



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

DEC 04 2009

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail stop 6K17V  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. ~~Wendy~~ Payne,

The Department of Defense's (DoD) comments on the Exposure Drafts, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* and *Implementation Guidance on Cleanup Costs Associated with Equipment* are attached. Overall, we agree with the exposure drafts. Our comments are centered primarily on clarity of meaning.

My point of contact is Mr. Stewart Petchenick. He can be reached at (703) 602-0369.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Easton".

Mark E. Easton  
Deputy Chief Financial Officer

Enclosures:  
As stated



Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment

Comment Number	Paragraph #	Recommend Changes	Rationale
1.	Paragraph 12, Page 7	Need to add the word disclose to the last sentence. ... entities need to estimate <u>or disclose</u> all asbestos-related cleanup costs ...	As stated in the Introduction on page 6, paragraph 1, bullet 2: Federal entities will <u>disclose</u> ...
2.	Paragraph 12, Page 7	Last sentence – add the words “and removal” to the end of the sentence.	Asbestos cleanup is actually removal of the asbestos material from the facility or equipment
3.	Paragraph 15, Page 8, Second sentence	Please provide examples of past transactions or events for clarity.	The document will be referenced by non-accountants that may require a better understanding of what constitutes past transactions or “events”.
4.	Paragraph 15, Page 8, Third sentence	Explain or clarify sentence	Says that approach will be executed at discretion of agency. This contradicts Paragraph 13 which states that “an implementation strategy is needed to ensure consistent reporting ...”
5.	6	Q1: yes with modification for clarity 16.a. Add additional wording to say owned or leased real property 16.b. Identify and eliminate each real property or groupings of real property ( <i>footnote</i> not expected to contain asbestos. ..	Guidance needs to address capitalized leases as well as leasehold improvements if only to say that clean up or containment responsibility is dependent on agreement between the parties.  Clarifies intent behind meaning of “group of real property”

Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment

Comment Number	Paragraph #	Recommend Changes	Rationale
		<p>Footnote should read: Real property may be sorted into groups by category, type, and/or locations. Categories might include buildings, and other structures. Types might include railroad tracks, power lines, sidewalks. Locations may be facilities or sites recently built and known to be asbestos free. A combination of categories, types, and/or locations may also be used.</p> <p>16.b.i. insert “or grouping” after “indicating the real property...”</p> <p>16.b.iii Reword to read “The grouping of real property would not or is not likely to have asbestos and therefore would not be required to be surveyed for asbestos.”</p>	<p>and allows flexibility to group via differing and multiple methods as might be logical for differing agencies and systems of records.</p>
6.	7	<p>Q2: yes with modification for clarity</p> <p>17 Strike “Once steps have been taken to identify real properties containing asbestos” and add “For the real</p>	<p>16.b already specifies to eliminate assets from the list that are not likely to contain asbestos. Additionally, the same sentence continues “each real property or group of real property expected to contain asbestos...”</p>

Comment Number	Paragraph #	Recommend Changes	Rationale
		<p>property assets remaining on the list...”</p> <p>2nd sentence - Strike “assumptions can be made in some cases to make up for a lack of actual data.” Insert “reasonable assumptions are acceptable when specific information, including items specified below, is not available for the real property or grouping.</p> <p>17a. reword to say “Determine the most likely method to be used for renovations, disposal, or demolition (e.g. use of heavy equipment, implosions/explosion, or hand methods) in accordance with Federal, state, and local regulatory requirements governing asbestos management. Regulatory requirements must be considered to identify additional cost considerations that may differ by location such as extent of asbestos surveys, sampling, removal, and non-routine materials management”</p>	<p>Clarifies sentence and communicates need to justify assumptions.</p> <p>Clarification. Would also suggest that the current 17a. and b. be switched in order. Location is required prior to assessment of state and local regulatory requirements.</p>

Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment

Comment Number	Paragraph #	Recommend Changes	Rationale
7.	8	Q3: Agree with listed methodologies but should include one additional methodology.	Allow for an average cost estimate to be applied to each specific asset within a grouping based on reasonable assumptions. (ex. statistical extrapolation)
8.	9	Q4: Concur with comment	Para I. of Appendix B would not be applicable/required if modeling or use of historical costs of asbestos removal/disposal were used to estimate the liability of assets at disposal, as they would already be accounted for through the use of the model or historical costs for similar sites.
9.	10	Q5: Concur	
10.	11	Q6: Yes	See above comments 5 and 7 above.
11.	Paragraph 19, Page 10	Define use of word containment. Is containment meant to mean leave asbestos in place in lieu of removal? If so, modify guidance to replace clean up with "clean up or containment". Also add "cost determination methodologies" after word 'reasonable' in paragraph 18 and in logic box of diagram.	Containment is not mentioned elsewhere in the document as "cleanup" method for asbestos. Is containment a possible remedy? If so, guidance and costs would need to reflect that as a possibility. Containment costs should only exist during renovation projects. Need to specify as costing determination versus other forms.

Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment

#1

Mark Easton

Federal - Preparer

Comment Number	Paragraph #	Recommend Changes	Rationale
12.	Diagram 1, Page 11, Title	Delete word general	Including general leaves option to interpretation, inconsistencies

Dear Ms. Payne,

Please find attached NASA's response to the questions related to the Exposure Draft titled "Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment. " If you have any questions regarding this response, please contact me by e-mail at [Kevin.Buford@nasa.gov](mailto:Kevin.Buford@nasa.gov).

Thanks,

Kevin Buford  
Director for Strategic Integration and Policy  
Office of the Chief Financial Officer

**NASA RESPONSE TO QUESTIONS REGARDING IMPLEMENTATION GUIDANCE  
ON ASBESTOS CLEANUP COSTS ASSOCIATED WITH FACILITIES AND  
INSTALLED EQUIPMENT**

Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.

A. In general we agree with the methodology for identifying real property containing asbestos as outlined in the Exposure Draft. But we would like to provide the following additional comments for the Board's consideration.

- Resources may not be readily available or possess the skills to identify real property containing asbestos. In either case, alternative means would need to be investigated to accomplish the identification of assets, which may impact the time frame in which an Agency could complete the identification step.
- Systems/processes may need to be created and/or modified to capture such information. In order for periodic updates to the estimated asbestos cleanup costs to be conducted (per paragraph 21), it is assumed that information related to which assets are included and the current cleanup costs for each would need to be maintained. Each Agency would need to assess what systems/processes would need to be created and/or modified to support such a requirement.
- Scope of the identification effort will impact an Agency's time frame for implementation. For example, an Agency that has a lot of real property (such as the Department of Defense) will need more time to identify assets that may contain asbestos than an Agency that has relatively few real property assets.
- Accessibility of the asset(s) will impact an Agency's ability to develop a comprehensive listing of real property that may contain asbestos. For example, an Agency may have assets that are not readily accessible (remote locations, national security concerns, etc.) that would impact its ability to develop a comprehensive list of assets that may contain asbestos.

B. On paragraph 16 (b), after "such as", insert "but not limited to:"

Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify.

In general, we agree with the assessment methodology, but have concerns similar to above question (Q1) regarding resources/skills available to complete such an assessment and the length of time such an assessment would take. We recommend the Board take a very liberal view regarding the time frame for Agencies to implement the proposed technical guidance.

Recommend the following rewrite of paragraph 17 to improve clarity of the guidance:

1). Paragraph 17, introductory paragraph and 17.a., as currently written:

“Once steps have been taken to identify real properties containing asbestos, each real property or group of real properties expected to contain asbestos should be assessed to collect the information in paragraphs a and b below. For purposes of developing asbestos cleanup cost estimates, assumptions can be made in some cases to make up for lack of actual data.”

a. The scope of asbestos removal required at real property (ies) renovation, disposal or demolition by determining the:

- i. Most likely method of real property renovation or demolition (e.g., use of heavy equipment, implosion/explosion, or hand methods); and
- ii. Federal, state and local regulatory requirements governing asbestos management to identify added costs to standard demolition (e.g. asbestos surveys, sampling, removal, and non-routine materials management).”

Suggested rewrite of Paragraph 17, introductory and 17.a.:

“Once real properties containing asbestos have been identified, each identified real property or group of real properties should be analyzed to collect the information in paragraphs a and b below.”

17. a. “Select most likely method of real property renovation or demolition (e.g., use of heavy equipment, implosion/explosion, or hand methods); based on the most likely method selected, determine:

- i. The scope of asbestos removal required at real property (ies) renovation, disposal or demolition; and
- ii. Federal, state and local regulatory requirements governing asbestos management to identify added costs to standard demolition (e.g. asbestos surveys, sampling, removal, and non-routine management.)

For purposes of developing asbestos cleanup cost estimates, reasonable data assumptions can be made when actual data are not available.”

2) In the first sentence of paragraph 17. c., change the word “sufficient” to “insufficient”.

- Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.

