



Greater Washington Society of CPAs and GWSCPA Educational Foundation

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February 11, 2011

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Technical Release (TR), *Implementation Guidance on Estimating the Historical Cost of General Property, Plant, & Equipment*.

The GWSCPA consists of approximately 2,000 members, and the FISC includes 26 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members. Our responses to the ED questions follow.

- 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.
- A1. The FISC generally agrees with the estimating methodologies proposed in the ED. However, we have provided several comments in the responses below. Further, we recommend that the final TR provide additional guidance (such as within or following paragraph 14 of the ED) that management should consider the persuasiveness and reliability of the different methodologies when evaluating which methodology to adopt.

To provide additional guidance to agencies, we recommend that the final TR include a paragraph within the narrative of each example listing the weaknesses or limitations of the example. For example, the "Deflation of Current Replacement" methodology would not be applicable in instances when the asset type has undergone major technological advancements in the period between the original and current asset.

The examples within the ED do not have comparable information included within each example. For example, the "Use of Budget and Appropriation Information" example provides sections on the overall steps of the process and the methods to verify existence of the assets.

The other examples do not provide similar sections, even though such sections are relevant and would be meaningful to a reader. Also, there are inconsistencies between the examples in terms of the rigor of information recommended for the agencies to consult or gather to support the agency's analysis. For example, the extent of information and guidance provided in paragraph 30 of the ED under the "Use of Expenditures Information" example is more inclusive and descriptive than the narrative in the "Deflation of Current Replacement" and the "Use of Budget and Appropriation Information" examples, even though such descriptive information and guidance would be relevant and meaningful for a reader in these examples. Further, the "Use of Expenditures Information" example does not provide information that is comparable to the information provided in the other examples on calculating the financial statement impact of the adjustment.

- Q2. Do you agree or disagree with the example for estimating the cost using deflation of current replacement? (Page 14) Please provide the rationale for your answer.
- A2. The FISC generally agrees with estimating the cost using deflation of current replacement amounts. However, the final TR should advise agencies to gather and maintain sufficient information to support the assumptions used in the estimation methodology (e.g., similarity of construction materials and building use/purpose, comparability of construction costs based on geographic differences in construction location, similarity of construction regulations and requirements – such as regional-specific reinforcement from earthquakes or other natural disasters, and relative cost of construction materials over time, etc.).
- Q3. Do you agree or disagree with the example for estimating the cost using appraisal information? (Page 14) Please provide the rationale for your answer.
- A3. The FISC generally agrees with estimating the cost using appraisal information. However we recommend that the final TR provide some guidance on what constitutes a "qualified" appraiser, and whether such an individual would need to be a third party (as stated in paragraphs 22 and 24(a)), or whether certain requirements could be listed in the final TR that would enable a government employee to be deemed "qualified." Further, we recommend that the final TR advise agencies to gather and maintain sufficient information to support the assumptions used in this methodology (e.g., copies of the information supplied to the appraiser for each estimate, reports by the appraiser, support for the estimated date-in-service calculation, etc.).
- Q4. Do you agree or disagree with the example for estimating the cost using expenditures? (Page 18) Please provide the rationale for your answer.
- A4. The FISC generally agrees with estimating the cost using expenditure information. We recommend that additional information be included in this example, similar to paragraphs 25 and 26 in the "Use of Appraisal Information" example, when determining the financial statement impact of the estimate.
- Q5. Do you agree or disagree with the example for estimating the cost using budget and appropriation information? (Page 18) Please provide the rationale for your answer.
- A5. The FISC generally agrees with estimating the cost using budget and appropriation information, but we recommend that the final TR acknowledge that this methodology may be

subject to significant error, limitation or weakness. For example, there could have been material differences between the budget and actual results, or apportionments and rescissions may have taken place during the period and may not be reflected in the agency's historical records. In addition, this example lacks the comprehensive list of items reviewed by the agency cited in the "Use of Expenditure Information" example (paragraph 30).

- Q6. Do you agree or disagree with the example for estimating the cost for G-PP&E in the possession of contractors? (Page 18) Please provide the rationale for your answer.
- A6. The FISC generally agrees with estimating the cost for G-PP&E in the possession of contractors. We also recommend that paragraph 47 of the ED include a reference to the contractor's audited financial statements, which may also include information on G-PP&E in the possession of the contractor.
- Q7. Do you agree or disagree with the G-PP&E record retention recommendations outlined in Appendix B.
- A7. The FISC generally agrees with the record retention recommendations outlined in Appendix B. However, we recommend the paragraph B10 of the ED include a recommendation that the agency's record retention policy should consider the ownership period of the asset, and requirements contained in other government regulations, such as Federal Acquisition Regulations.

Other Comment

We recommend that the final TR state that the principles in the TR are meant as guidance for those entities that have not yet resolved the issues of recording and depreciating G-PP&E, and should be adopted on a prospective basis. We recommend that the TR indicate that it is not intended to be used as guidance for revising or reassessing known and audited G-PP&E amounts.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,



Andrew C. Lewis
FISC Chair