



October 3, 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 Letters Received through September 28th, 2011 ¹ – **Tab G**

MEETING OBJECTIVE

Staff requests that the Board respond to the following questions:

- a. Should a public hearing be scheduled?
- b. If not, are there individual respondents from whom you wish to seek clarification directly?

BRIEFING MATERIAL

Staff Summary: This memo is included as Tab G and provides a summary of the responses. Staff has summarized responses to each of the questions. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters.

The staff summary consists of the following tables and/or figures:

¹ 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.

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Attachment 1 provides the full text of each of the comment letters in the order the responses were received and processed.

Attachment 2 provides the original Exposure Draft.

BACKGROUND

This exposure draft proposes amending the reporting requirements contained in Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*. The amendments would require entities to: (1) describe their maintenance and repairs (M&R) policies and how they are applied, (2) discuss how they rank and prioritize M&R activities among other activities, (3) identify factors considered in determining acceptable condition standards, (4) state whether deferred maintenance and repairs (DM&R) relate solely to capitalized general property, plant and equipment (PP&E) and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E, (5) identify PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E, (6) provide beginning and ending DM&R balances by category of PP&E, and (7) explain significant changes from the prior year.

Other significant proposals contained in this Exposure Draft include (1) requiring that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary, (2) eliminating the requirement to report condition information, and (3) eliminating the optional reporting of high-low DM&R estimates as well as the option to report critical and non-critical DM&R.

Additionally, the proposed amendments note the importance of communication with and input from professionals in diverse disciplines in compiling and reporting DM&R information.

SUMMARY OF OUTREACH EFFORTS

The ED was issued June 27, 2011 with comments requested by September 16, 2011. Upon release of the exposure draft, notices and press releases went to the following organizations:

- a) The Federal Register
- b) *FASAB News*
- c) *The Journal of Accountancy, AGA Today, the CPA Journal, Government Executive and the CPA Letter*
- d) The CFO Council, the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the Financial Statement Audit Network; and members of both the Federal Real Property Council and Federal Facilities Council
- e) Committees of professional associations generally commenting on exposure drafts in the past

This broad announcement was followed by direct mailings of the exposure draft to:

- a) Relevant congressional committees
 - a. House Committee on Oversight and Government Reform

- b. Senate Committee on Homeland Security and Governmental Affairs
- b) Public interest groups
 - a. Federal Facilities Council
 - b. American Battle Monuments Commission

Reminder notices were provided beginning on August 8 and we contacted professional associations via telephone on or about that date.

RESULT

We received twenty (21) responses. Table 1.0 summarizes all received responses below.

Table 1.0 - Summary of Respondent Types to Exposure Draft

RESPONDENT TYPE	FEDERAL (Internal)	NON-FEDERAL (External)	TOTAL
Preparers and financial managers	11	-0-	11
Users, academics, others	4 ²	3 ³	7
Auditors	3 ⁴	0	3
Total	18	3	21

² Army Corps of Engineers (CERL), Department of Interior (BLM), NASA (Facilities), and DoD (NGA).

³ AGA, GWSCPA, and Institute for Responsible Infrastructure Stewardship.

⁴ NASA IG, DOL IG, and NRC IG.

Table 1.1 - Summary of Respondent Agencies

RESPONDENT AGENCIES ⁵ YELLOW = material to PP&E in the FY2010 financial statements.	FEDERAL (Internal)
Defense	3
NASA	3
Interior	2
NRC	2
Agriculture	1
Commerce	1
Energy	1
GSA	1
HUD	1
Labor	1
SSA	1
VA	1
Total	18

⁵ According to the Comprehensive Financial Report of the United States, page 183, DOD, DOE, DOI, DHS, GSA, TVA and the USPS are considered material to PP&E in the FY2010 financial statements.

Figure 1.0 - Fiscal Year 2010 and 2009 PP&E Amounts Represented by Respondent and Non-Respondent Agencies

(billions of dollars)	FY2010	FY2009	<u>Percent Change</u>	
<u>Agency</u>	<u>PP&E Cost</u>	<u>PP&E Cost</u>		<u># of Respondents</u>
Defense (FY 2009 restated)	\$1,181.7	\$1,115.7	~5.9%	3
Energy	67.3	64.2	~4.8%	1
GSA	38.0	36.3	~4.7%	1
Interior	32.9	31.8	~3.5%	2
NASA (FY 2009 restated)	31.8	32.9	~(3.3%)	3
VA	31.0	27.9	11.1%	1
Commerce	13.1	12.4	~5.6%	1
Agriculture	8.0	8.1	~(1.2%)	1
SSA	5.8	4.9	~18.4%	1
Labor	2.2	2.1	~4.8%	1
HUD	0.4	0.3	~33.3%	1
NRC	0.04	0.03	~33.3%	2
Non-Responding Agencies	228.3	216.8	~5.3%	-0-
Total (FY 2009 restated) ⁶	\$1,640.5	\$1,553.4	~5.6%	18

⁶ FY2009 restated due to NASA and DoD revising PP&E amounts previously reported. NASA previously reported \$23.7 billion versus its revised \$32.9 billion and DoD previously reported \$1.12 trillion versus its revised \$1.11 trillion.

Figure 1.1 - Distribution of Fiscal Year 2010 PP&E Amounts Represented by Respondent and Non-Respondent Agencies

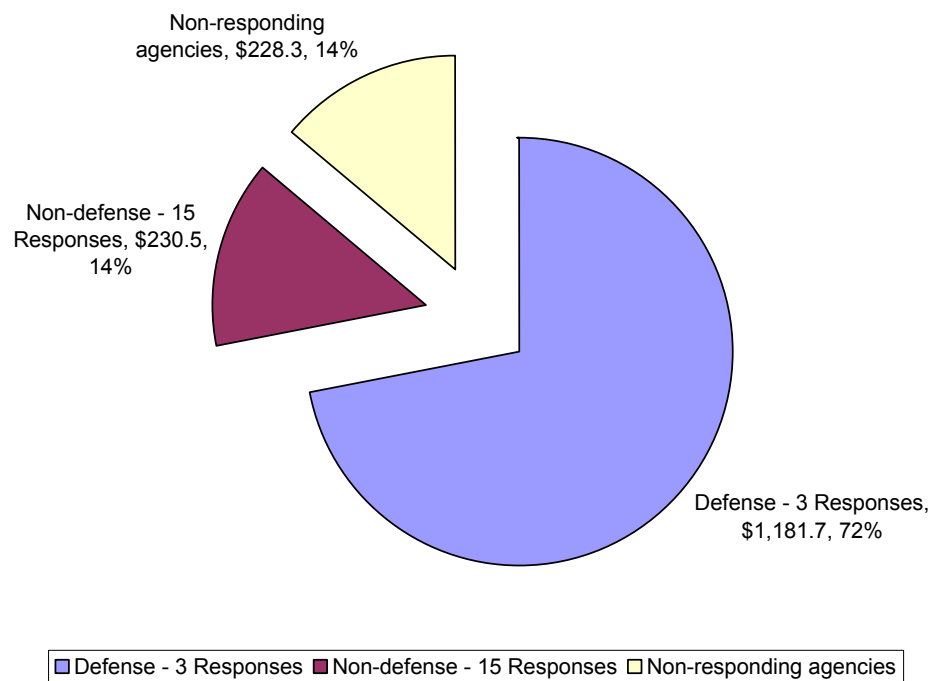


Table 2.0 – Tally of Responses by Question

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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>Do you agree or disagree with the Board’s proposal to no longer require condition reporting? Please provide the rationale for your answer.</p>	16	2	<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&R by the Federal Real Property Council Reporting Requirements (FRPCRR).</p>
2.	<p>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.</p> <p>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.</p>	17	2	<p>One respondent who disagreed noted that 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.</p> <p>Similarly, another respondent who disagreed noted that there are many types of projects representing a mix of DM&R and all the other</p>

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	b. Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.			classifications of work, such as rehabilitation, recapitalization, major repair, upgrade, replacement with larger capacity, and new construction.
3.	<p>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.</p> <p>a. Do you agree or disagree that entities should apply reported methods and reporting formats consistently? Please provide the rationale for your answer.</p> <p>b. Do you agree or disagree with requiring an explanation if entities change methods or formats? Please provide the rationale for your answer.</p>	17	1	The respondent who disagreed noted that this is not a current requirement (i.e., Federal Real Property) and that if a major change in either the evaluation or estimating process is made, his agency can provide the required (reconciling) information. In this way, changes to processes and formats can be effectively tracked and trended.

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4.	<p>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.</p> <p>Do you agree or disagree with each of the above referenced requirements? Please provide the rationale for your answer.</p>	15	3	<p>A review of the respondents who disagreed reveals that because of the varied entity missions and related policies, this requirement would be difficult to apply. For example, combining policy statements across a reporting entity with heterogeneous assets and varying missions is difficult at best. Also, because DM&R policies may not be based on asset categories, the requirement to report significant policy changes could overlap with an explanation for changes in DM&R estimates; thereby creating an overall redundancy in the qualitative information.</p>
5.	<p>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.</p> <p>Do you agree or disagree that communication with and consideration of input from professionals in diverse</p>	18	0	N/A

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	disciplines is necessary to effectively compile and report DM&R? Please provide the rationale for your answer.			
6.	<p>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.</p> <p>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.</p> <p>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.</p>	18	3	<p>Two of the respondents who disagreed share a view point that the estimate of DM&R is not a fixed number and changes daily. In their opinion, the use of a range makes it clear that <u>estimates</u> are being presented.</p> <p>The third respondent believes that a classification of what assets are critical is important, and that a single definition of a critical asset should be established. In his opinion, it would not be difficult to summarize DM&R by critical versus non-critical assets, and that this differentiation would have some value.</p>
7.	<p>The proposed standards would be effective beginning in fiscal year 2015 with earlier implementation permitted.</p> <p>Do you agree or disagree with the proposed effective date? Please provide the rationale for your answer.</p>	14	1	<p>The respondent who disagreed noted that he did not see a documented rationale for the two-year implementation period. In his opinion, absent evidence to the contrary, many of the items contained in the draft ED should already be in place as part of an agencies' control environment and current DM&R reporting.</p>

Table 3.0 – Quick Table of Responses by Question

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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

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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

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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)		
16 – USDA/CFO	YES			YES			YES			YES			YES			YES			YES		
17 – DOI/OFM	YES			a - YES b. NO			YES			NO			YES			a - NO b. YES			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		
Totals	16	2	3	17	2	4	17	1	3	15	3	3	18	0	3	18	3	3	14	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 4.0 – Detailed Responses by Question

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QUESTION - 1	
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.	
1. HUD/OCFO	The Department agrees that condition information is not essential to financial reporting and therefore, should not be included with DM&R. In addition, the different condition assessment methods used by entities could potentially be confusing to the users of the financial statements in their interpretation of the deferred maintenance estimate.
2. DOE/OCFO	Agree. While the Department utilizes the Federal Real Property Profile “Condition Index” as a performance indicator and as one of several considerations when it interprets recorded deferred maintenance and repairs (DM&R), the Department has no objections to reporting this information in its Required Supplemental Information (RSI) to its financial statements.
3. ARMY CORPS	<p>The reviewer agrees that the reporting of traditional condition ratings derived from DM&R (such as FCI) is redundant and adds no value to financial reporting. The reviewer also agrees that traditional condition ratings derived from DM&R can be misleading because: 1) DM&R does not fully describe the physical condition of an asset, only the perceived financial liabilities to bring up to standards of a theoretically acceptable performing asset, and 2) condition ratings derived from DM&R can vary widely based on subjective opinions of corrective scope and cost, while true physical condition of an asset is an absolute value determined by standard procedures independent of DM&R estimates.</p> <p>In lieu of traditional, DM&R-based condition reporting, the reviewer advocates measurement and reporting of asset condition based on objective engineering criteria and standardized observations about age, deterioration, and distress mechanisms. Paragraph 9 describes Condition Assessment Surveys as a method for determining DM&R. The reviewer generally agrees with this definition, provided the determination of condition and the estimate of deficiencies are conducted in a specific sequence as two fundamentally separate procedures. In other words, in a proven, practical sense, the actual condition rating of an asset should be established first, regardless of the perceived cost, scope or importance of M&R or deficiency corrections. This is essentially what is described in paragraph 9 as defined in Condition Assessment Surveys, provided the focus is on determining current condition versus reporting deficiencies and estimated costs. Only after condition has been measured and compared to the appropriate standards, should DM&R be estimated. This provides a more consistent, economic and transparent process. The reviewer agrees with footnote 5, that only</p>

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 1</p> <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>Do you agree or disagree with the Board’s proposal to no longer require condition reporting? Please provide the rationale for your answer.</p>	
	<p>“management shall determine what level of condition is acceptable, “i.e., what eventually becomes a deficiency and an estimated cost.</p> <p>The reviewer would also like to point out a slight, but important wording discrepancy with footnote 7, which says “It is permissible to schedule condition assessment surveys on a cyclical basis.” While condition inspections may be scheduled on a rigid, calendar based cycle for some types of assets, other types of asset inspections may be better scheduled based on age, expected condition, or risk of a certain type of failure. In other words, the inspection frequency may be increased or decreased at certain points in the life-cycle when the expected risk of failure is more or less predominant, typically towards the beginning and end of life. For such assets, a requirement for a fixed cyclical schedule would be unduly constraining. Because of this, the reviewer respectfully suggests the word “cyclical” in footnote 7 be replaced with “methodical risk” to reflect the importance of risk and the need for management flexibility in risk-based inspection scheduling.</p>
4. AGA	<p>We agree with the Board’s proposal to no longer require condition reporting. A lack of uniform methods for determining condition will result in non-comparable information that may mislead the reader of the financial statements. Until such time as uniform standards for measuring condition are developed, we would recommend that condition information not be reported by the agencies.</p>
5. DOC/OCFO	<p>The Department of Commerce agrees with the Board’s proposal to no longer require condition reporting. There are no standardized government-wide measurement methods to report the condition of property; therefore, condition reporting is not comparable among agencies. In addition, classifications of “condition” could be subjective based on- an entity’s interpretation.</p>
6. DOI/BLM	<p>Disagree: Condition reporting for bridges, buildings, dams, and other 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>

Table 4.0 – Detailed Responses by Question

QUESTION - 1	
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.	
8. NASA/FED	Disagree. Condition reporting has become the “Standard” to understand the overall condition of facilities. NASA will continue to use condition and track and trend any change in the facility condition. The Deferred Maintenance Estimate is derived from the condition rating. The DM&R estimate can vary with change in the construction climate or inflation. NASA and all the federal agencies are required to report the Condition and DM&R by the Federal Real Property Council Reporting Requirements (FRPCRR).
9. NRC/OIG	Agree. In most cases, condition information may not be important to financial reporting. For this reason condition information could be excluded from Deferred Maintenance and Repairs (DM&R). This change may also provide clarity to the application of the deferred maintenance estimate.
10. DOD/DCFO	Agree. In the current reporting environment, condition assessments and related criteria are largely inconsistent among and within reporting agencies. Condition assessments also have a subjective aspect to them and rely in part on the assessor's judgment on the condition level. However, condition assessments should continue within the agencies and used as a management tool in determining maintenance priorities and Deferred Maintenance and Repairs (DM&R), but not reported within the financial statements.
11- NASA/OIG	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.
12 – DOD/NGA	Agree, since there are no federal or community-wide standards for assessing/measuring.
13 – GWSCPA	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.

Table 4.0 – Detailed Responses by Question

QUESTION - 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>Do you agree or disagree with the Board’s proposal to no longer require condition reporting? Please provide the rationale for your answer.</p>	
14 – GSA/DCFO	<p>Agree to eliminate the requirement to report condition information. We believe the existing condition reporting fails to provide information or insight that readers can use, additional summary condition information would be redundant, and the benefit of presentation and usefulness of this information was very questionable especially in agencies with large volumes of assets.</p>
15 – IRIS	<p>Agree with eliminating condition reporting based on DM&R source data. The traditional practice of using estimated DM&R numbers to compute metrics invariably yields metrics with the same issues inherent in the DM&R source data. Furthermore, government research has shown that the traditional practice of computing “condition ratings” by dividing DM&R numbers by asset values, though perhaps useful for some purposes, does not yield a credible indicator of physical condition. The same research has also shown that an asset’s physical condition is an absolute state that can be objectively and accurately measured and indexed independent of diverse opinions about scope and cost of corrective repairs. These proven techniques produce credible DM&R numbers as worthwhile byproducts, but do not rely on DM&R numbers for rating condition. The new techniques combine condition assessment surveys with life cycle costing methods and are significantly less expensive to use than traditional methods of condition assessment survey.</p> <p>Disagree with the word “cyclical” in Footnote #7 because it imposes an unnecessary restriction on agency flexibility and increases inspection cost by requiring management to schedule condition inspections only on a traditional “periodic (cyclical) basis” rather than permitting management a choice between expensive “periodic (cyclical)” scheduling and “lean, just-in-time, risk-based (non-cyclical)” scheduling. This excessive restriction, if unintended by the Board, could be removed simply by substituting the word “methodical” in place of “cyclical.” This easy substitution would permit all agencies to freely choose between costly cyclical scheduling and less expensive, non-cyclical scheduling as appropriate.</p>
16 – USDA/CFO	<p>USDA agrees with the Board’s proposal to no longer require condition reporting. Because there is no standard or uniform assessment or measurement method and each entity prescribes to their own methods, it does not facilitate an understanding of the DM&R estimates as a whole.</p>

Table 4.0 – Detailed Responses by Question

QUESTION - 1	
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.	
17 – DOI/OFM	Agree. 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.
18 – NASA/CFO	Agree. But condition information is important for NASA Facility Engineering Division and is required to report them by the Federal Real Property Council Reporting Requirements. However it is not an important component of financial reporting; hence agree with the Board's proposal to no longer require condition reporting.
20 – DOL/OIG	We agree. As noted in paragraph A8 of the exposure draft, there are no federal-wide uniform assessment or measurement methods, which may impact the comparability and understandability of the information. Though the determination of acceptable condition affects the amount of DM&R that is reported, we agree that the ultimate goal of the standard is to provide reliable information on the estimated cost of PP&E maintenance and repairs that have been deferred. Therefore, we believe it would be more beneficial for agencies to focus their efforts on reporting that information.
21 - VA	Agree. Aggregating condition information across a wide variety of classes of General Property Plant and Equipment (GPP&E) is of questionable value from a direct-reporting perspective.