In Appendix B Example II, one of the baseline facts presented is “There are no assets that are similar in size, age and functionality that could be used to obtain information about the type, location, or extent of asbestos in the similar assets.” We believe that the existence of such similar assets which have been the subject of asbestos surveys should form the basis for an acceptable methodology. We recommend adding a new methodology (18.d) that would state: “An extrapolation from assets similar in size, age, and functionality that have been the subject of asbestos surveys that could be used to obtain information about the type, location, or extent of asbestos in the similar assets.” We view this as an analog to 18.b which discusses extrapolating historical costs for asbestos cleanup of similar real property(ies). It is doubtful that many agencies keep databases (or readily available information) of historic asbestos cleanup costs for a sufficient number of facilities to form a sufficient basis for extrapolation. Many more properties are likely to have been the subject of recent asbestos surveys, and this would produce a much more robust database for extrapolation purposes. “Going forward” information from methodology in 18.b and the proposed 18.d could be blended together.

In paragraph 18.b. insert “reasonable” before “extrapolation” and “cost” after “cleanup”

- Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer.

Yes, we agree with the example of practice of evaluating asbestos cleanup costs associated with real property repair and renovation. Please see our response to Question 3.

- Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Also, please provide the rationale for your answer.

Yes, we agree with the example of practice of evaluating asbestos cleanup costs associated with real property demolition. Also, please see our response to Question 3.

- Q6. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilitates and installed equipment is needed in this proposal? Please provide the rationale for your answer.

Yes, we believe that additional technical guidance is needed for installed equipment. For example, would the guidance apply only to equipment that is critical to the intended function of the facility, or any installed equipment regardless of whether or not is was critical to the function of a facility?

## National Security Agency (NSA)

Comments on FASAB Exposure Drafts:

**Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment**

The purpose of the FASAB ED on ***Implementation Guidance On Cleanup Costs Associated with Facilities and Installed Equipment*** is to provide a framework for identifying assets containing asbestos, assessing the asset to collect information and/or develop key assumptions in applying acceptable methodologies to estimate asbestos cleanup costs for federal facilities and installed equipment (real property).

In accordance with FASAB Technical Bulletin (TB) 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs:

- o Federal entities will (1) estimate both friable and non-friable asbestos-related cleanup costs and (2) recognize a liability and related expense for those costs that are both probable and reasonably estimable, consistent with the current guidance in Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government; SFFAS 6, Accounting for Property, Plant, and Equipment, Chapter 4: Cleanup Costs; and Technical Release (TR) 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.

- o Federal entities will disclose information related to friable and non-friable asbestos-related cleanup costs that are probable but not reasonably estimable in a note to the financial statements, consistent with SFFAS 5, SFFAS 6, and TR 2.

The scope of this guidance is limited to federal real property (federal facilities and installed equipment) that contains any form of asbestos. It provides additional clarification of SFFAS 6 and TB 2006-1 for identification and recognition of asbestos related cleanup costs, and provides a methodology for identifying and recognizing asbestos liabilities associated with federal properties.

The question appears in bold italics, and our response follows directly below, we have included both accounting and logistical responses to question number 6.

***Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.***

**Q1. Response**

Agree with the methodology outlined for identifying real property containing asbestos. However, recommend that line 16.a be changed to include facilities that are not owned

by the entity, but for which the entity has accepted financial responsibility for cleanup costs associated with asbestos (e.g. through a lease contract).

**Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify.**

**Q2. Response**

Agree with the assessment to be applied to those facilities expected to contain asbestos. The development of accounting estimates includes developing assumptions that represent management's judgments of the most likely circumstances and events with respect to the relevant factors. The assessment does consider "that as additional information becomes available, the federal entity should reevaluate its key assumptions..." Do not believe additional or different assessments should be applied.

**Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.**

**Q3. Response**

Agree with the list of estimating methodologies. However, recommend that line 18.d define 'reasonable methodologies' to account for the provisions in Statement on Auditing Standards (SAS) Number 57/AU Section 342 *Auditing Accounting Estimates*.

**Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer.**

**Q4. Response**

Agree with the example. Technical Release No.2 provides two primary tracks for determining whether a federal agency's environmental responsibilities meet the probable criterion. In this example, the contamination is known, is related to the federal government operations, and therefore represents a legal liability. Because cost information is available, the liability meets the requirement of both probable and reasonably estimable.

**Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide the rationale for your answer.**

**Q5. Response**

Disagree with example. Example II states that the probability requirement is satisfied via the first bullet, “there is no evidence or certification that the asset is asbestos free. As similar real property constructed at the same time has been found to contain asbestos, it is therefore probable that asbestos may be present in the real property being assessed.” However, the fourth bullet states, “there are no assets that are similar in size, age and functionality that could be used to obtain information about the type, location, or extent of asbestos in the similar assets.” These two bullets appear to be contradictory and give rise to doubt concerning the probability requirement. This would impact the disclosure requirement in the financial statements.

**Q6. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilities and installed equipment is needed in this proposal? Please provide the rationale for your answer.**

**Q6. Response**

From an accounting and auditing perspective we do not believe additional technical guidance related to asbestos cleanup costs associated with facilities and installed equipment is needed in this proposal. However from an operational perspective we feel that the “need to estimate all asbestos-related cleanup costs ...” as specified in paragraph 12 is questioned. Recommend implementation guidance be changed to report only asbestos removal/disposal costs associated with active renovation projects and near term planned projects. If almost all of an agency’s Asbestos Containing Material (ACM) is non-friable and has been effectively managed in accordance with State and Federal regulations and as such poses minimal threat to human health or the environment, it should not need to have its cleanup costs estimated, unless it is now part of an active renovation or near term planned project. In addition, DoD policy on asbestos at base realignment and closure properties necessitate a full disclosure survey report prior to transfer. If the ACM is a threat to human life or not in compliance with applicable regulations it would be removed/disposed of prior to transfer or demolition. Associated cleanup costs become a liability at the time of transfer/demolition and should be captured/reported at that time.

Conducting an all-inclusive assessment of all facilities/installed equipment per guidance in paragraph 15.b is overly burdensome and attempts to capture all possible cleanup costs would provide an estimate of liabilities that are unlikely to be incurred within the foreseeable future. A more practicable, risk based assessment approach should be provided as guidance. For example, such an approach would exclude facilities constructed in the last twenty five years. It would also exclude leased facilities (equipment) where due diligence environmental assessment is conducted prior to the Government signing the lease (or purchasing the equipment).

**Additional comment**

One comment pertaining to this ED would be to ask for additional guidance regarding the reporting of environmental liabilities with regard to active firing ranges.



## Greater Washington Society of CPAs and GWSCPA Educational Foundation

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202-464-6001 (v) 202-238-9604 (f) [www.gwscpa.org](http://www.gwscpa.org) [info@gwscpa.org](mailto:info@gwscpa.org)

December 4, 2009

Wendy Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6K17V  
441 G Street, NW – Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB or Board) Exposure Draft (ED) of the proposed Federal Financial Accounting Technical Release (TR), *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*.

FISC consists of 16 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members. Our responses to the ED questions follow.

- Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.
- A1. FISC agrees with the methodology outlined for identifying real property containing asbestos, as described in paragraph 16. The items for financial statement preparers to consider appears to provide broad guidance that would likely be helpful to identify real property containing asbestos. To improve clarity to a reader, we recommend that the ED amend paragraph 16 (b) (i) to include the following underlined portion: “Asbestos survey results, or other records indicating the real property(ies) is not likely to contain asbestos (e.g., based on manufacture date for items not likely to contain asbestos, etc.)”.
- Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify.
- A2. FISC agrees with portions of paragraph 17 in the ED. To improve usefulness, we recommend that the information contained in paragraph 17 (b) include “records of comparable equipment in the same asset class” or similar narrative in the listing of suggested sources for asbestos containing materials. This additional narrative would provide needed guidance to agencies in

estimating their environmental liabilities. Further, paragraph 17 (c) appears to provide too broad of a reference to situations in which an agency may conclude that its environmental liability is not reasonably estimable. Instead, we suggest that the FASAB indicate explicitly that situations in which an environmental liability is not reasonably estimable should be rare, and that agencies should make every effort to use available information to make sufficient assumptions on the agency's future liability.

- Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.
- A3. FISC partially agrees with the proposed language in paragraph 18 of the ED. The narrative provides sufficient guidance for agencies to use their available information to develop a reasonable estimation or cost methodology. To further improve the usefulness of the current language in the ED, we recommend that the FASAB provide examples, further define, or provide citations for "industry specific cost estimation publications or standardized cost factors developed for each state."
- Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer.
- A4. FISC agrees with the narrative in the first scenario in Appendix B of the ED. The current language provides a meaningful example for agencies to consider when estimating their environmental liabilities.
- Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide the rationale for your answer.
- A5. Consistent with our response to question 2 above, we recommend that the FASAB add additional language in this scenario in Appendix B to emphasize that only in rare instances should an agency conclude that its environmental liability is not reasonable estimable, and that agencies should make every effort to use available information to make sufficient assumptions on the agency's future liability.
- Q6. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilitates and installed equipment is needed in this proposal? Please provide the rationale for your answer.
- A6. As noted in our response above to question 3, we recommend that FASB provide examples, further define, or provide citations for "industry specific cost estimation publications or standardized cost factors developed for each state."

