



United States Department of the Interior

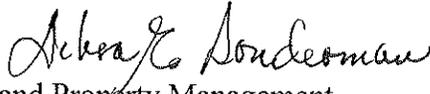
OFFICE OF THE SECRETARY
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FINANCIAL MANAGEMENT MEMORANDUM 2015 – 007 (Vol. II. B)

To: Bureau Chief Financial Officers
Bureau Procurement Chiefs
Bureau Senior Asset Management Officers

From: Douglas A. Glenn 
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Office of Financial Management

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Subject: Changes to Deferred Maintenance and Repairs Reporting by the Statement of Federal Financial Accounting Standards 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*

Effective fiscal year (FY) 2015, the Statement of Federal Financial Accounting Standards (SFFAS) 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, amends the required supplementary information (RSI) presentation and disclosure of deferred maintenance and repairs (DM&R) information for property, plant, and equipment (PP&E). The SFFAS 42 also rescinds “condition” reporting for Heritage Assets and Stewardship Land (HASL). The following chart summarizes the changes:

Summary of Changes - SFFAS 42		
Description	Effective FY 2015 - SFFAS 42 Requirements	FY 2014
Present DM&R as RSI in the Agency Financial Report (AFR).	Y	Y
Describe maintenance and repairs (M&R) policies and how they are applied.	Y	N
Discuss how entities rank and prioritize M&R activities among other activities.	Y	N
Identify factors considered in determining acceptable condition standards.	Y	N

Summary of Changes - SFFAS 42		
Description	Effective FY 2015 - SFFAS 42 Requirements	FY 2014
State whether DM&R relate solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E.	Y	N
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.	Y	N
Provide beginning and ending DM&R balances by category of PP&E.	Y	N
Explain significant changes from the prior year.	Y	N
Require that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary.	Y	N
Measure and report DM&R for capitalized general PP&E and stewardship PP&E.	Y	N
Require entities to report condition information.	N	Y
Include DM&R for inactive and/or excess PP&E to the extent that it is required to maintain inactive or excess PP&E in acceptable condition.	Y	N
Optional measurement and reporting of DM&R for non-capitalized or fully depreciated general PP&E.	Y	N
Optional reporting of low-high DM&R estimates.	N	Y
Option to report critical and non-critical DM&R.	N	Y

In general, SFFAS 42 amends the narrative disclosure and the presentation of DM&R in the RSI section of the AFR, from reporting a range of the DM&R costs by asset type to reporting the beginning and ending DM&R balances by category of PP&E. In accordance with SFFAS 42, the attached document is the Department of the Interior's policy for the bureaus to follow when reporting DM&R for general PP&E and stewardship PP&E effective FY 2015. Note that DM&R reporting does not apply to collectible Heritage Assets (museum and library collections), although DM&R will be reported for the facilities that house the museum and library collections. Furthermore, DM&R will not be reported for non-bureau facilities that house bureau museum collections for which condition was reported prior to FY 2015.

In addition to amending the DM&R disclosure requirements, SFFAS 42 also rescinds the requirement to report "condition" for HASL. Please refer to Financial Management Memorandum 2015-013, *Revised Guidance on the Preparation and Reporting of Heritage Assets, Stewardship Land, and Stewardship Investments*, for updated guidance on HASL reporting.

If you have any questions, please contact Sherry Lee, Staff Accountant in the Office of Financial Management, at (202) 219-4096 or via e-mail at Sherry_Lee@ios.doi.gov and Craig Lasser in the Office of Acquisition and Property Management, at (202) 513-0697 or via e-mail at Craig_Lasser@ios.doi.gov.

