

Good afternoon,

Please find attached the VA's comments - Exposure Draft on Deferred Maintenance.

Regards, Katherine Palmer

Katherine Palmer
ADAS for Financial Policy

The Department of Veterans Affairs (VA) appreciates this opportunity to comment on 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." VA continually monitors its asset portfolio condition. Various factors influence the VA: a significant portion of its facilities have aged, significant geographic shifts of Veterans have occurred, and many Veterans are reaching advanced age.

VA utilizes its Facility Condition Assessment (FCA) Report process to evaluate the condition of its capitalized assets and assigns scores of A, B and C to assets in excellent, good to fair condition and D and F to assets in poor to failing condition, respectively. The VA uses its professional engineers to advise on the most prudent choice of corrective action - maintenance, repair or capital improvement - for the assets with a status of D or F.

Under the current standard and under VA's interpretation of the revised standard, VA accountants and engineers have to analyze and sort through a multitude of detailed reports and then make subjective judgments for over one hundred and fifty sites nationwide. To develop the information for the financial statement disclosure, VA starts with the total cost of correction reported in the FCA and subtracts out any planned - but not yet carried out - costs that represent capitalized improvements to existing capitalized assets. As a point of additional clarification, VA does not include in its FCA report the planned cost of any new building where no predecessor previously existed.

VA is concerned that the disclosure as described in the Exposure Draft may leave readers unaware of billions of dollars - roughly half - of VA's deferred correction costs for existing assets. This is because it is not clear, from reading the Basis for Conclusions (A22), that capital costs relating to existing assets should be included in "Deferred Maintenance and Repairs." To provide meaningful and more transparent financial reports, VA respectfully urges the Federal Accounting Standards Advisory Board to amend Statement of Federal Financial Accounting Standard 6 by replacing the existing disclosure requirement with "Total Correction Costs." Its definition would include all costs to correct existing capitalized assets - maintenance, repairs and estimated capital improvements. It is VA's position that this presentation would yield a more complete picture of the Department's current status in using its assets to meet mission sustainability for providing vital health care, benefits and burial needs for our nation's war fighters.