

**January 2009****Property, Plant and Equipment**

Estimating the Historical Cost of General Property, Plant and Equipment (PP&E)  
(Amending Statements of Federal Accounting Standards 6 and 23)

Thank you for the opportunity to comment on this important accounting matter. FASAB should issue the proposed November 14, 2008, PP&E amendments and allow and encourage entities to apply cost estimation techniques to estimate/establish PP&E values. FASAB should also support related non-traditional approaches to valuation documentation (such as related budget information). Such estimations and documentation should be allowed at any time and for any entity. Estimations support timely, reliable financial information objectives in a variety of other financial areas and should be allowed to support similar objectives in the PP&E area. Such objectives include demonstrating accountability and providing useful information, including information to improve government management.

FASAB should issue the noted amendment/clarification to existing standards. The clarification is required because some auditors (and preparers) continue to misinterpret prior guidance and insist upon, in certain circumstances, unachievable PP&E valuation and documentation concepts. Unfortunately, more reasonable interpretations of prior guidance have not been universally achievable. For example, during the late 1990's the National Aeronautics and Space Administration (NASA) and its auditors applied appropriate judgment and estimated and verified old legacy asset values based on available non-traditional documentation, such as budget information. Pursuant to then-Federal practice and document retention policies, traditional historical cost documentation either did not exist or could not be economically recreated for certain PP&E.

During the 1990's, NASA received consistent unqualified audit opinions. In more recent years, a new audit firm has insisted upon traditional documentation and consistently disclaimed opinions, in part, based on their noted inability to verify PP&E. The underlying systems, controls and PP&E practices were basically consistent. The primary difference was a different interpretation (misinterpretation) of the standards.

Unless corrected through the noted amendment, such continuing misinterpretations will likely cost the Federal government millions of dollars for remedial activities and/or result in continuing credibility issues for entities that continue to receive disclaimers of opinion, at least in part, because auditors continue to insist upon traditional payment receipt documentation for certain legacy (often old) PP&E. The costs of continuing misinterpretations and related government efforts to recreate traditional historical cost valuations and related documentation clearly outweigh the related benefits, particularly in this circumstance where a reasonable, cost efficient, alternative approach exists.

Entities should be allowed and encouraged to apply appropriate judgment and estimate the historical cost of PP&E through reasonable estimating techniques. Such techniques should include, but not be limited to, estimates based on the cost of similar assets, estimates based on discounting/“deflating” the current cost of similar assets and other reasonable estimates. Such estimates can also be based on non-traditional information, such as, but not limited to, budget information, appropriation information, engineering documents/information, contract information and other reports/information.

Reasonable estimates and PP&E value estimating techniques should be permitted at any time (on an ongoing basis) for any entity. The FASAB noted open-ended option is appropriate because: (1) estimates are used in a wide variety of other financial reporting matters and (2) estimates can efficiently and effectively support key underlying government information and reporting objectives. Such objectives include, full financial accountability, budgetary integrity, operating performance improvements and timely, reliable financial information for internal and external decision makers and oversight.

Estimation should be allowed for PP&E valuation and non-traditional documentation should be noted as fully acceptable. While historical cost and related traditional documentation may be preferred, reasonable estimates of historical costs and available related alternate documentation should be acceptable as an economic, efficient and effective alternative. Estimates can provide reliable and verifiable values that can support external and internal financial reporting objectives. Such estimates can support appropriate full reporting for all entities regardless of when the entities may have been required to begin required PP&E reporting. Such information and transparency are critical to optimum Federal government credibility, integrity and accountability.

Thank you for your continuing service in establishing and maintaining quality Federal accounting standards. Also, thank you for the opportunity to comment on these important financial matters. Please do not hesitate to contact me if you require additional information.

Respectfully,

Kenneth J. Winter