

**Sent:** Friday, September 16, 2011 3:53 PM  
**To:** DefMaint  
**Cc:** Navarro, Melanie I  
**Subject:** DOI Response to ED on Deferred Maintenance and Repairs

Ms. Payne,

Please find attached Interior's response to the above referenced exposure draft. FASAB staff may feel free to contact me with any questions.

Regards,

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**Edward King**  
Chief, Financial Reporting Division  
Office of Financial Management  
US Department of the Interior

**Word Version of Request for Comments****Deferred Maintenance and Repairs - Exposure Draft****Comments Requested by September 16, 2011**

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**Name of Respondent:** [US Department of the Interior](#)**Organization Represented:** [Office of Financial Management](#)

**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.**

[Agree.](#)

**Rationale.** Condition information is non-financial and should be removed from the reporting requirement since it may not provide useful information to the user of the financial report. Accordingly, the requirement to present "Factors the entity considers in determining acceptable condition standards" as written in Paragraph 14.c should also be removed since it is directly related to condition reporting.

**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.**

[Agree.](#) Interior concurs with the presentation of estimates for beginning and ending balances.

**Rationale.** This disclosure would provide useful information to the users and may provide a measure of the effectiveness of management of DM&R funding.

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

[Disagree.](#)

**Rationale.** Many variables impact the change in DM&R estimates including resource constraints, cost estimate changes, naturally occurring events, etc. Each preparer would be required to determine what constitutes a significant change that could result

in wide disparities among the government-wide financial reporting community as well as the audit community.

**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.**

**Agree.** Interior concurs that reported methods and reporting formats should be applied consistently.

**Rationale.** Consistency promotes comparability and should be achieved whenever practical, however preparers should have flexibility in the application of the measurement and assessment methods within asset classes to allow for the heterogeneous nature of assets reported by the entity.

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

**Agree.** Interior concurs that explanations should be required for changes in methods or formats.

**Rationale.** When comparing current and prior year data, an explanation will enable users to understand the reason for the changes and any impact on the DM&R estimates.

**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.**

**Disagree.**

**Rationale.** Combining policy statements across a reporting entity with heterogeneous assets and varying missions is difficult at best; especially if required for “each category” as stated in Paragraph 14. DM&R policies may or may not be based on asset categories. It appears that this may be an assumption. The requirement to report significant policy changes and other factors from the prior year could also overlap with an explanation for changes in DM&R estimates, if that requirement is adopted; thereby creating an overall redundancy in the qualitative information.

**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.**

**Agree.**

**Rationale.** Communication among diverse disciplines frequently improves the quality and usefulness of information. Also, if Paragraph 11 is retained, Interior recommends adding “historic preservation” to the list of disciplines to be engaged.

**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.**

**Disagree.**

**Rationale.** The use of a range makes it clear that estimates are being presented.

**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.**

**Agree.**

**Rationale.** This information would likely be conveyed in the entity's description of its policies regarding DM&R activities.

**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.**

**Agree.**

**Rationale.** Preparer will need adequate time adopt the requirements of the standard and determine the impact on reporting systems and processes.

### **Additional Comments:**

We recognize that the primary intent of the ED is to provide mechanisms to achieve consistency in financial reporting with regard to deferred maintenance, however, broadening the definition to seemingly allow almost anything to be categorized as Deferred Maintenance and Repair may not produce the intended result.