Federal Accounting Standards Advisory Board

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

Federal Financial Accounting Technical Release

Technical Release 13

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THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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Section III. I (3) of FASAB's Rules of Procedure authorizes the AAPC to issue technical releases related to existing federal accounting standards. Technical releases are intended to provide guidance on the specific application of Statements of Federal Financial Accounting Standards (SFFASs), Interpretations of SFFASs, and Technical Bulletins. AAPC's technical releases are in the third category of authoritative guidance in the Federal GAAP hierarchy as stated in the SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles*. AAPC may not amend existing standards or promulgate new standards.

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The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), the Chief Financial Officers' Council (CFOC), and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) [formally the President's Council on Integrity and Efficiency (PCIE)], as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). The mission of the FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of Federal financial information. The mission of the AAPC is to assist the Federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation, which are not specifically or fully discussed in Federal accounting and auditing standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from the FASAB or its website:

- “Charter of the Accounting and Auditing Policy Committee”
- Accounting and Auditing Policy Committee Operating Procedures”

Table of Contents

Introduction 5
Purpose 5
Scope 6
Effective Date 6
Background 7
Overview 7
Related Accounting Literature 7
Other Relevant Literature 7
Technical Guidance 8
Examples of Practice 8
EXAMPLE 1 – Deflation of Current Replacement 9
EXAMPLE 2 – Use of Appraisal Information 11
EXAMPLE 3 – Use of Expenditure Information 13
EXAMPLE 4 – Use of Budget and Appropriation Information 14
EXAMPLE 5 – G-PP&E in the Possession of Contractors 17
Appendix A: Basis for Conclusions 19
Appendix B: Abbreviations 21

FASAB REVIEW

Introduction

Purpose

1. Statement of Federal Financial Accounting Standard (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, was effective for periods beginning after September 30, 1997. SFFAS 6 provides implementation guidance and permits estimation of the amount to be capitalized but is not specific regarding allowable methods of estimation. SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, provides guidance for estimating historical cost and accumulated depreciation consistent with SFFAS 6, as amended, but offers more detail regarding permissible documentation and methods. SFFAS 23 was issued May 8, 2003, and became effective in fiscal year 2003. The Board encourages those federal entities that use estimates to approximate the historical cost values of General Property, Plant, and Equipment (G-PP&E) to establish processes and practices (i.e., adequate systems and internal control practices) for future acquisitions that will capture and sustain transaction based data that meet the G-PP&E historical cost valuation requirements.

2. SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment Amending Statements of Federal Financial Accounting Standards 6 and 23*, amends SFFAS 6 and 23 to clarify that reasonable estimates of original transaction data historical cost may be used to value G-PP&E. The objective of this amendment is to establish a cost effective method to comply with SFFAS 6. The use of reasonable estimates is available to reporting entities that have not previously prepared financial reports but who may be required or elect to do so in the future and do not yet have adequate controls or systems to capture these costs. In addition, these amendments also apply in those cases where entities have decided to use estimates to determine the historical cost values of G-PP&E. The standard also allows the use of reasonable estimates when an entity determines it is necessary to revalue G-PP&E assets previously reported. The purpose of this technical release is to provide additional implementation guidance to federal entities in accordance with SFFAS 35.

3. In accordance with SFFAS 23, as amended, "When establishing the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended, reasonable estimates may be used. Estimates may be based on information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended."[1] This list of reasonable estimates is not intended to establish any hierarchy of methodologies.

4. Since the implementation of SFFAS 23 on October 1, 2002, agencies have experienced difficulty determining how to document their estimates of historical costs of G-PP&E. Agencies may experience this difficulty because they have:

[1] SFFAS 23 as amended, paragraph [12].

FASAB REVIEW

a. not retained auditable documentation,

b. not established contracting methods that allow contractors to bill for individual assets, and/or

c. received donated, rebuilt, modified, or transferred assets without supporting documentation of cost.

This implementation guide provides examples that federal entities can use as guidelines when developing G-PP&E estimates of original transactional data historical costs in accordance with the standards.

