

U.S. Department of LaborOffice of Inspector General
Washington, D.C. 20210

November 29, 2010

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814 (Mailstop 6k17V)
Washington, D.C. 20548

Dear Ms. Payne:

On behalf of the U.S. Department of Labor, Office of Inspector General, enclosed are our responses to the questions posed in the exposure draft entitled "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording," dated September 13, 2010.

Thank you for the opportunity to provide these comments. If you have any questions or need additional information, please contact Joseph L. Donovan, Jr. at 202-693-5248.

Sincerely,

A handwritten signature in black ink that reads "Elliot P. Lewis". The signature is written in a cursive, flowing style.

Elliot P. Lewis
Assistant Inspector General for Audit

Enclosure

Office of Audit
Office of Inspector General
Department of Labor

Exposure Draft:

**Measurement of the Elements of Accrual-Basis
Financial Statements in Periods After Initial Recording**

Responses are requested by November 30, 2010

- Q1. This Statement discusses whether and under what circumstances it might be more useful to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded (i.e., "historical cost," subject to appropriate adjustments for amortization, depreciation, or depletion) or (b) at an amount measured at each financial statement date. These two amounts are referred to in this Statement as, "initial amounts" and "remeasured amounts," respectively.

- a. Is the distinction between initial and remeasured amounts understandable and useful to you? If not, please suggest improvements.**

The distinction is understandable. However, it may be beneficial if the term "measurement approach" was defined prior to presenting the various approaches. We would suggest beginning paragraph 7.a as follows: "A measurement approach describes when a government should measure the value of an asset or liability."

- b. Are the benefits and drawbacks of using each approach clear and complete? (See paragraphs 17–33.) If not, please suggest improvements or additions.**

The benefits and drawbacks of using each approach are generally clear and complete.

- c. Do you agree with the decision to exclude any discussion of the advantages and disadvantages of inflation-adjusted amounts from this Statement? (See paragraphs 14–15.) Please provide the rationale for your answer.**

We agree with this decision. As noted in paragraph 14, there has not been a strong call to adjust the financial statements in recent years due to inflation. Since the demand for inflation-adjusted amounts is low, we do not believe further discussion is necessary. Also see "Overall Comments" below.

- Q2. This Statement distinguishes among “measurement approach,” “measurement attribute,” and “measurement method.” (See paragraph 7.)

Are the distinctions clear? If not, please suggest improvements.

The distinctions between the three categories are clear.

- Q3. The Statement asserts that:

[W]hen the goal is to help ensure that reported information meets several financial reporting objectives in response to the various decision-making needs of a range of users, it is necessary to accept that different measurement approaches, measurement attributes, and measurement methods may be appropriate to convey useful information about different transactions and underlying events. (See paragraph 33.)

Do you believe that it is appropriate to measure items presented in accrual-basis financial statements using different measurement approaches, attributes, and/or methods? Please provide the rationale for your answer.

We agree it is appropriate to measure items presented in accrual-basis financial statements using different approaches, attributes, and/or methods. Generally accepted accounting policy currently allows for items to be presented using different measurements. In addition, Statement of Federal Financial Accounting Concepts 1: Objectives of Federal Financial Reporting states, “...information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability.” It further states, “To be relevant, a logical relationship must exist between the information provided and the purpose for which it is needed.” Therefore, we believe that different measurements should be considered for different items based on the entity’s intended use and purpose.

- Q4. Beginning in paragraph 34, this Statement presents the definitions of measurement attributes and discusses each attribute in relation to the qualitative characteristics that information in financial reports should demonstrate. These attributes will be relied on in establishing accounting standards in the future.

- a. Is the definition of each attribute clear and understandable? If not, please identify the attribute(s) for which you found the definition lacking, explain why, and suggest improvements.**

The definition of each attribute is clear and understandable.

- b. Is the list of attributes complete? If not, please identify and define the attribute(s) that you would add to this Concepts Statement and explain why you would add it (them).**

We believe the attributes listed are representative of those generally applied in financial reporting.

- c. Are there any attributes in the list that you believe are inappropriate for accrual-basis federal government entity financial statements? If so, please identify the attribute(s) that you would exclude and explain why.**

We believe the attributes related to replacement cost and fulfillment cost should be excluded. These attributes are not intended to reflect the current value or historical cost of an asset or liability, as currently required by generally accepted accounting principles.

- d. Do you agree with the discussion of the extent to which the measurement attributes and methods fulfill the individual qualitative characteristics? If not, please identify which aspects you view differently and explain why.**

With regard to "replacement cost," we do not agree that its relevance is high in accrual-basis financial statements; it is highly relevant in capital planning, not in assessing the current financial position of an entity. We generally agree with the discussion of the extent to which the measurement attributes and methods fulfill the individual qualitative characteristics.