

## Meeting Minutes Notes

### G-PP&E Cost Accounting Project – AAPC G-PP&E Task Force

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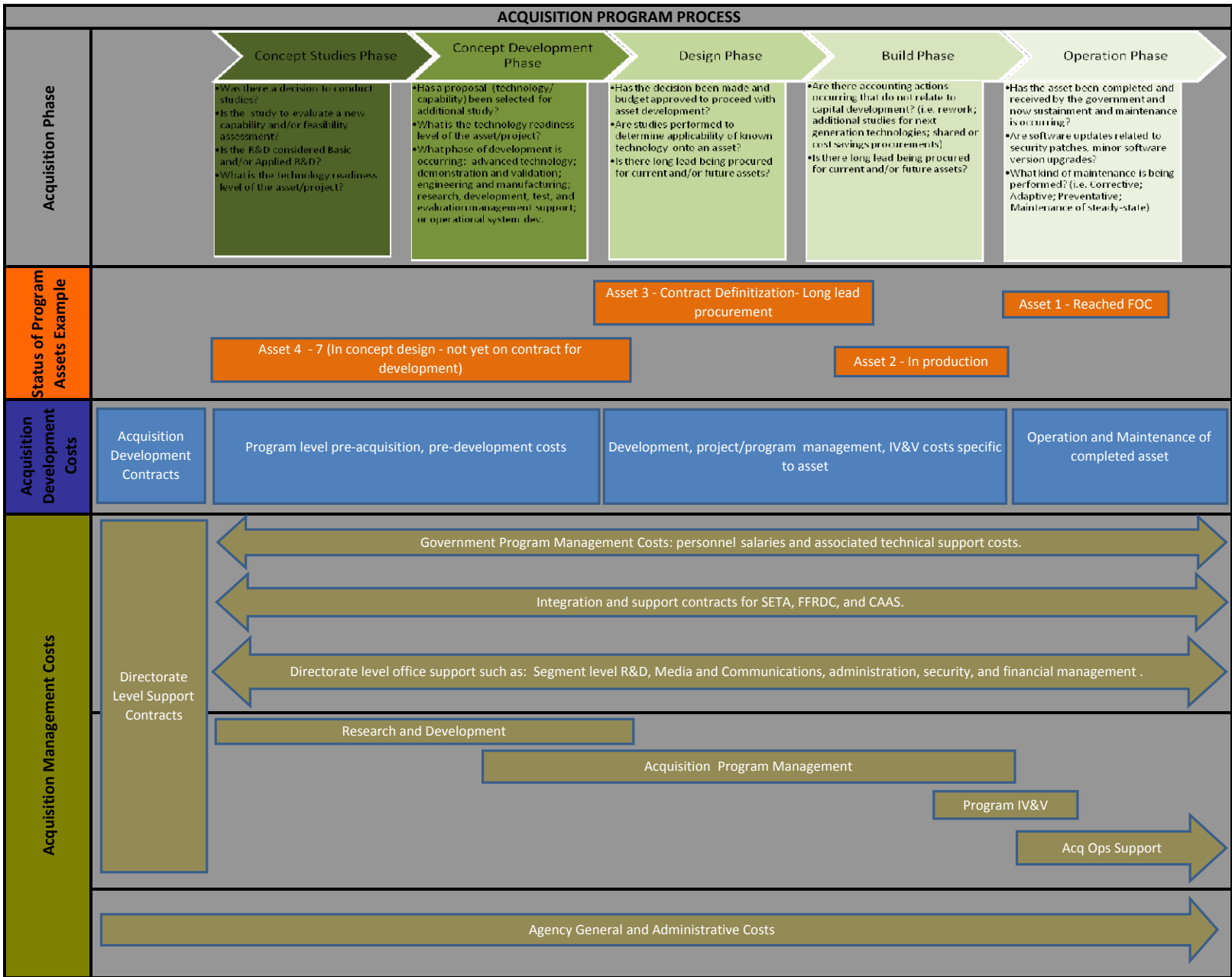
#### General Notes:

- Subgroup discussed the end-goal of the G-PP&E Cost Accounting Project
  - Subgroup reinforced the need for a decision framework for managerial cost considerations that could be applied to all asset classes

#### Notes related to the draft acquisition straw-man:

- NRO representative briefed the draft acquisition straw-man
  - Draft acquisition straw-man identified the general phases (i.e. concept design, concept development) of PP&E development (and associated accounting treatment applied during each phase), and general key milestones (and supporting evidentiary matter to document milestone decisions)
  - Subgroup requested that additional information (i.e. definitions of phases, more detailed definitions for each cost type) be included in the updated version of the acquisition straw-man
  - Subgroup also requested that the updated acquisition straw-man include two versions --- 1) a linear version and 2) circular (target-type) version  
**ACTION: Update the draft acquisition straw-man to incorporate the requested changes**
- Subgroup members discussed the need to define the line between capital and expense costs related to research and development (R&D)
  - Subgroup restated that the three primary considerations for decisions such as this are: 1) relevance of information (both to internal and external stakeholders), 2) precision vs. materiality, and 3) cost benefit
  - Subgroup also discussed the need to consider the treatment of R&D for multiple assets vs. for a particular asset --- this will need to be considered in the development of the decision framework

- Discussion related to the acquisition straw-man highlighted the need for the decision framework to:
  - Define the characteristics of costs that should be capital vs. expense
  - Define a set of acceptable practices for the allocation of costs (ex. labor distribution, R&D, long lead procurement etc.)
    - Subgroup suggested that the Social Security Administration may have a best practice for the distribution of labor costs
  - Subgroup underscored the need for sound guidance to use as a basis for discussions with different auditors --- need for consistency of application
- An audit representative of the subgroup offered an audit perspective related to estimates:
  - Auditors are willing to accept estimates as long as they have a sound basis
  - Need to be able to answer the question --- “how do you know the estimate is accurate?”
  - If materiality is the reason why a cost(s) is not included, in an estimate or otherwise, need to relook each year to reconfirm the cost(s) are not material



- **Basic research**: systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind;
- **Applied research**: systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and
- **Development**: systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.
  - **Advanced Technology Development** – Includes all efforts that have moved into the development and integration of hardware for field experiments and tests.
  - **Demonstration and Validation** – Includes all efforts necessary to evaluate integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology.
  - **Engineering and Manufacturing Development** – Includes those projects in engineering and manufacturing development for Service use but which have not received approval for full-production.
  - **Research, Development, Test, and Evaluation Management Support** – Includes R&D effort directed toward support of installations or operations required for general research and development use.
  - **Operational System Development** – Includes those development projects in support of development acquisition programs or upgrades still in engineering and manufacturing development, but which have received Defense Acquisition Board or other approval for production, or production funds have been included in the DoD budget submission for the budget or subsequent fiscal year.

Technology Readiness Levels (TRLs) are a systematic metric/measurement system that supports assessments of the maturity of a particular technology and the consistent comparison of maturity between different types of technology. The TRL approach is used by NASA.

### **Technology Readiness Levels Summary**

TRL 1	Basic principles observed and reported
TRL 2	Technology concept and/or application formulated
TRL 3	Analytical and experimental critical function and/or characteristic proof-of-concept
TRL 4	Component and/or breadboard validation in laboratory environment
TRL 5	Component and/or breadboard validation in relevant environment
TRL 6	System/subsystem model or prototype demonstration in a relevant environment (ground or space)
TRL 7	System prototype demonstration in space environment
TRL 8	Actual system completed and “flight qualified” through test and demonstration (ground or space)
TRL 9	Actual system “flight proven” through successful mission operations