

>>> "WILLIAM Henderson" <WJHENDERSON@oig.usda.gov> 1/15/2009 11:33 AM
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Thank you for the opportunity to comment on the FASAB Exposure Draft:
Estimating the Historical Cost of General Property, Plant, and Equipment
-- Amending Statements of Federal Financial Accounting Standards 6 and
23. Our response to the questions asked are attached.

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Request for Comments on FASAB Exposure Draft: *Estimating the Historical Cost of General Property, Plant, and Equipment -- Amending Statements of Federal Financial Accounting Standards 6 and 23*

All responses are requested by January 30, 2009

Q1. The Board proposes that reasonable estimates may be used upon initial capitalization by entities implementing G-PP&E accounting for the first time. See paragraphs 7 and A9.

We agree that using reasonable estimates upon initial capitalization is appropriate for entities that have not previously reported G-PP&E on their entity financial reports for the first time.

Entities that have not previously reported G-PP&E on their entity financial reports and for those who have not previously prepared financial reports, but who may be required or elect to do so in the future may not have maintained historical cost data and reasonable estimates may be the only option available.

Q2. The Board proposes that initial capitalization of G-PP&E based on reasonable estimation methods as provided in the SFFAS 23, as amended, be considered acceptable on a continuing basis. See SFFAS 23 amended paragraphs [10.] – [13A.].

We agree that initial capitalization of G-PP&E based on reasonable estimation methods as provided in the SFFAS 23, as amended, is acceptable on a continuing basis.

However, it should be stressed that this should be an exception to the rule that appropriate and sufficient documentation should be maintained and used to establish the historical cost of G-PP&E.

Q3. The Board proposes to allow the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for G-PP&E. See paragraphs 7 and A10 – A13A.

We agree with the proposed amendment to SFFAS 6 that allows the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for G-PP&E.

Q4. The Board proposes that reasonable estimates be permitted at any time. One member has expressed concern regarding the open-ended time period for the use of estimates. See paragraphs 7 [SFFAS 6 amended paragraph 40], A5, A14, A15, A19, and A20

We believe that the use of reasonable estimates to value G-PP&E should be permitted at any time (i.e., an open-ended option). Financial statements are audited to ensure that the financial statements are reasonably accurate. The

entity should maintain sufficient and appropriate documentation to support their estimation methodology to enable an auditor to verify the balances. However, these instances should only be used when historical cost documentation (contracts, invoices, appraisals etc...) are not available or not cost effective to obtain. These instances should be rare especially for entities that have been preparing audited financial statements over the years.

Q5. As noted above, one member, Mr. James Patton, has expressed views different from the majority view regarding this proposal. See paragraphs A18. through A20.

We do not agree with the views expressed in the Alternate View in the Basis for Conclusions.

The use of estimates has been accepted for years in the accounting and auditing communities as long as the methodology is reasonable and sufficient and appropriate supporting documentation is maintained. Financial statements audit opinions are based on the reasonable accuracy of the account balances. Further, it is expected that these historical cost estimates should be rare and the exception to the historical cost documentation rule.

Q6. The Board has proposed clarifications regarding when reasonable estimates are permitted.

We do believe additional clarification is needed on the use of reasonable estimates when valuing the historical cost of G-PP&E. Implementation guidance would be helpful such as what are suggested methodologies, examples of appropriate and sufficient supporting documentation.