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To: FASAB

Cc: Simpson, Cynthia - OCFO; Karczewski, Stanley - OCFO; Sacchetti, Dylan M - OCFO; balin.Robert@dol.gov; Polen, Chris P - OCFO; Brown, Kevin L - OCFO; Donovan, Joseph - OIG

Subject: AAPC of FASAB Requests Comments on Exposure Draft, Proposed Technical Release, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation"

Attached please find comments from the U.S. Department of Labor, Office of the Chief Financial Officer, on the exposure draft of proposed Federal Financial Accounting Technical Release, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation." Comments were requested by today, May 1, 2013.

If there are any questions, please contact Cynthia Simpson at simpson.cynthia@dol.gov or 202-693-6807.

Thank you for the opportunity to comment.

Karen

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**U.S. Department of Labor
Office of the Chief Financial Officer
Comments on Exposure Draft, Federal Financial Accounting Technical Release
“Implementation Guidance for General Property, Plant, and
Equipment Cost Accumulation, Assignment and Allocation”**

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.

Comment: Yes, we agree that management has discretion in applying the cost assignment methods identified in SFFAS 4, paragraph 124, to accumulate acquisition costs because:

- overall, management has discretion with regard to materiality and thresholds for recognition;
- the accounting standard in SFFAS 4, paragraph 124, is principles-based, rather than rules-based, and alternative methodologies are described in paragraphs 148—162;
- management has alternatives for cost finding through special studies or through systematic means (and we interpret this in a manner that may include a combination of both special study and systematic means);
- in SFFAS 4, paragraph 124(a), the use of the words “whenever economically feasible” implies management’s discretion on whether to use direct tracing when considering materiality, efficiency, and timeliness.

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.

Comment: We agree that an entity’s mission and operational environment impact the financial management needs of the entity’s stakeholders. As the mission/operational environment grows in complexity, so may the stakeholders’ need of information for decision-making purposes.

However, we believe that the wording in the example provided in paragraph 9 could be improved in the statement, “For example, entities operating under a fee-for-service or working capital fund structure have a business need to accumulate and allocate costs at a very granular level to ensure that their pricing models, rates and schedules facilitate the full recovery of costs under a non-appropriated, user-fee model.” by including “allowable” or “relevant” before the last instance of the word “costs.”

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.

Comment: We agree with the three principles, but we do not believe that materiality should be associated with the level of precision. The level of precision could be associated with the use of estimated versus actual amounts, how frequently an estimate or methodology may be validated, or summarized versus detailed amounts. We believe that materiality could also include qualitative factors, whereas level of precision connotes quantitative factors.

The needs among stakeholders may differ depending on the stakeholder and impact the application of the principles. Prior to the execution of each principle, management may consider the needs of the stakeholders and revisit the stakeholders’ needs periodically to make necessary adjustments.

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 rational for your answer.

Comment: We agree with how direct costs are characterized as it relates to G-PP&E in paragraph 15. Direct costs should be costs that are easily identified to the asset. We believe that the reference to SFFAS 6, paragraph 26 is helpful and that the list provided in paragraph 13 (from SFFAS 6, paragraph 26) provides adequate guidance about the 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 rational for your answer.

Comment: We agree with how indirect costs are characterized as it relates to G-PP&E in paragraph 16. We believe that the reference to SFFAS 6, paragraph 26 is helpful and that the list provided in paragraph 13 (from SFFAS 6, paragraph 26) provides adequate guidance about the indirect costs.

However, we noted that, unlike paragraph 15, paragraph 16 is missing the statement, “The item(s) of G-PP&E must meet or will meet the entity’s capitalization threshold or other capitalization recognition criteria. We believe that this statement, or one similar to it, should also be included in paragraph 16.

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.

Comment: We agree with the financial reporting of certain indirect costs as unassigned costs on the Statement of Net Cost as described in Paragraph 22 because this is in compliance with SFFAS 4, paragraph 92. The U.S. Department of Labor reports “Costs not Assigned to Programs” on its Statement of Net Costs.

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.

Comment: We agree with the financial reporting of non-production costs as described in paragraph 24. We believe that the non-production costs should be recognized as period costs and not deferred to future periods through capitalization to G-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.

Comment: We agree with the approach as outlined in the Decision Framework Flowchart (Appendix C). However, on the right side of the chart, we believe that a decision point should also be included for reaching the capitalization threshold, in a manner similar to the left side of the chart.