#### **Other Comments**

- In the first sub-bullet of Appendix B, section I, the phrase "that requires repair contain asbestos" should be re-written.

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This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

A handwritten signature in black ink that reads "Andrew Lewis". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Andrew C. Lewis  
FISC Chair

>> "MELANIE CENCI" <[MELANIE.CENCI@nfc.usda.gov](mailto:MELANIE.CENCI@nfc.usda.gov)> 12/4/2009 4:15 PM >>>  
Attached are US Forest Service comments on exposure draft,  
"Implementation Guidance on Asbestos Cleanup Costs Associated with  
Facilities & Installed Equipment."

Melanie R. Cenci

Office of the Chief Financial Officer

US Dept. of Agriculture

## U.S. Forest Service Response to Exposure Draft

### Questions for Respondents

Federal Financial Accounting Technical Release Exposure Draft:  
*Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*  
(dated September 3, 2009)

### General Comments:

The word "survey" should be replaced with the word "inspection". There is no disagreement with the financial accounting, but there is disagreement with the use of the term "survey" (e.g. asbestos survey, reasonable survey, survey data). For facilities, we must have "asbestos inspections" by accredited "asbestos inspectors." There could be some type of unofficial asbestos survey, but it's not going to meet regulatory standards for either renovation or demolition. It would be better if we could educate all those who read this document, by insisting that the document use correct terminology. Even if a building is made entirely of wood, the regulations say that it must be inspected before renovation or demolition. In a sense, we have the liability of proving that there is no asbestos. It's not correct to assume that a building does not contain asbestos. We can always assume that it does.

Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.

16. b says to identify real properties not expected to contain asbestos. We believe this should be changed to read "identify ....real properties that do not contain asbestos. When it comes to asbestos in facilities, the only way you can prove that there is no asbestos is to have an accredited inspector conduct an inspection. You CANNOT rely on "survey results.... Indicating the real property is not likely to contain asbestos." Such a "survey" does not count in the asbestos regulations of AHERA, ASHARA and NESHAPS. Additionally, 16.b.i. should read "Asbestos inspection reports or other records indicating the real property (ies) do not contain asbestos."

Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify.

The phrase "expected to contain asbestos" in the second line of paragraph 17 should be deleted. Again, expectations or assumptions do not count. We need

inspections, and in the absence of inspections, we must assume that the building materials do contain asbestos.

- Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.

Forest Service agrees.

- Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer.

Forest Service agrees.

- Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide the rationale for your answer.

Forest Service disagrees because, this example is for demolition, and the following bulleted statement doesn't apply:

"It is not possible to determine the extent of the existence of asbestos without destroying or weakening the existing structure or disturbing potential asbestos, which would be undesirable."

For demolition projects, a thorough inspection MUST be conducted, even if you destroy or weaken the structure or disturb asbestos. You cannot demolish a building with friable asbestos; it must be removed first. So this example would be OK, as long as this one statement is removed.

- Q6. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilitates and installed equipment is needed in this proposal? Please provide the rationale for your answer.

We believe no further guidance is needed.

ADDITIONAL QUESTION: Are there any costs that may be excluded from the estimate of asbestos-related cleanup costs?

Yes, it is possible for certain types of non-friable asbestos containing material to remain non-friable indefinitely; therefore, the estimate does not need to include non-friable asbestos containing roofing, flooring, siding, and other materials that when repaired, renovated, removed, contained, disposed of, or otherwise disturbed do not become friable and do not require additional costs above and beyond normal repair, renovation, removal, containment, or disposal costs to prevent them from becoming friable.

December 4, 2009

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
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Advancing  
Government  
Accountability

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(703) 684-6931  
(703) 548-9367 (fax)

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB or the board) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its proposed Technical Release, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*. The FMSB, comprising 23 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately. The majority of FMSB members approved issuance of this comment letter. The FMSB has responses to the questions posed and an editorial comment..

Q1. *Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.* We agree with the methodology in paragraph 16, but think that the Board may want to consider listing the types of materials likely to contain asbestos and to note that buildings constructed prior to 1979 are likely to contain asbestos. We think that would be helpful. Also, should agencies be referred to the National Institute for Standards and Technology (NIST) for recommendations or to receive a listing of accredited asbestos laboratories?

