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Sent: Thursday, February 10, 2011 7:34 AM

To: FASAB

Cc: Vaiana, Jerome A; SIDARI, David P

Subject: HUD comments on General Property, Plant, and Equipment Exposure Drafts

The Department of Housing and Urban Development is pleased to provide comments on the exposure drafts concerning the 1) estimating of historical cost and 2) disposal of General Property Plant and Equipment.

If you should have any questions, please contact me at the number below.

Jerry Tucker

Director

Financial Policy and Procedures Division

Office of the Assistant Chief Financial Officer for Financial Management

Questions for Respondents

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

All responses are requested by 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.

Response: HUD agrees with the types of proposed estimating methodologies. Each method is based on sound accounting principles and provides adequate audit trails. Agencies can select the best method for establishing historical cost based on the type of asset and the available data to be used when actual cost data are not available. We believe the guide provides ample variety and opportunity through the methodologies presented, and, while other methodologies could conceivably be identified, they should only be used if they can be shown to be more sound than those contained in the guide.

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.

Response: HUD agrees with the example provided using deflation of the current replacement cost to estimate historical cost. The assumptions used were clearly outlined, and the example adequately illustrates the occasions when this methodology might be applied.

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.

Response: HUD agrees with the example provided using appraisal information for estimating historical cost. This methodology helps to overcome the problem of estimating historical cost when a group of assets of similar type are purchased in bulk and delivered over a long period of time. A simple proration of the initial purchase price (along

with delivery costs) would distort the relative value of receiving some of the items earlier than others. In such circumstances, it also becomes difficult to apply depreciation in a way that reflects real value. This methodology represents a practical way to address these issues.

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.

Response: HUD agrees with the example provided for estimating the historical cost using expenditures. This methodology includes an objective factor, especially in regard to incorporating total project cost as a threshold. The use of real estate records, project records, assistance from cost estimating personnel, operations data, engineer estimates, video tapes, photographs, narrative descriptions, and professional judgment will help assure that auditors will be able to evaluate the estimated historical cost.

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.

Response: HUD agrees with the example using budget and appropriation information for estimating historical cost. The budget contains a great deal of information on the pricing of planned purchase as part of the process of justifying and obtaining authorization for those purchases. The budget and the appropriation legislation also provide auditable details for evaluating the methodology and resulting estimate.

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.

Response: HUD agrees with the example of estimation methodology for G-PP&E in the possession of contractors. The use of actual costs is always best, providing they can be verified. The process for verifying the costs reported by the contractors, along with internal controls on the part of the government agency, provides the needed assurances.

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

Response: HUD agrees with the recommendations for federal entities to apply NARA GRS 3 and GRS 8 record retention requirements for their unique systems of records. Management must, as stated, evaluate whether to retain records longer than the recommended periods.