Table 4.0 – Detailed Responses by Question

<p style="text-align: center;">QUESTION - 2</p> <p>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.</p> <p>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.</p> <p>b. Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.</p>	
1. HUD/OCFO	<p>2a - Yes, the Department agrees that differences in DM&R during the year should be presented by showing beginning and ending balances (see b). This information could impact future funding decisions.</p> <p>2b - Yes, HUD feels that users would be interested in a significant change in DM&R by major asset category and why this change occurred. The Department recommends that the Board clarify in the statement that management is responsible for identifying what a significant change is for their agency.</p>
2. DOE/OCFO	<p>2a - Agree. A comparison of successive Department financial statements already provides the reader this information. Including the ending DM&R for the immediate past year and the year prior to that will save the reader time.</p> <p>2b - Agree. It seems reasonable to the Department to detail in a brief narrative any changes to DM&R measurement or reporting.</p>
3. ARMY CORPS	<p>2a - Agreed, if DM&R estimates are required to be reported annually, it is not difficult to determine changes in DM&R from one year to the next.</p> <p>2b - Agreed, significant changes in DM&R estimates should be analyzed and investigated to determine the underlying cause of such changes.</p>
4. AGA	<p>2a – We agree with this proposed standard. This will provide useful information to the informed reader and should assist decision makers in determining the unfunded needs for deferred maintenance and repairs.</p> <p>2b - We agree with the proposed standard. Reporting the causes of significant changes to any accounting estimate is essential for transparency and accountability.</p>

Table 4.0 – Detailed Responses by Question

<p style="text-align: center;">QUESTION - 2</p> <p>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.</p> <p>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.</p> <p>b. Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.</p>	
5. DOC/OCFO	<p>2a – The Department of Commerce agrees that DM&R beginning and ending balance estimates should be presented. However, it should be noted that the amounts will be subject to many factors during the fiscal year such as: change in appropriations, timing of condition assessment surveys, timing of procurement actions, and additions/deletions of property. These factors may prevent accurate presentation of comparable and consistent information because the estimates may not be based on the same assets.</p> <p>2b - The Department of Commerce agrees with the requirement to explain significant DM&R changes to clarify the amounts being presented.</p>
6. DOI/BLM	<p>2a – Agree: This measure would show the effectiveness of the use of the Deferred Maintenance funds for each agency.</p> <p>2b – Agree: This explanation is required to determine if the change is due to a change in reporting methodology or an actual change in DM needs and why those needs have changed.</p>
8. NASA/FED	<p>2a – Disagree. NASA and all the agencies are required by the FRPCRR to report the Fiscal Year End Condition and DM&R estimate. We do not have a budget just for DM&R. We provide an estimate of the DM&R. There are many projects that could be a mix of DM&R and all the other classifications of work, such as rehabilitation, recapitalization, major repair, upgrade, replacement with larger capacity, and new construction.</p> <p>2b - Disagree. This is not a requirement of the FRPCRR, which is currently a substantial effort. If asked, we can certainly provide additional information.</p>
9. NRC/OIG	<p>2a – Agree. It would make logical sense to reflect differences in DM&R in the opening and closing balances. This information could also be helpful in the funding decision-making process.</p> <p>2b – Agree. Explaining significant DM&R changes (in short narrative form) should improve the usefulness of this information that is analyzed by management who are directly responsible for identifying what constitutes a significant change.</p>

Table 4.0 – Detailed Responses by Question

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10. DOD/DCFO	<p>2a – Agree. Beginning and ending balances of DM&R are relevant. Disclosing these balances will allow for the assessments of changing requirements and available resources to cover such requirements. It should aid in the preparation of budgetary requirements.</p> <p>2b - Agree. Disclosing significant (material) DM&R policy changes is relevant to readers of financial statements. However, these balances should only be segregated into General Property Plant & Equipment (G-PP&E), Heritage Assets, and Stewardship Land. A requirement to delineate DM&R into active/inactive or funded/unfunded segments would probably be cost prohibitive for most agencies.</p> <p>Documenting significant DM&R changes highlights and helps justify the need for sustainment, restoration, and modernization funding that reporting agencies need in order to bring their facilities up to a fully serviceable condition, enabling the agencies fully to support their current mission or function.</p> <p>However, the necessity to provide variance explanations for changes in reported amounts may be cost prohibitive for some types of PP&E. This will be especially true for deployed PP&E. A cost analysis should be performed to assess the cost of changes in systems (both automated and manual) required to obtain the data necessary to provide meaningful variance explanations prior to making this a requirement for all PP&E.</p>
11- NASA/OIG	<p>2a – 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.</p> <p>2b - 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 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</p>

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	and the state of the Federal property footprint.
12 – DOD/NGA	<p>2a – Depends on the time period. Yes for annual, but no for more frequent, such as quarterly.</p> <p>2b - Agree, helps reader understand the changes.</p>
13 – GWSCPA	<p>2a- The FISC agrees that reporting beginning and ending balances is useful, but with two caveats.</p> <p>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.</p> <p>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</p>

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<p>QUESTION - 2</p> <p>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.</p> <p>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.</p> <p>b. Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.</p>	
	<p>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.</p> <p>2b - 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.</p>
14 – GSA/DCFO	<p>2a – Agree. Beginning and ending balances with an explanation of significant changes in estimates will be useful to the readers. However, comparative balances will only be useful when the measurements and definitions applied for determining deferred maintenance are consistent from period to period. Also, the additional requirement of beginning and ending balances would lead readers to assume condition surveys are performed annually and our Public Buildings Service survey's for half of it's owned inventory of buildings each fiscal year.</p> <p>2b - Agree. This requirement is useful to users in understanding what occurred during the year that cause significant changes. However, we are concerned with the additional workload and cost this could create for agencies. Maintaining information on period-to-period changes would potentially require significant additional data tracking mechanisms to capture the amounts involved by each cause/action. DM&R is often well tracked from a workload and budgeting perspective, however associating dollar amounts and reasons for changes in each Deferred Maintenance task are not captured. In today's environment, tracking of DM&R is only focused on having such information available at points in time. With the audit review of DM&R data, the effort to capture and maintain balance change information is further compounded as this elevates the internal control and management review efforts required to ensure and management review efforts required to ensure validation and accuracy of such data.</p>

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15 – IRIS	<p>2a & 2b - Neither Agree nor Disagree. We appreciate the Board's inclination to introduce a more prescriptive reporting standard in order for the government to better understand fiscal exposure created by its aging real property. We also understand many federal agencies' tendency to agree with the Board's proposals, given the unquestioned requirement to report real property M&R backlog and the many long-standing concerns with its inherent issues. However, most if not all the proposed changes described in the Exposure Draft simply revive prescriptive standards used by the Navy and other federal agencies for reporting BMAR during the 1970's and 1980's. Unfortunately, those now-abandoned prescriptive standards proved ineffectual; the quality of BMAR reports remained problematic; and reliance on the BMAR metric consequently declined. We therefore believe that FASAB's proposed resurrection of very similar standards, under a different name and without the benefit of intervening research, will not achieve the intended objective.</p> <p>We also believe that the proposed reporting standards are flawed because they erroneously treat the estimated cost of deferred maintenance as a measure of fiscal exposure, when government research suggests that the actual measure of exposure is solely the estimated cost of deferred repairs exclusive of deferred maintenance cost. The amalgamation of deferred maintenance cost with the cost of deferred repairs into a single, BMAR-like metric only serves to obfuscate true fiscal exposure. And, because deferred maintenance is not cumulative, the mingling of deferred maintenance with accumulating deferred repairs further distorts actual fiscal exposure.</p> <p>A related issue is the incorrect inference in Paragraph 8 of the draft exposure that both condition assessment surveys and life-cycle cost forecasts measure deferred maintenance and deferred repairs. In fact, condition assessment surveys measure only the cost of deferred repairs (not deferred maintenance costs, per se) and life-cycle forecasts (minus actual maintenance expenses) measure only the cost of deferred maintenance (not deferred repair costs, per se). In this regard, we note a number of fundamental and misleading inaccuracies in the "general selection criteria for evaluating different assessment methods" listed in Appendix A, section A10, on page 22. It appears that these mistakes may have inadvertently occurred during the Board's process of consolidating a similar but longer list provided to the Board during the study period by the Institute for Responsible Infrastructure Stewardship.</p> <p>For these and other reasons stated in Appendix A of this Enclosure, we believe that the practice of reporting real property DM&R does not meet the objectives of Standard Federal Financial Accounting Concepts (SFFAC 1). All things considered, we also believe the Board would be well-advised to seek expert advice and science-based alternative</p>

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	<p>methods for identifying fiscal exposure due to real property deterioration rather than attempting to polish a metric having no scientific basis and a reporting process that has defied refinement for more than 40 years. One excellent source of such expert advice and alternative methodology is the US Army Construction Engineering Research Laboratory.</p>
16 – USDA/CFO	<p>2a – USDA agrees with the Board’s proposal that estimates for beginning and ending balances should be presented. Users of the financial reports need to know if the DM& R balances changed.</p> <p>2b - USDA agrees with the requirement to explain significant DM& R changes. Users of the financial reports need to know what occurred during the fiscal year that impacted the DM&R.</p>
17 – DOI/OFM	<p>2a – Agree. Interior concurs with the presentation of estimates for beginning and ending balances. This disclosure would provide useful information to the users and may provide a measure of the effectiveness of management of DM&R funding.</p> <p>2b - Disagree. 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.</p>
18 – NASA/CFO	<p>2a – Agree. Presentation of beginning and ending balances will provide the fluctuation between the balances to the users.</p> <p>2b – Agree. Disclosure of significant changes in DM&R will provide the rationale for the changes to the users and help them to understand what events caused those changes.</p>

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20 – DOL/OIG	<p>2a – We agree that the Statement of Federal Financial Accounting Concepts (SFFAC) NO.1: .Objectives of Federal Financial Reporting states, "Federal financial reporting should provide information that helps the reader to determine the costs of providing specific programs and activities and the composition of, and changes in, these costs." Therefore, we believe it is appropriate to present beginning and ending balances so readers can determine the change in estimated costs.</p> <p>2b - We agree. SFFAC NO.1 states, "Federal financial reporting should provide information that helps the reader to determine the costs of providing specific programs and activities and the composition of, and changes in, these costs. Examples of financial information that can help to address this objective include... relevant analyses of the composition and behavior of costs." As such, we agree with the requirement to explain significant DM&R changes. Furthermore, we also believe it is important for users to understand the significant changes that occurred during year.</p>
21 -VA	<p>2a - Agree. This will provide useful information for management and report users to evaluate the change that occurred within the year and permit year-to-year comparable trend information regarding the state of asset management.</p> <p>2b - Agree. The requirement to explain significant DM&R changes will provide useful information regarding any major contributing events that had significant impact regarding the increase or decrease in the DM&R during the reporting year.</p>

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 3</p> <p>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.</p> <p>a. Do you agree or disagree that entities should apply reported methods and reporting formats consistently? Please provide the rationale for your answer.</p> <p>b. Do you agree or disagree with requiring an explanation if entities change methods or formats? Please provide the rationale for your answer.</p>	
1. HUD/OCFO	<p>3a - Yes, HUD agrees that there should be consistency with the condition standards, related assessment methods, and reporting formats applied. This will assist the user in comparability of prior years' data. The Department recommends adding "by major asset category" in paragraph 11 to confirm that different methods may be used for different PP&E.</p> <p>3b - Yes, HUD agrees that an explanation would be helpful when changing methods to alert users that a change occurred, why the change occurred, and whether DM&R is not comparable to the prior period. This full disclosure facilitates greater transparency to the general public.</p>
2. DOE/OCFO	<p>3a - Agree. It seems reasonable to the Department to report its DM&R consistently unless management necessitates changes.</p> <p>3b - Agree. It seems reasonable to the Department to detail in a brief narrative any changes to DM&R measurement or reporting.</p>
3. ARMY CORPS	<p>3a - Agreed, consistency is important to ensure accurate comparisons across large PP&E portfolios. Consistency in DM&R data starts with consistent and objective Condition Assessments surveys, as discussed in answer 1, above.</p> <p>3b - Agree. Changes to methods should be kept to a minimum, but if necessary, the agency should explain why a particular method didn't work, and what improvements are to be gained from the new approach.</p>
4. AGA	<p>3a - We agree that entities should apply methods and formats consistently to ensure comparability of the information from period to period. Consistency is important so that a reader may judge if any issues or problems are getting worse or improving.</p> <p>3b - Consistent with the rationale used to support the answer to Q3 a., any significant changes should be explained by management.</p>

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5. DOC/OCFO	<p>3a -The Department of Commerce agrees that entities should apply reported methods and reporting formats consistently. This will aid in the accurate and valid comparison of data across the government.</p> <p>3b -The Department of Commerce agrees that entities should be required to provide an explanation if methods or formats change. This is needed for full disclosure, as well as consistency across the federal government.</p>
6. DOI/BLM	<p>Agree: This explanation is required to determine if the change is due to a change in reporting methodology or an actual change in DM needs and why those needs have changed.</p> <p>3a –Agree: This would best be handled by using a shared definition of protocols. I do not recommend adopting a unified IT system for the inventory, the coordination would be too costly to implement.</p> <p>3b - Agree: This explanation is required to determine what methodology is being used by the agency to report on the inventory.</p>
8. NASA/FED	<p>3a – Disagree. This is not a current FRPCRR. If a major change in the Evaluation or Estimating process is made, NASA can provide that info. We plan to continue with the current method, process and format in order to track and trend change.</p> <p>3b - Disagree. Same rationale as Q3. above. I would recommend removing the second and third bullet items from page 22. Appendix A, A10. Condition Assessment Surveys under pros: * More timely identification of health & safety issues, * Usually identifies and prioritizes work items / specific repairs. These items are not normally provided with a facility condition assessment. These items would typically be a result of a complete facility engineering review, study, evaluation, and estimate.</p>

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9. NRC/OIG	<p>3a – Agree. There should be consistency across-the-board. This always assists the users' analysis of the information no matter what methods are used.</p> <p>3b - Agree. This would seem to be a reasonable and logical step when changing methods or formats. The explanation should include but not be limited to: the effective date of the change, what circumstances necessitated the change, and whether or not the DM&R is comparable to a prior period.</p>
10. DOD/DCFO	<p>3a - Agree. Reporting agencies should apply reported methods and reporting formats consistently. Changes to these methods and formats should be fully disclosed and include justification for making the change. If reported methods and reporting formats are inconsistent from year to year, then it is not possible to make an accurate comparison and analysis from year to year. Given the diverse missions, systems, and processes of the Department of Defense, there may be a significant number of methods utilized. Flexibility in determining the methods of maintenance and repair, especially in contingency operations, can affect mission success. Therefore, a cost analysis needs to be performed to determine the level of detail that needs to be included in this disclosure.</p> <p>3b - Agree. This disclosure aligns with generally accepted accounting principles requiring the explanation of changes in methodology for depreciation, tax, etc. Also, when two periods are presented, it is important to identify procedural changes that impact comparability. Nevertheless, entities should be allowed to adopt new and different methods from those reported on in previous years to keep pace with emerging developments in asset management. The explanation for the change in method should derive from criteria established by the Board to allow for consistency and comparability among reporting entities. However, reporting formats should not be changed from year to year. The Board should obtain concurrence from entities on a standard reporting format and require entities to use this standard format.</p>
11- NASA/OIG	<p>3a – 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.</p> <p>3b – We agree that agencies must explain a change in their methods or formats. The explanation should include the</p>

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	<p>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.</p>
12 – DOD/NGA	<p>3a - Agree, for consistency/comparability.</p> <p>3b - Agree, explanation is required to help reader understand the reason for the method or format change.</p>
13 – GWSCPA	<p>3a & 3b - 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.</p>
14 – GSA/DCFO	<p>3a – Agree. Consistency is vital for usefulness and analysis of financial data. Frequent changing of methodology would render the data virtually incomparable and greatly reduce its usefulness.</p> <p>3b - Agree. Changes to methodology can be normal and needed but explaining them to the reader is needed for transparency. Any changes must be documented and properly justified and should be disclosed.</p>
15 – IRIS	<p>3a & 3b - Neither Agree nor Disagree. Please refer to our A2(a) above.</p>

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16 – USDA/CFO	<p>3a – USDA agrees that entities should apply reported methods and reporting formats consistently. The most important element in accounting for DM&R is consistency in application. Consistency adds to the value of DM&R estimates in that it allows the entity to perform trend analysis which is useful in decision making.</p> <p>3b – USDA agrees with requiring an explanation if entities change methods or formats. An explanation should document the reason for the change and also should provide the impact of the change to the users of the financial reports.</p>
17 – DOI/OFM	<p>3a – Agree. Interior concurs that reported methods and reporting formats should be applied consistently. 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.</p> <p>3b - Agree. Interior concurs that explanations should be required for changes in methods or formats. 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.</p>
18 – NASA/CFO	<p>3a – Agree. Consistency reinforces reliability and comparability and adds to the informational value of DM&R estimates.</p> <p>3b - Agree. Management should provide an explanation if there are changes to methods or formats. Disclosing the information will explain the change and will not allow the user to speculate why management decided to change method/format.</p>

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20 – DOL/OIG	<p>3a – We agree that entities should apply reported methods and reporting formats consistently. SFFAC NO.1 states, "Financial reports should be consistent over time; that is, once an accounting principle or reporting method is adopted, it should be used for all similar transactions and events unless there is good cause to change. The concept of consistency in financial reporting extends to many areas, such as valuation methods, basis of accounting, and determination of the financial reporting entity." As such, we believe the reported methods and reporting formats should be consistent.</p> <p>3b - We agree. As noted above, once an accounting principle or reporting method is adopted, it should be used unless there is good cause to change. In addition, SFFAC NO.1 states, "If accounting principles have changed or if the financial reporting entity has changed, the nature and reason for the change, as well as the effect of the change, should be disclosed." Therefore, we believe that if entities change methods or formats, they should explain the rationale for the change and disclose the quantitative impact on the DM&R estimate.</p>
21 - VA	<p>3a - Agree. Maintaining the reporting method and format provides consistency and comparability of trend information of the DM&R reporting, year-to-year, for decision makers.</p> <p>3b - Agree. Receiving an appropriate explanation as to why an entity changed its methods or formats aids users and decision makers who strive to preserve their understanding of the comparability of the entity's DM&R reporting, year-to-year, and awareness of any major influences that impact an entity's asset management.</p>

Table 4.0 – Detailed Responses by Question

QUESTION - 4	
<p>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.</p> <p>Do you agree or disagree with each of the above referenced requirements? Please provide the rationale for your answer.</p>	
1. HUD/OCFO	HUD agrees that entities should provide narrative information on M&R policies so that users can best understand how entities allocate its available resources.
2. DOE/OCFO	Agree. The Department has readily available through corporate sources the qualitative information that would appear in the RSI.
3. ARMY CORPS	The reviewer agrees with the requirements to report policy requirements, and any changes to policy. The reviewer prefers a more systematic, standardized, and tabular approach to policy reporting versus narrative write-ups. Narratives are usually difficult to parse, more static, and not easily updatable in a batch fashion. Tabular reporting of M&R policies, including requirements for condition standards are much easier to analyze, update, and interpret, making the policies more transparent. These policies could be assigned based on asset types, asset importance, or any combination of classification.
4. AGA	We agree that entities should provide narrative information describing the policies, significant changes to policies and other non-financial information that is useful to the reader to understand the information provided.
5. DOC/OCFO	The Department of Commerce agrees that entities should be required to provide narrative information describing their maintenance and repair policies and other related non-financial information, which could include significant changes to policies and other factors that changed from the prior year. This is needed to provide the users of the financial information a full and complete picture of the entity's financial situation and operations.
6. DOI/BLM	Disagree: With the varied missions and policies which the federal government is mandated to maintain would difficult to apply this data to an accounting report.

Table 4.0 – Detailed Responses by Question

QUESTION - 4	
<p>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.</p> <p>Do you agree or disagree with each of the above referenced requirements? Please provide the rationale for your answer.</p>	
8. NASA/FED	Disagree. Para. 13 and 14 have listed many additional supplemental items. Please refer to response to questions 1, 2, & 3 above. Again, this is not a current FRPCRR. We also manage our Maintenance and Repair Program with a very rigorous prioritization review.
9. NRC/OIG	Agree. For transparency and disclosure purposes, entities should 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.
10. DOD/DCFO	Agree. Reporting agencies should include narrative information describing DM&R policies and other non8 financial information including any significant changes to policies and other factors from the prior year. Given the diverse missions, systems, and processes of the Department of Defense, there may be a significant number of methods utilized and changes in methodology may occur. Flexibility in determining the methods of maintenance and repair, especially in contingency operations, can affect mission success. Therefore, a cost analysis needs to be performed to determine the level of detail that needs to be included in this disclosure.
11- NASA/OIG	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.
12 – DOD/NGA	Agree, helps reader understand entity's program and aids comparability.
13 – GWSCPA	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.

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 4</p> <p>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.</p> <p>Do you agree or disagree with each of the above referenced requirements? Please provide the rationale for your answer.</p>	
14 – GSA/DCFO	Agree. Policies and non-financial information including significant changes to policies that are relevant to the population of surveyed assets and the method of estimation should be disclosed. However, requiring entities to provide DM&R policies and other information may become a burden and the real point of this requirement is to provide high level transparency, not to publish all accounting/financial policies. There is concern that this statement is too broad.
15 – IRIS	Neither Agree nor Disagree. Please refer to our A2(a) above.
16 – USDA/CFO	USDA agrees with the above referenced requirements. It is important that the entity provides a description of their M&R policies and other non-financial information in that it shows how an entity manages its DM&R, how it ranks the M&R projects to which resources are allocated, and it facilitates the reliability and the relevance of the DM&R estimates.
17 – DOI/OFM	Disagree. 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.
18 – NASA/CFO	Agree. Providing narrative information describing the DM&R policies and other non-financial information will enhance the reliability of the entity's estimated DM&R amount.
20 – DOL/OIG	We agree and believe the above referenced requirements provide users with the relevant information necessary to understand DM&R. However, we suggest that the option in paragraph 12, which relates to the disclosure requirement in paragraph 14d, be reconsidered. Specifically, if DM&R information related to non-capitalized or fully depreciated general PP&E is considered important data, it should be required of all entities to ensure consistency in financial reporting. (SFFAC NO.1 further states, "Financial reporting should help report users make relevant comparisons among similar federal reporting units, such as comparisons of the costs of specific functions or activities. Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting procedures or practices. ")

Table 4.0 – Detailed Responses by Question

QUESTION - 4	
<p>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.</p> <p>Do you agree or disagree with each of the above referenced requirements? Please provide the rationale for your answer.</p>	
21 - VA	Agree. In order to understand an agency's asset management philosophy, the report users need to understand the agency's maintenance and repair policies. This requires the agency to explain its process for determining need for maintenance and repair. If there is any significant change in that process, the agency needs to explain that to allow the reader to assess the comparability and consistency of the reported current year deferred maintenance and repair information to that of the prior year.