Q2. *Do you agree or disagree with the assessment to be applied to these facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify?* We agree with the assessment to be applied to those facilities expected to contain asbestos in paragraph 17 as it appears to cover all reasonable assessments. We cannot think of any additional assessments that might be required.

Q3. *Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.* Yes, we agree with the list of estimating methodologies and cannot think of any additional methodologies.

Q4. *Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer.* We agree with the examples in Appendix B and think that the two examples provided are well laid out.

Q5. *Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide the rationale for your answer.* We agree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition in Appendix B and the provided possible criteria.

Q6. *Do you believe additional technical guidance related to asbestos cleanup costs associated with facilities and installed equipment is needed in this proposal? Please provide the rationale for your answer.* We cannot think of any additional technical guidance related to asbestos cleanup costs associated with facilities and installed equipment that would be required.

Editorial comment: We recommend a search and replace of 'e.g.' to 'e.g.,'

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. If you have questions concerning the letter, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or 703.684.6931 ext. 313.

Sincerely,



Robert L. Childree, Chair  
AGA Financial Management Standards Board

cc: William A. Morehead, Ph.D., CPA, CGFM  
AGA National President

**Association of Government Accountants  
Financial Management Standards Board**

**July 2009 – June 2010**

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Edward J. Mazur  
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Suesan R. Patton  
Leslie I. Tanaka  
Clarence L. Taylor, Jr.  
Roger Von Elm  
Stephen B. Watson

Relmond P. Van Daniker, Executive Director, AGA (Ex-Officio Member)  
Anna D. Gowans Miller, Technical Manager, AGA, Staff Liaison

>>> "Wall, John F" <[John.Wall@hq.doe.gov](mailto:John.Wall@hq.doe.gov)> 12/7/2009 2:37 PM >>>  
Good Afternoon,

Attached are our responses to the two exposure drafts.

Thanks,

John Wall  
Office of Financial Policy  
Office of the Chief Financial Officer

Department of Energy's Response to FASAB Exposure Draft: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*

All responses are requested by December 4, 2009

The Department of Energy (Department) appreciates the opportunity to comment on the Exposure Draft, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* and requests our comments be given consideration for inclusion in this technical bulletin.

**Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.**

Yes, the rationale seems logical and relevant to determining if real property contains asbestos.

**Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify.**

Yes, the Department agrees with the assessment to be applied to facilities expected to contain asbestos as it appears logical and reasonable based on the Department's environmental liability estimation experience. However, paragraph 17c refers to a situation that would allow for disclosing that the cleanup is not reasonably estimable. Given that asbestos was a common building material until 1989 and the numerous asbestos containing materials have been addressed in the commercial world, if not by some part of the Federal government, it is highly unlikely that a "not estimable" disclosure would be a successful sustainable position.

**Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be applied? If so, please specify.**

Yes, the Department agrees with the assessment to be applied to facilities expected to contain asbestos as it appears logical and reasonable based on the Department's environmental liability estimation experience.

**Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide rationale for your answer.**

While the examples are illustrative and intended as a starting point it should be clear that every agency has unique situations and these examples are not prescriptive

checklists. Further, if asbestos containing materials have been damaged or are in a state causing a safety issue a liability should be recorded for the costs to bring the facility back into compliance with worker safety and health regulations and laws.

**Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide rationale for your answer.**

Please see response to Q4.

**Q5. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilities and installed equipment is needed in this proposal? Please provide rationale for your answer.**

Yes, we believe clarification related to asbestos disposition required for worker safety is needed.



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240



DEC 07 2009

COPY

Wendy M. Payne, Executive Director  
Federal Accounting Standard Advisory Board  
Mailstop 6K17V  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

12-07-09 003:08 OUT

Attached is the Department of the Interior's consolidated response to the FASAB Exposure Drafts: "Implementation Guidance on Cleanup Costs Associated with Equipment" and "Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment". The Department appreciates the opportunity to comment on the exposure drafts.

If you have any questions or concerns, please contact Don Geiger of my staff at 202-208-5542.

Sincerely,

Daniel L. Fletcher  
Director, Office of Financial Management

Attachment

Attachment 1

**Department of the Interior Comments on FASAB Exposure Draft  
“Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities  
and Installed Equipment”**

**Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer.**

**R1: Mostly agree, with the following suggestions/recommendations:**

The methodology outlined on paragraph 16 eliminates real properties that do not contain asbestos. The remaining properties resulting from the eliminations do not represent properties that do contain asbestos. Instead, they represent properties that **may** contain asbestos and include properties that do not have sufficient documentation at the time of the evaluation that they do not contain asbestos.

