

From: Grant, Valerie D (JMD)
Sent: Tuesday, May 07, 2013 3:28 PM
To: FASAB
Subject: RE: Reminder: AAPC Requests Your Input

Good afternoon FASAB,

The purpose of the email is to provide comments, based on our review, for your consideration on Exposure Draft "Implementation Guidance on General Property, Plant and Equipment Cost Accumulation Assignment and Allocation.

Thanks for the opportunity to review and comment.

Valerie D. Grant
DOJ JMD Finance Staff
Financial Statements Group

Response from: United States Department of Justice**All responses are requested by May 1, 2013. Extended to May 6, 2013**

Q1. Do you agree or disagree with the concept that the current accounting standards provide entity management with both the responsibility and flexibility to design generally accepted accounting principles (GAAP) compliant policies and processes that align with the respective entity's operational environment (Paragraphs 3 – 4, 19 – 20, and 25)? Please provide the rationale for your answer.

Agree. The current accounting standards provide entity management the ability to set its own policies and processes. Given that all federal entities are not created equally, different budgets as well as different missions, the PP&E needs differ greatly. Flexibility can also exist within an entity depending on the nature of costs. It would be impossible to design a standard that would be appropriate for all organizations.

Q2. Do you agree or disagree that an entity's mission and operational environment impact the financial management information needs of the entity's stakeholders (Paragraph 9)? Please provide the rationale for your answer.

Agree, for the most part. Despite the source of revenue, transparency in reporting to stakeholders is of the utmost importance to ensure there is no waste, fraud, or abuse. While the Department believes transparency is important, it also believe that the nature of the costs should determine the level in which financial information is provided to stakeholders. Further the level can vary throughout the same entity depending on the nature of the cost and require different levels of reporting.

It may not be economically feasible, nor warranted, to provide stakeholders with granular costs that to complete a total unit; however, even though it is not practical to provide transparency to the level of incidental costs, it is important to properly report the cost of the entire building.

Conversely, costs out of the same funding source may require granular reporting if the nature of those costs is different.

Q3. If you agree with "Q2" above, do you agree or disagree with management's use of the three principles identified in Paragraph 10 to determine their stakeholder's financial management information needs? Please provide the rationale for your answer.

Agree. The three principles provide a framework for deciding what information is relevant and material to reporting for the organization. In addition, the principles address what level of detail is necessary to satisfy reporting needs both internal and external as well as the associated cost to track the information.

Q4. Do you agree or disagree with how direct costs are characterized as it relates to G-PP&E in paragraph 15? Please provide the rationale for your answer.

Agree, most PP&E have easily identifiable direct costs associated with the purchase such as the cost of the equipment, freight and installation. When the cost includes onsite installation and human intervention (supervision, training, construction) the cost are sometimes more

difficult to access. However, these costs must be included to ensure the full cost of bringing the PP&E to a usable status is recorded.

Q5. Do you agree or disagree with how indirect costs are characterized as it relates to G-PP&E in paragraph 16? Please provide the rationale for your answer.

Agree. The costs that cannot be directly associated to the production of G-PP&E should be allocated as they are determined to be necessary to produce the end product. Any costs that cannot be tied directly and rationally associated with the production should be expensed. Some examples in the paragraph would help with explaining this concept.

Q6. Do you agree or disagree with the financial reporting of certain indirect costs as unassigned costs on the Statement of Net Cost as described in Paragraph 22? Please provide the rationale for your answer.

Agree, there are costs which are necessary to conduct business that exist regardless of whether G-PP&E is purchased/produced. These costs should not be allocated to any special project and G-PP&E. Since the "cost of doing business" differs from one organization to another these cost must be accessed by the individual organization.

Q7. Do you agree or disagree with the financial reporting of non-production costs as described in Paragraph 24? Please provide the rationale for your answer.

Agree, except DOJ attributes the costs associated with the demolition and clean-up of a loss (i.e. natural disaster) to the acquisition to construct new PP&E.

Q8. Do you agree or disagree with the approach (e.g., decision points, application of GAAP, etc.) as outlined in the Decision Framework Flowchart (Appendix C)? Please provide the rationale for your answer.

Agree, the flowchart mirrors the process flow as written in the Standard. DOJ currently uses this approach.