

**U.S. Department of Labor**Office of Inspector General  
Washington, D.C. 20210**JUL 24 2015**

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW., Suite 6814 (Mail stop 6H19)  
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Office of Audit, Office of Inspector General, U.S. Department of Labor enclosed is the response to the question posed in the exposure draft titled "Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials.

If you have any questions or need additional information, please contact Joseph L. Donovan, Jr., Audit Director, Financial Statement Audits, at 202-693-5248.

Sincerely,

A handwritten signature in cursive script that reads "Elliot P. Lewis".

Elliot P. Lewis  
Assistant Inspector General for Audit

Enclosure

*Working for America's Workforce*

US Department of Labor  
Office of Inspector General  
Office of Audit

**Exposure Draft: Opening Balances for Inventory, Operating Materials and  
Supplies (OM&S) and Stockpile Materials**

**Question 1:** The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing opening balances for inventory, operating materials, and supplies (OM&S), and stockpile materials when presenting financial statements or one or more line items addressed by this Statement following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) either (1) for the first-time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without use of the alternative valuation method.

The proposed Statement describes the alternative valuation method, disclosures and amendments to SFFAS 3, Accounting for Inventor and Related Property.

Do you agree or disagree with the proposed Standards? Please provide your rational.

We generally agree with this change. However, there is an observation relating to this exposure draft.

There is a potential inconsistency between the exposure draft and the SFFAS No.3.

**In SFFAS No. 3**

For Inventory:	(1) Historical cost or any other valuation methods which approximate historical cost (2) Latest acquisition cost
For Operating materials and supplies	Historical cost or any other valuation methods which approximate historical cost
Stockpile materials	Historical cost or any other valuation method which approximates historical cost

**In Exposure Draft**

Deemed Cost may be based on one of or a combination of any of the following valuation methods:

- a. Standard price (selling price) or fair value
- b. Latest Acquisition Cost (LAC) Method
- c. Replacement Cost
- d. Estimated historical cost (initial amount)
- e. Actual historical cost (initial amount)

Because SFFAS No. 3 included items b, d, and e, as acceptable valuation methods, there should be a clarification to highlight that "deemed cost" should only be based on one of these five methods and the proposed standard should clarify how the alternative valuation method differs from other valuation methods which approximate historical cost as noted in SFFAS No. 3.