



October 14, 2011

Memorandum

To: Members of the Board

From: Domenic N. Savini, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Deferred Maintenance and Repairs - Amending  
Statements of Federal Financial Accounting Standards 6, 14, 29 and 32.  
Comment Letter Received October 7<sup>th</sup>, 2011 <sup>1</sup> – **Tab G**

### **MEMO OBJECTIVE**

Staff is transmitting and updating Tab G, Attachment 1 that provides the full text of each of the comment letters and selected Tables or portions thereof, originally included in the TAB G memorandum dated October 3<sup>rd</sup>, 2011. The attached comment letter from the Architect of the Capitol (AOC) was received on October 7<sup>th</sup>, 2011 and now represents twenty-two responses received and processed.

### **BRIEFING MATERIAL**

Please see the attached:

1. Attachment 1 - AOC email dated October 7<sup>th</sup>, 2011 accompanied by their response to the Exposure Draft.
2. Updated Table 1.0, partially updated Table 2.0, and updated Tables 3.0 and 7.0

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<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

## **ATTACHMENT 1 – AOC Response**

**Table 1.0 – Updated Summary of Respondent Types to Exposure Draft**

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<b>RESPONDENT TYPE</b>	<b>FEDERAL (Internal)</b>	<b>NON-FEDERAL (External)</b>	<b>TOTAL</b>
<b>Preparers and financial managers</b>	<b>11</b>	<b>-0-</b>	<b>11</b>
<b>Users, academics, others</b>	<b>5<sup>2</sup></b>	<b>3<sup>3</sup></b>	<b>8</b>
<b>Auditors</b>	<b>3<sup>4</sup></b>	<b>0</b>	<b>3</b>
<b>Total</b>	<b>19</b>	<b>3</b>	<b>22</b>

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<sup>2</sup> Army Corps of Engineers (CERL), Department of Interior (BLM), NASA (Facilities), and DoD (NGA). Updated for Architect of the Capitol (Facilities) response dated October 7<sup>th</sup>, 2011.

<sup>3</sup> AGA, GWSCPA, and Institute for Responsible Infrastructure Stewardship.

<sup>4</sup> NASA IG, DOL IG, and NRC IG.

**Table 2.0 – Partially Updated Tally of Responses by Question**

**Table 2.0 – Partially Updated Tally of Responses by Question**

Question Number	QUESTION	YES / AGREE	NO / DISAGREE	RATIONALE FOR “NO/DISAGREE”
1.	<p>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.</p> <p><b>Do you agree or disagree with the Board’s proposal to no longer require condition reporting? Please provide the rationale for your answer.</b></p>	16	3	<p>One respondent who disagreed noted that Condition reporting for key infrastructure which directly affects public safety provides the audit with a measure of the effectiveness of the allocated budget to maintain those critical assets.</p> <p>Another respondent who disagreed noted that Condition reporting has become the “Standard” to understand the overall condition of facilities and that all federal agencies are required to report the Condition and DM&amp;R by the Federal Real Property Council Reporting Requirements (FRPCRR).</p> <p><b>UPDATED for AOC:</b> The AOC believes that reporting asset condition provides a more complete summary of the relative effect of the DM&amp;R liabilities on an agency’s facilities. The AOC notes that the proposed standards provide opportunities for an agency to describe its policies and practices so that an agency has the ability to clarify the bases upon which asset conditions are determined. The AOC it intends to present a more complete portfolio assessment to include its condition and DM&amp;R.</p>

**Table 3.0 – Updated Quick Table of Responses by Question**

**Table 3.0 – Updated Quick Table of Responses by Question**

Respondent ▼ (see Table 6.0)	1 Do you Agree?  (Not requiring condition reporting)	2 Do you Agree?  (Presenting DM&R Balances & Changes)	3 Do you Agree?  (Consistency and explanation of changes)	4 Do you Agree?  (Presenting narrative information)	5 Do you Agree?  (Communication among disciplines)	6 Do you Agree?  (Eliminating dollar ranges & critical / non-critical)	7 Do you Agree?  (FY2015 effective date)
1 – HUD/CFO	YES	YES	YES	YES	YES	YES	YES
2 – DOE/CFO	YES	YES	YES	YES	YES	YES	YES
3 - DOD/ Army Corps	YES	YES	YES	YES	YES	a - YES b. NO	YES
4 - AGA	YES	YES	YES	YES	YES	YES	YES
5 – DOC/CFO	YES	YES	YES	YES	YES	YES	YES
6 – DOI/BLM	NO	YES	YES	NO	YES	a - NO b. YES	N/A
7 – SSA/DCFO	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Table 3.0 – Updated Quick Table of Responses by Question**

