

>>> On 12/18/2008 at 2:15 PM, <Mary.Glenn-Croft@ssa.gov> wrote:

FASAB:

Attached is SSA's response to the Exposure Draft *Estimating the Historical Cost of General Property, Plant and Equipment*. Staff questions can be addressed to Christina Lilly at christina.lilly@ssa.gov or 410-965-1263.

Thank you for the opportunity to comment.

Mary Glenn-Croft
Chief Financial Officer
Social Security Administration

Estimating the Historical Cost of General Property, Plant and Equipment

Questions for Respondents

1. Do you agree or disagree that reasonably estimating the original transaction data historical cost and accumulated depreciation of General PP&E upon initial capitalization is appropriate for entities that have not previously reported G-PPE on their financial reports and for those that have not previously prepared financial reports but may be required or elect to do so in the future? [see para. 7 and A9].

Yes, we agree that it is appropriate to make reasonable estimates of original historical cost and accumulated depreciation when the original data is not available. There are many instances where obtaining the original transaction data is neither practical nor cost-effective.

2. Do you agree or disagree that initial capitalization of GPPE based on reasonable estimation methods as provided in SFFAS 23, as amended, is acceptable on a continuing basis? [See SFFAS 23 amended paragraphs 10-13A]

Entities should use reasonable estimates in situations where it has been determined it is impractical to obtain the original transaction data or it is not available. In order to make historical data compliant with SFFAS 6 and SFFAS 23, the use of reasonable estimates would be appropriate, but not for future purchases of GPP&E. Allowing for the use of estimates on a continuing basis may deter agencies from developing new systems and processes to capture historical costs.

3. Do you agree with the proposed amendments to SFFAS 6 that allows the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for GPPE? [See para. 7 and A10-A13A]

Yes, we agree with the proposed amendment to SFFAS 6 found in paragraph 7 and paragraph A10-13A. The various approaches on how to make an estimate are clear and understandable. However, paragraph A12 states ‘...entities should use judgment regarding the decision to use estimated historical cost in lieu of original transaction based data.’ It seems this statement is encouraging the preparer to select one or the other. Obviously, if transaction data is available, estimates should not be used.

4. Do you believe that the use of reasonable estimates to value GPPE 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)? [See para. 7, A5, A14-15, A19-20]

We believe a date certain option is the best approach. Establishing a specific date will encourage preparers to develop a system, or some other method, to capture historical costs. Keeping in mind the burden this may place on some agencies, FASAB should

establish a reasonable timeframe (i.e., 5 years) to develop systems and/or approaches to ensure the reporting of accurate data.

5. Do you agree with the views expressed in the Alternative View in the Basis for Conclusions? [See para. A18-20]

We do not agree with Mr. Patton's position that this ED would "...be ineffective in improving federal financial reporting for the foreseeable future." Mr. Patton raises some concerns about the use of estimates, stating that there would be no "...objective basis upon which to compare the estimates made by an agency." The use of estimates for financial reporting has been used successfully by federal agencies; there is no evidence that the use of estimates for historical costs would not be as effective. In addition, Mr. Patton's concerns that agencies will "...defer or delay the creation of systems for a considerable time period," could be addressed by establishing a "date certain option" as discussed in paragraphs A14-A15.

6. Do you believe additional clarification is needed on the use of reasonable estimates when valuing the historical cost of GPPE? Please explain what areas require additional clarification.

No, we believe the information provided in this ED is clear and understandable.