

June 25, 2010

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
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Washington, DC 20548

Advancing  
Government  
Accountability

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Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB or the board) on its exposure draft (ED) of a proposed Statement of Federal Financial Standards entitled, *Definitional Changes to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant and Equipment*.

The FMSB, comprising 21 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

Our responses to the questions posed in the exposure draft follow:

**Q1. Do you agree or disagree that the maintenance definition (title and body) should be changed to explicitly include “repairs?”**

The FMSB agrees with including “repairs” in the title and body just to make it very clear to all financial statement preparers and users.

**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.”**

The FMSB does not see where it is specified that the definition refers to “equipment and other personal property as well as buildings, building components or service systems.” In fact, we do not see where either the proposed or the current system specifies “buildings, building components or service systems.” Both definitions refer only to “fixed assets.”

**Q2. 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.**

The FMSB agrees with revising the definition to make it clearer and include “systems.” We suggest adding examples as to what is meant by “systems” as many may only think of information technology systems.

**Q2. 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.**

The FMSB agrees with eliminating the phrase “so that it continues to provide acceptable services and achieves its expected life” as it is redundant and its elimination results in a much clearer definition.

**Q3. Do you agree or disagree with the change discussed in paragraph A20? Please provide the rationale for your answer.**

The FMSB agrees with excluding “originally intended” as it is too limiting considering the rapid improvements in technology, the possibility of not being able to ascertain the ‘original use,’ and the asset may have been modified or expanded to a new more relevant use.

**Q4. 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.**

The FMSB thinks it would be more appropriate to report deferred maintenance and repairs under fixed assets as non-accountants are frequently confused by what is a capital asset and what is PP&E, whether the repair will improve the asset and extend its useful life, and how the capitalization thresholds should be applied.

Also, we note that neither the current nor the proposed definitions limit deferred maintenance to only capitalized PP&E -- as noted above, the definitions each refer to "Fixed Assets". Perhaps since deferred maintenance is part of the PP&E Standard 6, the implication is that deferred maintenance refers only to capitalized PP&E. However, that is not obvious from the definition itself. We suggest that the board consider reviewing the guidance.

**Q5. 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.**

We have no additional comments at this time.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. No member objected to its issuance. If you have questions concerning the letter, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or 703.684.6931 ext. 313.

Sincerely,



Robert L. Childree, Chair  
AGA Financial Management Standards Board

cc: William A. Morehead, Ph.D., CPA, CGFM  
AGA National President

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Financial Management Standards Board**

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