

**From:** Jenson, Mark (HQ-WBH10) [mailto:mark.jenson@nasa.gov]  
**Sent:** Wednesday, February 02, 2011 12:42 PM  
**To:** Payne, Wendolyn M  
**Cc:** Dull, Regina (HQ-WBH10); MORRISON, JAMES L.(HQ-WBH10); PETTITT, DEBRA D. (HQ-WBH10); Szelong, Tekla M. (HQ-WBH10)  
**Subject:** NASA OIG Comments on the Implementation Guide for Estimating the Historical Cost of G-PPE Exposure Draft

Ms. Payne:

Please find attached our comments on the Exposure Draft of the proposed *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*. If you have any questions or comments for us, please do not hesitate to contact me.

Thanks!

*Mark C. Jenson, CPA, CGFM*  
Director, Financial Management  
NASA Office of Inspector General

**NASA OFFICE OF INSPECTOR GENERAL  
COMMENTS ON EXPOSURE DRAFT**

**“Implementation Guide for Estimating the Historical Cost of General Property,  
Plant, and Equipment”**

The purpose of the proposed Federal Financial Accounting Technical Release entitled, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*, is to provide additional implementation guidance to federal entities in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 35, *Estimating the Historical Cost of General Property, Plant, and Equipment Amending Statements of Federal Financial Accounting Standards 6 and 23*. The implementation guide provides examples that federal entities can use as guidelines when developing general property, plant, and equipment estimates of original transactional data historical costs in accordance with the standards. The Accounting and Auditing Policy Committee (AAPC) of the Federal Accounting Standards Advisory Board (FASAB) posed seven questions for respondents. We respectfully submit our responses to those questions below for consideration.

**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.**

**NASA OIG Response:**

*We agree with the five methods included to estimate the cost of historical assets. As indicated in the proposed technical release, the five methods included are only examples and there may be additional methods. However, we are not proposing any additional methodologies.*

**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.**

**NASA OIG Response:**

*We agree with the example for estimating cost using deflation of current replacement. The consumer price index (CPI) has been commonly used to adjust economic areas (e.g., retail sales, hourly and weekly earnings) for price change and then to translate these areas into inflation-free dollars. The example was easy to follow and understandable in depicting how the agency was able to calculate the estimated cost of the previously acquired asset using the assumptions and then computing the net book value of the asset using the previously calculation amounts and assumptions. However, we suggest providing additional information to the example indicating that there is not just a single CPI and thus the agency would be responsible for determining which CPI is appropriate for each circumstance. The CPI data is available not only on a monthly basis but also on a semi-annual and average annual basis. Further, prices indexes are available for*

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*multiple areas (e.g., US, regional and size of city) for various population groups and groups of consumer expenditures and special categories.*

**Q3. Do you agree or disagree with the example for estimating the cost using appraisal information? (Page 16) Please provide the rationale for your answer.**

**NASA OIG Response:**

*We agree with the example for estimating the cost using appraisal information but would suggest that the example explicitly state that the appraised cost is being deflated to the year of purchase by the third party appraisers. This fact is made clear in the estimation methodologies listing in paragraph 15 but not in the example of the estimation methodology itself. Further, we are unclear as to the appropriateness and relevancy of the inclusion of bullet b under paragraph 25. We would anticipate that the date in service (DIS), and resulting calculated cost, should have been determined, if missing, prior to the data being provided to the third party appraiser. We suggest including the information in that bullet under paragraphs 23 or 24.*

**Q4. Do you agree or disagree with the example for estimating the cost using expenditures? (Page 18) Please provide the rationale for your answer.**

**NASA OIG Response:**

*We agree with the example for estimating the cost using expenditures.*

**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.**

**NASA OIG Response:**

*We agree with the example for estimating the cost using budget and appropriation information. The example was easy to follow and understandable in depicting how collectively budget and appropriation information may be used to estimate costs of assets. However, while it was helpful to acknowledge that adjustments to appropriated funding may subsequently occur, the example does not make it clear how to apply the changes. For example, should the average cost be recalculated for all assets, even though some of the assets had been acquired prior to the adjustments in the funding? This would result in a retroactive adjustment to the recorded asset. Or, would only the estimates of the costs for the assets not yet acquired/constructed be recalculated?*

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**Q6. Do you agree or disagree with the example for estimating the cost for G-PP&E in the possession of contractors? (Page 21) Please provide the rationale for your answer.**

**NASA OIG Response:**

*We have no comment on this example.*

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

**NASA OIG Response:**

*We agree that recommendations should be made to NARA to address record retention requirements specifically related to G-PPE records. As stated in paragraph B2, Federal agencies work with NARA when establishing retention periods for various records. Further, this will increase the likelihood of consistency among Federal agencies. We do not, however, consider the recommendations to be specific enough. Only recommending NARA expand its requirements to address real property records, personal property records, and property records of a transactional nature without being more specific does not ensure that the actions taken by NARA to implement the recommendations will be sufficient to ensure that Federal agencies are retaining records supporting property recorded in the financial statements.*