DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220
January 30, 2009

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

Thank you for the opportunity to provide comments on the November 14, 2008 Exposure Draft titled "*Estimating the Historical Cost of General Property, Plant, and Equipment – Amending Statements of Federal Financial Accounting Standards 6 and 23.*" Our comments, in response to the questions on pages seven and eight of the Exposure Draft, are as follows:

Question 1: Do you agree or disagree that reasonably estimating the original transaction data historical cost and accumulated depreciation of G-PP&E upon initial capitalization is appropriate for 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? Please provide the rationale for your answer.

Response: Agree. Allowing for the use of reasonable estimates of transaction data historical cost and accumulated depreciation of G-PP&E upon initial capitalization is a logical and appropriate approach to encourage and support entities that are electing to, or are being required to, prepare financial reports with G-PP&E for the first time. The utilization of estimates efficiently accounts for previously expensed historical G-PP&E data, allowing entities to focus on the development and implementation of compliant G-PP&E business practices.

The process of estimating asset costs for initial capitalization worked very well for Treasury, especially at our largest bureau, the Internal Revenue Service where G-PP&E assets are located at hundreds of locations throughout the country. During FY 99 (the first year IRS was required to report G-PP&E) they sampled a number of IRS office sites and worked closely with the Government Accountability Office (GAO) during the process to ensure that the final results would meet the requirements in SFFAS 6. Using estimates allowed IRS and other bureaus to implement SFFAS 6 on time at a reasonable cost.

Question 2: Do you agree or disagree 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? Please provide the rationale for your answer.

Response: Agree. The initial capitalization of G-PP&E based on reasonable estimation methods as provided in the SFFAS 23, as amended, should be considered acceptable on a continuing basis.

Because entities that have not established adequate systems are expending resources on both system development and manual generation of historical cost data for G-PP&E, we believe that allowing the use of estimation methods on a continuing basis is a more cost effective means of implementing new requirements.

However, as systems and processes are put into place and operating effectively, the need for using estimates should decline over time. On occasion, through normal reviews, entities may discover G-PP&E items purchased in earlier accounting periods that were erroneously not capitalized. In those cases, if source documentation is not readily available, it may not be cost effective to conduct lengthy manual searches.

Question 3: Do you 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? Please provide the rationale for your answer.

Response: Agree. The use of estimates to establish the original transaction data historical costs and accumulated depreciation can save agencies money and time in implementing requirements of SFFAS 6. The process for agencies in researching back several years to find the historical cost of each asset and verifying that the asset is still in use by the agency can be very time consuming, costly and in cases where assets were purchased several years ago, the detail may no longer exist on site or at all.

Additionally, the net book value of assets is an estimate, since assets are depreciated or amortized over their estimated useful lives. If estimates are appropriately used, then the asset values presented should be reasonably stated. Please refer to our response to question 2 for additional information which is also relative to this question.

Question 4: Do you believe that the use of reasonable estimates to value G-PP&E should be permitted at any time (i.e., an open-ended option) or only permitted through a definitive end date (i.e., a date-certain option)? Please explain your preference.

Response: Use of reasonable estimates to value G-PP&E should be permitted at any time. A definitive end date for the use of estimates could result in the loss of significant amount of estimation work when a large agency that is working to implement SFFAS 6 is not able to implement within a mandated timeframe. That agency would have to start back over using actual historical cost. An open ended time period would allow a large agency to comply with the standards in stages for different types of assets, if they are unable to implement a process for all asset types at once.

Several of our bureaus did, however, raise concern that without specified limits to encourage compliance, some entities will likely postpone efforts to improve methods of capturing and reporting G-PP&E data. The Board could address some of their concerns regarding the assignment of a definitive end date by applying a flexible/tiered approach grouped by volume or complexity of data.

Question 5: Do you agree with the views expressed in the Alternate View in the Basis for Conclusions? Please provide the rationale for your answer.

Response: Disagree. While the delay of developing a system to capture historical costs based on transactional data is a possible outcome, it is not a likely outcome.

When an agency knows that it needs to capture current costs of assets on an ongoing basis, that agency should be able to establish a process to capture those costs. The process does not have to be a highly technical one. Agencies will find that once a process is set up to capture historical costs based on transactional data, the ongoing maintenance of that process is easier than continually trying to re-establish estimates, and revalidate the assumptions that are incorporated into the estimates based on new economic conditions.

Several of our bureaus did, however, share Mr. Patton's concern that although the Exposure Draft encourages federal entities to develop systems to capture historical costs based on transaction data, the time period allowed for the use of reasonable estimates is open-ended. This open-ended option may result in the prolonged use of estimates when not appropriate because the ability to use estimates appears to be without substantial constraints. One bureau believes that the Exposure Draft lacks sufficient language to effectively encourage full entity compliance with G-PP&E standards and that the Board needs to define baseline requirements for reasonable estimates, develop expectations for system development and process improvements, and assign a definitive timeline for compliance.

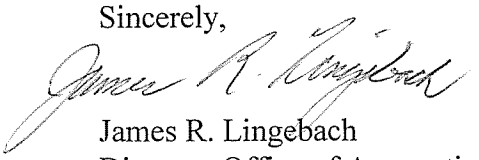
Question 6: Do you believe additional clarification is needed on the use of reasonable estimates when valuing the historical cost of G-PP&E? Please explain what areas require additional clarification and provide the rationale for your answer.

Response: Yes. We believe additional clarification is needed. Further defining what constitutes an estimate, and including some concrete steps that must be followed prior to making the decision to use estimates would be beneficial. Expanding the disclosure requirement for including the use and general basis of any estimates used to include describing the process used to determine the estimates would be encouraged. Additionally, current guidance is somewhat vague and lacks proper limitations. The use of the word "reasonable" is used throughout the Exposure Draft and needs to be further defined to provide a baseline expectation/requirement.

In addition, to prevent continued use of estimates after a practical timeframe, the Board may want to consider adding that continued use of estimates after a certain period of time by an agency requires 1) re-validating the assumptions incorporated into the estimates, 2) providing a justification to auditors as to why the agency is continuing to use estimates.

Again, we appreciate the opportunity to comment on this Exposure Draft. If we can be of further assistance, please contact me on (202) 622-0818, Don Geiger on (202) 622-0934 or Bob Faber on (202) 622-6421.

Sincerely,



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