



Department of Energy
Washington, DC 20585

May 2, 2013

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19 ·
441 G Street NW, Suite 6814
Washington, DC 20548

SUBJECT: Comments on the Federal Accounting Standards Advisory Board's Exposure Draft: *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation*

Dear Ms. Payne:

The Department of Energy (DOE) appreciates the opportunity to comment on Exposure Draft: *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation*. DOE generally agrees with the implementation guidance and its concepts, and strongly supports the overall emphasis on agency discretion for meeting the underlying accounting requirements.

While these standards are largely applicable to DOE, we have determined that the discussion on the allocation of direct and indirect costs to General Property, Plant, and Equipment (G-PP&E) is not relevant for property construction by the DOE Management and Operating (M&O) contractors because the Cost Accounting Standards at 41 U.S.C. 422, and the contract terms, will govern the measurement, assignment, and allocation of construction related costs.

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 accounting standards allow an entity management with both responsibility and flexibility to design GAAP compliant policies and processes that align with the entity's operational environment.

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. An entity's mission and operational environment drive the financial management information needs of the entity's stakeholders. The focus on agency flexibility in this exposure draft is important to ensure the financial information generated by DOE meets the needs of our stakeholders.

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. Relevance, level of precision, and cost benefit are all important in determining stakeholder's financial management information needs. The use of these principles provides management with guidance that invokes the flexibility needed to determine their information needs and related cost assignment policies and procedures.

However, a key aspect of making information for stakeholders useful is to provide the information in a timely manner. We recommend that the "timeliness" of the information be considered a basic principle in identifying stakeholder's management information needs.

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.

Disagree. The language in paragraph 15 implies that some indirect costs, such as contract administration and oversight, should be considered a direct cost. We agree with the general statement in SFFAS 4, paragraph 90, but not all of the examples are costs that should be considered direct costs. Instead of providing specific examples, the Technical Guidance should emphasize entity's discretion for defining direct costs.

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. Indirect costs that can be attributed to bringing the asset into service should be captured as part of the G-PP&E, and indirect costs that are not identified as a cost to bring the asset into service should be expensed. This is a reasonable approach in determining which indirect costs should be allocated to the G-PP&E acquisition cost for assets constructed or produced by a federal agency. The approach allows sufficient agency discretion for allocating these costs.

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 certain costs that cannot be reasonably allocated to programs, segments or outputs including G-PP&E acquisition, and should be reported as unassigned costs on the entity's financial statements.

We recommend that the last sentence of paragraph 22 be revised to ensure consistency with paragraph 16. Paragraph 22 states "general management and administrative costs" may be allocated to G-PP&E, while paragraph 16 indicates that these costs are examples of costs that

should be expensed because they are not associated with bringing an item of G-PP&E to a form and location suitable for its intended use.

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. We agree with the statements concerning the treatment of non-production costs.

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 decision framework flowchart is consistent with the exposure draft and articulates the decision process for assigning direct and indirect costs to an item of G-PP&E.

Thank you for your consideration of our comments. If you have any questions, please contact Mr. John Wall at (202) 586-5728 or at john.wall@hq.doe.gov.

Sincerely,



Alison L. Doone
Deputy Chief Financial Officer