



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

JUN 25 2010

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

Dear Ms. Payne:

The Department of Commerce has received the Exposure Draft, *Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*, dated May 4, 2010.

Please find attached answers to the five questions that were asked of the exposure draft 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 blue ink, appearing to be "G. Alston", written over a faint blue grid background.

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 – Definitional Changes Related to Deferred Maintenance
and Repairs: Amending SFFAS 6

Prepared by: Department of Commerce, Office of Financial Management
Date Prepared: June 21, 2010

Questions and Answers

Q1. Do you agree or disagree that the maintenance definition should be changed to explicitly include “repairs”? Please provide rationale for your answer.

Department of Commerce Response:

The Department agrees that the maintenance definition should be changed to include “repairs”. Throughout the financial reporting requirements (OMB Circular A-11, A-136), maintenance and repairs typically go hand in hand. Generally, if maintenance is deferred, repairs will be as well. For clarity to the reader and accomplishment of the intentions of the disclosure, it would be logical to include repairs to the existing disclosure for deferred maintenance.

Q2.

a. Do you agree or disagree with each change to the list of activities? Please provide the rationale for your answer to each change.

Department of Commerce Response:

The Department agrees that the list of activities contained in the second sentence of the existing definition be updated but we would like to suggest the deletion of only “normal” in the phrase “normal repairs” and we suggest deleting “preventive” from “preventive maintenance”. These suggestions are made to ensure that agencies do not exclude certain types of maintenance or repair activities based on the descriptive nature of the definition.

b. Do you agree or disagree with the elimination of the phrase “so that it continues to provide acceptable services and achieves its expected life”? Please provide rationale for your answer to each reference/phrase.

The Department agrees with the elimination of the phrase “so that it continues to provide acceptable services and achieves its expected life” from the definition because a significant portion of Federal property is intended to be used and maintained indefinitely.

Q3. Do you agree or disagree with the aforementioned change (refer to paragraph A20 for a detailed discussion and related explanation)? Please provide the rationale for your answer.

Department of Commerce Response:

The Department agrees that the exposure draft should include the term “current use” instead of “originally intended” because an asset’s actual current use may be different from its originally intended use.

Q4. Do you believe Deferred Maintenance and Repair (DM&R) reporting should be limited to DM&R related to capitalized PP&E or directed broadly to fixed assets? Please provide the rationale for your answer.

Department of Commerce Response:

The Department’s position is that DM&R reporting should be directed broadly to fixed assets as many non-capitalized items, although not reported in the financial statements, may have a significant impact to that group of assets, and/or to the agency as a whole. We suggest that the Standard allow each agency to establish a reasonable threshold amount for reporting DM&R for non-capitalized PP&E. Such threshold amount should be disclosed and reported separately. This would allow for full disclosure and transparency to the public.

Q5. Please provide any comments or suggestions you have regarding the goals for this project, other issues identified in the basis for conclusions, or areas which have not been addressed.

Department of Commerce Response:

The Department would like to suggest adding guidance on using the information from GSA’s Federal Real Property Profile (ref: Provisions in 41 CFR 102-84 and Executive Order 13327 of February 4, 2004) annual data call to develop a reporting threshold for deferred maintenance. Agencies are already required to collect this information and additional guidance would allow more consistent reporting across the Federal Government.

The Department would also like to suggest that the Board distinguish DM&R costs from capital improvements (as defined in SFFAS 6) due to the different accounting treatments for DM&R and capital improvements and also the potential (significant) financial impact if misclassified.