

From: Simpson, Cynthia - OCFO [\[mailto:Simpson.Cynthia@dol.gov\]](mailto:Simpson.Cynthia@dol.gov)
Sent: Friday, February 11, 2011 4:01 PM
To: Payne, Wendolyn M
Cc: Karczewski, Stanley - OCFO; Reyes, Miguel - OCFO; Simpson, Cynthia - OCFO
Subject: Comments on FASAB Technical Release, "Implementation Guidance on the Accounting for the Disposal of G-PP&E (Exposure Draft)," Dated December 10, 2010

Wendy M. Payne, Executive Director

Federal Accounting Standards Advisory Board

Dear Ms. Payne:

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the Federal Accounting Standards Advisory Board (FASAB) Technical Release (TR), "Implementation Guidance on the Accounting for the Disposal of G-PP&E (Exposure Draft)," dated December 10, 2010.

~~~~~

***Q1. Do you agree or disagree with the criteria outlined for differentiating between temporary and permanent removal from service (paragraph 6 and 7)? Please provide the rationale for your answer.***

We agree that removal from service should be deemed temporary unless there is evidence of management's decision to permanently remove the asset (paragraph 7). However, we believe that the examples could be improved (paragraph 8).

In paragraph 8, we believe that the example of continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted could provide evidence for **both** temporary and permanent removal; we believe that low-level maintenance could keep assets to be disposed of in saleable or usable condition in the case of permanent removal and disposal. Furthermore, we believe that the example of processing an aircraft in such a way as to retain its potential for future operability could provide evidence of **both** temporary and permanent removal; we believe that such actions would keep the asset to be disposed of in saleable and/or usable condition in the case of permanent removal and disposal. Therefore, we suggest that FASAB acknowledge that activities may provide evidence with respect to **both** temporary and permanent removal. We believe that documentation which confirms management's decision to permanently remove, retire, and/or dispose of the asset may provide high quality evidence.

With respect to paragraph 8, we believe that it would be helpful if FASAB could provide additional examples of evidence of management's decision to permanently remove, retire, and/or dispose of the asset; if possible, these examples should be different from examples that could also provide evidence supporting temporary removal of the asset and eventual return to service.

***Q2. Do you agree or disagree with the General Property, Plant, & Equipment (G-PP&E) permanent removal financial transactions outlined in paragraph 11? Please provide the rationale for your answer.***

We agree with the G-PP&E permanent removal financial transactions as described in paragraph 11. We believe that this treatment is consistent with SFFAS 6 and current practice.

***Q3. Do you agree or disagree with the G-PP&E temporary removal financial transactions outlined in paragraph 13? Please provide the rationale for your answer.***

We agree with the treatment of G-PP&E for temporary removal as outlined in paragraph 13 because we believe that this treatment is managerially expedient. However, we think that FASAB should acknowledge that there may be certain circumstances that may warrant an alternative treatment, e.g., temporary removal of large amounts of tangible G-PP&E due to a major Department or Agency reorganization that may take an extended period of time. During such a time, it may be preferable to suspend depreciation.

***Q4. Do you agree or disagree with the G-PP&E disposal financial transactions when group or composite depreciation is used as outlined in paragraph 15? Please provide the rationale for your answer.***

We do not agree with the paragraph as it is currently written. We believe that the first sentence in paragraph 15 should include a reference to recognizing gain or loss upon permanent removal of an entire group of assets when the group or composite method of depreciation is used.

We believe that the last sentence in paragraph 15 should allow the prorata share of the total original group cost to be used as the item share cost **only if** the actual cost of the item is unknown. Furthermore, we believe that FASAB should make a reference to the requirement in this paragraph in its Technical Release, "Implementation Guide for Estimating the Historical Cost of G-PP&E."

***Q5. Do you agree or disagree with the G-PP&E disposal, as it relates to cleanup costs, financial transactions illustrated in paragraph 14? Please provide the rationale for your answer.***

We agree with the treatment of the G-PP&E disposal, as it relates to cleanup costs. In the case of temporary removal of large amounts of G-PP&E due to a major Department or Agency reorganization that may take an extended period of time, we believe that the accounting treatment described in paragraph 14 continues to be appropriate because it is both managerially expedient and conservative.

***Q6. Do you believe that additional technical guidance to record disposal transactions related to G-PP&E is needed in this proposal? Please provide the rationale for your answer.***

Yes, we believe that additional technical guidance to record disposal transactions related to G-PP&E is needed. We have described the additional technical guidance needed in our response to Questions 1, 3, 4, and 5 above.

#### **Comments on Other Aspects**

Below please find comments on aspects of the exposure draft other than those addressed in questions 1 through 6.

In paragraph 3, we noted that the TR would be effective immediately. We believe that the TR should be effective for FY 2012, with earlier implementation either allowed or encouraged.

~~~~~

Thank you for giving DOL/OCFO the opportunity to provide comments. If there are any questions, please contact me at (202) 693-6807 or simpson.cynthia@dol.gov.

Sincerely,

Cynthia D. Simpson

U.S. Department of Labor

Office of the Chief Financial Officer