

From: Jenson, Mark (HQ-WBH10)
Sent: Friday, September 16, 2011 8:59 AM
To: DefMaint
Cc: MORRISON, JAMES L. (HQ-WBH10); PETTITT, DEBRA D. (HQ-WBH10); Szelong, Tekla M. (HQ-WBH10)
Subject: NASA OIG Comments on the Deferred Maintenance and Repairs SFFAS Exposure Draft

Please find attached our comments on the Exposure Draft of the proposed Statement of Federal Financial Accounting Standards entitled, *Deferred Maintenance and Repairs - Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*. If you have any questions or comments for us, please do not hesitate to contact me.

Thanks!

Mark C. Jenson, CPA, CGFM
Director, Financial Management
NASA Office of Inspector General

NASA OFFICE OF INSPECTOR GENERAL**COMMENTS ON EXPOSURE DRAFT****“Deferred Maintenance and Repairs - Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32”**

The purpose of the proposed Statement of Federal Financial Accounting Standards entitled, *Deferred Maintenance and Repairs - Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*, is to improve deferred maintenance and repairs (DM&R) measurement and to enhance current federal reporting by incorporating changes that are responsive to concerns raised by financial and technical property management communities. The Federal Accounting Standards Advisory Board (FASAB) posed seven questions for respondents. We respectfully submit our responses to those questions below for consideration.

Q1. Do you agree or disagree with the Board’s proposal to no longer require condition reporting? Please provide the rationale for your answer.

NASA OIG Response:

We agree with the Board’s proposal to eliminate the requirement to report condition information. We understand that assessment methods and reporting continue to evolve and that comparability and understandability of condition information is currently a challenge Government-wide.

Q2.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.

NASA OIG Response:

We believe that comparative information should be presented for the two years under audit, even though Required Supplementary Information is not subject to the same audit scrutiny as the financial statements and notes. We do not object to the presentation of beginning and ending balances; however, ending balances for the two fiscal years presented is a more common method of presentation.

Q2.b. Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.

NASA OIG Response:

We agree with the requirement to explain significant DM&R changes. Significant changes to maintenance and repair (M&R) policies and factors considered in determining acceptable condition standards would have a significant impact to the

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amounts of DM&R reported in the prior year. Many agencies already explain significant changes to financial statement line items in the Management Discussion and Analysis (also considered RSI). A requirement to include similar, but very specific, language in the proposed SFFAS appears to be fair considering the interest in DM&R and the state of the Federal property footprint.

Q3.a. Do you agree or disagree that entities should apply reported methods and reporting formats consistently? Please provide the rationale for your answer.

NASA OIG Response:

We agree agencies should apply reported methods and reporting formats consistently. Consistency is one of the basic characteristics of financial reports. Consistency adds to the value of DM&R estimates and provides useful trend information to the readers of the financial statements.

Q3.b. Do you agree or disagree with requiring an explanation if entities change methods or formats? Please provide the rationale for your answer.

NASA OIG Response:

We agree that agencies must explain a change in their methods or formats. The explanation should include the rationale behind the change and the related impact to the DM&R estimates. As new and improved methods or technologies are developed, agency management should incorporate those changes to improve the completeness and accuracy of its DM&R reporting.

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.

NASA OFFICE OF INSPECTOR GENERAL**COMMENTS ON EXPOSURE DRAFT****“Deferred Maintenance and Repairs - Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32”****NASA OIG Response:**

We agree with the requirements. Since DM&R is not part of the financial statements, significant DM&R policies would not be in Note 1, Summary of Significant Accounting Policies. It makes great logical sense to include DM&R policies in RSI to provide the reader context and an understanding of DM&R. See our comments to Q2.b. regarding changes to policies and factors.

Q5. 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.

NASA OIG Response:

We agree that the compilation and reporting of DM&R information engages many different offices within each agency, including logistics, property, maintenance, safety, and accounting. Communication between these offices is paramount to report reliable information to comply with the requirements in this proposed standard.

Q6.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.

NASA OIG Response:

To aid in comparability of DM&R estimates, we agree with eliminating the option to report a range of DM&R estimates. A single estimate is more informative and would require agencies to report a more realistic estimate. Since the reporting of ranges for DM&R estimates was optional, not all agencies chose to report its DM&R in this fashion and thus resulted in a lack of comparability between agencies.

Q6.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.

NASA OIG Response:

We agree with the elimination of the option to distinguish between critical and non-critical DM&R. Agencies interpret the definitions of criticality differently, which leads to inconsistent reporting. Since the stratification of DM&R between critical and non-critical

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was optional, not all agencies chose to report its DM&R in this fashion and thus resulted in a lack of comparability between agencies.

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

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

NASA OIG Response:

From the OIG perspective, we are unsure that a two-year implementation period is necessary. We did not see a documented rationale for the two-year period. If the Board found that many agencies have not documented M&R policies, determined methods for ranking and prioritizing M&R activities, developed factors for determining acceptable condition standards, or determined which assets are considered for DM&R reporting, then two years may be appropriate. However, many of these items should already be in place as part of the agencies' control environments and current DM&R reporting.