of Maintenance:

“For purposes of this standard, **maintenance** is described as the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, **normal repairs**, replacement of parts and structural components, and other activities needed to preserve the asset **so that it continues to provide acceptable services and achieves its expected life.** Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, **those originally intended.**” *SFFAS 6, Accounting for Property, Plant & Equipment*

Two Alternate definitions the Taskforce developed:

Alternate 1 - Maintenance **and repairs** are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, **repairs**, replacement of parts and structural components, and other activities **needed to preserve the asset.** Maintenance **and repairs** exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than **its current use.**

Alternate 2 - Maintenance **and repairs** are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, **repairs**, replacement of parts and structural components, and other activities **needed to preserve the asset so that it achieves its service life.** Maintenance **and repairs** exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than **its current use.**

**Staff Review of Task Force Analysis
Conducted November 2009
Deferred Maintenance & Asset Impairment (DM-AI)**

Task Force Final November 2009 Review

“Maintenance and repairs are activities directed toward keeping fixed assets in an **acceptable condition**. Activities include preventive maintenance, **restoration**, replacement of parts, systems, or **components**, and other activities **needed to preserve or maintain the asset**. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or **significantly greater than its current use**.”

Staff Recommendation

“Maintenance and repairs are activities directed toward keeping fixed assets in an **acceptable condition**. Activities include preventive maintenance, **restoration**, replacement of parts, systems, or **components**, and other activities **needed to preserve or maintain the asset so that it continues to perform as planned and achieve its useful life**. Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or **significantly greater than its current use**.”

**Staff Review of Task Force Analysis
Conducted November 2009
Deferred Maintenance & Asset Impairment (DM-AI)**

1st Sentence	Language	Change	Comments/Impact
Standard 6	For purposes of this standard, maintenance is described as the act of keeping fixed assets in acceptable condition.	N/A	N/A
Task Force Results	Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition.	<ol style="list-style-type: none"> 1. Add "Repairs". 2. Change "act" to "activities". 	<p>1. At some agencies repairs are not always considered a subset of maintenance. The task force noted that as a result, there is much confusion regarding the proper treatment of repairs resulting in disparate accounting/reporting of repair work.</p> <p>2. M&R is best described as a set of multi-disciplinary activities involving often complex technical and scheduling requirements that may cut-across an organization. SFFAS 6 should be revised accordingly.</p>
Staff Position	Concurs with task force	N/A	N/A

**Staff Review of Task Force Analysis
Conducted November 2009
Deferred Maintenance & Asset Impairment (DM-AI)**

2 nd Sentence – first part	Language	Change	Comments/Impact
Standard 6	It includes preventive maintenance, normal repairs , replacement of parts and structural components, and other activities needed to preserve the asset...	N/A	N/A
Task Force Results	Activities include preventive maintenance, restoration , replacement of parts, systems , or components, and other activities needed to preserve or maintain the asset.	<ol style="list-style-type: none"> 1. Delete “normal repairs” and replace with “restoration”. 2. Add “systems”. 3. Delete “structural”. 4. Add “maintain” in addition to “preserve”. 	<ol style="list-style-type: none"> 1. In technical terms, there are no “normal” repairs. Such a reference causes confusion/ambiguity inasmuch as it implies that there are abnormal or extraordinary repairs. 2. Complete systems are often a part of routine M&R and should not be excluded from the definition. 3. “Structural” implies real property and the FASAB definition covers all major asset classes to include equipment and other personal property. 4 Not all assets are “preserved”; asset preservation such as one would find with a museum collection is different from asset maintenance. Asset preservation has a distinct meaning in the functional community as it implies a level of maintenance (e.g. museum collections) usually reserved for historical monuments/structures and synonymous with conservation techniques. Since the M&R definition covers all major asset classes, the Task Force recommends adding “maintain”. Another suggestion was to drop both terms (preserve and maintain) and use “sustain”. Objections over this alternative were raised due to its use in environmental contexts.
Staff Position	Concurs with task force	N/A	N/A

**Staff Review of Task Force Analysis
Conducted November 2009
Deferred Maintenance & Asset Impairment (DM-AI)**

2 nd Sentence – second part “acceptable services”	Language	Change	Comments/Impact
Standard 6	...so that it continues to provide acceptable services and achieves its expected life.	N/A	N/A
Task Force Results	Delete this entire phrase.	Delete this entire phrase.	“Acceptable services” was eliminated since (1) the TF wanted to simplify the definition where possible and define M&R in a crisp and succinct manner, and (2) asset preservation to an “acceptable condition” standard inherently provides for “acceptable services”; that is, mission effectiveness was inherently understood to be the underlying motive behind M&R. In essence, the TF viewed asset preservation or maintenance in its purest form; retaining and restoring functionality not considering subsequent value judgments management might make over the quality of an asset’s output.
Staff Position	Non-concur with Task force	...so that it continues to perform as planned and achieve its useful life.	Per our reporting objectives, DM accounting/reporting should aspire towards the achievement of operating performance and stewardship. As such, we should avoid inferring that asset preservation is an end unto itself. Consistent with the task force’s belief that an asset’s M&R reflect “current use”, the FASAB glossary currently defines “condition” to include, “...ability to perform as planned and its {asset’s} continued usefulness”, staff advises that we tie an asset’s performance to these two attributes (and not acceptable services).

**Staff Review of Task Force Analysis
Conducted November 2009
Deferred Maintenance & Asset Impairment (DM-AI)**

2 nd Sentence – second part “expected life”	Language	Change	Comments/Impact
Standard 6	...so that it continues to provide acceptable services and achieves its expected life.	N/A	N/A
Task Force Results	Delete this entire phrase.	Delete this entire phrase.	The task force agreed with the FFC that when trying to apply SFFAS 6 to specific asset classes, “expected life” was problematic inasmuch as some assets have indeterminable lives and that an asset should be maintained beyond a subjective time frame that might be based on tax depreciation schedules.
Staff Position	Non-concur with Task force	...so that it continues to perform as planned and achieve its useful life.	From an accounting and reporting point of view, an estimate of an asset’s “useful life” is needed to comply with the matching principle ensuring that (depreciation) costs are in fact properly reflected and allocated to the statement of net cost. Furthermore, should an agency develop more discrete accurate data concerning an asset’s useful life, prospective adjustments can be made via an accounting change-in-estimate.

**Staff Review of Task Force Analysis
 Conducted November 2009
 Deferred Maintenance & Asset Impairment (DM-AI)**

3rd Sentence	Language	Change	Comments/Impact
Standard 6	Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended .	N/A	N/A
Task Force Results	Maintenance and repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than its current use	1. Change “originally intended” to “greater than its current use”.	1. The task force overwhelmingly desired this change since an asset’s originally intended use in many cases cannot be ascertained. Also, original intentions are usually not a consideration since assets must be deployed to meet current agency/mission requirements.
Staff Position	Concurs with task force		