

>>> "Buford, Kevin (HQ-IM030)" <kevin.buford@nasa.gov> 6/25/2010 5:19 PM >>>
Dear Ms. Payne,

Please find attached NASA's response to the questions related to the Exposure Draft titled, "Definitional Changes Related to Deferred Maintenance and Repairs." If you have any questions regarding this response, please contact me at 202-358-0405 or by e-mail at Kevin.Buford@nasa.gov.

Best regards,

Kevin Buford
Director, Policy Division
NASA Office of the Chief Financial Officer

**NASA RESPONSE TO QUESTIONS FOR RESPONDENTS REGARDING
DEFINITIONAL CHANGES RELATED TO DEFERRED MAINTENANCE AND
REPAIRS**

Q1. The Board proposes adding “repairs” to the title and body of the revised definition in order to clarify that deferred “repairs” as well as deferred “maintenance” need to be reported.

Do you agree or disagree that the maintenance definition (title and body) should be changed to explicitly include “repairs” (refer to paragraphs A8 – A27 for a detailed discussion and related explanations)? Please provide the rationale for your answer.

Response: We agree that the maintenance definition (title and body) should be changed to explicitly include “repairs”. This will help to clear the confusion regarding the proper treatment of repairs and improve financial reporting.

Q2. The second sentence of the existing standard provides (1) an illustrative list of activities which are not meant to be all inclusive and (2) the terms “acceptable services” and “expected life.” First, the Board proposes that the list of activities contained in the second sentence of the existing definition be updated to better reflect current federal and industry practices as well as encompass maintenance and repair (M&R) activities related to equipment and other personal property in addition to buildings, building components, or service systems. Second, the Board believes that the terms “acceptable services” and “expected life” should be eliminated from the definition. The second sentence would read as follows:

“Activities include preventive maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset.”

a. **Do you agree or disagree with each change to the list of activities (refer to paragraph A16 through A17 for a list of changes and related explanations)? Please provide the rationale for your answer to each change.**

Response: We agree with the proposed change to the list of activities to include preventive maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset.

b. **Do you agree or disagree with the elimination of the phrase “so that it continues to provide acceptable services and achieves its expected life” (refer to paragraphs A18, A19, and A27 for detailed discussions and related explanations)? Please provide the rationale for your answer to each reference/phrase.**

Response: We agree that elimination of the phrase “so that it continues to provide acceptable services and achieves its expected life”, since asset preservation or maintenance to an “acceptable condition” standard inherently provides for “acceptable services.” We concur that federal assets are usually maintained and managed beyond the initial estimate of useful

or expected life to secure maximum return or service benefit and hence no need to link the deferred maintenance and repairs to “expected life.”

Q3. The Board proposes changing the last sentence of the definition to exclude the reference to needs “originally intended” to be met by the asset. Instead, “*activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use*” is proposed (underscoring added for emphasis).

As such, the proposed revised last sentence would read as follows:

“Maintenance and repairs exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.”

Do you agree or disagree with the aforementioned change (refer to paragraph A20 for a detailed discussion and related explanation)? Please provide the rationale for your answer.

Response: We agree with excluding “originally intended” from the definition as in many cases an asset’s originally intended use cannot be ascertained and usually original intentions are not a significant consideration for asset maintenance. Also, the purpose of the deferred maintenance and repairs is to preserve and maintain the asset to a condition for which they are currently being used, and not necessarily to the original intent.

Q4. The Board is not proposing a change at this time but rather, is seeking input on the impact that agency capitalization thresholds might have in the reporting of deferred maintenance and repairs. Because PP&E is subject to various capitalization thresholds and actual maintenance requirements are not, some believe it is more appropriate to report deferred maintenance and repairs (DM&R) in the broader context of fixed assets rather than only for capitalized PP&E.

Do you believe Deferred Maintenance and Repair (DM&R) reporting should be limited to DM&R related to capitalized PP&E or directed broadly to fixed assets? Please provide the rationale for your answer. Refer to paragraph A21(c) and A24 for a detailed discussion and related explanation.

Response: We believe Deferred Maintenance and Repair (DM&R) reporting should be directed broadly to fixed assets because DM&R may exist for non capitalized assets as well. It is appropriate to define M&R in the broader context of fixed assets as opposed to PP&E which is subject to balance sheet recording criteria. In many cases, the deferred maintenance and repair costs are more pertinent to the users of the financial statements than historical cost or periodic depreciation. The deferred maintenance and repair costs represent future expenditures the Agency will have to make in order to continue using its facilities, while historical cost and related depreciation represent expenditures that occurred in the past.

Q5. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes thus far discussed, but also other changes, points, issues and/or considerations which may not have been specifically addressed in this exposure draft. In

addition, the basis for conclusions explains the Board's goals for this project (see comments beginning at par.A8) and also discusses other issues raised by task force members (as an example, see paragraphs A11 through A13).

Please provide any comments or suggestions you have regarding the goals for this project, other issues identified in the basis for conclusions, or areas which have not been addressed.

Response: No further comments.