Scope

5. SFFAS 35 amends SFFAS 6 and 23 to provide for reasonably estimating the historical cost and accumulated depreciation of G-PP&E. SFFAS 35 is also applicable to internal use software when the software meets the criteria for G-PP&E in accordance with SFFAS 10, *Accounting for Internal Use Software,* and provides for reasonably estimating the historical cost and accumulated amortization of that G-PP&E.

6. Readers of this technical release should first refer to the hierarchy of accounting standards in SFFAS 34. This technical release supplements the relevant accounting standards, but is not a substitute for and does not take precedence over the standards. This technical release clarifies, but does not change, guidance previously provided in SFFAS 6, *Accounting for Property, Plant, and Equipment*; SFFAS 23 *Eliminating the Category National Defense Property, Plant, and Equipment*, and SFFAS 35 *Estimating the Historical Cost of General Property, Plant, and Equipment Amending Statements of Federal Financial Accounting Standards 6 and 23.*

Effective Date

7. This technical release is effective immediately.

FASAB REVIEW

Background

Overview

8. This technical release provides support and direction relative to the types of estimating methodologies and the documentation that could be used to support the valuation estimates of G-PP&E. This guidance provides a foundation for preparers to exercise judgment in formulating those estimates.

Related Accounting Literature

9. The related accounting standards are as follows:

    a. SFFAS 6, *Accounting for Property, Plant, and Equipment*

    b. SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*

    c. SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment Amending Statements of Federal Financial Accounting Standards 6 and 23*

Other Relevant Literature

10. Audit Guidance – Agency management should also be familiar with the relevant audit principles that guide auditors in the areas of audit evidence and auditing accounting estimates.

FASAB REVIEW

Technical Guidance

Examples of Practice

11. The examples outlined in this guide illustrate the use of various estimating methodologies to derive the historical cost of G-PP&E in accordance with SFFAS 35. SFFAS 35 clarifies that federal entities should report their G-PP&E based on historical cost information in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended. However, reasonable estimates of historical cost may be used to value G-PP&E assets. Federal entities have found that there may be fundamental problems associated with providing corroborating historical cost documentation to auditors on G-PP&E assets that were acquired in an environment in which the historical records were not required to be retained and therefore may not exist or be inadequate. When historical cost data was not available, the agency estimated historical cost based on management's judgment.

12. Although the measurement basis for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions of SFFAS 6. Estimates may be based on cost of similar assets at the time of acquisition; current cost of similar assets discounted for inflation since the time of acquisition (i.e., deflating current costs to costs at the time of acquisition by general price index);[2] information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended; estimating the current replacement costs of similar items and deflating those costs, through the use of price-level indexes, to the in-service year or estimated in-service year if the actual in-service year is unknown; latest acquisition cost may be substituted for current replacement cost in some situations;[3] and other reasonable methods.[4]

13. Agency management is responsible for establishing accounting policies, including the methodologies and bases for estimating historical cost. Management is also responsible for maintaining adequate documentation of the sources of data and the application of methodologies used when estimating historical cost. Management should expect to support estimates with verifiable documented information. Adequate documentation of the source of the data and the application of the methodology used will help support management's assertion that the results are in material compliance with accounting standards.

14. The specific examples in this guidance are how agencies derived estimated historical costs using the following methods:

    a. Deflation of current replacement costs,

[2] SFFAS 6, as amended, paragraph 40.
[3] SFFAS 23, as amended, paragraphs 12-13.
[4] SFFAS 6, as amended, paragraph 40.

FASAB REVIEW

b. Appraisals (with deflation to the year of purchase),

c. Expenditures,

d. Budgets and appropriations, and

e. G-PP&E in possession of Contractors.

Estimates may be based on information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.

15. The following examples provide methods used to estimate G-PP&E historical costs. However, the examples are for illustrative purposes only. The examples are not all-encompassing and agencies may identify other more useful and relevant estimating methodologies. The examples are not meant to be step-by-step instructions on how to develop estimating methodologies. Users of this guidance should use the information provided in these examples to develop their own reasonable estimating methodologies. Federal entities implementing this guidance are also encouraged to discuss any new estimation methodologies with their auditors prior to implementation.

