

**From:** Cotto, Rafael [<mailto:RCOTTO@nsf.gov>]  
**Sent:** Friday, February 11, 2011 3:10 PM  
**To:** Payne, Wendolyn M  
**Cc:** Ruffin, Shirl A.; Lynskey, John H.; Baird, Steven Edwyn; Paolillo, Cynthia Ann  
**Subject:** NSF Responses to Exposure Drafts

Good Afternoon:

Thank you for the opportunity to comment on the subject. Attached, please find the National Science Foundation's comments on the draft implementation guidance for:

- Accounting for the Disposal of G-PP&E
- Estimating the Historical Cost of G-PP&E

Please let us know if you have any questions or require additional information.

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## National Science Foundation

Responses to Questions - Federal Financial Accounting Technical Release Exposure  
Draft: *Implementation Guide for Estimating the Historical Cost of G-PP&E* (dated December 10, 2010)

February 11, 2011

- Q1. Do you agree or disagree with the types of estimating methodologies proposed to estimate the cost of historical assets? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.

NSF agrees with the types of estimating methodologies proposed to estimate the cost of historical assets, with the exception of estimating cost using budget and appropriation information.

NSF is concerned that the use of budget and appropriation data to estimate property values could lead to the overstatement of assets. In most instances, the information included in appropriation language or budget documentation does not detail specific assets, nor does it differentiate between capitalizable and non-capitalizable costs. Additionally, as noted in the example, amounts appropriated may differ from the amounts requested, and rescissions and reprogramming may alter the initial appropriation. The Balance Sheet does not include budget data and is based solely on proprietary records. Allowing the valuation of PP&E, often a substantial Balance Sheet line item, to be based on budget data would be inconsistent and counter the accounting principle of conservatism. NSF is of the opinion that the other four options provided offer cost effective and reasonable approaches to estimating historical PP&E costs.

- Q2. Do you agree or disagree with the example for estimating the cost using deflation of current replacement? (Page **Error! Bookmark not defined.**) Please provide the rationale for your answer.

*NSF agrees with the example for estimating the cost using deflation of current replacement.*

*However, it would be helpful to include examples of acceptable methods for determining replacement costs (e.g., RS Means, procurement documents for similar assets, cost proposals, etc.).*

- Q3. Do you agree or disagree with the example for estimating the cost using appraisal information? (Page **Error! Bookmark not defined.**) Please provide the rationale for your answer.

*NSF agrees with the example for estimating the cost using appraisal information.*

*It fairly presents a "desktop appraisal" scenario.*

- Q4. Do you agree or disagree with the example for estimating the cost using expenditures? (Page **Error! Bookmark not defined.**) Please provide the rationale for your answer.

*NSF agrees with the example for estimating the cost using expenditures.*

*It fairly presents a scenario in which an Agency would be required to prorate capitalized costs to individual assets.*

- Q5. Do you agree or disagree with the example for estimating the cost using budget and appropriation information? (Page **Error! Bookmark not defined.**) Please provide the rationale for your answer.

*NSF does not agree with the example for estimating the cost using budget and appropriation information.*

*We do not agree with the proposal to use budget and/or appropriation data to support the value of PP&E. (See response 1 for additional comments)*

- Q6. Do you agree or disagree with the example for estimating the cost for G-PP&E in the possession of contractors? (Page **Error! Bookmark not defined.**) Please provide the rationale for your answer.

*NSF agrees with the example for estimating the cost for G-PP&E in the possession of contractors.*

*It fairly presents procedures by which an Agency can validate estimated contractor held PP&E; to include the capitalized costs associated with overhead, direct labor, and non-commercial freight.*

Q7. Do you agree or disagree with the G-PP&E record retention recommendations outlined in Appendix B.

*NSF agrees with the G-PP&E record retention recommendations outlined in Appendix B. (Record retention recommendations)*