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 5</p> <p>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.</p> <p>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.</p>	
1. HUD/OCFO	HUD believes that communication among diverse disciplines should be encouraged when evaluating DM&R for a more holistic approach. Expert witnesses should be utilized in determining DM&R amounts.
2. DOE/OCFO	Agree. The Department's sites engage subject matter experts in evaluating the condition of component systems with input from user communities and under the direction of program and site leadership.
3. ARMY CORPS	The design, construction and operation of a facility asset comprise many diverse construction disciplines, and these disciplines play an important role in evaluating the current condition and performance of an asset as well. In addition, input from building occupants, facility managers, and upper-level policy makers is needed to establish standards for maintenance and repair. While the inputs for determining DM&R can come from a diverse set of professionals and stakeholders, these inputs must be standardized and applied consistently to accurately and objectively compare assets across a large portfolio. This requires systematic evaluation of asset PP&E rather than an ad hoc deficiency reporting approach that has plagued DM&R backlog estimates in the past.
4. AGA	We agree that the use of diverse professionals will provide the best information as these are not estimates that are regularly developed by financial staff.
5. DOC/OCFO	The Department of Commerce agrees that communication with and consideration of input from professionals in diverse disciplines may be needed to effectively compile and report DM&R. However, it should be left to each agency's discretion to determine if such communication and consideration are necessary based on each agency's assessment of DM&R.

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 5</p> <p>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.</p> <p>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.</p>	
6. DOI/BLM	Agree: For constructed assets it is imperative to have engineers, planners, operations, and, budget analysts communicating effectively to understand the DM issue in regard to the agency mission, agency constructed infrastructure, and agency budget.
8. NASA/FED	Agree. NASA has a very detailed process with our maintenance and budget staffs to report the DM&R as required by the FRPCRR.
9. NRC/OIG	Agree. This would complement DM&R collection, compilation, and reporting.
10. DOD/DCFO	Agree. Communication with and consideration of input from professionals in diverse disciplines is necessary to effectively compile and report DM&R.
11- NASA/OIG	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.
12 – DOD/NGA	Agree, input from diverse disciplines will provide different perspectives.
13 – GWSCPA	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.

Table 4.0 – Detailed Responses by Question

<p style="text-align: center;">QUESTION - 5</p> <p>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.</p> <p>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.</p>	
14 – GSA/DCFO	Agree. Communication and considering input from professionals in diverse disciplines is necessary for completeness and consistency and to effectively compile and report DM&R. Accountants and finance professionals most likely would not have the required expertise to make such decisions alone and must rely on subject matter experts for proper guidance. The group listed in paragraph 11 seems sufficient.
15 – IRIS	Neither Agree nor Disagree. Please refer to our A2(a) above.
16 – USDA/CFO	USDA agrees that an integrated approach to compiling and reporting DM&R is imperative in establishing consistent and complete DM&R estimates. It is by the collaboration of those in different disciplines such as engineering, facilities management, finance, budgeting and accounting, that an entity can establish the completeness and consistency in DM&R estimates and recognize systemically process improvements.
17 – DOI/OFM	Agree. 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.
18 – NASA/CFO	Agree. Communication is a vital component in any organization. Input from professionals in diverse disciplines is necessary to effectively compile and report DM&R.
20 – DOL/OIG	We believe the consideration of input from professionals in diverse disciplines may be necessary depending on the nature of the entities' assets.
21 - VA	Agree. Assessing the condition and the applicable maintenance and repair appropriate to PP&E, and making the important decisions regarding what can or cannot be funded in a given fiscal year, of necessity, does involve collaboration of personnel from various disciplines – such as engineers, facility managers, accountants, and budget analysts. This integrated collaboration is the basis for effective DM&R compilation and reporting.

Table 4.0 – Detailed Responses by Question

<p style="text-align: center;">QUESTION - 6</p> <p>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.</p> <p>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.</p> <p>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.</p>	
1. HUD/OCFO	<p>6a – The Department agrees that a single DM&R estimate is more appropriate and informative.</p> <p>6b – HUD agrees to the elimination of the distinction between critical and noncritical estimates since it may cause inconsistency problems, especially since there are three different definitions of critical.</p>
2. DOE/OCFO	<p>6a – Agree. The Department asserts that performing asset and component system level condition assessments and estimating the cost to conduct the restorative or replacement work to reverse observed deficiencies while taking into consideration the location of the work obviates any perceived need to present DM&R ranges.</p> <p>6b – Agree. Guidance remained unclear as to whether the terms “critical” and “noncritical” applied to the nature of the work, to the asset impacted by the DM&R, or some combination of the two. Since the definition of maintenance and repairs continues to depend on the concept of “acceptable condition,” all DM&R must seem necessary to management. Eliminating this distinction seems like a sensible approach to streamlining reporting.</p>
3. ARMY CORPS	<p>6a – Agree. If agencies have consistent assessment methods, the level of precision in the DM&R estimate can be better understood and applied across the PP&E portfolio.</p> <p>6b – The reviewer believes that a classification of what assets are critical is important, and that a single definition of a critical asset should be established. From that point, it would not be difficult to summarize DM&R by critical versus non-critical assets, and this differentiation would have some value for best support an agency’s mission.</p>
4. AGA	<p>6a - We agree that a single point estimate should be used and elimination of the requirement that a range be reported.</p> <p>6b - We agree with eliminating the distinction between critical and non-critical assets in the reporting of D M&R. The difficulties in classifying the DM&R with the various definitions were a significant issue that this change will eliminate.</p>

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 6</p> <p>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.</p> <p>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.</p> <p>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.</p>	
5. DOC/OCFO	<p>6a - The Department of Commerce agrees with eliminating the option to report a range of DM&R estimates. With assessment methods and guidelines issued by the Standards, agencies should be able to disclose realistic and informative DM&R estimates based on the methods chosen.</p> <p>6b - The Department of Commerce agrees with eliminating the distinction between critical and non-critical DM&R estimates due to the confusion it has caused and lack of comparability.</p>
6. DOI/BLM	<p>6a – Disagree: The estimate of DM is not a fixed number and changes each day, to put a single cost on the DM provides a false accounting number.</p> <p>6b - Agree: It's doubtful if all agencies reported the same on this item.</p>
8. NASA/FED	<p>6a – Agree. NASA reports the elements as required by the FRPCRR. Each agency can track and trend the data and sub-elements.</p> <p>6b - Agree. NASA reports the elements as required by the FRPCRR. Each agency can track and trend the data and sub-elements.</p>
9. NRC/OIG	<p>6a – Agree. A single DM&R estimate would be more effective and informative.</p> <p>6b- Agree. It may not be always clear what critical and non-critical denote. Consequently, eliminating the distinction between critical and non-critical DM&R estimates is a reasonable approach and will reduce any inconsistencies because of the different critical definitions.</p>
10. DOD/DCFO	<p>6a – Agree. Asset management system(s) should be able to provide specific data vice a range. Estimate ranges should be used for planning purposes, not for financial reporting.</p>

Table 4.0 – Detailed Responses by Question

<p style="text-align: center;">QUESTION - 6</p> <p>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.</p> <p>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.</p> <p>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.</p>	
	<p>6b - Agree. Eliminating the requirement to report critical or non-critical DM&R estimates on the financial statements is helpful to the reporting agency. The requirement is subject to interpretation and the resulting data could be misleading to the reader of the financial statement. However, the Department of Defense will continue to use this distinction internally as an additional management tool to analyze whether resources are being appropriately allocated to critical repairs vice lower priority non-critical repairs.</p>
11- NASA/OIG	<p>6a - 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.</p> <p>6b - We agree with the elimination of the option to distinguish between critical and noncritical 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 was optional, not all agencies chose to report its DM&R in this fashion and thus resulted in a lack of comparability between agencies.</p>
12 – DOD/NGA	<p>6a – Agree, single estimate is more appropriate and aids comparability.</p> <p>6b - Agree, “critical” definition is not consistent.</p>
13 – GWSCPA	<p>6a – 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.</p> <p>6b - The FISC agrees with eliminating the distinction between critical and non-critical DM&R estimates.</p>

Table 4.0 – Detailed Responses by Question

<p style="text-align: center;">QUESTION - 6</p> <p>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.</p> <p>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.</p> <p>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.</p>	
14 – GSA/DCFO	<p>6a – Agree. Providing a range of estimates related to DM&R could be confusing and misleading. Because this ED retains the DM&R definition to apply only to work that would be expensed we believe this is reasonable. If definitions are ever expanded to also cover capitalizing work under deferred maintenance, this could be much more difficult to put an exact dollar amount to and a range would often be preferable in such cases.</p> <p>6b - While we agree that the criticality of maintenance or a repair should not be the driving factor for defining DM&R, we recommend FASAB to work with the Real Property Council at the Office of Government wide Policy (OGP) to further develop common definitions and standards for capturing DM&R to enable consistent definitions, and eliminate uniqueness that might prevent using the information needed for the government-wide asset management purpose for the very similar Deferred Maintenance reporting in financial statements.</p>
15 – IRIS	6a & 6b - Neither Agree nor Disagree. Please refer to our A2(a) above.
16 – USDA/CFO	<p>6a - USDA agrees with eliminating the option to report a range of DM&R estimates if there is very little distinction between low and high dollar estimates.</p> <p>6b - USDA agrees with eliminating the distinction between critical and non-critical DM&R estimates absent a clear definition. However, National Resources Conservation Service disagrees. If the entity defines what is critical and noncritical, it provides the users of the financial reports with a better understanding of DM&R management.</p>
17 – DOI/OFM	<p>6a – Disagree. The use of a range makes it clear that estimates are being presented.</p> <p>6b – Agree. This information would likely be conveyed in the entity’s description of its policies regarding DM&R activities.</p>

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 6</p> <p>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.</p> <p>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.</p> <p>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.</p>	
18 – NASA/CFO	<p>6a – Agree. A single DM&R estimate is more informative than a range. The identification of low and high dollar DM&R estimates could contribute to the lack of comparability and hinder the transparent reporting of a more realistic estimate.</p> <p>6b - Agree. Currently there are too many definitions for "critical," which causes confusion. Elimination of the requirement for distinction between critical and non-critical amounts will cut down the reporting inconsistencies.</p>
20 – DOL/OIG	<p>6a – We agree and believe reporting the best estimate would provide readers with clarity and more useful information as it will eliminate ambiguity regarding the estimate of the cost that agencies actually expect to incur. It would also improve comparability among the agencies.</p> <p>6b - We agree that eliminating this distinction will address the potential lack of comparability as the reporting of critical and non-critical DM&R estimates was initially optional. However, we believe the intent of this disclosure was to provide insight on the timing of when DM&R costs may need to occur. As such, we believe the Board should consider an alternative to providing information on the amount of the ending balance of estimated DM&R costs that an entity would need to incur in the near term in order to avoid having the entity's ability to achieve its mission impacted by the deferral of such costs.</p>
21 - VA	<p>6a - Agree. VA uses the Facility Condition Assessment (FCA) survey methodology to develop the maintenance and repair costs for specific items of PP&E rated in poor or critical condition. This approach allows VA to derive a particular total rather than a range of DM&R estimates.</p> <p>6b - Agree. The terms "critical" and "non-critical" can take on a broad range of meaning for DM&R reporting and can lead to ambiguities of interpretation across agencies.</p>

Table 4.0 – Detailed Responses by Question

<p>QUESTION - 7</p> <p>The proposed standards would be effective beginning in fiscal year 2015 with earlier implementation permitted.</p> <p>Do you agree or disagree with the proposed effective date? Please provide the rationale for your answer.</p>	
1. HUD/OCFO	The Department agrees to the effective date with early implementation permitted since it allows agencies sufficient time to prepare (i.e., implement system changes) for the additional information required to be reported by this standard.
2. DOE/OCFO	Agree. The Department already has policies in place and collects the data necessary to adhere to the proposed measurement and reporting guidance.
3. ARMY CORPS	The reviewer agrees with the proposed effective needs to provide ample time for the agencies to comply, provided agencies have the option of implementing standards earlier if they choose.
4. AGA	We agree with the implementation date.
5. DOC/OCFO	The Department of Commerce agrees' with the proposed effective date of 2015 with earlier implementation permitted. The proposed effective date allows sufficient time for agencies to implement policies and procedures and gather information to comply with the requirements set forth in the proposed standard.
6. DOI/BLM	The impact of these changes to my agency does not seem to be a heavy one, but is there a basis for this year?
8. NASA/FED	N/A - We recommend no changes to the current FRPCRR and have recommended this in the previous questionnaire and meetings.
9. NRC/OIG	Agree. The FY 2015 effective date (with earlier implementation permitted) will allow ample time to prepare for this change.

Table 4.0 – Detailed Responses by Question

QUESTION - 7 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.	
10. DOD/DCFO	Agree. Implementing the proposed standard effective in Fiscal Year 2015 is reasonable.
11- NASA/OIG	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.
12 – DOD/NGA	Agree, allows sufficient time to implement changes.
13 – GWSCPA	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.
14 – GSA/DCFO	Agree. This should provide sufficient time for agencies to prepare.
15 – IRIS	Neither Agree nor Disagree. Please refer to our A2(a) above.
16 – USDA/CFO	USDA agrees with the proposed effective date.
17 – DOI/OFM	Agree. Prepares will need adequate time adopt the requirements of the standard and determine the impact on reporting systems and processes.
18 – NASA/CFO	Agree. It is up to individual Agencies to implement earlier than FY 2015.
20 – DOL/OIG	We have no comment on the effective date.

Table 4.0 – Detailed Responses by Question

QUESTION - 7	
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.	
21 - VA	Agree. Agencies over time may experiment with different aspects of approaches to asset management. Some agencies may need this time provided to refine and implement any decision changes in policy or asset management and repair measurement methodology (FCA survey, life cycle costing methods etc.). With earlier implementation encouraged, any agency that is ready can implement the guidance sooner.

Table 5.0 – Analysis of Respondent Suggestions

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Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
1 – HUD/CFO	<p>Q2b. The Department recommends that the Board clarify in the statement that management is responsible for identifying what a significant change is for their agency.</p> <p>Q3a. The Department recommends adding “by major asset category” in paragraph 11 to confirm that different methods may be used for different PP&E.</p> <p>Q5. HUD believes that communication among diverse disciplines should be encouraged when evaluating DM&R for a more holistic approach. Expert witnesses should be utilized in determining DM&R amounts.</p>	<p>Q2b. Concur. The determination of whether an item is significant is a matter of professional judgment. Staff will ask the Board to adopt this recommendation.</p> <p>Q3a. Non-concur. Adding such a phrase would be prescriptive and interpreted as the Board <u>requiring</u> entities to set such policies <u>by major asset category</u>. Staff believes that by virtue and use of the PP&E in question, different assessment methods and condition standards are used to best reflect their nature and mission and not necessarily their categorization.</p> <p>Q5. Non-concur. In addressing this matter the Board decided that “encouraging” practices might not lead to the desired outcome of best meeting the goal of DM&R. Instead, the Board considers such communication necessary. This is supported by (1) the Task Force’s recommendation and (2) unanimous agreement among respondents to the proposed language in paragraph 11.</p>

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
3 – Army Corps	<p>Q1. The reviewer would like to point out a slight discrepancy with footnote 7. While condition inspections may be scheduled on a rigid, calendar based cycle for some types of assets, other types of asset inspections may be better scheduled based on age, expected condition, or risk of a certain type of failure. Because of this, the reviewer respectfully suggests the word “cyclical” in footnote 7 be replaced with “methodical risk” to reflect the importance of risk and the need for management flexibility in risk-based inspection scheduling.</p> <p>Q3b. Changes to methods should be kept to a minimum, but if necessary, the agency should explain why a particular method didn’t work, and what improvements are to be gained from the new approach.</p>	<p>Q1. Partially concur. Adopting such a phrase would be prescriptive and interpreted as the Board <u>requiring</u> entities to use risk-based inspections when cyclical, calendar or “run-to-failure” inspections might be most appropriate. Instead, staff will ask the Board to adopt the following language, “<i>It is permissible to schedule....on a cyclical <u>or methodical risk basis</u>, provided....</i>”</p> <p>Q3b. Point-noted. However, such information is redundant with paragraph 14 requirements. Specifically, 14a. and 14f. Also, please refer to paragraph A20 where the Board specifically states that it is important for users to understand the events that occurred during the year and why they brought about significant variances.</p>
5 – DOC	<p>Q5. Communication among diverse disciplines and input from professionals should be left to agency discretion.</p>	<p>Q5. Point-noted. Please refer to paragraphs A15 and A16. The Board considers such communication necessary. This is supported by (1) the Task Force’s recommendation and (2) unanimous agreement among respondents to the proposed language in paragraph 11.</p>

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
8 – NASA/FED	<p>Q3b. I would recommend removing the second and third bullet items from page 22. Appendix A, A10. Condition Assessment Surveys under pros:</p> <ul style="list-style-type: none"> • More timely identification of health & safety issues. • Usually identifies and prioritizes work items / specific repairs. <p>These items are not normally provided with a facility condition assessment. These items would typically be a result of a complete facility engineering review, study, evaluation, and estimate.</p> <p>Q7. We recommend no changes to the current FRPCRR and have recommended this in the previous questionnaire and meetings.</p>	<p>Q3b. Non-concur. Please note that these are not part of the accounting standard and are not intended to govern specific entity action. At paragraph A10 we specifically state that these are “<i><u>Some general selection criteria management could use....</u></i>” Underscoring added for emphasis)</p> <p>Q7. Point-noted. It is not the Board’s intent to make recommendations beyond those in accordance with its charter to set generally accepted accounting principles for the federal government.</p>
9 – NRC/OIG	<p>Q3b The explanation should include but not be limited to: the effective date of the change, what circumstances necessitated the change, and</p>	<p>Q3b. Point-noted. However, such information is redundant with paragraph 14 requirements. Specifically, 14a. and 14f. Also, please refer to paragraph A20 where</p>

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
	<p>whether or not the DM&R is comparable to a prior period.</p> <p>Q4. For transparency and disclosure purposes, entities should 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.</p>	<p>the Board specifically states that it is important for users to understand the events that occurred during the year and why they brought about significant variances.</p> <p>Q4. Point-noted. However, such information is redundant with paragraph 14 requirements.</p>
10 – DOD/CFO	Q3b. The board should obtain concurrence on a standard reporting format among entities and require its use.	Q3b. Point-noted. Please see Illustration 1 (General Purpose Display), located at Appendix B on page 32. This sample illustration represents <u>the basic presentation display meeting the requirements of the proposed standard</u> . Staff conducted extensive research into this matter and concluded, with the input from the Task Force, that due to diverse agency missions, a one-size-fits-all approach would be problematic. As a result, the proposed standards require, that once selected, reporting formats should be consistently applied absent changes deemed necessary by management.
11 –	Q3b. The explanation should include the rationale behind the change and the related impact to the	Q3b. Point-noted. However, such information is redundant with paragraph 14 requirements. Specifically, 14a. and 14f. Also, please refer to paragraph A20 where

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
NASA/IG	DM&R estimates.	the Board specifically states that it is important for users to understand the events that occurred during the year and why they brought about significant variances.
12 - GSA	Q6b. While we agree that the criticality of M&R should not be the driving factor for defining DM&R, we recommend FASAB to work with the Real Property Council at the Office of Government-wide Policy (OGP) to further develop common definitions and standards for capturing DM&R to enable consistent definitions, and eliminate uniqueness that might prevent using the information needed for the government-wide asset management purpose for the very similar Deferred Maintenance reporting in financial statements.	Q6b. Point noted. We will continue working with and reaching out to any and all interested parties in this regard.
13 – IRIS	Q1. Disagree with the word “cyclical” in Footnote #7 because it imposes an unnecessary restriction on agency flexibility and increases inspection cost by requiring management to schedule condition inspections only on a traditional “periodic (cyclical) basis” rather than permitting management a choice between expensive “periodic (cyclical)” scheduling and “lean, just-in-time, risk-based (non-cyclical)” scheduling. This excessive restriction, if unintended by the Board, could be removed simply by substituting the word “methodical” in place of “cyclical.” This easy	Q1. Partially concur. Adopting such a phrase would be prescriptive and interpreted as the Board <u>requiring</u> entities to use risk-based inspections when cyclical, calendar or “run-to-failure” inspections might be most appropriate. Instead, staff will ask the Board to adopt the following language, “ <i>It is permissible to schedule....on a cyclical or methodical risk basis, provided.....</i> ”

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
	substitution would permit all agencies to freely choose between costly cyclical scheduling and less expensive, non-cyclical scheduling as appropriate.	
15 – DOI	Q5. 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.	Q5. Point noted. Paragraph 11 is not meant to be an all-inclusive list of disciplines.
16- GWSCPA	Q2a. 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.	Q2a. Non-concur. The proposed standard at paragraph 14a specifically requires that at an entity summarizes and briefly describes its M&R policies and how they are applied. Please note the specific language regarding the method of measuring DM&R. Also, please note that the basis for conclusions (refer to A8, A10 and A11) make clear that the DM&R amounts reported are based upon estimation methodologies employed by management that are subject to professional judgment. Specifically, paragraph 10 refers to the life-cycle costing method that serves as a basis to arrive at an estimate of DM&R and paragraph 11 states that <i>“Management should determine which methods to apply and what condition standards are acceptable.”</i> It further notes documenting

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
	<p>Q2a. 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.</p> <p>Q2b. FISC recommends that the Board consider amending paragraph 14 (f) to ensure that agencies provide explicit discussions about significant changes.</p>	<p>rationale for changes and impacts to DM&R <u>estimates</u>. Paragraph 14g in discussing balances begins with the word “Estimates.” Further elaboration would be redundant and gratuitous.</p> <p>Q2a. Paragraph 14g refers the reader to footnote 11 which sets forth the three categories of PP&E. DM&R requirements apply to <u>PP&E</u>. The Board was clear in making this distinction because it did not want to <u>require</u> that DM&R apply to non-capitalized (i.e., expensed) assets. Agencies applying DM&R to non-capitalized (i.e., expensed) assets need to disclose this as per paragraph 14e.</p> <p>Q2b. Point-noted. However, such information is sufficiently covered within the proposed standards and basis for conclusions. Specifically, please refer to paragraphs 14a. and 14 and paragraph A20 where the Board specifically states that it is important for users to</p>

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
	<p>Other GWSCPA recommendations:</p> <ol style="list-style-type: none"> 1. 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. 2. In paragraph 15 of the ED, the term “deferred DM&R” is redundant. 3. 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. 4. In paragraph A10 of the ED, a comma should be inserted after the word “i.e.” 5. 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. 	<p>understand the events that occurred during the year and why they brought about significant variances.</p> <ol style="list-style-type: none"> 1. Concur. 2. Concur. 3. Concur. 4. Concur. 5. Concur.