EXAMPLE 1 – Deflation of Current Replacement[5]

16. The following example describes an estimation methodology used by Agency A to establish an estimate of the original cost of a building constructed in 1984. Agency A uses the estimated construction cost of the building in present day dollars and then discounts that value back to the year in which the asset was constructed. Agency A takes the current replacement costs of similar items and deflates those costs, through the Consumer Price Index (CPI). Note that other indices from the Department of Labor's Bureau of Labor Statistics also may be appropriate but were not selected for use in this example.

Population of Data

17. The agency determined the cost of replacing the building in its same physical form (with substantially the same materials and design); then the agency used a pricing index to discount the current asset cost to its estimated cost at the time of acquisition or construction.

Assumptions Used

18. The following assumptions were used to estimate the cost of the building and land.

a. Land was purchased in 1983 and is appraised at $1.5 million in 2008.

[5] Some of the information used in this example was obtained from the Public Sector Accounting Standards Board (PSAB) of the Canadian Institute of Chartered Accountants /Asset Management Newsletter No. 16 (prepared by KPMG).

FASAB REVIEW

b. A 50,000 square feet building was constructed in 1984, is well maintained and has not received any major betterments except for a 5,000 square foot addition in June 1999.
c. 2008 replacement cost of the building was estimated at $8.5 million (including $500,000 replacement cost for the addition).
d. Expected useful life of the building is 40 years and depreciation would be calculated at year 24 of a 40 year asset.
e. CPI is used for deflating cost. [6]

Calculation of Estimate

19. To estimate the original cost of the building in 1984, Agency A multiplied the current replacement cost of the building ($8.0 million - excluding an addition constructed in 1999) by the CPI (0.4505). Based on this calculation, the deflated cost of the building was approximately $3.604 million in 1984 dollars. Similar calculations using CPI for the addition and land yielded the estimated historical cost of these components of the property. The calculations are presented below.

Table 1:

	2008 Reproduction Cost	Cost Index 19XX/2008	Estimate of Original Cost
Building	$8,000,000	.4505	$3,604,000
Addition	$500,000	.6960	$348,000
Total Building	$8,500,000		$3,952,000
Land	$1,500,000	.4100	$615,000
Total	$10,000,000		$4,567,000

Analysis of Data

20. Once the estimated historical cost of the building was established, the cost was amortized to the 2008 opening balance sheet date using appropriate amortization rates in order to establish the opening net book value.

[6] For simplicity the example uses the Consumer Price Index to discount current replacement costs to the year of original purchase or construction. In some cases, the Consumer Price Index may be the only option. However, for some assets a more precise pricing index might be available. For example, the Department of Labor's Bureau of Labor Statistics has an extensive table of indices.

FASAB REVIEW

Table 2:

At October 1, 2008	Age/Useful Life Years	Estimated Historical Cost	Accumulated Amortization	Net Book Value
Building	24/40	$3,604,000	$2,162,400	$1,441,600
Addition	9/15	348,000	208,800	139,200
Total Building		3,952,000	2,371,200	1,580,800
Land		615,000	0	615,000
Total		$4,567,000	$2,371,200	$2,195,800

EXAMPLE 2 – Use of Appraisal Information

21. The following example describes an estimation methodology used by Agency B to establish the estimated cost of two vessel classes by the use of third-party appraisals to support asset record adjustments. The example uses estimates obtained from appraisals to validate the value of the vessels and to determine necessary adjustments to Agency B's core accounting system.

Population of Data

22. In order to populate the data for estimation, Agency B performed several of the following procedures.

    a. Agency B conducted a physical inventory to ensure that assets identified for appraisal could still be physically located and were still in service. Physical inventories were conducted using:

        i. on-site vouching,

        ii. digital photos with newspaper showing the date and location, or

        iii. authorized maintenance or operations applications to confirm existence.

    b. Agency B reviewed and, if needed, updated date-in-service (DIS) from historical information.

    c. Agency B determined that records in the accounting system were consistent with the inventory and DIS.

    d. Agency B ensured that assets within a class were similar in configuration.

FASAB REVIEW

e. The Agency B program offices were used to gather "technical engineering" information (e.g. type of engines, technical updates).