Attachment

cc: Asset Management Partnership
Finance Officers Partnership
Financial Statements Guidance Team

GUIDANCE ON THE PREPARATION AND REPORTING OF DEFERRED MAINTENANCE AND REPAIRS

Overview: Effective fiscal year (FY) 2015, the Statement of Federal Financial Accounting Standards (SFFAS) 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, amends the narrative disclosure and the presentation of the deferred maintenance and repairs (DM&R) information in the Required Supplementary Information (RSI) of the Agency Financial Report (AFR). The SFFAS 42 requires Federal entities to: (1) describe their maintenance and repair (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 DM&R applies solely to capitalized general property, plant, and equipment (PP&E) and Heritage Asset and Stewardship Land 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.

This document addresses the SFFAS 42 requirements and serves as the Department of the Interior's (the Department, DOI) guidance on reporting DM&R effective FY 2015. It standardizes DM&R reporting and clarifies the roles and responsibilities between the Department and the bureaus and offices (Bureaus) for providing the necessary information for the DM&R disclosure in the RSI section of the Department's AFR.

I. Definition and Measurement

The DM&R are maintenance and repairs that were not performed when they should have been or were scheduled to be and are put off or delayed for a future period.¹ The Department uses the condition assessment approach to identify maintenance and repair needs. A condition assessment is the periodic inspection of real property to determine its current condition, validate inventory data, and to identify and provide a cost estimate for necessary repairs and other work types. For more information and requirements on performing condition assessments, refer to the Office of Acquisition and Property Management (PAM) guidance at the following link: http://www.doi.gov/pam/programs/asset_management/index.cfm.

It is the Department's policy to report DM&R for capitalized general PP&E and stewardship PP&E as required by SFFAS 42, as well as non-capitalized general PP&E and fully depreciated general PP&E. However, the Department will continue to emphasize capitalized property and associated property records, resulting in improved data quality and more relevant financial reporting. Bureaus should retain and utilize available DM&R information on non-capitalized property for appropriate asset management and work order execution.

¹ SFFAS 42, paragraph 7 at http://www.fasab.gov/pdffiles/handbook_sffas_42.pdf.

II. DM&R RSI Disclosure - Narrative

Effective FY 2015, the Department will include the following in the DM&R disclosure in the RSI:

- A summary of the Department's maintenance and repairs (M&R) policies and brief description of how they are applied;
- Policies for ranking and prioritizing M&R activities;
- Factors that the Department considers in determining acceptable condition standards;
- The DM&R related to capitalized, non-capitalized, and fully depreciated general PP&E and stewardship PP&E;
- Stewardship Land for which the Department does not measure and/or report DM&R and the rationale for the exclusion;
- Explanation of significant changes in DM&R estimates from prior year; and
- Explanation of any changes in condition standards, related assessment methods, and reporting formats.

Although the Department will develop the general narratives in support of these requirements, bureaus should be prepared to work with PAM and the Office of Financial Management (PFM) to provide necessary information that affects the DM&R disclosure. Additional details on roles and responsibilities are provided in Section VI of this document.

III. DM&R RSI Disclosure - Presentation

Effective FY 2015, the presentation of the DM&R information in the RSI will change from reporting a range to reporting the beginning and ending balances. In addition, the disclosure will change from "by asset type" of DM&R to "by PP&E category" of DM&R. Tables 1 and 2 illustrate the changes in the presentation of DM&R information.

Type of DM&R	General PP&E		Stewardship PP&E		Total	
	Low End of Range	High End of Range	Low End of Range	High End of Range	Low End of Range	High End of Range
<i>(dollars in thousands)</i>						
Roads, Bridges, and Trails						
Irrigation, Dams, and Other Water Structures						
Buildings (e.g., Administration, Education, Housing, Historic Buildings)						
Other Structures (e.g., Recreation Sites, Hatcheries, etc.)						
Total						

Table 2: Effective FY 2015 - DM&R Disclosure

PP&E Category <i>(dollars in thousands)</i>	Beginning DM&R Balance	Ending DM&R Balance
General PP&E		
Stewardship PP&E:		
Heritage Assets		
Other		
Total		

In FY 2014, as presented in Table 1, DM&R costs were broken down by asset type (e.g., Roads, Bridges, and Trails; Irrigation, Dams, and Other Water Structures; Buildings; Other Structures) for general PP&E and stewardship PP&E. Bureaus applied percentages (e.g., -15 percent and +25 percent) to report DM&R point estimates as a lower and upper range, respectively.