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
20 – DOL/OIG	<p>Q4. Reconsider the option in paragraph 12 concerning information related to non-capitalized and/or fully depreciated PP&E as referenced in paragraph 14d as a disclosure requirement. If this information is considered important, it should be <u>required</u> of all entities. Please refer to FASAB SFFAC 1 that discusses comparability, or lack thereof, resulting from differences arising from transactions or organizations and not the selection of different alternatives in accounting procedures or practices.</p> <p>Q6b. The intent of distinguishing critical from non-critical DM&R was to provide insight into the timing of when such expenditures might occur. As such, the Board should consider an alternative to providing information concerning the ending balance that the entity would need to incur in the near term in order to avoid adverse impact to mission.</p>	<p>Q4. Non concur. DM&R requirements apply to <u>PP&E</u>. The Board was clear in making this distinction because it did not want to <u>require</u> that DM&R apply to non-capitalized (i.e., expensed) assets. Agencies applying DM&R to non-capitalized (i.e., expensed) assets need to disclose this as per paragraph 14e. Refer to A17d on page 26 for additional comments.</p> <p>Q6b. Point noted. Paragraph 14b would require that entities explain how they rank and/or prioritize DM&R. Additionally, the Task Force advised the Board to distinguish between active and inactive/excess for this very reason. Please refer to Appendix B sample illustrations on pages 33 and 34.</p>

Table 5.0 – Analysis of Respondent Suggestions

Respondent Number (see Table 6.0)	RESPONDENT SUGGESTIONS	STAFF ANALYSIS & RECOMMENDATION
21 - VA	Q7. Agencies over time may experiment with different aspects of approaches to asset management. Some agencies may need this time provided to refine and implement any decision changes in policy or asset management and repair measurement methodology (FCA survey, life cycle costing methods etc.). With earlier implementation encouraged, any agency that is ready can implement the guidance sooner.	Q7. Point noted.

Table 6.0 – Analysis of Respondent Concerns

Table 6.0 – Analysis of Respondent Concerns

Respondent Number (see Table 7.0)	RESPONDENT EXCERPTED COMMENT(S)	STAFF ANALYSIS & RECOMMENDATION
3 – Army Corps	<p>Q1. In lieu of traditional, DM&R-based condition reporting, the reviewer advocates measurement and reporting of asset condition based on objective engineering criteria and standardized observations about age, deterioration, and distress mechanisms.</p> <p>Q4. The reviewer prefers a more systematic, standardized, and tabular approach to policy reporting versus narrative write-ups. Narratives are usually difficult to parse, more static, and not easily updatable in a batch fashion. Tabular reporting of M&R policies, including requirements for condition standards are much easier to analyze, update, and interpret, making the policies more transparent.</p> <p>Q5. While the inputs for determining DM&R can come from a diverse set of professionals and stakeholders, these inputs must be standardized and applied consistently to accurately and objectively compare assets across a large portfolio.</p>	<p>Q1. Point noted.</p> <p>Q4. Point noted. Agencies are free to incorporate tables in their narratives.</p> <p>Q5. Point noted.</p>

Table 6.0 – Analysis of Respondent Concerns

Respondent Number (see Table 7.0)	RESPONDENT EXCERPTED COMMENT(S)	STAFF ANALYSIS & RECOMMENDATION
	This requires systematic evaluation of asset PP&E rather than an ad hoc deficiency reporting approach that has plagued DM&R backlog estimates in the past.	
5 - DOC	Q2a. The department agrees that balances should be presented, however, amounts will be subject to change in appropriations, timing of surveys, timing of procurement actions, and additions/deletions of property. Such changes may affect consistency and comparability.	Q2a. Point noted. Explanation of <u>significant</u> changes would be required. Refer to A11 and A20 for related comments.
6 – DOI/BLM	<p>Q1. Condition reporting for bridges, buildings, dams, and other 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>Q3a. Regarding consistent reporting methods and formats, this would best be handled by using a</p>	<p>Q1. Point noted. The draft ED proposes eliminating the <u>requirement</u> to report condition information. Entities are free to include condition information in manner they believe best contextualizes DM&R and related performance matters.</p> <p>Q3a. Point noted. We will continue working with and reaching out to any and all interested parties in this regard.</p>

Table 6.0 – Analysis of Respondent Concerns

Respondent Number (see Table 7.0)	RESPONDENT EXCERPTED COMMENT(S)	STAFF ANALYSIS & RECOMMENDATION
	shared definition of protocols. I do not recommend adopting a unified IT system for the inventory, the coordination would be too costly to implement.	
10 – DOD	<p>Q1. & Q6b. Condition assessments and criticality distinctions should continue within agencies even if not reported in financial statements.</p> <p>Q2b. A requirement to delineate DM&R into active - inactive or funded - unfunded classifications would be cost prohibitive.</p>	<p>Q1. & Q6b. Point noted. The draft ED proposes eliminating the <u>requirement</u> to report condition information. Entities are free to include condition information in manner they believe best contextualizes DM&R and related performance matters.</p> <p>Q2b. Staff research, as corroborated by the Task Force and IG reports found the opposite to be true. Some agencies in fact separately identify funded from unfunded DM&R in their RSI presentations and have done so for years. Also, the Task Force noted that active and inactive classifications would not be cost prohibitive because such classifications are required by (1) the Federal Real Property Profile Guidance and (2) operational and readiness reporting requirements.</p>

Table 6.0 – Analysis of Respondent Concerns

Respondent Number (see Table 7.0)	RESPONDENT EXCERPTED COMMENT(S)	STAFF ANALYSIS & RECOMMENDATION
	Q2b. The necessity to provide variance explanations may be cost prohibitive for certain types of PP&E.	Q2b. The proposed standards would require that significant changes be explained. As some have noted, absent evidence to the contrary, many of the items contained in the draft ED should already be in place as part of an agencies' control environment and current DM&R reporting.
11 – NASA/IG	Q2a. 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.	Q2a. Point noted.
12 - GSA	Q4. Policies and non-financial information including significant changes to policies that are relevant to the population of surveyed assets and the method of estimation should be disclosed. However, requiring entities to provide DM&R policies and other information may become a burden and the real point of this requirement is to provide high level transparency, not to publish all accounting/financial policies. There is concern that	Q4. The ED proposes at paragraph 14a, a summary of the entity's M&R policies. Additionally, the sample illustration beginning on page 29 provides suggested language that deals with heterogeneous assets and varying missions. As some entity respondents have noted, users have a need to understand how entities carry-out their stewardship responsibilities. Moreover, other entities maintain that such information is readily available and is a part of their overall management.

Table 6.0 – Analysis of Respondent Concerns

Respondent Number (see Table 7.0)	RESPONDENT EXCERPTED COMMENT(S)	STAFF ANALYSIS & RECOMMENDATION
	this statement is too broad.	At paragraph A20 of the draft ED, the Board noted that presenting DM&R balances and discussing significant changes increases comparability while also enhancing entity-specific consistency. Some respondents have noted that discussing significant changes is not only reasonable, but required inasmuch as it is a part of determining the underlying causes to such changes. As one respondent noted, discussing changes is essential for transparency and accountability.
13 – IRIS	Q2. through Q7. The Board would be well-advised to seek expert advice and science-based alternative methods for identifying fiscal exposure due to real property deterioration rather than attempting to polish a metric having no scientific basis and a reporting process that has defied refinement for more than 40 years. One excellent source of such expert advice and alternative methodology is the US Army Construction Engineering Research Laboratory.	Q2. Point noted. We will continue working with and reaching out to any and all interested parties in this regard.
14 - USDA	Q6b. USDA agrees with eliminating the distinction between critical and non-critical DM&R estimates absent a clear definition. However, National Resources Conservation Service disagrees. If the	Q6b. Entities are free to include information in a manner they believe best contextualizes DM&R and related performance matters.

Table 6.0 – Analysis of Respondent Concerns

Respondent Number (see Table 7.0)	RESPONDENT EXCERPTED COMMENT(S)	STAFF ANALYSIS & RECOMMENDATION
	<p>entity defines what is critical and non-critical, it provides the users of the financial reports with a better understanding of DM&R management.</p>	<p>Based upon consultation with the Government Accountability Office, members of the Federal Facilities Council and Federal Real Property Council, the Task Force concluded that DM&R informational value for financial statement reporting would be increased if (1) singular estimates derived from an entity's asset management system were used instead of dollar-range estimates and (2) singular estimates were not overshadowed by disparate and competing definitions over the term "critical." As discussed at paragraphs A18 and A19, the Task Force advised the Board that eliminating dollar range estimates and stratification between critical and non-critical reduces confusion and increases relevance and reliability in DM&R information.</p>
<p align="center">17 – DOI/OFM</p>	<p>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.</p>	<p>Please note that the Maintenance and Repair (M&R) definition was addressed by SFFAS 40. In the ED leading up to that statement, respondents welcomed the Board's work in clarifying and refining the M&R definition. Due to the diversity among federal entities and their unique mission requirements, in this proposed ED the Board has attempted to increase consistency and comparability by addressing reporting requirements.</p>

Table 7.0 – Respondents

Table 7.0 - Respondents

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

Table 7.0 – Respondents

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

Table 7.0 – Respondents

Name		Organization	Category
16	Melanie R. Cenci	Department of Agriculture, Office of the CFO	Federal Preparer
17	Edward King	Department of the Interior, Office of Financial Management	Federal Preparer
18	Terry L. Bowie	National Aeronautics and Space Administration, Office of the CFO	Federal Preparer
19	Michael Brezovec	Nuclear Regulatory Commission. Chief, Financial Reporting and Analysis Division of the Controller, Office of the CFO.	Federal Preparer
20	Elliot P. Lewis	Department of Labor, Office of Inspector General	Federal Auditor
21	Katherine Palmer	Veteran's Administration/Financial Policy	Federal Preparer

From: Smutny, Tammy L

Sent: Monday, August 22, 2011 12:28 PM

To: DefMaint

Cc: SIDARI, David P; Vaiana, Jerome A; Tucker, Gerald A

Subject: FASAB Request for Comments regarding Deferred Maintenance and Repairs

Thank you for the opportunity to provide comments on the above exposure draft. Attached are the Department of Housing and Urban Development's comments for this exposure draft. Please direct any questions concerning our response to me at the number listed below.

Tammy L. Smutny
Financial Policies & Procedures Division
Office of the Chief Financial Officer

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

Name of Respondent: FHA

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 Department agrees that condition information is not essential to financial reporting and therefore, should not be included with DM&R. In addition, the different condition assessment methods used by entities could potentially be confusing to the users of the financial statements in their interpretation of the deferred maintenance estimate.

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.**

Yes, the Department agrees that differences in DM&R during the year should be presented by showing beginning and ending balances (see b). This information could impact future funding decisions.

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

Yes, HUD feels that users would be interested in a **significant** change in DM&R by major asset category and why this change occurred. The Department recommends that the Board clarify in the statement that management is responsible for identifying what a significant change is for their agency.

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.**

Yes, HUD agrees that there should be consistency with the condition standards, related assessment methods, and reporting formats applied. This will assist the user in comparability of prior years' data. The Department recommends adding "by major asset category" in paragraph 11 to confirm that different methods may be used for different PP&E.

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

Yes, HUD agrees that an explanation would be helpful when changing methods to alert users that a change occurred, why the change occurred, and whether DM&R is not comparable to the prior period. This full disclosure facilitates greater transparency to the general public.

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.

HUD agrees that entities should provide narrative information on M&R policies so that users can best understand how entities allocate its available resources.

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.

HUD believes that communication among diverse disciplines should be *encouraged* when evaluating DM&R for a more holistic approach. Expert witnesses should be utilized in determining DM&R amounts.

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.**

The Department agrees that a single DM&R estimate is more appropriate and informative.

- 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.**

HUD agrees to the elimination of the distinction between critical and non-critical estimates since it may cause inconsistency problems, especially since there are three different definitions of critical.

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.

The Department agrees to the effective date with early implementation permitted since it allows agencies sufficient time to prepare (i.e., implement system changes) for the additional information required to be reported by this standard.

From: Wall, John F.

Sent: Friday, September 02, 2011 10:39 AM

To: DefMaint

Subject: Department of Energy Comments on Exposure Draft

Good Morning,

Attached are comments on the Exposure Draft entitled Deferred Maintenance and Repairs Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32. If you have any questions, please contact me at the number below.

John Wall

Office of Financial Policy

Office of the Chief Financial Officer

Department of Energy's Response to FASAB Exposure Draft Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32

Name of Respondent: Office of Financial Policy, Chief Financial Officer

Organization Represented: U. S. Department of Energy

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. While the Department utilizes the Federal Real Property Profile "Condition Index" as a performance indicator and as one of several considerations when it interprets recorded deferred maintenance and repairs (DM&R), the Department has no objections to reporting this information in its Required Supplemental Information (RSI) to its financial statements.

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. A comparison of successive Department financial statements already provides the reader this information. Including the ending DM&R for the immediate past year and the year prior to that will save the reader time.

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

Agree. It seems reasonable to the Department to detail in a brief narrative any changes to DM&R measurement or reporting.

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. It seems reasonable to the Department to report its DM&R consistently unless management necessitates changes.

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

Agree. It seems reasonable to the Department to detail in a brief narrative any changes to DM&R measurement or 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.

Agree. The Department has readily available through corporate sources the qualitative information that would appear in the RSI.

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. The Department's sites engage subject matter experts in evaluating the condition of component systems with input from user communities and under the direction of program and site leadership.

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.**

Agree. The Department asserts that performing asset and component system level condition assessments and estimating the cost to conduct the restorative or replacement work to reverse observed deficiencies while taking into consideration the location of the work obviates any perceived need to present DM&R ranges.

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. Guidance remained unclear as to whether the terms “critical” and “non-critical” applied to the nature of the work, to the asset impacted by the DM&R, or some combination of the two. Since the definition of maintenance and repairs continues to depend on the concept of “acceptable condition,” all DM&R must seem necessary to management. Eliminating this distinction seems like a sensible approach to streamlining reporting.

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. The Department already has policies in place and collects the data necessary to adhere to the proposed measurement and reporting guidance.

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

Name of Respondent: Michael N. Grussing, P.E.

Organization Represented: Construction Engineering Research Laboratory (CERL), U.S. Army Corps of Engineers

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 reviewer agrees that the reporting of traditional condition ratings derived from DM&R (such as FCI) is redundant and adds no value to financial reporting. The reviewer also agrees that traditional condition ratings derived from DM&R can be misleading because: 1) DM&R does not fully describe the physical condition of an asset, only the perceived financial liabilities to bring up to standards of a theoretically acceptable performing asset, and 2) condition ratings derived from DM&R can vary widely based on subjective opinions of corrective scope and cost, while true physical condition of an asset is an absolute value determined by standard procedures independent of DM&R estimates.

In lieu of traditional, DM&R-based condition reporting, the reviewer advocates measurement and reporting of asset condition based on objective engineering criteria and standardized observations about age, deterioration, and distress mechanisms. Paragraph 9 describes Condition Assessment Surveys as a method for determining DM&R. The reviewer generally agrees with this definition, provided the determination of condition and the estimate of deficiencies are conducted in a specific sequence as two fundamentally separate procedures. In other words, in a proven, practical sense, the actual condition rating of an asset should be established first, regardless of the perceived cost, scope or importance of M&R or deficiency corrections. This is essentially what is described in paragraph 9 as defined in Condition Assessment Surveys, provided the focus is on determining current condition versus reporting deficiencies and estimated costs. Only after condition has been measured and compared to the appropriate standards, should DM&R be estimated. This provides a more consistent, economic and transparent process. The reviewer agrees with footnote 5, that only "management shall determine what level of condition is acceptable, "i.e., what eventually becomes a deficiency and an estimated cost.

The reviewer would also like to point out a slight, but important wording discrepancy with footnote 7, which says “It is permissible to schedule condition assessment surveys on a cyclical basis.” While condition inspections may be scheduled on a rigid, calendar based cycle for some types of assets, other types of asset inspections may be better scheduled based on age, expected condition, or risk of a certain type of failure. In other words, the inspection frequency may be increased or decreased at certain points in the life-cycle when the expected risk of failure is more or less predominant, typically towards the beginning and end of life. For such assets, a requirement for a fixed cyclical schedule would be unduly constraining. Because of this, the reviewer respectfully suggests the word “cyclical” in footnote 7 be replaced with “methodical risk” to reflect the importance of risk and the need for management flexibility in risk-based inspection scheduling.

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.**

Agreed, if DM&R estimates are required to be reported annually, it is not difficult to determine changes in DM&R from one year to the next.

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

Agreed, significant changes in DM&R estimates should be analyzed and investigated to determine the underlying cause of such 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.**

Agreed, consistency is important to ensure accurate comparisons across large PP&E portfolios. Consistency in DM&R data starts with

consistent and objective Condition Assessments surveys, as discussed in answer 1, above.

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

Agree. Changes to methods should be kept to a minimum, but if necessary, the agency should explain why a particular method didn't work, and what improvements are to be gained from the new approach.

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.

The reviewer agrees with the requirements to report policy requirements, and any changes to policy. The reviewer prefers a more systematic, standardized, and tabular approach to policy reporting versus narrative write-ups. Narratives are usually difficult to parse, more static, and not easily updatable in a batch fashion. Tabular reporting of M&R policies, including requirements for condition standards are much easier to analyze, update, and interpret, making the policies more transparent. These policies could be assigned based on asset types, asset importance, or any combination of classification.

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.

The design, construction and operation of a facility asset comprise many diverse construction disciplines, and these disciplines play an important role in evaluating the current condition and performance of an asset as well. In addition, input from building occupants, facility managers, and upper-level policy makers is needed to establish standards for maintenance and repair. While the inputs for determining DM&R can come from a diverse set of

professionals and stakeholders, these inputs must be standardized and applied consistently to accurately and objectively compare assets across a large portfolio. This requires systematic evaluation of asset PP&E rather than an ad hoc deficiency reporting approach that has plagued DM&R backlog estimates in the past.

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.**

Agree. If agencies have consistent assessment methods, the level of precision in the DM&R estimate can be better understood and applied across the PP&E portfolio.

- 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.**

The reviewer believes that a classification of what assets are critical is important, and that a single definition of a critical asset should be established. From that point, it would not be difficult to summarize DM&R by critical versus non-critical assets, and this differentiation would have some value for best support an agency's mission.

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.

The reviewer agrees with the proposed effective needs to provide ample time for the agencies to comply, provided agencies have the option of implementing standards earlier if they choose.

September 13, 2011

*Advancing
Government
Accountability*

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Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Washington, DC 20548

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) on its June 27, 2011 exposure draft entitled Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, 14, 29 and 32. Among other matters, this draft proposes changes that would allow greater comparability of deferred maintenance and repair information across federal agencies.

The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB 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.