Respondent ▼ (see Table 6.0)	1 Do you Agree?  (Not requiring condition reporting)	2 Do you Agree?  (Presenting DM&R Balances & Changes)	3 Do you Agree?  (Consistency and explanation of changes)	4 Do you Agree?  (Presenting narrative information)	5 Do you Agree?  (Communication among disciplines)	6 Do you Agree?  (Eliminating dollar ranges & critical / non-critical)	7 Do you Agree?  (FY2015 effective date)
8 – NASA/FED	NO	NO	NO	NO	YES	YES	N/A
9 – NRC/OIG	YES	YES	YES	YES	YES	YES	YES
10 – DOD/DCFO	YES	YES	YES	YES	YES	YES	YES
11- NASA/OIG	YES	a - N/A b - YES	YES	YES	YES	YES	NO
12 – DOD/NGA	YES	YES	YES	YES	YES	YES	YES
13 – GWSCPA	N/A	YES	YES	YES	YES	YES	YES
14 – GSA/DCFO	YES	YES	YES	YES	YES	YES	YES
15 – IRIS	YES	N/A	N/A	N/A	N/A	N/A	N/A
16 – USDA/CFO	YES	YES	YES	YES	YES	YES	YES
17 – DOI/OFM	YES	a - YES	YES	NO	YES	a - NO	YES

**Table 3.0 – Updated Quick Table of Responses by Question**

Respondent ▼ (see Table 6.0)	1			2			3			4			5			6			7		
	Do you Agree?			Do you Agree?			Do you Agree?			Do you Agree?			Do you Agree?			Do you Agree?			Do you Agree?		
	(Not requiring condition reporting)			(Presenting DM&R Balances & Changes)			(Consistency and explanation of changes)			(Presenting narrative information)			(Communication among disciplines)			(Eliminating dollar ranges & critical / non-critical)			(FY2015 effective date)		
				b. NO												b. YES					
18 – NASA/CFO	YES			YES			YES			YES			YES			YES			YES		
19 – NRC/CFO	N/A			N/A			N/A			N/A			N/A			N/A			N/A		
20 – DOL/OIG	YES			YES			YES			YES			YES			YES			N/A		
21 - VA	YES			YES			YES			YES			YES			YES			YES		
22 - AOC	NO			YES			YES			YES			YES			YES			YES		
Totals	16	3	3	18	2	4	18	1	3	16	3	3	19	0	3	19	3	3	15	1	6
KEY	YES	NO	N/A	YES	NO	N/A	YES	NO	N/A	YES	NO	N/A	YES	NO	N/A	YES	NO	N/A	YES	NO	N/A

**Table 7.0 – Updated Respondents**

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	<b>Name</b>	<b>Organization</b>	<b>Category</b>
<b>1</b>	<b>Tammy L. Smutny</b>	<b>Department of Housing and Urban Development, Financial Policies &amp; Procedures Division, Office of the Chief Financial Officer</b>	<b>Federal Preparer</b>
<b>2</b>	<b>John Wall</b>	<b>Department of Energy, Office of Financial Policy, Office of the Chief Financial Officer</b>	<b>Federal Preparer</b>
<b>3</b>	<b>Michael N. Grussing</b>	<b>US Army Corps of Engineers, Engineer Research and Development Center, Construction Engineering Research Laboratory</b>	<b>Federal, Other</b>
<b>4</b>	<b>Eric S. Berman</b>	<b>Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB)</b>	<b>Non-Federal - Other</b>
<b>5</b>	<b>Gordon T. Alston</b>	<b>US Department of Commerce, Office of the Chief Financial Officer</b>	<b>Federal Preparer</b>
<b>6</b>	<b>Paul Peterson, P.E.</b>	<b>US Department of the Interior, Bureau of Land Management, National Operations Center</b>	<b>Federal - Other</b>
<b>7</b>	<b>Carla Krabbe</b>	<b>Social Security Administration, Deputy CFO</b>	<b>Federal Preparer</b>

**Table 7.0 – Updated Respondents**

	<b>Name</b>	<b>Organization</b>	<b>Category</b>
<b>8</b>	<b>Ron Di Lustro</b>	<b>National Aeronautics and Space Administration, Facilities Engineering Division</b>	<b>Federal - other</b>
<b>9</b>	<b>Michael J. Steinberg</b>	<b>Nuclear Regulatory Commission, Office of Inspector General</b>	<b>Federal Auditor</b>
<b>10</b>	<b>Mark Easton</b>	<b>Department of Defense – Office of the Comptroller</b>	<b>Federal Preparer</b>
<b>11</b>	<b>Mark Jenson</b>	<b>National Aeronautics and Space Administration – Director Financial Management, Office of Inspector General</b>	<b>Federal Auditor</b>
<b>12</b>	<b>Diane Washabaugh</b>	<b>National Geospatial Intelligence Agency, Financial Reporting Division</b>	<b>Federal - Other</b>
<b>13</b>	<b>Andrew C. Lewis</b>	<b>Greater Washington Society of CPAs and GWSCPA Educational Foundation</b>	<b>Non-Federal - Other</b>
<b>14</b>	<b>Alexis M. Stowe</b>	<b>General Services Administration, Office of the CFO</b>	<b>Federal Preparer</b>
<b>15</b>	<b>Jim Clayton</b>	<b>Institute for Responsible Infrastructure Stewardship</b>	<b>Non-Federal - Other</b>

