

Good Afternoon,

Attached are our comments (highlighted in blue) regarding the proposed changes to the SFFAS #6.

Please contact me regarding any questions.

Carmelita Chadwick

OUSD(C) - Revolving Funds

Definitional Changes Related to Deferred Maintenance and Repairs (DM&R):
Amending Statement of Federal Financial Accounting Standards 6,
Accounting for Property, Plant and Equipment

**Coordination: Office of the Under Secretary of Defense, Comptroller,
Revolving Funds, (OUSD(C)/RF)
June 25, 2010**

The Proposed Definition:

“Maintenance and Repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset. Maintenance and repairs 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.”

Q1. The Board proposes adding “repairs” to the title and body of the revised definition in order to clarify that deferred “repairs” as well as deferred “maintenance” need to be reported.

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

OUSD(C)/RF: Yes, we agree that the definition should include repairs. As discussed in Appendix A14, we agree that for financial reporting purposes, DM&R are not treated separately. Both are required to maintain an asset at full operational capability. However, as also stated by the Board, we agree that DM&R would not include enhancement to an asset – i.e. a repair or adjustment that expands or increases the operational use of the asset.

Q2. The second sentence of the existing standard provides (1) an illustrative list of activities which are not meant to be all inclusive and (2) the terms “acceptable services” & “expected life”.

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

OUSD(C)/RF: We agree with each change to the list of activities. It provides the reader a general list of the types of items considered maintenance and repairs as discussed in the proposed standard.

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”?

OUSD(C)/RF: We agree with the elimination. The proposed definition change “and other activities needed to preserve or maintain the asset”, restates the eliminated phrase using fewer words and is more precise.

Q3. The Board proposes changing the last sentence of the definition to exclude the reference to needs “originally intended” to be met by the asset.

Do you agree or disagree with the aforementioned change? Please provide the rationale for your answer.

OUSD(C)/RF: As discussed in Appendix A20, we agree that the emphasis should be on the asset’s current use versus original use. Assets may often change their original use in one organization to a different use in another organization but overall provide a similar *function*. Therefore, to avoid confusion, we agree that the proposed definition change from “originally intended” to “current use” is a clearer, more accurate use of terminology for this standard.

Q4. The Board is not proposing a change at this time but rather, is seeking input on the impact that agency capitalization thresholds might have in the reporting of DM&R. Because PP&E is subject to various capitalization thresholds and actual maintenance requirements are not, some believe it is more appropriate to report deferred maintenance and repairs in the broader context of fixed assets rather than only for capitalized PP&E.

Do you believe 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.

OUSD(C)/RF: We believe that DM&R reporting should relate broadly to all fixed assets (to include capital improvements). As discussed in Appendix A24, although there may maintain differences between organizations as to what is considered an expensed versus a capitalized asset, all of those assets may require maintenance and/or repair during its life cycle and therefore for accounting purposes should be treated the same under this standard.

Q5. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes thus far discussed, but also other changes, points, issues and/or considerations which may not have been specifically addressed in this exposure draft. In addition, the basis for conclusions explains the Board’s goals for this project and also discusses other issues raised by task force members.

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.

OUSD(C)/RF: We do not have any further comments at this time.