The FMSB agrees with the proposed changes contained in the exposure draft. The FMSB supports the fundamental concept that information should be comparable across entities whenever possible. This provides greater opportunities for meaningful analysis of financial information amongst federal agencies. Our answers to the questions posed in the exposure draft 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.

We agree with the Board's proposal to no longer require condition reporting. A lack of uniform methods for determining condition will result in non-comparable information that may mislead the

reader of the financial statements. Until such time as uniform standards for measuring condition are developed, we would recommend that condition information not be reported by the agencies.

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.**

We agree with this proposed standard. This will provide useful information to the informed reader and should assist decision makers in determining the unfunded needs for deferred maintenance and repairs.

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

We agree with the proposed standard. Reporting the causes of significant changes to any accounting estimate is essential for transparency and accountability.

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.**

We agree that entities should apply methods and formats consistently to ensure comparability of the information from period to period. Consistency is important so that a reader may judge if any issues or problems are getting worse or improving.

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

Consistent with the rationale used to support the answer to Q3 a., any significant changes should be explained by management.

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.

We agree that entities should provide narrative information describing the policies, significant changes to policies and other non-financial information that is useful to the reader to understand the information provided.

- 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.

We agree that the use of diverse professionals will provide the best information as these are not estimates that are regularly developed by financial staff.

- 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.**

We agree that a single point estimate should be used and elimination of the requirement that a range be reported.

- 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.**

We agree with eliminating the distinction between critical and non-critical assets in the reporting of D M&R. The difficulties in classifying the DM&R with the various definitions were a significant issue that this change will eliminate.

- 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.

We agree with the implementation date.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter of comments. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 703-684-6931, extension 307.

Sincerely,

A handwritten signature in black ink, appearing to be 'EB', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2011 – June 2012

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UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

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

Dear Ms. Payne:

The Department of Commerce has reviewed the Exposure Draft – Statement of Federal Financial Accounting Standards, *Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, dated June 27, 2011.

Please find enclosed answers to the seven questions that were asked of the respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov or Atisha Burks at (202) 482-2715 or aburks@doc.gov.

Sincerely,

A handwritten signature in black ink, appearing to be "G. Alston", is written over the typed name.

Gordon T. Alston
Deputy Director for Financial Management

Enclosure

cc: Lisa Casias
Diane Marston
Tony Akande
Atisha Burks

**Department of Commerce Response
FASAB Exposure Draft, Statement of Federal Financial Accounting Standards –**

**Prepared by: Department of Commerce, Office of Financial Management
Date Prepared: September 9, 2011**

Questions and Answers

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.

Department of Commerce Response:

The Department of Commerce agrees with the Board's proposal to no longer require condition reporting. There are no standardized government-wide measurement methods to report the condition of property; therefore, condition reporting is not comparable among agencies. In addition, classifications of "condition" could be subjective based on an entity's interpretation.

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.

Department of Commerce Response:

The Department of Commerce agrees that DM&R beginning and ending balance estimates should be presented. However, it should be noted that the amounts will be subject to many factors during the fiscal year such as: change in appropriations, timing of condition assessment surveys, timing of procurement actions, and additions/deletions of property. These factors may prevent accurate presentation of comparable and consistent information because the estimates may not be based on the same assets.

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

Department of Commerce Response:

The Department of Commerce agrees with the requirement to explain significant DM&R changes to clarify the amounts being presented.

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.

Department of Commerce Response:

The Department of Commerce agrees that entities should apply reported methods and reporting formats consistently. This will aid in the accurate and valid comparison of data across the government.

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

Department of Commerce Response:

The Department of Commerce agrees that entities should be required to provide an explanation if methods or formats change. This is needed for full disclosure, as well as consistency across the federal government.

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.

Department of Commerce Response:

The Department of Commerce agrees that entities should be required to provide narrative information describing their maintenance and repair policies and other related non-financial information, which could include significant changes to policies and other factors that changed from the prior year. This is needed to provide the users of the financial information a full and complete picture of the entity's financial situation and operations.

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.

Department of Commerce Response:

The Department of Commerce agrees that communication with and consideration of input from professionals in diverse disciplines may be needed to effectively compile and report DM&R. However, it should be left to each agency's discretion to determine if such communication and consideration are necessary based on each agency's assessment of DM&R.

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.

Department of Commerce Response:

The Department of Commerce agrees with eliminating the option to report a range of DM&R estimates. With assessment methods and guidelines issued by the Standards, agencies should be able to disclose realistic and informative DM&R estimates based on the methods chosen.

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.

Department of Commerce Response:

The Department of Commerce agrees with eliminating the distinction between critical and non-critical DM&R estimates due to the confusion it has caused and lack of comparability.

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.

Department of Commerce Response:

The Department of Commerce agrees with the proposed effective date of 2015 with earlier implementation permitted. The proposed effective date allows sufficient time for agencies to implement policies and procedures and gather information to comply with the requirements set forth in the proposed standard.

From: Peterson, Paul R
Sent: Tuesday, September 13, 2011 12:12 PM
To: DefMaint
Subject: Exposure Draft



Attached please find my comments on the DM & R Exposure Draft

Paul Peterson P.E.

BLM NOC Supervisory Civil Engineer

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

Name of Respondent:**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.

Disagree: Condition reporting for bridges, buildings, dams, and other 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.

Comment: Disagree

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: This measure would show the effectiveness of the use of the Deferred Maintenance funds for each agency.

Comment: Agree

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

Agree: This explanation is required to determine if the change is due to a change in reporting methodology or an actual change in DM needs and why those needs have changed.

Comment: Agree

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.

Agree: This explanation is required to determine if the change is due to a change in reporting methodology or an actual change in DM needs and why those needs have changed

Comment: Agree

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

Agree: This would best be handled by using a shared definition of protocols. I do not recommend adopting a unified IT system for the inventory, the coordination would be too costly to implement

Comment: Agree

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

Agree: This explanation is required to determine what methodology is being used by the agency to report on the inventory.

Comment: Agree

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: With the varied missions and policies which the federal government is mandated to maintain would difficult to apply this data to an accounting report.

Comment: Disagree

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: For constructed assets it is imperative to have engineers, planners, operations, and, budget analysts communicating effectively to understand the DM issue in regard to the agency mission, agency constructed infrastructure, and agency budget.

Comment: Agree

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: The estimate of DM is not a fixed number and changes each day, to put a single cost on the DM provides a false accounting number.

Comment:

- 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: It's doubtful if all agencies reported the same on this item.

Comment:

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.

The impact of these changes to my agency does not seem to be a heavy one, but is there a basis for this year?

Comment:

From: Krabbe, Carla
Sent: Wednesday, September 14, 2011 3:05 PM
To: DefMaint
Cc: Dushel, Annette; Kolb, Kristen; Molander, Chris
Subject: FASAB Request for Comments regarding Deferred Maintenance and Repairs

Wendy,

Thank you for the opportunity to comment on the Exposure Draft, *Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. SSA has no comments on the draft. Please contact Annette Dushel at Annette.Dushel@ssa.gov or on (410) 965-0073 if you have any questions.

Thank you,
Carla Krabbe
Deputy CFO
Social Security Administration

NASA FACILITIES ENGINEERING DIVISION**9-14-11****RESPONSE TO QUESTIONS FOR RESPONDENTS REGARDING EXPOSURE
DRAFT ON “DEFERRED MAINTENANCE AND REPAIRS, AMENDING STATEMENT
OF FEDERAL, FINANCIAL ACCOUNTING STANDARDS 6, 14, 29, AND 32**

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.

Disagree. Condition reporting has become the “Standard” to understand the overall condition of facilities. NASA will continue to use condition and track and trend any change in the facility condition. The Deferred Maintenance Estimate is derived from the condition rating. The DM&R estimate can vary with change in the construction climate or inflation. NASA and all the federal agencies are required to report the Condition and DM&R by the Federal Real Property Council Reporting Requirements (FRPCRR).

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.

Disagree. NASA and all the agencies are required by the FRPCRR to report the Fiscal Year End Condition and DM&R estimate. We do not have a budget just for DM&R. We provide an estimate of the DM&R. There are many projects that could be a mix of DM&R and all the other classifications of work, such as rehabilitation, recapitalization, major repair, upgrade, replacement with larger capacity, and new construction.

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

Disagree. This is not a requirement of the FRPCRR, which is currently a substantial effort. If asked, we can certainly provide additional information.

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.

Disagree. This is not a current FRPCRR. If a major change in the Evaluation or Estimating process is made, NASA can provide that info. We plan to continue with the current method, process and format in order to track and trend change.

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

Disagree. Same rationale as Q3. above.

I would recommend removing the second and third bullet items from page 22. Appendix A, A10. Condition Assessment Surveys under pros:

*** More timely identification of health & safety issues.**

*** Usually identifies and prioritizes work items / specific repairs.**

These items are not normally provided with a facility condition assessment. These items would typically be a result of a complete facility engineering review, study, evaluation, and estimate.

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. Para. 13 and 14 have listed many additional supplemental items. Please refer to response to questions 1, 2, & 3 above. Again, this is not a current FRPCRR. We also manage our Maintenance and Repair Program with a very rigorous prioritization review.

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. NASA has a very detailed process with our maintenance and budget staffs to report the DM&R as required by the FRPCRR.

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.

Agree. NASA reports the elements as required by the FRPCRR. Each agency can track and trend the data and sub-elements.

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. NASA reports the elements as required by the FRPCRR. Each agency can track and trend the data and sub-elements.

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.

N/A - We recommend no changes to the current FRPCRR and have recommended this in the previous questionnaire and meetings.

Additional comment to Ms. Payne and Mr. Savini – This has been a huge effort for everyone to review and comment on 4 FASAB Standards. Thank you both for all your efforts and allowing everyone to participate and provide comments.

Ron DiLustro

From: Steinberg, Michael

Sent: Thursday, September 15, 2011 8:42 AM

To: DefMaint

Cc: Rivera, Eric; Stetson, Kathleen

Subject: NRC OIG Comments on FASAB Exposure Draft

Reference: Comments Requested on Exposure Draft Titled, *Deferred Maintenance and Repairs, Amending Statements of Federal Accounting Standards 6, 14, 29, and 32*

See Attachment

If you have any questions, please contact me. Also, could you please acknowledge the receipt of this e-mail and the attachment?

Let me thank you in advance,

Michael

Michael J. Steinberg

c/o Nuclear Regulatory Commission

Office of the Inspector General

Wendy M. Payne, Executive Director
c/o Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

Reference: Comments Requested on Exposure Draft Titled, *Deferred Maintenance and Repairs, Amending Statements of Federal Accounting Standards 6, 14, 29, and 32*

Dear Ms. Payne,

The Office of the Inspector General (OIG) within the Nuclear Regulatory Commission has reviewed the subject FASAB Exposure Draft. OIG is providing the following comments to your seven questions. If you have any questions, please contact me at 301-415-5931 or at michael.steinberg@nrc.gov.

Question 1:

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.

Response to Question 1:

Agree. In most cases, condition information may not be important to financial reporting. For this reason condition information could be excluded from Deferred Maintenance and Repairs (DM&R). This change may also provide clarity to the application of the deferred maintenance estimate.

Question 2:

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.

Response to Question 2a:

Agree. It would make logical sense to reflect differences in DM&R in the opening and closing balances. This information could also be helpful in the funding decision-making process.

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

Response to Question 2b:

Agree. Explaining significant DM&R changes (in short narrative form) should improve the usefulness of this information that is analyzed by management who are directly responsible for identifying what constitutes a significant change.

Question 3:

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.

Response to Question 3a:

Agree. There should be consistency across-the-board. This always assists the users' analysis of the information no matter what methods are used.

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

Response to Question 3b:

Agree. This would seem to be a reasonable and logical step when changing methods or formats. The explanation should include but not be limited to: the effective date of the change, what circumstances necessitated the change, and whether or not the DM&R is comparable to a prior period.

Question 4:

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.

Response to Question 4:

Agree. For transparency and disclosure purposes, entities should 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.

Question 5:

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.

Response to Question 5:

Agree. This would complement DM&R collection, compilation, and reporting.

Question 6:

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.

Do you agree or disagree with eliminating the option to report a range of DM&R estimates? Please provide the rationale for your answer.

Response to Question 6a:

Agree. A single DM&R estimate would be more effective and informative.

- a. Do you agree or disagree with eliminating the distinction between critical and non-critical DM&R estimates? Please provide the rationale for your answer.

Response to Question 6b:

Agree. It may not be always clear what critical and non-critical denote. Consequently, eliminating the distinction between critical and non-critical DM&R estimates is a reasonable approach and will reduce any inconsistencies because of the different critical definitions.

Question 7:

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.

Response to Question 7:

Agree. The FY 2015 effective date (with earlier implementation permitted) will allow ample time to prepare for this change.



OFFICE OF THE UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

SEP 15 2011

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

Dear Ms. Payne:

The Department of Defense (DoD) appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board exposure draft, "Deferred Maintenance and Repairs: Statement of Federal Financial Accounting Standards." The DoD agrees with the proposed changes and provides the enclosed rationale. Notably, DoD requests that the format presented in Illustration 1 become the official format for reporting Deferred Maintenance and Repairs in Required Supplemental Information.

My contact is Ms. Maryla E. Engelking. She can be reached at 703-602-0155 or maryla.engelking@osd.mil.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark E. Easton", is written over a horizontal line.

Mark E. Easton
Deputy Chief Financial Officer

Enclosure:
As stated

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

Name of Respondent: Mark E. Easton**Organization Represented: Department of Defense**

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. In the current reporting environment, condition assessments and related criteria are largely inconsistent among and within reporting agencies. Condition assessments also have a subjective aspect to them and rely in part on the assessor's judgment on the condition level. However, condition assessments should continue within the agencies and used as a management tool in determining maintenance priorities and Deferred Maintenance and Repairs (DM&R), but not reported within the financial statements.

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. Beginning and ending balances of DM&R are relevant. Disclosing these balances will allow for the assessments of changing requirements and available resources to cover such requirements. It should aid in the preparation of budgetary requirements.

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

Agree. Disclosing significant (material) DM&R policy changes is relevant to readers of financial statements. However, these balances should only be segregated into General Property Plant & Equipment (G-PP&E), Heritage Assets, and Stewardship Land. A requirement to delineate DM&R into active/inactive or funded/unfunded segments would probably be cost prohibitive for most agencies.

Documenting significant DM&R changes highlights and helps justify the need for sustainment, restoration, and modernization funding that reporting agencies need in order to bring their facilities up to a fully serviceable condition, enabling the agencies fully to support their current mission or function.

However, the necessity to provide variance explanations for changes in reported amounts may be cost prohibitive for some types of PP&E. This will be especially true for deployed PP&E. A cost analysis should be performed to assess the cost of changes in systems (both automated and manual) required to obtain the data necessary to provide meaningful variance explanations prior to making this a requirement for all PP&E.

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. Reporting agencies should apply reported methods and reporting formats consistently. Changes to these methods and formats should be fully disclosed and include justification for making the change. If reported methods and reporting formats are inconsistent from year to year, then it is not possible to make an accurate comparison and analysis from year to year. Given the diverse missions, systems, and processes of the Department of Defense, there may be a significant number of methods utilized. Flexibility in determining the methods of maintenance and repair, especially in contingency operations, can affect mission success. Therefore, a cost analysis needs to be performed to determine the level of detail that needs to be included in this disclosure.

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

Agree. This disclosure aligns with generally accepted accounting principles requiring the explanation of changes in methodology for depreciation, tax, etc. Also, when two periods are presented, it is important to identify procedural changes that impact comparability. Nevertheless, entities should be allowed to adopt new and different methods from those reported on in previous years to keep pace with emerging developments in asset management. The explanation for the change in method should derive from criteria established by the Board to allow for consistency and comparability among reporting entities. However, reporting formats should not be changed from year to year. The Board should obtain concurrence from entities on a standard reporting format and require entities to use this standard format.

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.

Agree. Reporting agencies should include narrative information describing DM&R policies and other non-financial information including any significant changes to policies and other factors from the prior year. Given the diverse missions, systems, and processes of the Department of Defense, there may be a significant number of methods utilized and changes in methodology may occur. Flexibility in determining the methods of maintenance and repair, especially in contingency operations, can affect mission success. Therefore, a cost analysis needs to be performed to determine the level of detail that needs to be included in this disclosure.

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. Communication with and consideration of input from professionals in diverse disciplines is necessary to effectively compile and report DM&R.

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.

Agree. Asset management system(s) should be able to provide specific data vice a range. Estimate ranges should be used for planning purposes, not for financial reporting.

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. Eliminating the requirement to report critical or non-critical DM&R estimates on the financial statements is helpful to the reporting agency. The requirement is subject to interpretation and the resulting data could be misleading to the reader of the financial statement. However, the Department of Defense will continue to use this distinction internally as an additional management tool to analyze whether resources are being appropriately allocated to critical repairs vice lower priority non-critical repairs.

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. Implementing the proposed standard effective in Fiscal Year 2015 is reasonable.

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

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”**

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

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”**

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.

From: Washabaugh Diane W NGA-FMC USA CIV

Sent: Friday, September 16, 2011 11:49 AM

To: Savini, Domenic N

Subject: FASAB: DM&R Draft Exposure Draft Document COMMENTS DUE September 16

Hi Dominic,

NGA's response to the DM&R Draft Exposure is below

Regards,

Diane Washabaugh

NGA

Acting Branch Chief – PP&E Audit Remediation

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. Agree, since there are no federal or community-wide standards for assessing/measuring.

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.

A2a. Depends on the time period. Yes for annual, but no for more frequent, such as quarterly.

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

A2b. Agree, helps reader understand the 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.

A3a. Agree, for consistency/comparability.

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

A3b. Agree, explanation is required to help reader understand the reason for the method or format change.

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. Agree, helps reader understand entity's program and aids comparability.

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. Agree, input from diverse disciplines will provide different perspectives.

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.

A6a. Agree, single estimate is more appropriate and aids comparability.

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.

A6b. Agree, "critical" definition is not consistent.

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. Agree, allows sufficient time to implement changes.



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

From: Alexis Stowe (BC)
Sent: Friday, September 16, 2011 12:30 PM
To: DefMaint
Subject: GSA Response – FASAB Exposure Draft on Deferred Maintenance and Repairs

Dear FASAB Director,

Attached are GSA's comments on the subject FASAB ED. Thank you for the opportunity to provide comments.