Effective FY 2015, SFFAS 42 requires Federal agencies to report DM&R for three major categories of PP&E: general PP&E, Heritage Assets, and Stewardship Land. The SFFAS 29, *Heritage Assets and Stewardship Land*, defines “Land” as the solid part of the surface of the earth. The Department has determined that there is no DM&R costs related to land. Any hazardous material cleanup costs related to land that meet the criteria for an Environmental and Disposal Liability (EDL) are to be reported separately as an EDL. Therefore, the Department will not present the Stewardship Land category in the DM&R disclosure. Instead, the Department will present DM&R for two major categories of PP&E: general PP&E and stewardship PP&E. Stewardship PP&E is further broken out into Heritage Assets and “Other”. The primary factor utilized to determine whether an asset is a Heritage Asset is whether or not it has been either Presidentially, Congressionally, or Departmentally (by the Secretary of the Interior) designated (e.g., National Historic Landmark, National Scenic Trail, etc.). “Other” includes permanent real property that is specifically constructed to support and further the stewardship mission of the bureau such as protection, preservation or maintenance of natural or cultural resources. The DM&R should be reported in these property categories as directed by this guidance and bureau policies and practices for asset management. While it remains a bureau decision whether asset types are reported as general or stewardship PP&E, broad changes to reporting categories should be vetted through PFM and PAM.

In addition, the Department’s policy is to keep the condition of museum and library collections at an acceptable level. The DM&R will be reported for the bureau facilities that house the museum and library collections and not for the individual collections themselves. In most cases, this DM&R will be reported as general PP&E since most facilities that house museum and library collections are not Heritage Assets.

Also effective FY 2015, DM&R costs will be disclosed as beginning and ending balances. Bureaus should report under the major categories of PP&E as displayed in Table 2 and use the FY 2014 year-end DM&R point estimates for the various types of assets as their beginning

balances.

Bureaus should explain significant changes in DM&R from the prior year. Per SFFAS 42, the determination of whether or not an item is significant is a matter of professional judgment and the determination is separate and distinct from materiality considerations that include considering the likely influence that such information could have on judgment or decisions of financial statement users.²

IV. Reporting DM&R

The Department is taking this opportunity to establish a consistent approach for reporting DM&R across two categories of PP&E: general PP&E and stewardship PP&E. Consistent reporting logic is important to ensure that repeatable, reliable information is presented in the AFR. To that end, the Department has developed the logic shown in Table 3 for bureau use in calculating and reporting DM&R for PP&E. The logic presents the typical variables within reporting systems that influence DM&R, along with the elements within those variables that should be included or excluded from bureau DM&R calculations.

Table 3: DM&R Reporting Logic for PP&E

PP&E Category	Asset Statuses Excluded from DM&R Estimate	Work Order ¹ Types and Sub-Types included in DM&R Estimate	Work Order Status ² excluded from DM&R Estimates	Assets in DM&R Estimate
General PP&E ³	Disposed, Removed, and Planned.	DMXX ⁴ , FMDM, CRDM, RMDM	WAPPR, WACOST, CLOSE, CAN (or equivalent)	All Asset Types not included in Stewardship PP&E and excluding land.
Stewardship PP&E: Heritage Assets	Disposed, Removed, and Planned.	DMXX ⁴ , FMDM, CRDM, RMDM	WAPPR, WACOST, CLOSE, CAN (or equivalent)	Primarily assets that are Congressionally, Presidentially, or Departmentally designated, such as National Historic Landmarks. Could include the asset codes listed in Table 4 below.