Assumptions Used

23. The following assumptions were used to estimate the cost of the sea vessels.

a. Agency B did not provide cost, accumulated depreciation and net book value to appraisers to avoid the possibility that these values might influence the third-party appraisers output. Values are appraised using a deflation factor to year of purchase.

b. If there was no DIS for a vessel, an average DIS was determined by using the DIS from the first and last vessels placed in service. The asset's acquisition cost was then "indexed" by using an appropriate Bureau of Labor Statistics pricing index.

c. Appraisal specialist determined appraisal value using a desktop appraisal approach.[7]

Analysis of Data

24. An appraisal report containing an individual valuation (estimated acquisition cost) for each asset as of the identified date of the report or appraised value as of original date in service (contract specific) was provided to Agency B. The agency performed many of the following analytical processes.

a. An Agency B subject matter expert reviewed and approved appraisal report.

b. If there was no DIS for a vessel, an average DIS was determined by using the DIS from the first and last vessels placed in service. The asset's acquisition cost was then "indexed" by using an appropriate Bureau of Labor Statistics pricing index.

c. The appraisal/calculated cost was compared to official fixed assets record cost to determine asset cost difference.

d. Agency B prepared a detailed summary of differences by asset (and class) to compare cost and accumulated depreciation.

e. The data was reviewed and approved by appropriate Agency B personnel.

7 A "desktop" appraisal is when an appraiser estimates the value of a property without a physical inspection, but uses property records. The desktop approach was **used by Agency B for** appraisals and cost estimates due to the cost benefits; it is less costly to an agency than a physical inspection appraisal.

FASAB REVIEW

f. Documentation was prepared containing support of the fixed asset adjustments needed.

Calculation of Estimate

25. Agency B then analyzed the financial statement impact of the appraisal process to determine needed adjustments.

Table 3:

ASSET CLASS (#)	Delivery Start Delivery End	System Acquisition Cost per Fixed Asset Records	Appraisal Value less Fixed Asset Records Acquisition Cost	Appraisal Value less Fixed Asset Records Depreciation Expense	Net Change
Vessel Class I (16 VSLS)	FY96 FY04	$607.9M	$(60.1)m	$3.0M	$(57.1)M
Vessel Class II (65 VSLS)	FY 98 FY06	287.4M	7.6M	(5.7)M	1.9M
Totals		$895.3M	$(52.5)M	$(2.7)M	$(55.2)M

Once the appraised values were accepted, necessary adjustments were made to the system (asset by asset/lump sum) to determine the estimated historical cost of the vessel classes.

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EXAMPLE 3 – Use of Expenditure Information

26. Agency C used the following procedures to estimate its real property values by the use of expenditures. Expenditures were available on a project basis but each project produced multiple assets. The objective was to assign the project cost to individual assets based on estimates.

Population of Data

27. Agency C real property personnel first examined their records to determine whether a complete and current inventory of real property by individual project was available. If the specific inventory of a complete project did not exist an inventory would be obtained from project personnel on-site.

FASAB REVIEW

28. An Agency C real property work group then obtained a summary of actual capitalized project costs by real property class (i.e., Land. Dams, Levees, Buildings, Grounds, etc.).

Analysis of Data & Calculation of Estimate

29. Once the work group had both a project specific inventory of all real property assets and a breakout of the actual capitalized costs by project and class, they began the process of assigning a value to each asset within a project not to exceed the total project cost. Utilizing all available real estate records, project records, assistance from cost estimating personnel, comparative data at other projects, real estate financial information, operations data, engineer estimates, plus video tapes, photographs, narrative descriptions of the structure and professional judgment the work group either used actual cost or estimated the cost of each asset ensuring the total dollars assigned agreed with the total cost for each project as recorded in Agency C's financial subsystem.

EXAMPLE 4 – Use of Budget and Appropriation Information

30. The following example outlines steps for estimating the historical cost of existing assets using budget and appropriation information.

Assumptions Used

a. Congress appropriated funds to Agency D in FY 2007 to acquire 9 aircraft.
b. As of the estimation date, 7 of the 9 aircraft have been delivered.