Alexis M. Stowe
Director of Financial Policy and Operations (BC)/ Deputy CFO
Office of the Chief Financial Officer
General Services Administration
1275 First St. NE, Washington, D.C. 20417

Question	Para No.	SUBJECT/TITLE	Yes	No	RECOMMENDATIONS/COMMENTS	Name of Commenter	Office	Email Address/Phone
Q1	13, 14, 17 & Appendix A para 8	<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>Do you agree or disagree with the Board's proposal to no longer require condition reporting? Please provide the rationale for your answer.</p>	Y		Agree to eliminate the requirement to report condition information. We believe the existing condition reporting fails to provide information or insight that readers can use, additional summary condition information would be redundant, and the benefit of presentation and usefulness of this information was very questionable especially in agencies with large volumes of assets.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560
		<p>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.</p> <p>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.</p>	Y		Agree. Beginning and ending balances with an explanation of significant changes in estimates will be useful to the readers. However, comparative balances will only be useful when the measurements and definitions applied for determining deferred maintenance are consistent from period to period. Also, the additional requirement of beginning and ending balances would lead readers to assume condition surveys are performed annually and our Public Buildings Service survey's for half of it's owned inventory of buildings each fiscal year.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560

FASAB Exposure Draft on Deferred Maintenance and Repairs Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and
32

Question	Para No.	SUBJECT/TITLE	Yes	No	RECOMMENDATIONS/COMMENTS	Name of Commenter	Office	Email Address/Phone
Q2	14.f, 14.g & Appendix A para A20	b) Do you agree or disagree with the requirement to explain significant DM&R changes? Please provide the rationale for your answer.	Y		Agree. This requirement is useful to users in understanding what occurred during the year that cause significant changes. However, we are concerned with the additional workload and cost this could create for agencies. Maintaining information on period-to-period changes would potentially require significant additional data tracking mechanisms to capture the amounts involved by each cause/action. DM&R is often well tracked from a workload and budgeting perspective, however associating dollar amounts and reasons for changes in each Deferred Maintenance task are not captured. In today's environment, tracking of DM&R is only focused on having such information available at points in time. With the audit review of DM&R data, the effort to capture and maintain balance change information is further compounded as this elevates the internal control and management review efforts required to ensure validation and accuracy of such data.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560
Q3	11 & Appendix A para A10-A11	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.	Y		Agree. Consistency is vital for usefulness and analysis of financial data. Frequent changing of methodology would render the data virtually incomparable and greatly reduce its usefulness.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560

FASAB Exposure Draft on Deferred Maintenance and Repairs Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and
32

Question	Para No.	SUBJECT/TITLE	Yes	No	RECOMMENDATIONS/COMMENTS	Name of Commenter	Office	Email Address/Phone
		b. Do you agree or disagree with requiring an explanation if entities change methods or formats? Please provide the rationale for your answer.	Y		Agree. Changes to methodology can be normal and needed but explaining them to the reader is needed for transparency. Any changes must be documented and properly justified and should be disclosed.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560
Q4	13, 14a - 14f, & Appendix A para A11 & A17	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.	Y		Agree. Policies and non-financial information including significant changes to policies that are relevant to the population of surveyed assets and the method of estimation should be disclosed. However, requiring entities to provide DM&R policies and other information may become a burden and the real point of this requirement is to provide high level transparency, not to publish all accounting/financial policies. There is concern that this statement is too broad.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560

Question	Para No.	SUBJECT/TITLE	Yes	No	RECOMMENDATIONS/COMMENTS	Name of Commenter	Office	Email Address/Phone
Q5	11 & Appendix A para A15 & A16	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.	Y		Agree. Communication and considering input from professionals in diverse disciplines is necessary for completeness and consistency and to effectively compile and report DM&R. Accountants and finance professionals most likely would not have the required expertise to make such decisions alone and must rely on subject matter experts for proper guidance. The group listed in paragraph 11 seems sufficient.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560
Q6	14 & Appendix A para A18 &	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.	Y		Agree. Providing a range of estimates related to DM&R could be confusing and misleading. Because this ED retains the DM&R definition to apply only to work that would be expensed we believe this is reasonable. If definitions are ever expanded to also cover capitalizing work under deferred maintenance, this could be much more difficult to put an exact dollar amount to and a range would often be preferable in such cases.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560

Question	Para No.	SUBJECT/TITLE	Yes	No	RECOMMENDATIONS/COMMENTS	Name of Commenter	Office	Email Address/Phone
	A19	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.	Y		While we agree that the criticality of maintenance or a repair should not be the driving factor for defining DM&R, we recommend FASAB to work with the Real Property Council at the Office of Governmentwide Policy (OGP) to further develop common definitions and standards for capturing DM&R to enable consistent definitions, and eliminate uniqueness that might prevent using the information needed for the government-wide asset management purpose for the very similar Deferred Maintenance reporting in financial statements.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560
Q7		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.	Y		Agree. This should provide sufficient time for agencies to prepare.	Alexis Stowe	OCFO, Office of Financial Policy and Operations	alexis.stowe@gsa.gov / 202-501-0560



September 15, 2011

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 6814
Washington, DC 20548

Subject: Comments re: Exposure Draft amending SFFAS 6, 14, 29 and 32
Reference: (a) FASAB Exposure Draft and Request for Comments dtd June 27, 2011
Enclosure: (1) IRIS Comments

Dear Ms. Payne:

We have reviewed referenced exposure draft and now offer a few comments for the Board's consideration. You will find our comments in the enclosure.

We support Task Force efforts and our comments are offered in a collegial spirit, meant to benefit the federal financial reporting process. In this regard, we encourage the Board to contact the US Army Construction Engineering Research Laboratory (CERL) to confirm our stated concerns and seek appropriate resolutions.

Sincerely,

JAMES B. CLAYTON

James B. Clayton, PE, MSEE, RIS
Director
Institute for Responsible Infrastructure Stewardship
703.980.1570
clayton@team3.us

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

Name of Respondent: James B. Clayton, PE, MSEE, RIS

Organization Represented: Institute for Responsible Infrastructure Stewardship

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. Agree with eliminating condition reporting based on DM&R source data. The traditional practice of using estimated DM&R numbers to compute metrics invariably yields metrics with the same issues inherent in the DM&R source data. Furthermore, government research has shown that the traditional practice of computing "condition ratings" by dividing DM&R numbers by asset values, though perhaps useful for some purposes, does not yield a credible indicator of physical condition. The same research has also shown that an asset's physical condition is an absolute state that can be objectively and accurately measured and indexed independent of diverse opinions about scope and cost of corrective repairs. These proven techniques produce credible DM&R numbers as worthwhile by-products, but do not rely on DM&R numbers for rating condition. The new techniques combine condition assessment surveys with life cycle costing methods and are significantly less expensive to use than traditional methods of condition assessment survey.

Disagree with the word "cyclical" in Footnote #7 because it imposes an unnecessary restriction on agency flexibility and increases inspection cost by requiring management to schedule condition inspections only on a traditional "periodic (cyclical) basis" rather than permitting management a choice between expensive "periodic (cyclical)" scheduling and "lean, just-in-time, risk-based (non-cyclical)" scheduling. This excessive restriction, if unintended by the Board, could be removed simply by substituting the word "methodical" in place of "cyclical." This easy substitution would permit all agencies to freely choose between costly cyclical scheduling and less expensive, non-cyclical scheduling as appropriate.

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.**

A2(a) Neither Agree nor Disagree. We appreciate the Board's inclination to introduce a more prescriptive reporting standard in order for the government to better understand

fiscal exposure created by its aging real property. We also understand many federal agencies' tendency to agree with the Board's proposals, given the unquestioned requirement to report real property M&R backlog and the many long-standing concerns with its inherent issues.

However, most if not all the proposed changes described in the Exposure Draft simply revive prescriptive standards used by the Navy and other federal agencies for reporting BMAR during the 1970's and 1980's. Unfortunately, those now-abandoned prescriptive standards proved ineffectual; the quality of BMAR reports remained problematic; and reliance on the BMAR metric consequently declined. We therefore believe that FASAB's proposed resurrection of very similar standards, under a different name and without the benefit of intervening research, will not achieve the intended objective.

We also believe that the proposed reporting standards are flawed because they erroneously treat the estimated cost of deferred maintenance as a measure of fiscal exposure, when government research suggests that the actual measure of exposure is solely the estimated cost of deferred repairs exclusive of deferred maintenance cost. The amalgamation of deferred maintenance cost with the cost of deferred repairs into a single, BMAR-like metric only serves to obfuscate true fiscal exposure. And, because deferred maintenance is not cumulative, the mingling of deferred maintenance with accumulating deferred repairs further distorts actual fiscal exposure.

A related issue is the incorrect inference in Paragraph 8 of the draft exposure that both condition assessment surveys and life-cycle cost forecasts measure deferred maintenance and deferred repairs. In fact, condition assessment surveys measure only the cost of deferred repairs (not deferred maintenance costs, per se) and life-cycle forecasts (minus actual maintenance expenses) measure only the cost of deferred maintenance (not deferred repair costs, per se).

In this regard, we note a number of fundamental and misleading inaccuracies in the "general selection criteria for evaluating different assessment methods" listed in Appendix A, section A10, on page 22. It appears that these mistakes may have inadvertently occurred during the Board's process of consolidating a similar but longer list provided to the Board during the study period by the Institute for Responsible Infrastructure Stewardship.

For these and other reasons stated in Appendix A of this Enclosure, we believe that the practice of reporting real property DM&R does not meet the objectives of Standard Federal Financial Accounting Concepts (SFFAC 1).

All things considered, we also believe the Board would be well-advised to seek expert advice and science-based alternative methods for identifying fiscal exposure due to real property deterioration rather than attempting to polish a metric having no scientific basis and a reporting process that has defied refinement for more than 40 years. One excellent source of such expert advice and alternative methodology is the US Army Construction Engineering Research Laboratory¹.

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

¹ Michael N. Grussing, P.E., Research Civil Engineer, US Army Corps of Engineers, Engineer Research and Development Center, Construction Engineering Research Laboratory P.O. Box 9005 Champaign, IL 61826-9005, Phone: 217.398.5307, Fax: 217.373.6798.

A2(b) Neither Agree nor Disagree. Please refer to our A2(a) above.

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.

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

A3(a) Neither Agree nor Disagree. Please refer to our A2(a) above.

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

A3(b) Neither Agree nor Disagree. Please refer to our A2(a) above.

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. Neither Agree nor Disagree. Please refer to our A2(a) above.

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. Neither Agree nor Disagree. Please refer to our A2(a) above.

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.**

A6(a). Neither Agree nor Disagree. Please refer to our A2(a) above.

- 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(b). Neither Agree nor Disagree. Please refer to our A2(a) above.

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. Neither Agree nor Disagree. Please refer to our A2(a) above.

COMPARISON OF DM&R REPORTING with SFFAC 1 GUIDANCE			
SFFAC 1 Guidance			DM&R Reporting Issue
Paragraph	Topic	Guidance	
151	Basis for Reporting	Users' information needs define financial reporting	If federal agencies don't need or use DM&R data, who does and for what purpose?
151	Cost v. Benefit	Articulating objectives and recommending accounting standards necessarily involve judgments about the costs and benefits of producing more information or of reporting it differently.	DM&R became an institutionalized proxy for physical condition without the usual scientific investigation, proof of concept, or benefit/cost analysis. In fact, there still are still no published studies substantiating the validity of using DM&R as an indicator of physical condition, let alone justifying the diversion of scarce resources from other critical priorities to support this expensive activity.
155	Use of Most Cost Effective Information Sources & Techniques	Accounting and financial reporting cannot satisfy every need for information and accountability. For many purposes, other information sources and other techniques to maintain and demonstrate accountability are either essential or more cost-effective. The objectives of federal financial reporting constraint pervades any discussion of the objectives of federal financial reporting	Whenever DM&R reporting is warranted for managerial or financial reasons, there are better, more cost-effective tools and processes available to accomplish this objective without the expense and issues associated with traditional M&R backlog data collection and reporting
158	Understandability	For reports to be understandable to different audiences, different reports may be necessary to provide information relevant to the needs of the expected report users, with suitable amounts of detail, explanation, and related narrative.	If federal agencies don't need or use DM&R data, who does and for what purpose?
159	Understandability	To be fully intelligible, financial information in general purpose reports may need to be presented in relation to the goals, service efforts, and accomplishments of the reporting entity	A growing number of federal agencies have followed DOD's lead and either dropped using the BMAR (DM&R) metric from everyday management, as well as abandoning BMAR reduction as a management goal. However, agencies that no longer track deferred maintenance for management purposes are still required to continue the costly collection and reporting of deferred M&R data simply to satisfy the SSFAS 6 reporting requirement.
160	Reliability	Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent.	To the extent they are based on actual condition assessments, the assessments themselves are often subjective and biased, especially those conducted by facility users rather than by independent teams of engineers not associated with the facility, installation, or major command
160	Reliability	Reliability does not imply precision or certainty, but reliability is affected by the degree of estimation in the measurement process and by uncertainties inherent in what is being measured.	DM&R does not account for all sources of mitigation – an item in the backlog may be included in a future construction, demolition, or privatization project. Therefore, requirements may be double counted.
162	Relevance	To be relevant, a logical relationship must exist between the information provided and the purpose for which it is needed	DM&R performs illogically – backlog goes up when more funds are available, because facility managers are more likely to identify deficiencies when the probability of obtaining funding increases.
162	Timeliness	If financial reports are to be useful, they must be issued soon enough to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had.	DM&R is inaccurate --- since data are too expensive to maintain, unfunded annual maintenance and repair is often simply compounded and inflated without any reference to actual conditions. DM&R is not timely – the metrics provide only backward-looking snapshots that shed no light on what has been accomplished in the meantime or what the changing needs are in the future.
163	Consistency	Financial reports should be consistent over time; that is, once an accounting principle or reporting method is adopted, it should be used for all similar transactions and events unless there is good cause to change	DM&R is not interoperable – there are no universal standards for computing the metrics – Installations vary greatly in the performance of condition assessments and estimation methods. Therefore, comparative analysis is not possible.
164	Comparability	Financial reporting should help report users make relevant comparisons among similar federal reporting units, such as comparisons of the costs of specific functions or activities. Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting procedures or practices	DM&R is not interoperable – there are no universal standards for computing the metrics – Installations vary greatly in the performance of condition assessments and estimation methods. Therefore, comparative analysis is not possible.

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

Name of Respondent: Melanie R. Cenci**Organization Represented: US Department of Agriculture, Office of the Chief Financial Officer**

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.

USDA agrees with the Board's proposal to no longer require condition reporting. Because there is no standard or uniform assessment or measurement method and each entity prescribes to their own methods, it does not facilitate an understanding of the DM&R estimates as a whole.

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.**

USDA agrees with the Board's proposal that estimates for beginning and ending balances should be presented. Users of the financial reports need to know if the DM& R balances changed.

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

USDA agrees with the requirement to explain significant DM& R changes. Users of the financial reports need to know what occurred during the fiscal year that impacted the 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.**

USDA agrees that entities should apply reported methods and reporting formats consistently. The most important element in accounting for DM&R is consistency in application. Consistency adds to the value of DM&R estimates in that it allows the entity to perform trend analysis which is useful in decision-making.

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

USDA agrees with requiring an explanation if entities change methods or formats. An explanation should document the reason for the change and also should provide the impact of the change to the users of the financial reports.

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.

USDA agrees with the above referenced requirements. It is important that the entity provides a description of their M&R policies and other non-financial information in that it shows how an entity manages its DM&R, how it ranks the M&R projects to which resources are allocated, and it facilitates the reliability and the relevance of the DM&R estimates.

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.

USDA agrees that an integrated approach to compiling and reporting DM&R is imperative in establishing consistent and complete DM&R estimates. It is by the collaboration of those in different disciplines such as engineering, facilities management, finance, budgeting and accounting, that an entity can establish the completeness and consistency in DM&R estimates and recognize systemically process improvements.

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.**

USDA agrees with eliminating the option to report a range of DM&R estimates if there is very little distinction between low and high dollar estimates.

- 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.**

USDA agrees with eliminating the distinction between critical and non-critical DM&R estimates absent a clear definition. However, National Resources Conservation Service disagrees. If the entity defines what is critical and non-critical, it provides the users of the financial reports with a better understanding of DM&R management.

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.

USDA agrees with the proposed effective date.

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,

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**

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. Prepares 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.

National Aeronautics and Space Administration

Headquarters
Washington, DC 20546-0001



September 14, 2011

Reply to Attn of: Office of the Chief Financial Officer

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to provide comments to the exposure draft "Deferred maintenance and Repairs – Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32." Enclosed you will find NASA's response to the questions for the respondents.

If you have any questions regarding NASA's response, please contact Kevin Buford, Director for Policy, at (202) 358-0405 or by e-mail at kevin.buford@nasa.gov.

Sincerely,

A handwritten signature in black ink that reads "Terry L. Bowie".

Terry L. Bowie
Deputy Chief Financial Officer

Enclosure

NASA Response to Questions for Respondents Regarding Exposure Draft on “Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32

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. But condition information is important for NASA Facility Engineering Division and is required to report them by the Federal Real Property Council Reporting Requirements. However it is not an important component of financial reporting; hence agree with the Board’s proposal to no longer require 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. Presentation of beginning and ending balances will provide the fluctuation between the balances to the users.

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

Agree. Disclosure of significant changes in DM&R will provide the rationale for the changes to the users and help them to understand what events caused those 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.

Agree. Consistency reinforces reliability and comparability and adds to the informational value of DM&R estimates.

Enclosure

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

Agree. Management should provide an explanation if there are changes to methods or formats. Disclosing the information will explain the change and will not allow the user to speculate why management decided to change method/format.

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.

Agree. Providing narrative information describing the DM&R policies and other non-financial information will enhance the reliability of the entity's estimated DM&R amount.

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. Communication is a vital component in any organization. Input from professionals in diverse disciplines is necessary to effectively compile and report DM&R.

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.

Agree. A single DM&R estimate is more informative than a range. The identification of low and high dollar DM&R estimates could contribute to the lack of comparability and hinder the transparent reporting of a more realistic estimate.

- 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. Currently there are too many definitions for "critical," which causes confusion. Elimination of the requirement for distinction between critical and non-critical amounts will cut down the reporting inconsistencies.

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

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

Agree. It is up to individual Agencies to implement earlier than FY 2015.

From: Brezovec, Michael

Sent: Wednesday, September 21, 2011 2:53 PM

To: Savini, Domenic N

Subject: RE: FASAB: DM&R Draft Exposure Draft Document COMMENTS DUE
September 16

Dom,

Sorry for the late notice, but NRC does not have any comments on the Exposure Draft.
Thank you.

Michael S. Brezovec

Chief, Financial Reporting and Analysis Branch

Division of the Controller

Office of the Chief Financial Officer

U.S. Department of LaborOffice of Inspector General
Washington, D.C. 20210

SEP 21 2011

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814 (Mailstop 6k17V)
Washington, D.C. 20548

Dear Ms. Payne:

On behalf of the Office of Audit (OA), Office of Inspector General (OIG), Department of Labor, enclosed are our responses to questions posed in the proposed Statement of Federal Financial Account Standards entitled, "Deferred Maintenance and Repairs – Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32."

The OA/OIG is in general agreement with the amending of the Statement of Federal Financial Account Standards 6, 14, 29, and 32. We believe it will provide important guidance for the proper accounting, presentation, and disclosure in financial statements.

Thank you for the opportunity to provide these comments. If you have any questions or need additional information, please contact Joseph L. Donovan, Jr. at 202-693-5248.

Sincerely,

A handwritten signature in cursive script that reads "Elliot P. Lewis".

Elliot P. Lewis
Assistant Inspector General for Audit

Enclosure

**Department of Labor
Office of Inspector General
Office of Audit**

**Exposure Draft: Amending Statements of Federal Financial
Accounting Standards 6, 14, 29 and 32**

Questions for Respondents

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.

We agree. As noted in paragraph A8 of the exposure draft, there are no federal-wide uniform assessment or measurement methods, which may impact the comparability and understandability of the information. Though the determination of acceptable condition affects the amount of DM&R that is reported, we agree that the ultimate goal of the standard is to provide reliable information on the estimated cost of PP&E maintenance and repairs that have been deferred. Therefore, we believe it would be more beneficial for agencies to focus their efforts on reporting that information.

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.

We agree that the Statement of Federal Financial Accounting Concepts (SFFAC) No. 1: Objectives of Federal Financial Reporting states, "Federal financial reporting should provide information that helps the reader to determine the costs of providing specific programs and activities and the composition of, and changes in, these costs." Therefore, we believe it is appropriate to present beginning and ending balances so readers can determine the change in estimated costs.

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

We agree. SFFAC No. 1 states, "Federal financial reporting should provide information that helps the reader to determine the costs of providing specific programs and activities and the composition of, and changes in, these costs. Examples of financial information that can help to address this objective include... relevant analyses of the composition and behavior of costs." As such, we agree with the requirement to explain significant DM&R changes. Furthermore, we also believe it is important for users to understand the significant changes that occurred during year.

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.**

We agree that entities should apply reported methods and reporting formats consistently. SFFAC No. 1 states, "Financial reports should be consistent over time; that is, once an accounting principle or reporting method is adopted, it should be used for all similar transactions and events unless there is good cause to change. The concept of consistency in financial reporting extends to many areas, such as valuation methods, basis of accounting, and determination of the financial reporting entity." As such, we believe the reported methods and reporting formats should be consistent.

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

We agree. As noted above, once an accounting principle or reporting method is adopted, it should be used unless there is good cause to change. In addition, SFFAC No. 1 states, "If accounting principles have changed or if the financial reporting entity has changed, the nature and reason for the change, as well as the effect of the change, should be disclosed." Therefore, we believe that if entities change methods or formats, they should explain the rationale for the change and disclose the quantitative impact on the DM&R estimate.

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.

We agree and believe the above referenced requirements provide users with the relevant information necessary to understand DM&R. However, we suggest that the option in paragraph 12, which relates to the disclosure requirement in paragraph 14d, be reconsidered. Specifically, if DM&R information related to non-capitalized or fully depreciated general PP&E is considered important data, it should be required of all entities to ensure consistency in financial reporting. (SFFAC No. 1 further states, "Financial reporting should help report users make relevant comparisons among similar federal reporting units, such as comparisons of the costs of specific functions or activities. Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting procedures or practices.")

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.

We believe the consideration of input from professionals in diverse disciplines may be necessary depending on the nature of the entities' assets.

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.**

We agree and believe reporting the best estimate would provide readers with clarity and more useful information as it will eliminate ambiguity regarding the estimate of the cost that agencies actually expect to incur. It would also improve comparability among the agencies.

- 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.**

We agree that eliminating this distinction will address the potential lack of comparability as the reporting of critical and non-critical DM&R estimates was initially optional. However, we believe the intent of this disclosure was to provide insight on the timing of when DM&R costs may need to occur. As such, we believe the Board should consider an alternative to providing information on the amount of the ending balance of estimated DM&R costs that an entity would need to incur in the near term in order to avoid having the entity's ability to achieve its mission impacted by the deferral of such costs.

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.

We have no comment on the effective date.

