

### FASAB Exposure Draft: Questions for Respondents due January 9, 2017

#### *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*

**Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”**

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**Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments acknowledge the rescission of SFFAS 35 and that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6.

**Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.**

**The implementation guidance through the technical releases and through the SFFAS documents does not adequately address recapitalization (or capitalization) of real property assets that are currently in existence. As such, it will impede the ability of the Large Agencies in a rolled-up audit of multiple sub-components to have a singular approach to classification of work for extending the life or raising the value of the building. Please see attached document for examples.**

**Q2.** Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

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Recommend a section specifically for RECAPITALIZATION (or Capitalization of Existing Assets Within Same Footprint). We further need explicit definitions of the following and when recapitalization is required and appropriate: Sustainment, Repair, Restoration, Modernization, Alteration, Recapitalization. Currently, to find these definitions, many different sources can be cited and interpreted differently. In this section, it needs to explicitly include what happens when the interior of the building is renovated or in many cases in DoD considered “repaired” and in light of the language in the NDAA 2017 section 2802 as quoted below.

**SEC. 2802. CLASSIFICATION OF FACILITY CONVERSION PROJECTS AS REPAIR PROJECTS.**

Subsection (e) of section 2811 of title 10, United States Code, is amended to read as follows:

“(e) REPAIR PROJECT DEFINED.—In this section, the term ‘repair project’ means a project—

“(1) to restore a real property facility, system, or component to such a condition that it may effectively be used for its designated functional purpose; or

“(2) to convert a real property facility, system, or component to a new functional purpose without increasing its external dimensions.”

Suggestions of items to consider under this umbrella:

Section 2802: If the real property is converted, consider whether temporary walls (e.g., modular furniture) are put in place but all other major attributes of building systems remain the same. E.g., Medical facility is now an office building in the same footprint, with people utilizing old hospital rooms for office space. Old train station now has modular furniture to make it an office building but no additional building systems were added.

Is there a time when a repair may only partially be a repair or may fully be a capitalization? If the \$10M 15 yr old HVAC is replaced but is experiencing no rise in unscheduled work which would indicate it is failing, is it still sustainment?

If the building is being utilized and scheduled to be utilized for the next 5 years, is there a minimum life—cycle? Does recent accreditation of buildings by external agencies who do these things change how we should look at the remaining useful life?

When the building is old and the systems are old (beyond 50 years for example), and the insides of the building is completely gutted and rebuilt, is that a repair? Is it capitalized?