



Greater Washington Society of CPAs and GWSCPA Educational Foundation

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September 16, 2011

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, 14, 29 and 32*.

The GWSCPA consists of approximately 2,000 members, and the FISC includes 26 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members. Our responses to the ED questions follow.

- Q1. The Board proposes to eliminate the requirement to report condition information. Refer to paragraphs 13, 14, and 17 of the proposed standards and paragraph A8 in Appendix A - Basis for Conclusions for a discussion and related explanation. Do you agree or disagree with the Board's proposal to no longer require condition reporting? Please provide the rationale for your answer.
- A1. The FISC does not object to the elimination of reporting condition information. We agree with the Board's rationale described in paragraph A8 of the ED that condition information, although important and serves as the basis of an entity's DM&R estimate, may not provide meaningful information to users of financial reports.
- Q2. The proposed standards would require that DM&R estimates for beginning and ending balances be presented with an explanation of significant changes in estimates. Refer to paragraph 14.f. and g. of the proposed standard and paragraph A20 in Appendix A - Basis for Conclusions for a discussion and related explanation.
- (a) Do you agree or disagree that DM&R estimates for beginning and ending balances should be presented? Please provide the rationale for your answer.

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

- A2. (a) The FISC agrees that reporting beginning and ending balances is useful, but with two caveats.

First, members of the FISC have concerns that presenting quantitative information without explicit reference to management's judgment in the accompanying narrative may imply a level of precision that is not present in management's estimates. Therefore, the FISC requests that the Board add an additional requirement in paragraph 14 of the ED that requires the entity to explicitly state that the DM&R amounts reported are based upon estimation methodologies employed by management that are subject to professional judgment.

Second, given the allowance in paragraphs 12 and 14 (d) of the ED for optional reporting of non-capitalized or fully depreciated general PP&E, the FISC is concerned that there is not a requirement in paragraph 14 (g) of the ED for separately reporting quantitative information for mandatory DM&R (i.e., capitalized general PP&E and stewardship PP&E) versus optional DM&R (i.e., non-capitalized or fully depreciated general PP&E). Without separately reporting these two elements of DM&R, the preparers of the government-wide financial statements may face difficulty in aggregating and reporting meaningful information on the amounts of DM&R across the government (as required in paragraph 15 (b) of the ED) if some agencies report one amount for both mandatory and optional DM&R, while other agencies report only mandatory DM&R. The FISC recommends that paragraph 14 (g) of the ED be amended to require that DM&R be reported by such categories as: capitalized general PP&E, stewardship PP&E, non-capitalized or fully depreciated general PP&E, and heritage assets. Further, the FISC recommends that paragraph 15 (b) of the ED be amended to require that the government-wide financial report include information on capitalized general PP&E and stewardship PP&E, and that reporting non-capitalized and fully depreciated PP&E be optional for preparers of the government-wide financial report.

(b) The FISC agrees that presenting information about significant changes in the DM&R estimates would be useful. The users of the financial reports would receive value in understanding the economic, operational, technological, or environmental changes that impacted the reporting entity's DM&R estimates. The FISC recommends that the Board consider amending paragraph 14 (f) to ensure that agencies provide explicit discussions about significant changes.

- Q3. The proposed standards state that entities should apply reported methods and reporting formats consistently unless management determines that changes are necessary and if changes to methods or formats are necessary, such changes should be explained. Refer to paragraph 11 of the proposed standards and paragraphs A10 and A11 in Appendix A - Basis for Conclusions for a discussion and related explanation.

- (a) Do you agree or disagree that entities should apply reported methods and reporting formats consistently? Please provide the rationale for your answer.
- (b) Do you agree or disagree with requiring an explanation if entities change methods or formats? Please provide the rationale for your answer.

- A3. The FISC agrees that an entity's reporting methods should be consistent from year to year, and that any significant changes in the entity's reporting methods should be explained. However, members of the FISC are concerned that the ED does not sufficiently address the risk that one method may produce a vastly different result than another method at the same entity. By allowing each reporting entity to choose its measurement approach from a variety of methods (see paragraphs 8-10 of the ED), it is likely that multiple methods will be used across government. If each entity has not evaluated whether the use of an alternative method may produce a vastly different result, then the comparability of DM&R amounts between agencies may be jeopardized.
- 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.
- A4. The FISC generally agrees with the requirements in paragraphs 13 and 14 of the ED. However, we have provided some additional matters for the Board to consider in our answers to questions 2 and 3 of this response.
- Q5. The proposed standards state that communication with and consideration of input from professionals in diverse disciplines is necessary to effectively compile and report DM&R. Refer to paragraph 11 of the proposed standards and paragraphs A15 and A16 in Appendix A - Basis for Conclusions for a detailed discussion and related explanation. Do you agree or disagree that communication with and consideration of input from professionals in diverse disciplines is necessary to effectively compile and report DM&R? Please provide the rationale for your answer.
- A5. The FISC agrees that communication between multiple disciplines is an important element of estimating DM&R. The eventual standard should encourage this communication, but such communication should be left up to management's judgment and should not be required.
- Q6. The proposed standards would eliminate the option to report a range of DM&R estimates and the distinction between critical and non-critical amounts. The reported amount of DM&R may be disaggregated in a variety of ways without explicit mention in the standards. Refer to paragraph 14 of the proposed standards and to paragraphs A18 and A19 in Appendix A - Basis for Conclusions for a discussion and related explanations.
- (a) Do you agree or disagree with eliminating the option to report a range of DM&R estimates? Please provide the rationale for your answer.
- (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.
- A6. (a) The FISC agrees with the elimination of reporting on a range of DM&R estimates at each agency. The usefulness of the estimate is diluted when a range is provided. The requirements in paragraph 14 (g) of the ED to report a point estimate will provide more meaningful information to a reader.

(b) The FISC agrees with eliminating the distinction between critical and non-critical DM&R estimates.

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.

A7. The FISC agrees with the effective date of this standard. However, it is not apparent to some members of the FISC why entities may require such a lengthy period of time to implement the requirements of this standard.

Other Comments

We recommend that the Board consider the following additional matters:

- In paragraph 17 of the ED, the Board is proposing to eliminate the definition of the term “condition” from SFFAS 29. The FISC requests that the Board evaluate whether the term “condition” is sufficiently defined elsewhere in GAAP since that term is used in the ED. Otherwise, the definition of the term “condition” should be included in the eventual standard.
- In paragraph 15 of the ED, the term “deferred DM&R” is redundant.
- In footnote 12 of the ED, the term “task force” should be replaced with “Task Force” to reflect the use of that term in paragraph A6 of the ED.
- In paragraph A10 of the ED, a comma should be inserted after the word “i.e.”
- In certain places in the ED, the symbol “&” is used in lieu of the word “and” (e.g., pages 22 and 27). The Board should consider using the word “and” consistently throughout the ED.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,



Andrew C. Lewis
FISC Chair