From: Palmer, Katherine (SES)
Sent: Wednesday, September 28, 2011 11:54 AM
To: Savini, Domenic N
Cc: Shea, James (Jerry); Jones, Wesley E. (VACO)
Subject: RE: VA Response to FASAB for Deferred Maintenance and Repair

Good morning,

Attached are the VA's comments on the

Deferred Maintenance and Repairs (DM&R) - Exposure Draft

Thank you for this opportunity to engage as this continues to be an issue of interest to the VA.

Regards, Katherine Palmer

Katherine Palmer

ADAS for Financial Policy

Comments on Deferred Maintenance and Repairs (DM&R) - Exposure Draft

Organization Represented: Department of Veterans Affairs

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: Aggregating condition information across a wide variety of classes of General Property Plant and Equipment (GPP&E) is of questionable value from a direct-reporting perspective.

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.

(a) Agree. Rationale: This will provide useful information for management and report users to evaluate the change that occurred within the year and permit year-to-year comparable trend information regarding the state of asset management.

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

(b) Agree. Rationale: The requirement to explain significant DM&R changes will provide useful information regarding any major contributing events that had significant impact regarding the increase or decrease in the DM&R during the reporting year.

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.

- (a) Agree. Rationale: Maintaining the reporting method and format provides consistency and comparability of trend information of the DM&R reporting, year-to-year, for decision makers.

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

- (b) Agree. Rationale: Receiving an appropriate explanation as to why an entity changed its methods or formats aids users and decision makers who strive to preserve their understanding of the comparability of the entity's DM&R reporting, year-to-year, and awareness of any major influences that impact an entity's asset management.

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.

Agree. Rationale: In order to understand an agency's asset management philosophy, the report users need to understand the agency's maintenance and repair policies. This requires the agency to explain its process for determining need for maintenance and repair. If there is any significant change in that process, the agency needs to explain that to allow the reader to assess the comparability and consistency of the reported current year deferred maintenance and repair information to that of the prior year.

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: Assessing the condition and the applicable maintenance and repair appropriate to PP&E, and making the important decisions regarding what can or cannot be funded in a given fiscal year, of necessity, does involve collaboration of personnel from various disciplines – such as engineers, facility managers, accountants, and budget analysts. This integrated collaboration is the basis for effective DM&R compilation and reporting.

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.

Agree. Rationale: VA uses the Facility Condition Assessment (FCA) survey methodology to develop the maintenance and repair costs for specific items of PP&E rated in poor or critical condition. This approach allows VA to derive a particular total rather than a range of DM&R estimates.

(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: The terms “critical” and “non-critical” can take on a broad range of meaning for DM&R reporting and can lead to ambiguities of interpretation across 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.

Agree. Rationale: Agencies over time may experiment with different aspects of approaches to asset management. Some agencies may need this time provided to refine and implement any decision changes in policy or asset management and repair measurement methodology (FCA survey, life cycle costing methods etc.). With earlier implementation encouraged, any agency that is ready can implement the guidance sooner.



Federal Accounting Standards Advisory Board

Deferred Maintenance and Repairs

Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by September 16, 2011

June 27, 2011

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, and analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- “Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”
- “Mission Statement: Federal Accounting Standards Advisory Board,” exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB’s website at: www.fasab.gov.

Federal Accounting Standards Advisory Board
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June 27, 2011

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on this exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, *Deferred Maintenance and Repairs - Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*. Specific questions for your consideration begin on page 7 but you are welcome to comment on any aspect of this proposal. Your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by September 16, 2011.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to defmaint@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the *Federal Register* and in the FASAB's newsletter.

Tom L. Allen

Chairman

Executive Summary

What is the Board proposing?

This exposure draft proposes amending the reporting requirements contained in Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*. The amendments would require entities to: (1) describe their maintenance and repairs (M&R) policies and how they are applied, (2) discuss how they rank and prioritize M&R activities among other activities, (3) identify factors considered in determining acceptable condition standards, (4) state whether deferred maintenance and repairs (DM&R) relate solely to capitalized general property, plant and equipment (PP&E) and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E, (5) identify PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E, (6) provide beginning and ending DM&R balances by category of PP&E, and (7) explain significant changes from the prior year.

Other significant proposals contained in this Exposure Draft include (1) requiring that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary, (2) eliminating the requirement to report condition information and (3) eliminating the optional reporting of high-low DM&R estimates as well as the option to report critical and non-critical DM&R.

Additionally, the proposed amendments note the importance of communication with and input from professionals in diverse disciplines in compiling and reporting DM&R information.

How would this proposal improve federal financial reporting and contribute to meeting the federal financial reporting objectives?

DM&R reporting enables the government to be accountable to citizens for the proper administration and stewardship of its assets, and thus meets both the operating and stewardship performance objectives.¹ Specifically, DM&R reporting assists users by providing an entity's realistic estimate of DM&R amounts and the effectiveness of asset maintenance practices the entities employ in fulfilling their missions.

The two most common concerns noted since the implementation of SFFAS 6 are (1) the lack of comparability in assessing asset condition both within and among entities and (2) measurement and reporting practices and formats that vary greatly among entities. These concerns largely result from entities defining and estimating DM&R differently and the degree of flexibility afforded by both SFFAS 6 and the Federal Real Property Profile (FRPP)

¹ Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, September 2, 1993, paragraphs 14 through 16.

Reporting Guidelines.² As a result, these issues have contributed to confusion among interested users of DM&R information.

In an attempt to achieve greater consistency and comparability in the reporting of DM&R and to increase the reliability and relevance of DM&R estimates, the Board believes that certain refinements and changes to DM&R requirements in SFFAS 6 are required. These significant changes would include both the addition and elimination of certain reporting requirements. Regarding DM&R reporting for real property, the Board believes that these changes will facilitate reliance on FRPP information to support DM&R amounts presented in general purpose federal financial reports.

Operating Performance Objective

Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities.

Federal financial reporting should provide information that helps the reader to determine

- the costs of providing specific programs and activities and the composition of, and changes in, these costs;
- the efforts and accomplishments associated with federal programs and the changes over time and in relation to costs; and
- the efficiency and effectiveness of the government's management of its assets and liabilities.

Source: SFFAC 1, par. 14.

Stewardship Objective

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future.

Federal financial reporting should provide information that helps the reader to determine whether

- the government's financial position improved or deteriorated over the period,
- future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, and
- government operations have contributed to the nation's current and future well-being.

Source: SFFAC 1, paragraphs 15 – 16.

² The most current version can be found at: <http://www.gsa.gov/portal/content/104918>. Please refer to *Federal Real Property Council, Real Property Inventory - User Guidance for FY 2010 Reporting October 25, 2010*.

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Questions for Respondents

The FASAB encourages you to become familiar with all proposals in the Exposure Draft before responding to the questions in this section. In addition to the questions below, the Board also would welcome your comments on other aspects of the proposed Statement.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The questions in this section are available in a Word file for your use at www.fasab.gov/exposure.html. Your responses should be sent by e-mail to defmaint@fasab.gov. If you are unable to respond electronically, please fax your responses to (202) 512-7366 and follow up by mailing your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by September 16, 2011.

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.

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.**

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.**

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.

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.

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.**

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.

Introduction

Purpose

1. The Board desires to improve deferred maintenance and repairs (DM&R) measurement and to enhance current federal reporting. The objective of this Statement is to incorporate reporting changes responsive to concerns raised by the financial and technical³ communities. The Board also considered, where appropriate, a Government Accountability Office (GAO) study⁴ specific to repair and maintenance backlog issues surrounding federal real property.

Materiality

2. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

Effective Date

3. When finalized, the requirements in this Statement will be effective beginning in fiscal year 2015. The Board believes the standards will be finalized in fiscal year 2012 and a two year implementation period is sufficient.

³ This Statement uses the phrase “technical community” to refer to entity personnel responsible for the management of property, plant, and equipment including maintenance and repair.

⁴ GAO Report No. GAO-09-10 dated October 2008. Federal Real Property. *Government’s Fiscal Exposure from Repair and Maintenance Backlogs is Unclear*.

Proposed Standards

Scope

4. This Statement replaces 'deferred maintenance and repairs' definitions, measurement and reporting requirements established in Statement of Federal Financial Accounting Standards (SFFAS) 6, as amended by *SFFAS 40, Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment* (SFFAS 40). SFFAS 6, *Chapter 3: Deferred Maintenance and Repairs*, paragraphs 77 through 84 are rescinded and *Appendix C, Deferred Maintenance and Repairs Illustration* is also rescinded.
5. In addition to SFFAS 6, this Statement also provides the following conforming amendments:
 - a. **SFFAS 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment, and SFFAS 8, Supplementary Stewardship Reporting*, is rescinded.**
 - b. **SFFAS 29, *Heritage Assets and Stewardship Land*, is amended to adopt the revised terminology and to rescind requirements for condition information.**
 - c. **SFFAS 32, *Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government,"* is amended to adopt the revised terminology and to rescind certain requirements.**
 - d. **Technical Release 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, Section III: Assessing and Reporting Condition is amended to explain the status of guidance relating to condition reporting.**

Definition

6. "Deferred maintenance and repairs" (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period.

7. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition.⁵ Activities include preventive maintenance; replacement of parts, systems,⁶ or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

Measurement

8. Amounts for DM&R may be measured using:
 - a. condition assessment surveys,
 - b. life-cycle cost forecasts, or
 - c. other methods which are similar to the condition assessment survey or life-cycle costing methods.
9. *Condition assessment surveys* are periodic⁷ visual (i.e., physical) inspections of property, plant and equipment (PP&E) to determine their current condition and estimated cost to correct any deficiencies.
10. *Life-cycle costing* is an acquisition or procurement technique which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repairs expense, these forecasts may serve as a basis against which to compare actual maintenance and repairs expense to arrive at an estimate of deferred maintenance and repairs.
11. Management should determine which methods to apply and what condition standards are acceptable. Once determined, condition standards, related assessment methods⁸ and reporting formats should be consistently applied unless management determines that changes are necessary. Changes to methods or formats that management determines are necessary should be accompanied by an

⁵ The determination of acceptable condition may vary both between entities and among sites within the same entity. Management shall determine what level of condition is acceptable.

⁶ The term "systems" can refer to either (1) information technology assets (e.g., hardware, internal use software, data communication devices, etc.) or (2) groupings (assemblages) of component parts belonging to a building, equipment or other personal property.

⁷ This Statement does not require an entity's entire portfolio to be inspected each year. It is permissible to schedule condition assessment surveys on a cyclical basis, provided scheduling is done in accordance with established practices.

⁸ Assessment methods are techniques or procedures used in a process of systematically evaluating an entity's PP&E in order to project M&R, renewal, or replacement needs that will maintain or preserve their ability to support the entity's mission or activities they are assigned to serve.

explanation documenting the rationale for the change and any related impact on the DM&R estimate(s). To best meet the goal of DM&R reporting, communication with and consideration of input from professionals in diverse disciplines such as engineering, facilities management, finance, budgeting and accounting is necessary.

12. DM&R should be measured and reported for capitalized general PP&E and stewardship PP&E. DM&R also may be measured and reported for non-capitalized or fully depreciated general PP&E. DM&R should include funded maintenance & repair (M&R) that has been delayed for a future period as well as unfunded M&R. DM&R on inactive and/or excess PP&E should be included to the extent that it is required to maintain inactive or excess PP&E in acceptable condition. For example, inactive PP&E may be maintained or repaired either to comply with existing laws and regulations, or to preserve the value of PP&E pending disposal.

Component Entity Required Supplementary Information

13. DM&R reporting should provide (1) DM&R beginning and ending balances for the reporting period and (2) narrative information related to DM&R costs. Entities are required to present both qualitative and quantitative information.
14. At a minimum, the following information should be presented as required supplementary information (RSI) for all PP&E (each category established in SFFAS 6, as amended, should be included) regardless of the measurement method chosen.

Qualitative

- a. A summary of the entity's M&R policies and brief description of how they are applied; i.e., method of measuring DM&R
- b. Policies for ranking and prioritizing M&R activities⁹
- c. Factors the entity considers in determining acceptable condition standards
- d. Whether DM&R relates solely to capitalized general PP&E and non-capitalized stewardship PP&E or also to amounts relating to non-capitalized or fully depreciated general PP&E

⁹ As an example, entities may report (1) how they will pursue reducing their DM&R backlog and how they will be impacted by budget or funding shortfalls or reductions, and (2) whether or not the entity has used Return on Investment analyses in its ranking and prioritizing of either M&R or DM&R.

- e. Capitalized general PP&E, and non-capitalized heritage assets and stewardship land for which management does not measure and/or report DM&R and the rationale for the exclusion
- f. If applicable, explanation of any significant changes to (1) the policies and factors subject to the reporting requirements established in a. through e. above and (2) DM&R amounts from the prior year¹⁰

Quantitative

- g. Estimates of the beginning and ending balances of deferred maintenance and repairs for each major category¹¹ of asset for which maintenance and repairs have been deferred

**Consolidated Financial Report of the US Government
Required Supplementary Information**

- 15. The disclosure requirements listed in paragraphs 13 and 14 above are not applicable to the U.S. government-wide financial statements. The U. S. government-wide financial statements should include the following RSI:
 - a. A description of what constitutes deferred DM&R and how it was measured
 - b. Amounts of DM&R for each major category of PP&E (i.e., general PP&E, heritage assets, and stewardship land)
 - c. A reference to component entity reports for additional information

Conforming Amendments to Other Statements and Technical Releases

- 16. This Statement amends requirements in SFFAS 29 and 32 to replace 'deferred maintenance' with 'deferred maintenance and repairs' and to rescind certain requirements in SFFAS 29 and 32, including the requirement to report condition information. The changes to SFFAS 29 and 32 are presented in paragraphs 17 and 18 below.

¹⁰ Consistent with paragraph 11, once determined, condition standards and related assessment methods and reporting formats should be consistently applied.

¹¹ SFFAS 6 sets forth three categories of PP&E: (1) general PP&E are PP&E used to provide general government services or goods; (2) heritage assets are those assets possessing significant educational, cultural, or natural characteristics; and (3) stewardship land (i.e., land other than that included in general PP&E).

17. Paragraphs 26, 28, 41 and 42 of SFFAS 29, Heritage Assets and Stewardship Land, are amended as follows:

~~[26] Entities should report the condition¹¹ of the heritage assets (which may be reported with the deferred maintenance information¹²) as required supplementary information. Entities should include a reference to the condition and deferred maintenance and repairs information¹³ if reported in required supplementary information elsewhere in the report containing the basic financial statements.~~

Paragraph 26 Footnote references:

~~¹¹ Condition is the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence. Examples of condition information include, among others, (1) averages of standardized condition rating codes; (2) percentage of assets above, at, or below acceptable condition; or (3) narrative information.~~

~~¹² See SFFAS 6, Chapter 3, Deferred Maintenance (par. 77-84) for information regarding definition, measurement and disclosures specific to deferred maintenance.~~

~~¹³ See SFFAS ##, *Deferred Maintenance and Repairs*, for information regarding definition, measurement and required supplementary information. SFFAS 14, Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting, defined deferred maintenance as RSI. The Board believed that a period of experimentation was necessary for deferred maintenance information and that classifying it as RSI would be more appropriate during the experimentation period. The Board may revise this standard based on experience gained during this time and the development of additional criteria.~~

[28.][c.] A general reference to agency reports for additional information about heritage assets, such as agency stewardship policies for heritage assets, and physical units by major categories of heritage assets, ~~and the condition of the heritage assets.~~

[41] ~~Entities should report the condition²² of the stewardship land (which may be reported with the deferred maintenance information²³) as required supplementary information. Entities should include a reference to the condition and deferred maintenance and repairs information²⁴ if reported in required supplementary information elsewhere in the report containing the basic financial statements.~~

Paragraph 41 Footnote references:

²² ~~Condition is the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence. Examples of condition information include, among others, (1) averages of standardized condition rating codes; (2) percentage of assets above, at, or below acceptable condition; or (3) narrative information.~~

²³ ~~See SFFAS 6, Chapter 3, Deferred Maintenance (par. 77-84) for information regarding definition, measurement and disclosures specific to deferred maintenance.~~

²⁴ ~~See SFFAS ##, *Deferred Maintenance and Repairs*, for information regarding definition, measurement and required supplementary information. SFFAS 14, Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary~~

~~Stewardship Reporting, defined deferred maintenance as RSI. The Board believed that a period of experimentation was necessary for deferred maintenance information and that classifying it as RSI would be more appropriate during the experimentation period. The Board may revise this standard based on experience gained during this time and the development of additional criteria.~~

~~[42. c.] A general reference to agency reports for additional information about stewardship land, such as agency stewardship policies for stewardship land, and physical units by major categories of stewardship land use, and the condition of the stewardship land.~~

18. Paragraphs 12b., 12c., and 24 of *SFFAS 32: Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"* are rescinded.

~~12. b. The text "The above listed required supplementary information is not applicable to the U.S. government wide financial statements. SFFAS 32 provides for required supplementary information applicable to the U.S. government wide financial statements for these activities." is added as a separate bullet following the existing text for par. 83.~~

~~12. c. The text "The U.S. government wide financial statements need not separately report stratification between critical and non-critical amounts of maintenance needed to return each major class of asset to its acceptable operating condition as well as management's definition of these categories. SFFAS 32 provides for optional information applicable to the U.S. government wide financial statements for these activities." is added to par. 84 as the final sentences.~~

~~24. The U.S. government wide financial statements should include the following required supplementary information:~~

~~a. a broad description of deferred maintenance,~~

~~b. amounts or ranges of amounts of deferred maintenance for each major asset category (i.e., general property, plant, and equipment; heritage assets, and stewardship land) for which maintenance has been deferred,~~

~~c. a general reference to component entity reports, and~~

~~d. optional reporting of the stratification between critical and non-critical amounts of maintenance needed to return each major asset category to its acceptable operating condition.~~

19. This Statement amends requirements in Technical Release 9, Section III, to acknowledge the rescission of requirements to report condition information as RSI. The following text is to be inserted before Section III:

Statement of Federal Financial Accounting Standards ##, *Deferred Maintenance and Repairs*, rescinded the requirement to report condition information regarding heritage assets and stewardship land as RSI. The following guidance offers insights regarding condition assessments and factors that may influence reporting of deferred maintenance and repairs information. The guidance has not been updated to conform to the new standards and should be considered other literature until revised implementation guidance – if any – is provided.

Effective Date

20. These standards are effective for periods beginning after September 30, 2014. Earlier implementation is encouraged.

The provisions of this Statement need not be applied to immaterial items.

Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards provided in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

Project History

- A1. Concerns pertaining to DM&R reporting have arisen since the issuance of SFFAS 6. The two most common concerns related to (1) the lack of comparability in assessing asset condition both within and among entities and (2) measurement and reporting practices and formats that vary greatly among entities. In its most recent real property study, the GAO noted that entities define and estimate DM&R differently in part due to the degree of flexibility afforded by both SFFAS 6 and the Federal Real Property Profile Reporting Guidelines. As a result, confusion and uncertainty exists among users of DM&R information.
- A2. Primarily as a result of auditor concerns, SFFAS 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting*, amended SFFAS 6 and SFFAS 8 to reclassify deferred maintenance information as required supplemental information instead of a disclosure in the notes to the financial statements.
- A3. At that time, the Board believed that a period of experimentation would be desirable for deferred maintenance information and that classifying it as RSI was appropriate during the experimentation period. As a result, the standards for estimating deferred maintenance were intentionally flexible. However, at a minimum, the Board expected to develop guidance on determining acceptable condition and revise the standards based on experience gained during the experimentation period.
- A4. Since completing deliberations on *Statement of Federal Financial Accounting Standards (SFFAS 40): Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*, the Board has continued seeking advice and

guidance from stakeholders interested in improving the management of, and reporting on, federal PP&E and related DM&R.

- A5. As demonstrated by SFFAS 40, the Board has spent considerable time and effort working with key stakeholders and the community-at-large evaluating much of the experience gained during the experimentation period. As a result, the Board has both reaffirmed and refined its position regarding DM&R measurement and reporting.
- A6. Two external reports served as the initial basis for the scope of the Task Force's work.¹² The first report was a critique of the deferred maintenance definition in Statement of Federal Financial Accounting Standards 6, *Accounting for Property, Plant, and Equipment* (SFFAS 6). This report was prepared by the Federal Facilities Council under the auspices of The National Academies. The report was reviewed by the Task Force and provided a foundation for the proposed amendment(s) contained in SFFAS 40. The second report was a GAO study specific to federal real property repair and maintenance backlog issues. In that study, the GAO discussed the need for comparability and realistic estimates of deferred maintenance so that the government's fiscal exposure could be revealed.
- A7. The Task Force's work was not constrained by either of these external reports. Task Force members contributed entity specific information which also included input from internal and external audit communities.

