

Savannah River

What is **Deferred Maintenance** & Why Report It Accurately?

Debbie Etheredge
Savannah River Site
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Agenda

- DOE Order 430.1B & Federal Accounting Standards Advisory Board (FASAB) Deferred Maintenance (DM) definition
- DM Flexibility - FASAB
- Related DM definitions
- Betterments
- CAS vs Life-Cycle Costing
- How does your site capture DM? CAIS, Passport, etc?
- Why Report DM Accurately?

What is Deferred Maintenance?

- **DM** – “maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.”

(Reference: FASAB -SFFAS No6, Chapter 3, Par. 77 & DOE Order 430.1B: Real Property Asset Management)

- **Federal Accounting Standards Advisory Board (FASAB)** which recommends accounting principles for the Federal Government.

SFFAS No. 6 -Accounting for Property, Plant & Equipment (PP&E)

SFFAS – Statement of Federal Financial Accounting Standards

Issued Nov-95, Implemented in 1998 along with amendment No. 14.

DM Flexibility

- FASAB indicates “flexibility” to the preparer of DM
 - Flexibility - Management shall determine what level of service and condition is acceptable. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended. (SSFAS No. 6, Par. 78)
- Flexibility comes with a price
 - Amendment SFFAS No. 14 requires DM information be included as required supplemental information (RSI) which is expected to be auditable & verifiable.
 - DM can be considered an efficiency indicator & effectiveness of operations
 - Inspection of facilities & reporting of DM requires good internal control

Related Definitions

(Per Order 430.1B & SSFAS No. 6)

- **Maintenance** – day to day work that is required to sustain property in a condition suitable for it to be used for its designated purposes, including preventive, predictive, and corrective maintenance.

(DOE Order 430.1B)

Examples: Maintenance costs and work do not include the following.

- Relocating or installing partitions, office furniture, etc.
 - Expand capacity of an asset or upgrading to serve needs different from originally intended
- **FASAB defines “Maintenance” as the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts & structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service & achieves its expected life.**

FASAB - Federal Accounting Standards Advisory Board & SFFAS – Statement of Federal Financial Accounting Standards



Related Definitions (Per Order 430.1B)

- **Facility** – Land, buildings, and other structures, their functional systems and equipment installed therein, including site development features outside the plant, such as landscaping, roads, walks, parking areas, outside lighting and communication systems, central utility plants, utilities supply and distribution systems, & other physical plant features. These include any of the DOE-owned, leased, or controlled facilities, & they may or may not be furnished to a contractor under a contract with DOE.
- **Infrastructure** – All real property, installed equipment, and related real property that is not solely supporting a single program mission at a multi-program site or that is not programmatic real property at a single program site.

Betterment & Related Definitions

(Per Order 430.1B)

- **Betterments** –Capitalized improvements to facilities that result in better quality work, increased capacity, and/or extended useful life as required to accommodate regulatory and other changes to requirements.
 - **Construction** – the erection, installation or assembly of a new plant facility; the addition, expansion, improvement, or replacement of an existing facility; or the relocation of a facility.
Examples:
 - Replacing standard walls with fireproof walls
 - Replacing utility system components with a significantly larger capacity components (e.g., replacing a 200-ton chiller with a 300-ton chiller) and converting the functional purpose of a room (e.g., converting an office into a computer room)
 - **Conversion** – major structural revision of a facility that changes the functional purpose for which the facility was originally designed or used.
 - **Major Renovation & Replacement** – a complete reconstruction of a facility that has deteriorated or has been damaged beyond the point where its individual parts can be economically repaired

How does your site capture DM?

- CAIS
- Passport
- Maximo
- Excel databases
- Etc...

DM Measurement

- **CAS** – Condition Assessment Surveys – periodic inspections of Property, Plant & Equipment (PP&E) to determine their current condition & estimated cost to correct any deficiencies based on accepted methods & standards consistently applied documented in CAIS.
- **Life-Cycle Costing** – acquisition or procurement technique which considers operating, maintenance, and other costs in addition to the acquisition cost of assets.

Why Report DM Accurately?

- Indicator of Facility Condition
- Allow facilities to predict future maintenance needs & projected cost
- DOE Facility Indicator
- Save on Maintenance Cost - Deferring needed maintenance indefinitely may ultimately result in significantly higher costs.
 - Example- the steel cladding on a warehouse needs to be painted at scheduled intervals. If the painting, a relatively minor cost, is deferred continually, the cladding will eventually rust and deteriorate, necessitating significant repairs or replacement, at many times the cost of having painted it on schedule.

Reference Page

- FASAB Document Listing
<http://www.fasab.gov/pdffiles/issueddocuments.pdf>
- SFFAS No. 6 – Accounting For Property, Plant, and Equipment
<http://www.fasab.gov/pdffiles/sffas-6.pdf>
- SFFAS 6 Amendment –
<http://www.fasab.gov/pdffiles/sras14.pdf>

Questions / Discussion

- Debbie Etheredge
Savannah River Site
Aiken, South Carolina
803-952-9752
debbie.etheredge@srs.gov



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Nuclear Solutions LLC