Analysis of Data & Calculation of Estimate

31. The steps of this process include:
    a. Verification of existence of the asset acquired.
    b. Estimation of total historical cost for the asset group
    c. Documentation

32. Verification of existence

    a. Prior to delivery, all costs associated with the items were reported in an appropriate asset account. When the asset was delivered it was recorded in an accountability system of record (ASR) and the completed asset was subject to inventory/existence verification.

    b. The asset management system was updated when data on the receipt of the aircraft was sent from the reporting entity's property accountability

FASAB REVIEW

system of record. The acknowledgment of delivery serves as proof that the aircraft assets were received. Continued existence of the asset was verified through periodic inventories.

33. Estimation of total historical cost for the asset group

a. The recorded cost of the assets should represent the "historical cost", including costs associated with getting the asset to a form and location suitable for its intended use.

b. The asset valuation is based on the Budget of the U.S. Government (commonly referred to as the President's Budget request). The Budget and related budget justification materials provided detailed supporting information that facilitated congressional review of budget requests. As the entity is reviewing the budget information for inclusion in the estimate, the entity should also review related information, such as planning documents, to identify other material costs associated with getting the asset to a form and location suitable for its intended use. If material, such costs should be estimated. For simplification of this example, the other associated costs are not shown in the below example.

Table 4 below shows the FY 2007- Funded aircraft cost based on amounts included in the Budget.

Table 4 - Calculations to Determine the Cost of FY 2007-Funded Aircraft ($ in Millions)	
Procurement cost for 9 aircraft based on budget estimates	$722.6
Less support equipment*	(81.1)
Total cost for the 9 aircraft	$641.5
Average cost ($641.5M ÷ 9)	$ 71.3[8]

**The supporting equipment is subtracted from the aircraft procurement cost in order to capitalize this equipment separate from the cost of the aircraft.*

c. The Agency D Appropriation Act and/or the conference report accompanying it is used to identify the amount of program funding provided by Congress to address requirements identified in the Budget. Amounts appropriated may frequently differ from amounts requested in the Budget. The related congressional committee or conference report on the appropriation may explain the rationale for the change from the amount requested in the Budget.

[8] Valuations based on budget information may need to be revised to address material revisions that occur subsequent to budget submission during the appropriation and funds allocation processes.

FASAB REVIEW

Table 5 below shows the amount of the congressional appropriation for the aircraft less the value of excluded amounts. Excluded amounts were based on detail included in the Budget.

Table 5 - Appropriation Amount Less Excluded Items for Aircraft ($ in Millions)	
Provided in FY 2007 Appropriations Act	725.0
Less support equipment (Based on budget detail)*	(81.1)
Adjusted appropriated amount for the 9 aircraft	643.9
Average cost ($643.9M ÷ 9)	71.5

**The funding for support equipment was not separately identified in the appropriation. For cost purposes, the amount included in the Budget estimate ($81.1M) was used.*

d. Adjustments to funds available to a program may frequently occur over the life of the appropriation. These adjustments, which can increase or decrease available funds, result from actions including congressional rescissions and Departmental reprogrammings.

Table 6 below shows the aircraft cost as adjusted to account for a subsequent year Congressional rescission.

Table 6 - Appropriation Amount Less Excluded Items for Aircraft* ($ in Millions)	
Adjusted appropriated amount for the 9 aircraft	643.9
Less Congressional rescission for the aircraft	(9.9)
Total appropriated amount for the 9 aircraft	634.0
Average cost ($634.0M ÷ 9)	70.5

**The capitalized cost may not exceed the appropriated amount as adjusted by Departmental reprogramming and congressional rescissions, (i.e., the amount shown in Table 6).*

34. Documentation

a. Agency D maintains sufficient and appropriate documentation relating to: (1) existence; (2) cost analysis techniques; (3) data source; and (4) reasonableness of the estimation methodology.

FASAB PREVIEW

EXAMPLE 5 – G-PP&E in the Possession of Contractors

35. The following example summarizes the procedures used at Agency E for estimating the cost of G-PP&E in the possession of its contractors. This estimate may be used when the agency lacks internal documentation and/or when the cost of reconstructing records using internal documentation is cost prohibitive.