Refining the Goal of DM&R

- A8. The goal of DM&R is to provide reliable information on the estimated cost of the PP&E maintenance and repairs that have been deferred. To that end, the proposed standards would no longer require that condition information be reported. Although condition reporting is important and is the basis of an entity's DM&R estimate, it is not an

¹² During 2008 FASAB established a task force to address deferred maintenance and asset impairment issues. The task force consists of government and non-government representatives from various disciplines such as: real property/facilities management, personal property management, appraisal & valuation services, engineering, architecture, accounting, internal auditing, external auditing, finance and budgeting.

essential component of financial reports. The Board's rationale for this decision is that condition assessment methods and reporting continue to evolve and there are no federal-wide uniform assessment or measurement methods that would increase comparability and understandability. Therefore, summarized condition information may not provide meaningful information to users. The Board believes the wide variation among entities in condition assessment methods and reporting (i.e., different condition ratings/rankings) could obscure user understanding of the government's fiscal exposure (realistic DM&R estimate). The Board believes that this is an area where entity administrative burden can be alleviated given the questionable benefits of summarized condition information.

Assessment Method Factors & Selection Criteria

- A9. Entities are free to choose among assessment methods described in this Statement. The Board realizes that entities need to consider many factors when selecting assessment methods. Such factors could include:
- a. nature, size & complexity of the PP&E portfolio,
 - b. mission requirements,
 - c. cost versus benefit,
 - d. changes in economic outlook,
 - e. project management strategy,
 - f. nature or type of asset to be inspected,
 - g. asset-specific condition assessment requirements,
 - h. environmental or weather conditions,
 - i. availability of commercial-off-the-shelf (COTS) software,
 - j. availability of government-off-the-shelf (GOTS) software,
 - k. software scalability & related vendor support,
 - l. regulatory requirements, and
 - m. health and safety considerations.

For example, an entity may elect to use a life-cycle method to assess its PP&E as part of its overall project management strategy to enhance its ability to predict future maintenance and repair requirements. Another entity may elect to use a parametric¹³ method due to the size and complexity of its portfolio and to realize efficiencies and cost savings while another entity requiring asset-specific condition information may select the condition assessment survey method.

- A10. In order to obtain greater consistency and comparability the Statement provides that once selected, condition standards, related assessment methods and reporting formats should be consistently applied unless management determines that changes are necessary. Some general selection criteria management could use in evaluating different assessment methods include the following:

CONDITION ASSESSMENT SURVEYS (i.e. visual, physical inspections)

PROS

- Generates DM&R estimates
- More timely identification of health & safety issues
- Usually identifies and prioritizes work items / specific repairs
- Modified surveys are affordable
- Knowledge-based surveys (e.g., risk management strategies) eliminate over- and under-inspection
- Engineered-based surveys provide consistent & credible results

CONS

- Traditional surveys are expensive

¹³ Similar to the life-cycle costing method, parametric cost estimating is an accepted technique used in planning, budgeting, and performance stages of the acquisition process. The technique expedites the development of cost estimates and is appropriate when traditional (i.e., discrete physical inspections) estimating techniques would require inordinate amounts of time and resources. A distinct feature of this method is that condition assessments are performed at the system level rather than the component level. Adapted from: National Institute of Building Sciences, *Whole Building Design Guide*.

-
- Does not always identify or prioritize work items / specific repairs
 - Wasteful over-inspection, risky under-inspection
 - Inspector bias could distort results

LIFE CYCLE COSTING METHODS (i.e., modeling)**PROS**

- Generates DM&R estimates
- Affordable
- Efficient
- Focuses on buildings and systems
- Facilitates evaluation of large portfolios

CONS

- Determining the cumulative costs of deferring maintenance
- Does not identify or prioritize work items / specific repairs
- Not always appropriate for smaller portfolios
- Could require expensive updating of initial procurement information
- Credibility issues

Consistency and Comparability

- A11. Because consistency in measurement and reporting significantly adds to the informational value of DM&R estimates (i.e., trend information is useful to decision makers), management must use consistent assessment techniques, measurement methods and reporting formats from year-to-year. However, if management decides to change methods or formats such changes should be accompanied by an explanation documenting the rationale for the change and any related impact to the DM&R estimate(s). This is consistent with Task Force concerns that (1) entities be allowed to adopt new and improved methods or technologies that might be brought about in the area of asset management and (2) greater rigor and discipline is needed in the area of DM&R measurement and reporting.

-
- A12. Staff research found that some agencies have interpreted SFFAS 6 requirements to apply only to unfunded DM&R activities.¹⁴ As a result, inaccurate reporting and increased lack of consistency and comparability has resulted. The Board notes whether funded or not, DM&R should be reported. For example, if funding exists but competing demands cause a schedule slippage and result in a delay to a future period, such costs should be reported as DM&R.
- A13. Staff research also found that some entities have not reported DM&R because they have not distinguished between needed capital improvements (e.g., activities which extend the useful life of PP&E) and needed repairs (e.g., activities which allow PP&E to attain the original useful life). SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, states that “[g]enerally accepted accounting principles recognize the importance of reporting transactions and events in accordance with their substance. Consideration should be given to whether the substance of transactions or events differs materially from their form.”¹⁵ For DM&R amounts to be comparable, entities must consider the substance rather than the form—that is, the terms applied by management—of future activities relating to PP&E.
- A14. Measuring DM&R related to active and inactive PP&E helps ensure that DM&R estimates capture reliable information on the estimated cost of the PP&E maintenance and repairs that have been deferred. For example, entities are often required by law or regulation to obtain approval(s) prior to disposing real property deemed inactive or excess. If entities continue to measure DM&R on PP&E pending disposition, DM&R estimates may be overstated because M&R having a low probability of occurrence may be included. As a result, DM&R that is not expected to be incurred due to an asset’s inactive status may be separately identified in order to provide for a more realistic DM&R estimate, if deemed material.

¹⁴ Department of Defense Inspector General Report dated September 25, 2009, *Deferred Maintenance on the Air Force C-130 Aircraft* (Report No. D-2009-112.)

¹⁵ SFFAS 34, footnote 5.

Interdisciplinary and Integrated Approach

- A15. Staff research found that at some entities DM&R information is obtained from data gathering processes without the collaboration necessary to maximize completeness and consistency.
- A16. To address completeness and consistency, the Board believes entities should use an interdisciplinary and integrated approach to meet the goals of DM&R reporting. This includes communicating among and considering input from diverse disciplines such as engineering, facilities management, finance, budgeting, and accounting. Such input should be considered together when determining acceptable condition and related costs to remedy assets. Such an approach will help to (1) ensure the increased value and efficacy of the reported information, (2) meet diverse user needs, and (3) foster system and process improvements via continual integration and interaction among entity staff.

Additional Narrative Information

- A17. Although flexibility is necessary in the areas of determining asset condition and defining acceptable condition, the Board believes that additional disclosures are required in order to increase consistency, comparability, and the reliability and relevance of DM&R estimates. Consequently, the Board believes that:
- a. disclosing M&R policies and how they are applied in practice assists users in understanding how an entity manages its DM&R.
 - b. disclosing policies for ranking and prioritizing M&R activities assists users in understanding how an entity efficiently and effectively manages its M&R resources. Additionally, the Board believes that in order to enhance the relevance and reliability of the entity's estimated DM&R amount, an entity should explain how it decides to allocate its (available) resources. For example, entities frequently give top priority to maintenance and repair activities that maintain employee or constituent health and safety

or are required to satisfy regulatory mandates. Once this is accomplished, entity rankings may be adjusted for asset condition assessments, and management considerations that include: capital improvement plans, asset disposal plans, and budgetary funding outlook.

- c. identifying factors the entity considers in selecting acceptable condition standards assists users in understanding the unique nature of the entity's mission and operating environment and how these affect asset management. Regardless of whether entities report condition information, the underlying rationale an entity uses in making this managerial judgment enhances the relevance and reliability of the entity's estimated DM&R. For example, an entity might set different acceptable condition standards for identical assets because of geographical or environmental factors specific to each.
- d. Partially as a result of increased emphasis in the reporting of real property information, it has come to the Board's attention that in addition to capitalized general and non-capitalized stewardship PP&E, entities track and report DM&R on expensed or fully depreciated general PP&E; i.e., all accountable PP&E. Disclosing whether DM&R relates solely to capitalized general PP&E and non-capitalized stewardship PP&E or also includes amounts relating to non-capitalized or fully depreciated general PP&E assists users in understanding how an entity manages its DM&R.
- e. identifying PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion assists users in understanding how an entity efficiently and effectively manages its M&R resources. Management should clearly disclose this fact and provide its rationale for the exclusion. For example, PP&E designated as excess and subject to disposal or considered unserviceable may not have any associated DM&R.

Reducing Confusion and Increasing Relevance & Reliability

- A18. The stratification between critical and non-critical DM&R at SFFAS 6, paragraph 84 was intended to be optional and not an unnecessary burden to entities. It has come to the Board's attention that the Federal Real Property Guidelines define "critical" at the asset level (i.e., asset classification defines if M&R is critical or not) whereas the SFFAS 6 guidelines have been interpreted to apply to the discrete M&R activity (i.e., the nature of the work defines if M&R is critical or not). Furthermore, some entities are following Treasury guidelines which define "critical" as a matter of consequence or exigency (i.e., impact of not performing the M&R work/activity).¹⁶ Consistent with the Task Force's recommendation, it is the Board's opinion that having three separate definitions for "critical" has led to confusion, increased lack of comparability, and estimates that are not necessarily reflective of what entities expect to incur. The Board believes that the reporting of critical and non-critical DM&R is not useful, can lead to inconsistency, and therefore should be not be addressed in the Statement.
- A19. Permitting entities to provide a range of DM&R estimates (i.e., high and low), was in recognition of the fact that assessment methods and practices were fairly new and still evolving at the time SFFAS 6 was issued. However, as the GAO noted in its October 2008 report, DM&R estimates do not necessarily reflect the cost that agencies expect to incur owing, at least in part, to the methodological flexibility permitted by SFFAS 6. The identification of low and high dollar DM&R estimates contributes to the lack of comparability and hinders the transparent reporting of a more realistic estimate. A single DM&R estimate is more appropriate and informative. Moreover, an analysis of a seven-year (2004 through 2010) time span at the government-wide level reveals that there is very little distinction between low and high dollar estimates. Consistent with the Task Force's recommendation that DM&R estimates be derived directly

¹⁶ June 17, 2010, Appendix 4 of Chapter 4700 in Vol. 1 of the Treasury Financial Manual, Other Financial Report (FR) Notes Data and Instructions. *"Critical deferred maintenance is urgently needed, absolutely necessary, and is an element that needs immediate attention. Furthermore, critical deferred maintenance is any deferred maintenance that poses a serious threat to the public or employee safety or health, natural or cultural resources, and a bureau's ability to carry out its assigned mission."*

from asset management systems and be consistent with FRPP reporting requirements, the Board believes that by eliminating the reporting of a dollar range, financial reporting of DM&R is significantly improved and administrative burdens can be reduced.

Presenting DM&R Balances and Discussing Significant Changes

- A20. The Board believes that users need to know how much the maintenance and repairs requirements increased (decreased) in dollar terms and the effect of this change on the DM&R balances. Moreover, it is important for users to (1) understand the events that occurred during the year and why they brought about significant increases or decreases and (2) whether or not DM&R levels have changed (e.g., the amount declined). To that end, federal entities are required to present their DM&R beginning and ending balances. As illustrated in Appendix B, entities should present these balances by category (i.e., general PP&E, heritage assets, and stewardship land), and explain significant changes by major asset category. The Board believes that this will increase comparability and the relevance and reliability of the DM&R estimates and will significantly enhance entity-specific consistency from year to year.

Appendix B: Sample Illustration

Appendix B

Deferred Maintenance and Repairs Illustration

This appendix illustrates paragraphs 13 -14. The examples shown here are for illustrative purposes only. Different entities may develop different asset classes and descriptive terminology consistent with the set categories of General PP&E, Heritage Assets, and Stewardship Land. The following narrative discussion and Illustration #1, *General Purpose Display* meet the minimum requirements of the proposed standards. The various illustrations are not meant to articulate with one another and should be viewed on a stand-alone basis.

XYZ Entity

Deferred Maintenance and Repairs for Fiscal Year 20x2

The XYZ entity operates over 1,300 facilities throughout the world, preserves nearly 300 national historical landmarks of natural, cultural, educational, or artistic importance, and is responsible for maintaining over 80,000 acres of stewardship land. Most of the facilities are predominantly used for office space and warehousing defense assets. Additionally, the entity operates a hospital at one of its remote sites. It is entity policy to ensure that medical equipment and critical equipment systems are maintained and managed in a safe and effective manner; therefore, deferred maintenance and repairs do not arise for these two types of equipment and no periodic assessment is performed. Additionally, since (1) it is entity policy to maintain and preserve all fixed property, plant and equipment (PP&E) regardless of recorded values and (2) accounting and asset management systems do not differentiate M&R between PP&E capitalized (i.e., items whose cost exceeds the capitalization threshold) versus those expensed, DM&R estimates reported herein relate to all PP&E whether capitalized or not or fully depreciated.

Defining and Implementing M&R Policies in Practice.

As permitted under FASAB SFFAS XX, the entity employs a parametric estimating method for the largest portion of its portfolio (real property such as office and warehouse space) and the condition assessment method for its hospital facility, defense and stewardship assets. With the exception of the hospital facility which is inspected on a yearly basis, the entity's real property portfolio is assessed on a 3 to 5 year rotating calendar. Both methods measure current real property asset condition and document real property deterioration.

Real property assessment methods produce both a cost estimate of deferred maintenance and repairs, and a Facility Condition Index (FCI). Both measures are indicators of the overall condition of the entity's facilities. The parametric estimating methodology involves an independent, rapid visual assessment of nine different systems within each facility to include: structure, roof, exterior, interior finishes, HVAC, electrical, plumbing, conveyance, and program support equipment. The parametric estimating method is designed to be cost effective and appropriate for application to a large population of facilities; results are not necessarily applicable for individual facilities or small populations of facilities.

The entity's hospital is inspected on a yearly basis employing a physical inspection method which focuses on component as well as system distresses in addition to identifying deficiencies. The entity's defense assets are routinely surveyed by unit and depot maintenance personnel and stewardship assets are routinely surveyed by on-site personnel and regional inspection teams.

As stated above, it is entity policy to ensure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective manner. Therefore, deferred maintenance and repairs assessment methods are generally not applied to equipment assigned to hospitals as any DM&R would be negligible.

Ranking and Prioritizing M&R Activities.

Maintenance and repair activities are first prioritized via health, safety and regulatory considerations at all facilities. Once this is accomplished, the FCI values are then ranked based on the ratings obtained during the condition assessment site visits. Rankings are generally adjusted to take into account current capital improvement efforts underway, future capital improvement plans, asset disposal plans, and budgetary funding outlook.

Factors Considered in Setting Acceptable Condition.

For office and warehouse space, the entity defines acceptable condition in accordance with standards comparable to those used in private industry. For example, industry standards for administrative buildings can vary substantially depending upon their classification as either a Class A, B or C property. Such classifications are affected by building location, design, and age. Condition standards for warehouses are primarily set by local jurisdictions and consider factors such as accommodating loads, materials to be stored, the associated handling equipment, the receiving and shipping operations and associated trucking, and the needs of the operating personnel. Acceptable condition for the hospital facility is in accordance with federal statutory requirements and requirements adopted by the health care facilities industry substantially comparable to the requirements at 42 C.F.R. Part 483 entitled, *Requirements for States and Long Term Care Facilities*.

Military specifications and standards for defense assets vary greatly depending upon numerous factors such as the nature and type of equipment and mission expectations. Acceptable condition standards for defense assets are set at levels deemed to be mission capable or serviceable. Heritage assets and stewardship land adopt scientific conservation standards to preserve assets in a manner that fulfills the entity's obligation to stabilize, protect, and preserve the assets.

Significant Changes from Prior Year and Related Events.

The overall net increase of \$2.0 billion in DM&R is a result of the \$3.0 billion increase in General PP&E DM&R, offset by a \$1.0 billion decrease in heritage assets DM&R.

Funded DM&R decreased by \$1.0 billion as result of the entity's strategic initiative to repair and restore many of its historical landmarks. However, unfunded DM&R pertaining to inactive/excess General PP&E increased by \$3.0 billion as a result of (1) the transfer of properties from other federal entities, (2) newly identified properties and equipment no longer needed by the entity, and (3) continued degradation of properties awaiting final disposition. Management policy is to comply with legal requirements to maintain inactive/excess property in safe condition and to pursue cost-beneficial measures to preserve the value of properties. The entity in collaboration with other entities and members of Congress is in the process of finalizing plans to either dispose of or find alternate uses for the aforementioned properties. For such properties, DM&R include those M&R activities management believes are warranted but not necessarily the M&R appropriate for an equivalent active property.

The following illustration presents information on major PP&E categories experiencing material amounts of deferred maintenance and repairs and meets the basic illustration requirements of this proposed standard:

**ILLUSTRATION 1 - GENERAL PURPOSE
DISPLAY**

Deferred Maintenance and Repair Costs
(Dollars in Millions)

<u>Asset Category</u>	20x2 Beginning Balance <u>DM&R</u>	20x2 Ending Balance <u>DM&R</u>
General PP&E	\$30,500	\$33,500
Heritage Assets	6,000	5,000
Stewardship Land	2,500	2,500
Total	<u>\$39,000</u>	<u>\$41,000</u>

The following Illustration # 2 presents information on major PP&E categories experiencing material amounts of deferred maintenance and repairs with an emphasis on active versus inactive/excess assets:

ILLUSTRATION 2 - EMPHASIS ON ACTIVE vs. INACTIVE & EXCESS

Deferred Maintenance and Repair Costs

(Dollars in Millions)

<u>Asset Category</u>	20x2 Beginning Balance DM&R	20x2 Ending Balance DM&R
<u>Active:</u>		
General PP&E	\$30,000	\$31,250
Heritage Assets	1,000	0
Stewardship Land	1,000	1,000
subtotal -active	<u>32,000</u>	<u>32,250</u>
<u>Inactive & Excess:</u>		
General PP&E	<u>7,000</u>	<u>8,750</u>
subtotal -inactive	7,000	8,750
Total	<u>\$39,000</u>	<u>\$41,000</u>

The following Illustration # 3 presents information on major asset classes experiencing material amounts of deferred maintenance and repairs with an emphasis on active versus inactive/excess assets:

ILLUSTRATION 3 - EMPHASIS ON ACTIVE vs. INACTIVE & EXCESS BY ASSET CLASS

Deferred Maintenance and Repair Costs

(Dollars in Millions)

<u>Asset Category / Class</u>	20x2 Beginning Balance <u>DM&R</u>	20x2 Ending Balance <u>DM&R</u>
<u>Active:</u>		
General PP&E:		
Structures	\$28,000	\$28,750
Aircraft	10	106
Missiles	117	279
Ships	1,873	2,115
subtotal - general PP&E active	30,000	31,250
Stewardship Land	1,000	1,000
Heritage Assets	1,000	0
subtotal - all active	\$32,000	\$32,250
<u>Inactive & Excess:</u>		
General PP&E		
Buildings	5,000	5,000
Structures	2,000	3,750
subtotal - general PP&E inactive & excess	7,000	8,750
Total	<u>\$39,000</u>	<u>\$41,000</u>

The following Illustration # 4 presents information on major PP&E categories experiencing material amounts of deferred maintenance and repairs with an emphasis on funded and unfunded maintenance and repairs:

ILLUSTRATION 4 - EMPHASIS ON FUNDED & UNFUNDED M&R

Deferred Maintenance and Repair Costs (Dollars in Millions)		
<u>Asset Category</u>	20x2 Beginning Balance DM&R	20x2 Ending Balance DM&R
<u>Funded M&R:</u>		
General PP&E -active	\$15,000	\$13,250
General PP&E - inactive & excess	8,000	9,750
Heritage Assets	1,000	0
subtotal	<u>24,000</u>	<u>23,000</u>
<u>Unfunded M&R:</u>		
General PP&E -active	7,500	7,500
General PP&E - inactive & excess	0	3,000
Heritage Assets	5,000	5,000
Stewardship Land	2,500	2,500
subtotal	<u>15,000</u>	<u>18,000</u>
Total	<u>\$39,000</u>	<u>\$41,000</u>

Appendix C: Abbreviations

DM&R	deferred maintenance and repair
FASAB	Federal Accounting Standards Advisory Board
FRPP	Federal Real Property Profile (GSA Asset Management Database)
GAO	Government Accountability Office
M&R	maintenance and repair
OMB	Office of Management and Budget
PP&E	property, plant and equipment
RSI	required supplementary information
SFFAS	Statement of Federal Financial Accounting Standards

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