



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

FEB 11 2011

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the Exposure Draft – Federal Financial Accounting Technical Release, *Implementation Guidance for Estimating the Historical Cost of General PP&E*, dated December 10, 2010.

Please find enclosed answers to the seven questions that were asked of the respondents.

If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov or Bruce Henshel at (202) 482-0646 or bhenshel@doc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon T. Alston", written over a horizontal line.

Gordon T. Alston

Deputy Director for Financial Management

Enclosure

cc: Lisa Casias
Diane Marston
Tony Akande
Bruce Henshel

Department of Commerce Response**FASAB Exposure Draft, Federal Financial Accounting Technical Release – *Implementation Guidance for Estimating the Historical Cost of General PP&E*****Prepared by: Department of Commerce, Office of Financial Management****Date Prepared: February 10, 2011****Questions and Answers**

1. 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.

Department of Commerce Response:

The Department of Commerce agrees with the types of estimating methodologies proposed to estimate the cost of historical assets. We believe the types of estimating methodologies listed in paragraph 13 appear reasonable and comprehensive, while still allowing for other reasonable methods. We do not have any additional methodologies to suggest at this time.

2. 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.

Department of Commerce Response:

The Department of Commerce agrees with the example for estimating the cost using deflation of current replacement. We believe using the estimated construction cost of the building in current dollars, and discounting that amount back to the year of construction, is a valid estimation methodology. The example clearly explains the calculation process.

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

Department of Commerce Response:

The Department of Commerce agrees with the example for estimating the cost using appraisal information. We believe obtaining third-party appraisals, along with performing necessary analysis and obtaining appropriate management review, is a reasonable estimation methodology. We have several suggestions. In paragraph 22, we recommend that the purpose of this example be clarified by updating the last sentence to say something to the effect that this is an example of the use of estimation to validate the value of the sea vessels and to adjust the fixed asset system and/or to adjust Agency B's core accounting system, as necessary.

To include the situation where the date in service (DIS) is known, we suggest adding a step, in paragraph 23 between (a) and (b), to the effect of, “For vessels with values ‘as of the date of the appraisal,’ and where the DIS was known, the asset’s acquisition cost was ‘indexed’ by using the official Bureau of Labor Statistics calculator. In Table 2.1 (page 17), in the fifth column, we suggest deleting the word “System” after “Appraisal” and replacing it with “less Fixed Asset Records,” to clarify that this column represents a change in the depreciation for the vessel class.

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

Department of Commerce Response:

The Department of Commerce agrees with the example for estimating the cost using expenditures. If adequate project and expenditure records are available, this estimation method appears reasonable.

5. 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.

Department of Commerce Response:

The Department of Commerce agrees with the example for estimating the cost using budget and appropriation information. We believe the logic behind this estimation method appears reasonable. We have one suggestion. In paragraph 34, section d, on Table 3, we suggest adding “for the 9 aircraft” after “rescission” to clearly indicate that the rescission is for the aircraft. Also, in paragraph 34, the numbering of Tables 3 and 4 appear to be reversed (i.e. Tables 4.1 and 4-2 occur before Table 3).

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

Department of Commerce Response:

The Department of Commerce agrees with the example for estimating the cost of General PP&E in the possession of contractors. Based on the processes outlined in the example, including the internal controls, we believe that the agency would have reasonable assurance that the contractor-provided estimates of values would be reasonable.

7. Do you agree or disagree with the General PP&E record retention recommendations outlined in Appendix B.

Department of Commerce Response:

The Department of Commerce agrees with the General PP&E record retention recommendations outlined in Appendix B. We believe it is useful to align General PP&E record retention guidance in NARA with those in FAR and that the recommendations in Appendix B will assist agency management, as well as improve consistency across agencies. We also believe, as mentioned in Appendix B, that agency management must assess its record retention needs to determine if records should be retained longer than the recommended periods.