Thus, we recommend rewording paragraph 16 as follows:

“The following steps may be taken to identify real properties that **may** contain asbestos.”

**Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for your answer. Do you believe additional or different assessments should be applied? If so, please specify.**

**R2: Mostly agree, with the following suggestions/recommendations:**

Referring to R1 above, we recommend paragraph 17 rephrased to “Once steps have been taken to identify real properties **that may contain** asbestos.....” We also suggest removing the words “**in some cases**” because they seem redundant, and rephrase the sentence as follows: “For purposes of developing asbestos cleanup cost estimates, assumptions can be made when actual data are not available”.

Paragraph 17c and paragraph 19 both describe the situation when asbestos is present but the cleanup cost can not be estimated. We recommend combining paragraphs 17c and 19 and place it under 19 (so the case for recognition is presented first and then the case for disclosure next, for coherence) and rephrase paragraph 19 to read as follows:

“If the existence of asbestos has been identified in paragraph 16 above, but actual data is not available or sufficient information is not available to support assumptions, and the asbestos cleanup cost can not be estimated using any of the methodologies in paragraph 18, then the removal of asbestos may be considered probable but not reasonably estimable at that time. The agency should estimate and recognize any other identifiable costs (e.g. asbestos survey) as outline in SFFAS 6, paragraph 104. The existence of asbestos and a statement that such an estimate can not be made should be disclosed in the notes to the financial statements.”

## Attachment 1

In addition, we recommend clarifying on what constitutes valid assumptions and documenting the assumptions made when developing cost estimates.

**Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.**

**R3: Agree.**

The list of estimating methodologies provided in paragraph 18 gives agencies the flexibility of choosing estimating methodologies that work best for them and that are cost-effective.

In order to provide consistency across the federal government, we recommend additional guidance on acceptable estimation methods (e.g., model with property-specific estimates developed by contractors or model with the type, quantity, quality of ACM using industry standard cost publication).

**Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer.**

**R4: Agree.**

This example provides all of the elements necessary to identify and estimate cleanup costs associated with asbestos. The example provides information about the location of the ACM within the asset (paragraph 17b); indicates that a review of federal and state requirements (regardless of demolition method) will require removal of the ACM according to ACM-specific regulations (paragraph 17a.i. and 17a.ii.); and cost information is available (paragraph 18). As such, all three criteria are met for labeling this asset as "probable," and recognizing a cost of the liability.

**Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide the rationale for your answer.**

**R5. Mostly agree, with the following suggestions/recommendations:**

In the second example, the sixth bullet states "It is not possible to determine the extent of the existence of asbestos without destroying or weakening the existing structure or disturbing potential asbestos, which would be undesirable."

Yet, the section below states that the entity must estimate the cost to conduct a survey (which can't be performed). Recommend removing the sixth bullet, as sampling is rarely

## Attachment 1

a concern for buildings which are going to be demolished except when they propose a threat to the health or safety of the assessment team.

Information provided in the example is based on what is known at the time of asset acquisition (not at the time of demolition). The example does not provide information about the amount, type, location, condition of ACM in the asset (paragraph 17b.), nor is any information known or assumed regarding the removal method or applicable regulations (paragraph 17a.). Information is provided to label the liability as “probable” (“similar real property constructed at the same time has been found to contain asbestos”); however, no information is available to derive a “reasonably estimable” cost estimate.

Additionally, recommend stating that an asbestos survey should have been conducted prior to the acquisition and the extent of the ACM determined. Then the cost to remediate could be compared to the acquisition cost and a determination made relative to the cost-benefit.

**Q6. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilitates and installed equipment is needed in this proposal? Please provide the rationale for your answer.**

**R6: Yes.** The document lacks guidance in terms of explaining the types and validity of assumptions that an agency can make in identifying ACM assets and estimating cleanup costs. For example, there may be various types of assets to eliminate from the assessment. One agency may consider dams not likely to contain asbestos, while another agency may include dams as an ACM asset. Similarly, when making assumptions about the quantity and quality of asbestos in certain similar assets, the guidance does not state that assumptions made should be statistically valid (and to what degree) and supportable. With this ambiguity, there will be much variability in the accounting of ACM costs across agencies – some will make assumptions and derive larger liabilities, others may choose not to make assumptions and derive smaller liabilities (e.g., costs of surveys). Because of the costs involved in conducting actual surveys, surveying a substantial amount of assets vs. a statistically valid sample, may be necessary for model development.