²SFFAS 42 page 7, paragraph 15f, footnotes 9 at: http://www.fasab.gov/pdffiles/handbook_sffas_42.pdf.

PP&E Category	Asset Statuses Excluded from DM&R Estimate	Work Order ¹ Types and Sub-Types included in DM&R Estimate	Work Order Status ² excluded from DM&R Estimates	Assets in DM&R Estimate
Stewardship PP&E: Other	Land of any Status; Disposed, Removed, and Planned.	DMXX ⁴ , FMDM, CRDM, RMDM	WAPPR, WACOST, CLOSE, CAN (or equivalent)	Real property specifically constructed to support and further the stewardship mission of the bureau such as protection, preservation, or maintenance of natural or cultural resources. The DM&R does not exist on land. Certain hazardous material cleanup costs are reported through the EDL.
<p>¹ Maximo® work orders are distinguished by Type and Sub-Type. The codes listed are the typical categories of work that represent deferred maintenance and repairs. Bureaus that don't use Maximo should report work order types and subtypes that are applicable to DM&R.</p> <p>² Maximo® work order statuses are categorized based on receiving approvals, funding, execution, etc. Certain status categories are not appropriate for inclusion in DM&R estimates as the work orders are, for example, not yet approved, closed, or cancelled. Bureaus that don't use Maximo should report work order statuses that are applicable to DM&R.</p> <p>³ Refer to SFFAS 6, paragraph 23 for the definition of general PP&E at http://www.fasab.gov/pdffiles/handbook_sffas_6.pdf.</p> <p>⁴ Bureaus have differing work order subtypes aligned with the Deferred Maintenance work order type, but all subtypes (XX) should be included. Refer to SFFAS 6, paragraph 23 for the definition of general PP&E at http://www.fasab.gov/pdffiles/handbook_sffas_6.pdf.</p>				

Table 4 below contains examples of the DOI Asset Codes typically included in Heritage Asset DM&R.

Table 4: DOI Asset Code Examples of Potential Heritage Assets

DOI Asset Code	Asset Description
35800100	Fortification
40780300	Monument/Memorial
40780200	Ruins
40780100	Outdoor Sculpture
40750300	Maintained Landscape*
* Assets included in "Maintained Landscapes" often include Heritage Assets; however, exceptions apply and may be categorized in other reporting categories.	

Bureaus should be prepared to provide adequate detail support for DM&R estimates, represented by summarized information by location as defined in enterprise asset management systems.

V. DM&R Reporting

Bureaus should submit DM&R information to PFM for quarterly reporting as follows:

1st and 2nd Quarter

None required.

3rd Quarter

The Department prepares a complete 3rd quarter draft of the AFR for review by the consolidated audit team. To meet this requirement, bureaus must submit DM&R data as well as any relevant narrative information as of June 30 to PFM for the RSI disclosure by the due date specified in the PFM Milestone List.

4th Quarter

Bureaus should submit updated 4th quarter DM&R information as of September 30 to PFM by the date specified in the PFM Milestone List (guidance issued under separate cover) for inclusion in the final AFR.

VI. Roles and Responsibilities

Bureaus should work with PFM and PAM on reporting DM&R. Table 5 below illustrates the roles and responsibilities among PFM, PAM and the bureaus for reporting DM&R:

Table 5: Roles and Responsibilities

SFFAS 42 Requirements	Responsible Party
Present DM&R as RSI in the AFR.	PFM
Describe M&R policies and how they are applied.	PAM
Discuss how entities rank and prioritize M&R activities among other activities.	PAM
Identify factors considered in determining acceptable condition standards.	PAM
State whether DM&R relate solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E.	PFM/PAM
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.	PFM/PAM

Provide beginning and ending DM&R balances by category of PP&E.	Bureaus
Explain significant changes from the prior year.	Bureaus
Require that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary.	Bureaus/PAM