36. Contractors generally follow a process similar to the one described below, when estimating the value of G-PP&E manufactured or acquired for federal agencies, referred to in this example as contractor-held G-PP&E. These acquisitions may be held for use by the contractor, held for use by other contractors, or transferred to a federal entity for its direct use. The values are typically estimated by the contractor first obtaining a Bill of Material (BOM) for every part required to complete the G-PP&E asset being constructed. The BOM can have cost, quantity, part description, raw materials used, etc. Also, Contractors typically add estimated labor cost. This labor value is then added to the BOM cost to derive a total estimated direct cost for the G-PP&E asset. Further, Contractors apply overhead and, when applicable, other indirect markups. The sum total for the asset is the basis used to support GPP&E recorded by Agency E.

37. Agency E has procedures in place to provide reasonable assurance that the contractor-provided estimates of the value of manufactured items are reasonable. The processes described below are intended to provide Agency E with relevant, sufficient and reliable information on which to base its estimate of contractor-held G-PP&E.

Population of Data

38. Agency E contractors are required to report information related to acquisitions, fabrications and/or disposals of individual G-PP&E items to Agency E on a regular basis. To facilitate reporting, Agency E utilizes an automated reporting tool, when appropriate, to receive this information from its contractors and maintains control over this information prior to it being entered into the property accounting system.

Analysis of Data

39. Agency E employs a series of controls over the preparation of contractor accounting estimates and supporting data, including assessments and validation procedures that are applied through independent external parties and/or internal agency resources.

External Third Party Procedures

40. When practical and cost effective, Agency E leverages to the extent possible independent assessments performed by external parties. The objective of these assessments is to provide Agency E with reasonable assurance that contractor property, logistics and cost accounting systems comply with federal requirements designed to provide a reasonable estimate of the G-PP&E data.

FASAB REVIEW

41. An Agreed upon Procedures (AUP) review of Agency E's major contracts is one example of an independent assessment. The contracts subject to the AUP reviews are selected using a risk-based approach. The AUPs include a review of the contractor's policies, procedures and internal controls relevant to the contractor's cost accounting, logistics and production systems. The intention of the assessments is to validate the accuracy, reliability, existence, and completeness of contractor reported G-PP&E data through an analysis of transaction samples.

Internal Third Party Procedures

42. Agency E's procurement, logistics, project management, and finance personnel also performed oversight and validation activities over contractor estimate submissions on an on-going basis.

43. Agency E procurement personnel, for example, oversee the execution of contractor work as required by the contracts in accordance with the FAR. This step is to provide reasonable assurance that the work for which costs are being estimated is being performed as contracted. Agency E contracting officers have a key role in the systems of controls and validation procedures by ensuring that specific clauses are included in the contracts and that contract terms and conditions are adhered to by the contractor.

44. Agency E logistics personnel, acting as Government Property Administrators, conduct reviews to assess the effectiveness of the contractor's government property management systems.

45. Program and Project managers review the information provided by contractors against established plans and approve or disapprove contractor reported incurred costs, as appropriate. This critical information supports the reasonableness of contractor provided information.

<u>Calculation of Estimate</u>

46. Agency finance personnel perform reviews of the information reported by contractors prior to recording G-PP&E estimates. Periodic validation procedures may include performing analytical procedures over the account balances to explain period-to-period fluctuations, reconciling the data reported by the contractor to the agency's financial system, tracing activity to supporting documentation, and validating ownership of property.

FASAB REVIEW

The provisions of this Statement need not be applied to immaterial items.

Appendix A: Basis for Conclusions

A1. In January 2008, the Accounting and Audit Policy Committee established the General Property, Plant, & Equipment (G-PP&E) task force to assist in developing implementation guidance for federal G-PP&E as it relates to SFFAS 6, *Accounting for PP&E,* SFFAS 23, *Eliminating the Category National Defense Property Plant, & Equipment*, and other related G-PP&E Guidance developed by the FASAB. The task force includes federal agency representatives who are experiencing G-PP&E implementation issues and those who have G-PP&E implementation best practices to share with the federal community.