**Diagram 1:** Consider changing the question in the first decision box to read, “Is facility expected to contain asbestos?” vs. “Is facility **not** expected to contain asbestos.” Then reverse the “Y” and “N” that immediately follow.

Recommend including reference to Diagram 1 in Table of Contents. It is mentioned briefly in Paragraph 15.

Property inventories and condition assessments do not necessarily include a corresponding environmental inventory on which this reporting requirement depends. The qualifications of professionals conducting the physical inventory vs. the environmental inventory may be different, which also adds to the implementation cost.

## Attachment 1

Additional information regarding the cost-benefit expectations would be helpful in determining the level of investment needed in order to implement this reporting requirement.



GSA Office of the Chief Financial Officer

DEC 09 2009

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Room 6814  
Washington, DC 20548

Dear Ms. Payne:

The General Services Administration (GSA) has reviewed the Exposure Draft, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, dated September 3, 2009. Below please find our comments and responses to the exposure draft questions.

- Q1. Do you agree or disagree with the methodology outlined for identifying real property containing asbestos (paragraph 16)? Please provide the rationale for your answer. **As discussed in GSA's comments to the Exposure Draft *Implementation Guidance on Cleanup Costs Associated with Equipment*, please add under paragraph 16 item c, "Identify specific elements within all real property or group of real properties where asbestos removal falls under "routine" or part of normal operations, such as building maintenance, repairs, alterations or modernizations that normally occur over the life of the building, (i.e. elements such as insulation on wiring and pipes, ceiling tiles, etc.)" These are replaced periodically over time and over the life of the building. And as such, replacement is considered routine. We believe based on SFFAS 6, Paragraph 93 and SFFAS 1, these costs should not be accounted for as a liability because they are related to an on-going continuous expense. We think it would be beneficial for this Implementation Guidance to define "unique" verses "routine" in determining costs that should be included in a clean up liability and/or financial statement footnote compared to those costs that are expensed as incurred. We would like to see recognition that agencies have unique missions and operations and this determination will need to be made by each agency.**
- Q2. Do you agree or disagree with the assessment to be applied to those facilities expected to contain asbestos (paragraph 17)? Please provide the rationale for

your answer. Do you believe additional or different assessments should be applied? If so, please specify. **Suggest Paragraph 17 Section a. be reworded to read: The estimate of asbestos removal costs required at real property(ies) renovation, disposal or demolition will depend on: i. Most likely method of real property renovation or demolition (e.g., use of heavy equipment, implosion/explosion, or hand methods); and ii. Costs of standard demolition identified (e.g. asbestos surveys, sampling, removal, and non-routine materials management) based on federal, state and local regulatory requirements governing asbestos management. Also, in computing estimates, should we be discounting the estimated costs to their present value based on inflation when the time line is well into the future? It is possible that an agency may determine not to remove asbestos and therefore not have estimated asbestos removal costs. Some asbestos is part of the core building structure and could not be removed unless the building is demolished or disposed. Many buildings with historic nature will not be demolished or disposed in a time period relevant to reporting, (i.e. several decades or centuries into the future).**

- Q3. Do you agree or disagree with the list of estimating methodologies proposed to estimate the cost of removal, containment or disposal of real property or group of real properties (paragraph 18)? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify. **We agree with this list in consideration with our comments in Q1 and Q2.**
- Q4. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property repair and renovation (Appendix B)? Please provide the rationale for your answer. **See responses to Q1 and Q2 above.**
- Q5. Do you agree or disagree with the example of practice for evaluating asbestos cleanup costs associated with real property demolition (Appendix B)? Please provide the rationale for your answer. **See responses to Q1 and Q2 above.**
- Q6. Do you believe additional technical guidance related to asbestos cleanup costs associated with facilitates and installed equipment is needed in this proposal? Please provide the rationale for your answer. **See responses to Q1 and Q2 above.**

**Additional comment: In Diagram 1, suggest changing the wording in the second box on the top row to: Is facility expected to contain asbestos? Changing this wording will also require changing the resulting yes/no responses. This eliminates potential confusion with having a negative response to a negative question.**

If you have any questions, please contact Jane Pritchett at (816) 213-3173 or [jane.pritchett@gsa.gov](mailto:jane.pritchett@gsa.gov).

Sincerely,

A handwritten signature in cursive script that reads "D. A. Glenn". The signature is written in black ink and is positioned below the word "Sincerely,".

Douglas A. Glenn  
Deputy Chief Financial Officer