

From: Steinberg, Michael [<mailto:Michael.Steinberg@nrc.gov>]
Sent: Friday, February 11, 2011 7:26 AM
To: Payne, Wendolyn M
Cc: Stetson, Kathleen; Cooper, Terri
Subject: Comments on Exposure Drafts

See Attachments.

If you have any questions, please contact me. Also, could you please acknowledge the receipt of this e-mail and the two attachments?

Let me thank you in advance,

Michael

Michael J. Steinberg
c/o Nuclear Regulatory Commission
Office of the Inspector General

Wendy M. Payne, Executive Director
c/o Federal Accounting Standards Advisory Board
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Reference: Comments Requested on Exposure Draft titled, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment* (G-PP&E)

Dear Ms. Payne,

The Office of the Inspector General (OIG) within the Nuclear Regulatory Commission has reviewed the subject FASAB Exposure Draft. OIG is providing the following response to your questions on pages 6-7 of the draft. If you have any questions, please contact me at 301-415-5931 or at michael.steinberg@nrc.gov.

Question 1:

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.

Response to Question 1:

Agree. The criteria outlined adequately addresses the concerns regarding the issue of differentiating between permanent and temporary removal from service of G-PP&E assets. The criteria now allows for more flexibility so you are not required to reclassify the asset every time it is used. Moreover, the criteria now provides a definitive answer – “The removal from service should be deemed temporary, unless there is evidence of management’s decision to permanently remove the asset from service. . . “

Question 2:

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.

Response to Question 2:

Agree. It is reasonable to expect that if an asset has been permanently removed from service, it should be so disclosed on the financial statements. The guidance calls for recording the asset “at its net realizable value with an offsetting entry to gain or loss.” This permits the federal entity to record its asset at its approximate market value until disposal, which is in line with generally accepted accounting principles.

Question 3:

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.

Response to Question 3:

Agree. It makes perfectly good accounting sense that depreciation continues in the following scenario: the asset has not been permanently removed from service or it is still in use providing a benefit.

Question 4:

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.

Response to Question 4:

Disagree. Paragraph 15 is somewhat confusing as drafted. The beginning of the paragraph provides that no transaction will recognize permanent removal of assets until the entire group has been permanently removed from service. Then, the reader has to wait until the end of the paragraph to find the appropriate accounting entry. For continuity and clarity, suggest the following wording: At the point in time when the entire group of assets have been permanently removed, retired, and/or disposed, then debit accumulated depreciation and credit the asset account, etc.

Question 5:

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.

Response to Question 5:

Disagree. Suggest additional information is needed perhaps a clarifying footnote. What is the meaning of the terminology “any unallocated/unamortized portion of the total cleanup cost estimate” and “recognized in full”? Also, It might be helpful to explain when cleanup costs are incurred.

Question 6:

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.

Response to Question 6:

Agree. Any additional technical guidance would certainly be helpful to the reader. Additional guidance would be helpful in resolving responses to questions 4 and 5 above.