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To : Wendy M. Payne- Executive Director  
Regarding: The Use of Judgmental Estimates in Place of Historical Costs  
Due January 30, 2009  
By : Dr. Joseph S. Maresca CPA, CISA January 10th, 2009

Colleagues,

Thank you for the opportunity to critique the issuance put forward for public comment.

#### SUMMARY:

The issuance seeks to accomplish reasonable judgmental estimates over historical costs due to non-existent record-keeping . There are instances where judgments are required because cost aggregation may not be practical. Nonetheless, there are ways to quantify judgments electronically. In addition, uniform metrics have been useful in establishing fair judgmental criteria. Lastly, standardized data protocols in electronic data processing may assist in providing a uniform naming standard for data aggregation purposes.

Details follow:

- (1) Modernization of record keeping may be accomplished via uniform naming standards for data identification and aggregation purposes. For instance, the name of the data set should be addressed consistently by reference to an electronic dictionary for the involved system application. The electronic dictionary of words would have global application for ALL users.
- (2) The use of artificial intelligence in expert systems allows the knowledge engineer to poll a community of experts in order to arrive at an "advice giving" database. The polling of a statistically significant group of experts will provide an unbiased assessment on the collective wisdom available for defining a problem by all known criteria given the input from a community of unbiased experts. The knowledge engineer is responsible for polling the community of experts and incorporating their collective wisdom onto the "Advice Giving" system or database application.

#### (3) ACROSS THE CABINET

The Secretaries of State are interested in accomplishing specific missions and the effectiveness of incurred costs. Historical costs and market value costing have less significance in this mix. In some instances, United Nations Forces and Peacekeeping provide opportunities for shared costs and burden-sharing.

The Secretaries of the Interior , Agriculture Commerce and Labor have a similar mission-based or goal-oriented interest. Artificial Intelligence and "Advice Giving" systems will have utility for these cabinet groups because input from a community of experts is necessary oftentimes.

The Secretaries of Treasuries are interested in GDP growth, moving averages, the VIX index, General Price Level, market trends in inflation/deflation and the present value concepts in finance. The Treasury Department is concerned that estimates are rational and that replication is effortless by the community of experts in the area of finance and government accounting.

The Secretaries of Defense are interested in accomplishing clearly definable missions within a reasonable range of relevant costs. Historical costs are indicators; however, these measurements don't disclose much useful information because judgments are based on clearly definable present and future missions and not past missions or historical costs. Nonetheless, judgmental estimates must be made in key areas. For instance, the engineering Mean Time Between Failures provides a fair measurement of how long a piece of equipment will operate until an anticipated field breakdown or anticipatory preventive maintenance.

The next important question involves whether or not technology is up-to-date . Facilities or equipment which is "dated" must be replaced or upgraded. Here again, artificial intelligence provides a useful tool for polling a community of experts to update the knowledge data base by the knowledge engineer.

Functionality and ease of use are other important metrics which govern utilization in the field of operations. Equipment or processes which are exceeding complicated have a retarded or delayed throughout which interferes with optimal efficiency. Therefore, historical cost alone will not provide the requisite information for strategic decision-makers.

The Secretary of Housing and Urban Development has a strategic interest in the effectiveness of program efforts. For instance, is the Section 8 program providing a definable benefit as against the various Mortgage Programs aimed at home ownership ? Historical cost may be co-opted by inflation/deflation pressures.

There are other questions for the Secretary of HUD. Should the government purchase the land and lease it to homeowners in place of the standard mortgage which covers both the house and the land. A government purchase/lease of the land would remove banks from the portion of the mortgage dealing with land and focus on the house only. This action would reduce risks to banks and make home ownership more affordable.

The Secretary of Transportation has a longer term view because new transportation facilities have a useful life of decades. Therefore, present value concepts in finance are dispositive and not necessarily historical costs. In addition, certain roads and bridges may be financed with tolls so that the outlay can be matched with future revenues on a present value basis.

The Secretary of Energy is concerned about promoting affordable energy for the current and future generations of Americans. Historical cost is less important. The most important decision criteria is to select the optimal mix of energy sources both now and in future years. The state of technologies in solar energy, windmills, natural gas ( home, auto) , conversion of restaurant waste into diesel fuel, auto battery, nuclear power, the "Artificial Sun- Multi-Nation Project" , oil, advanced scrubber technology, ocean wave technology, geothermal are dispositive. Artificial Intelligence and expert systems may help decision-makers poll the relevant experts for input onto the knowledge base by the knowledge engineer.

The Secretary of Health, Education and Welfare is concerned about accomplishing a social service mission at an affordable cost given the current technological state of art. The Patent Office in the USA and European Patent Office have the relevant technologies in the form of allowed patents and instrumentalities. Again, artificial intelligence systems can assist in polling a community of experts for input onto an "Advice Giving" database by the knowledge engineer. Health outcomes may be delineated on Advice Giving databases in order to provide patients with the most affordable and effective treatment modalities given clearly definable symptoms and symptomatology. Purchasing of medicines in pharmaceutical co-operatives may reduce costs significantly through numerous efficiencies in collective buying. Electronic medical records should reduce medical errors and facilitate information gathering for diagnostic purposes. Education is mission-directed. The key statistic is graduates per program . In addition, educational encounters may be measured by learning transfer.

The Secretaries of Veterans are concerned with delivering a quality service for the dollars expended. Again, collective pharmaceutical purchasing, artificial intelligence "Advice Giving Systems" and telecommunications systems can be dispositive in processing a large amount of data and files.

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