

AAPC GPP&E Task Force  
Final Meeting Notes  
September 9, 2008  
GAO HQ Building  
441 G Street, NW  
Conference Room 7C13  
10:30 a.m. – 12:45 p.m.

*Administrative Matters*

- Future meetings – dates and locations

Monica Valentine, FASAB/AAPC rep., noted that the next meeting dates are 10/7, 11/4, and 12/2. Since the November meeting date falls on Election Day, the following Tuesday 11/11 is Veterans Day, and November is a very busy month for financial managers it was agreed to cancel the November and resume meeting on 12/2. Ms. Valentine also polled the group on the task force meetings going into 2009 – it was agreed to continue with the meetings on the first Tuesday of each month. Members will be given the 2009 meeting dates at the October meeting.

*Task Force Chair Updates*

- Donjette Gilmore

Ms. Gilmore thanked the group for their participation in the task force's work. Ms. Gilmore again stressed that the co-chairs need government-wide participation on the sub groups in order to produce implementation guidance that would be useful to the entire federal community. Ms. Gilmore reminded the members that she is always available to assist with getting additional members as well any other needs related to the work of the task force. Ms. Gilmore also reminded the members that we need to focus on the ultimate goal of the task force and that is to produce implementation guidance related to G-PP&E. She noted that we should be thinking about how each of the four major topics can be broken down into documents that can be ultimately issued.

- Dan Fletcher

Mr. Fletcher stressed the importance of providing guidance in the areas of determining useful lives and depreciation methodologies. He also volunteered to provide some of Interior's experiences with these areas to the sub group(s) responsible for the subjects. Kyle Fugate, co-chair of the Use sub group, agreed to discuss these two topics with his full sub group. David Horn (Interior) asked a question about whether there is a universally accepted population percentage, as it relates to how much of an entity's G-PP&E should be capitalized, that has been agreed to by GAO and the audit community as a whole. Louise DiBenedetto of GAO again stressed that there is no specific percentage related to how much of an entity's PP&E acquisitions should be capitalized. She also noted that one of GAO's observations is that entities many times are unable to provide documentation on how different useful lives and depreciation thresholds were determined and maintained. Steve Lipscomb (GAO) added that there is currently no guidance in the FAM related to how to determine capitalization thresholds. He noted that the statistical sampling percentage would relate to how many tested G-PP&E items in a sample were actually capitalized in compliance with the entity's capitalization threshold policies. The GAO/PCIE FAM guidance calls for 95% accuracy in audit samples. Also GAO auditors would expect a reasonable capitalization threshold.

### *FASAB/AAPC Updates*

- Monica Valentine

Ms. Valentine reminded the task force of the FASAB "sister" project that is addressing estimating the historical cost of G-PP&E. She noted that FASAB staff had initially presented a draft proposal to the Board that would amend SFFAS 6 & 23 allowing for the use of estimates when obtaining original transaction data historical cost is not practical. However at the August 20 FASAB meeting the Board agreed to eliminate any qualifiers related to when entities are allowed to use estimates to value G-PP&E. Mr. Lipscomb asked if the Board's proposal was a change in the historical cost basis of accounting for valuing G-PP&E. Ms. Valentine stressed to the members that the

currently thinking of the Board is to continue with historical cost as the basis of accounting for valuing G-PP&E. Cindy George (Deloitte) added that at the 8/20 meeting the Board stressed again that historical cost should always be the preferred methodology when valuing G-PP&E.

Ms. Valentine also informed the members that the AAPC has two new PCIE members – Alice Carey (DOD OIG) and George Rippey (DoEd OIG).

### *Sub-Group Updates*

- Acquisition: Cindy George and Ken Schreier spoke on behalf of Alice Carey, sub group co-chair -- Ms George gave the initial update on the work of the Acquisition sub group. She mentioned that the group had been meeting regularly with both in-person and conference call meetings. The issues being addressed by the Acquisition sub group include:

- Historical cost implementation issues (including estimating),
- Capitalization thresholds
- Spare Parts, and
- Lease/Preponderance of use.

Ms. George noted that the sub group was making significant progress on the historical cost document; however they have encountered a few issues. She mentioned a problem with the modifications portion of the document as it relates to the need for more specific guidance beyond that which is in the standards. An example was the language in SFFAS 6 par. 37 and the phrase "... enlarge or improve its capacity". The question was how this phrase should be further explained. Another question related to how criteria for estimates should be established. Ms. George noted that the FASAB had discussed that estimates should be "comparable" to historical cost. The question is how is the term "comparable" different from the phrase "a reasonable basis of historical cost" or are they being used synonymously.

- Use: Kyle Fugate, sub group co-chair, informed the members that he would provide the sub group's update as an attachment to the meeting notes.

- Disposal: Ms. Alaleh Amiri, sub group co-chair, gave an update on the work of the Disposal sub group. Ms. Amiri noted that the sub group has met several times and is developing working drafts for each of the areas currently being addressed by the sub group. The following areas were updated:

- The asbestos document had been modified since the last sub group meeting and it would be circulated again to the sub group before being submitted to the full task force for review.
- Triggers for removal from service for personal property/military equipment will also be sent to the sub group for another review.

- Records Retention: Edward Kim spoke on behalf of John Lynskey, sub group chair. Mr. Kim gave an update on the work of the Records Retention sub group. Mr. Kim mentioned the following points as it relates to the work of the sub group:

- Their research is focusing in on reasonable records retention requirements for various entities and for different requirements;
- Research on records retention shows that International Financial Reporting Standards (IFRSs), using the broad meaning, do not discuss or establish records retention requirements including requirements for general property, plant, and equipment. Research will look into whether AICPA or FASB has any specific requirements for records retention;
- Research on IRS records retention requirements shows that for business tax reporting purposes, records relating to property must be kept until the period of limitations expires for the year in which a business entity disposes of the property in a taxable disposition. Also, the records relating to property must be kept to

figure any depreciation, amortization, or depletion deduction, and to figure basis for computing gain or loss when you sell or otherwise dispose of property;

- Met with a NARA staff to ask about the NARA's records retention requirements. The NARA's current guidance is its General Record Schedule (GRS) 3 (Procurement, Supply and Grant Records), GRS 4 (Property Disposal Records), and GRS 20 (Electronic Records). The NARA staff mentioned the federal agencies can develop and maintain their own specific record keeping and record retention requirements by discussing with and getting approved by NARA.

*Review List of G-PP&E Issues – Update*

No specific update was given on the latest list of G-PP&E issues.

*Review Timeline – Key Dates*

No specific update was given on the project timelines.