A2. The G-PP&E task force was divided into four subgroups that will address a set of related issues. The subgroups meet separately on a regular basis to discuss their set of issues and report back to the full task force on its progress towards the development of implementation guidance. The four sub-groups are:

- G-PP&E Acquisition
- G-PP&E Use
- G-PP&E Disposal
- G-PP&E Records Retention

A3. This guidance was developed by the Acquisition subgroup. The subgroup included members from the following federal agencies:

- Department of Defense
- Department of Energy
- Department of the Interior
- Government Accountability Office
- General Services Administration
- National Aeronautics and Space Administration

A4. The purpose of this implementation guidance is to provide support and direction relative to the types of estimating methodologies and the documentation that could be used to support the valuation estimates as outlined in SFFAS 6, 23, and 35. It does not address the need to validate existence and completeness. This guidance provides a foundation for preparers to exercise judgment in formulating those estimates.

A5. This implementation guide provides examples that federal entities can use as guidelines when developing G-PP&E estimates of original transactional data historical costs in accordance with the standards.

A6. The AAPC released the exposure draft (ED), *Implementation Guidance for Estimating the Historical Cost of General Property, Plant, and Equipment* on December 10, 2010. Upon release of the ED, notices and/or press releases were provided to: The Federal Register, the *FASAB News*, the *Journal of*

FASAB REVIEW

Accountancy, *AGA Today*, the *CPA Journal*, *Government Executive*, the *CPA Letter*, and committees of professional associations commenting on past exposure drafts.

A7. Fifteen letters were received from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others		2
Auditors	3	
Preparers and financial managers	10	

A8. Respondents were primarily supportive of the examples provided. Some respondents provided editorial suggestions and many were adopted.

Record Retention Requirements Presented in the Exposure Draft

A9. The Committee asked readers of the exposure draft to comment on the proposed recommendations of the AAPC G-PP&E task force -- Record Retention sub-group. No changes were suggested by respondents and these recommendations have now been forwarded to the National Archives and Records Administration (NARA) for consideration. Through its General Records Schedule (GRS) NARA specifies the minimum period for retaining paper and electronic financial records documenting the acquisition of PP&E. The Federal Acquisition Regulation (FAR) also provides guidance for retaining historical cost data. The subgroup was tasked with developing recommendations for the consistent record retention policies specifically for G-PP&E.

A10. The objective of the Record Retention subgroup was to look into the issue of record retention timeframes and methods (hardcopy vs. electronic) for records that support G-PP&E reported in agencies' general purpose financial statements and make cost-beneficial recommendations. The subgroup found that policies varying regarding retention timeframes and the types of records to support assertions related to G-PP&E. The subgroup's research and recommendations were limited to record retention guidance and practices for the G-PP&E category.

FASAB REVIEW

Appendix B: Abbreviations

AAPC	Accounting and Auditing Policy Committee
AICPA	American Institute of Certified Public Accountants
AUP	Agreed Upon Procedures
CEFMS	Corps of Engineers Financial Management System
CIP	Construction in Process
COEMIS	Corps of Engineers Management Information System
DIS	Date-In-Service
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAO	Government Accountability Office
G-PP&E	General Property, Plant, and Equipment
GRS	General Records Schedule
IPA	Independent Public Accountant
NARA	National Archives and Records Administration
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PB	President's Budget
PP&E	Property, Plant, and Equipment
SAS	Statement on Auditing Standards
SFFAS	Statement of Federal Financial Accounting Standards
TR	Technical Release
USACE	United States Army Corp of Engineers
USCG	United States Coast Guard

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Alice Carey, Department of Defense, Acquisition Subgroup Leader

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Department of Agriculture
Department of Commerce
Department of Defense
Department of Energy
Department of Homeland Security
Department of State
Department of Transportation
Department of Veterans Affairs
Environmental Protection Agency
Government Accountability Office
General Services Administration
National Aeronautics and Space Administration
Nuclear Regulatory Commission
National Reconnaissance Office
National Science Foundation
Office of the Director of National Intelligence
US Capitol Police

Task Force Member Firms

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