**Table 7.0 – Updated Respondents**

	<b>Name</b>	<b>Organization</b>	<b>Category</b>
<b>16</b>	<b>Melanie R. Cenci</b>	<b>Department of Agriculture, Office of the CFO</b>	<b>Federal Preparer</b>
<b>17</b>	<b>Edward King</b>	<b>Department of the Interior, Office of Financial Management</b>	<b>Federal Preparer</b>
<b>18</b>	<b>Terry L. Bowie</b>	<b>National Aeronautics and Space Administration, Office of the CFO</b>	<b>Federal Preparer</b>
<b>19</b>	<b>Michael Brezovec</b>	<b>Nuclear Regulatory Commission. Chief, Financial Reporting and Analysis Division of the Controller, Office of the CFO.</b>	<b>Federal Preparer</b>
<b>20</b>	<b>Elliot P. Lewis</b>	<b>Department of Labor, Office of Inspector General</b>	<b>Federal Auditor</b>
<b>21</b>	<b>Katherine Palmer</b>	<b>Veteran's Administration/Financial Policy</b>	<b>Federal Preparer</b>
<b>22</b>	<b>Nancy L. Skinkle</b>	<b>Architect of the Capitol, Facilities Planning &amp; Programming Division</b>	<b>Federal - Other</b>

## Word Version of Request for Comments

### Deferred Maintenance and Repairs - Exposure Draft

Comments Requested by September 16, 2011

Comments Dated October 6, 2011 (including one new question for the Board)

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**Name of Respondent: Architect of the Capitol (AOC)**

**Organization Represented:**

**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.**

The AOC believes reporting asset condition provides a more complete summary of the relative effect of the DM&R liabilities on an agency's facilities. AOC notes that whereas there could be a variety of methods for determining asset condition, the proposed standards provide opportunities for an agency to describe its policies and practices. These opportunities provide an agency the ability to clarify the bases upon which asset conditions are determined. Whereas AOC understands the rationale behind the Board's proposed change, it intends – within the guidelines - to present a more complete portfolio assessment to include its condition and DM&R.

**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.**

AOC concurs that DM&R estimates for beginning and ending balances should be presented. In addition to providing a clear indication of the yearly changes in an agency's overall portfolio liabilities, over time the data can be used to determine trends and assess whether liabilities are increasing or decreasing. Analysis of these trends would lead to determining whether liabilities are being addressed (or not addressed) due to resource, mission, internal or external forces, and such results could lead to developing alternatives for risk mitigation.

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

AOC agrees that significant DM&R changes should be explained. AOC's portfolio encompasses several different jurisdictions funded by separate appropriations. Each jurisdiction supports the mission of the U.S. Congress and Supreme Court of the United States in its own way. Describing significant changes in DM&R would also provide an opportunity to describe how those changes affect AOC's ability to support Congress and the Supreme Court and how funding and other resource limitations may be related to its ability to address DM&R.

**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.**

AOC concurs that reporting methods and formats should be consistent for each agency. AOC suggests that significant changes to an agency's reporting methods or formats that would change DM&R to an extensive degree should be noted in its discussion of its policies under Paragraph 14.

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

As noted above, AOC suggests that explanations should be required when significant changes in reporting methods or formats lead to an extensive change in DM&R.

**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.**

AOC concurs that these requirements are appropriate. Within AOC's portfolio are historic, monumental buildings over 100 years old, more modern historic monumental

buildings, modern high specialized facilities, a steam and chilled water plant, etc. AOC thus is challenged to employ a single approach to assessing its facilities, and establishing routine repair protocols within each facility is equally challenging as the manufacture, age, utilization, expectation for reliability, etc. of building components and equipment is different in each facility. Narrative explanation is therefore required to full discuss and disclose the nuances between conditions and DM&R.

AOC notes at this point that the new standards will now require reporting of deferred “repairs” as well as maintenance. The accepted definition of “deferred maintenance” with respect to facility condition has long been accepted and is in widely general use through government. Defining repair protocols, establishing repair routines, and capturing that information may not be as well defined, accepted or in use. AOC has developed such repair protocols and has electronic applications in place to establish routine requirements and track their completion or deferral. AOC spent significant time and resources establishing these protocols. If other agencies are not in the same situation, there may be challenges ahead due to the need for resources in the present economic environment. AOC encourages FASAB to consider these factors and encourages more communication with federal agencies to determine their ability to comply with the proposed standards.

**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.**

AOC concurs that input from diverse disciplines is necessary. In AOC’s portfolio, for example, historic preservation, sustainability, energy usage goals, security, or sustaining critical Congressional operations considerations may inform how AOC approaches its DM&R assessments and liabilities.

**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.**

AOC concurs that for reporting purposes, provision of a single amount annually for DM&R is sufficient. Each agency has its own methodology for

analyzing its data to drive management decisions. Reporting ranges or other non-standardized amounts could lead to confusion.

- 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.**

AOC concurs. As noted above, each agency will have its own unique means of determining criticality and using that information to drive investment decisions. AOC employs a criticality and risk assessment decision tool based on its overall mission to support Congressional operations – the decision tool’s parameters would not apply to other federal 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.**

AOC concurs with the proposed effective date, and notes that early implementation is acceptable.

**Q8. Is deferred maintenance reporting required on equipment assets and/or non capitalized equipment, considering a materiality threshold?**