

U.S. Department of Homeland Security

Office of Finance and Administration
601 South 12th Street, TSA-14
Arlington, Virginia 20598-6014



**Transportation
Security
Administration**

JAN 16 2009

Ms. 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 comment on the Exposure Draft titled "Estimating the Historical Cost of General Property, Plant, and Equipment."

We take no exception to any of the changes proposed in the exposure draft. However, we recommend that FASAB expand the estimating proposal to include SFFAS 10, *Accounting for Internal Use Software*. SFFAS 6, paragraphs 27 and 28, imposed capitalization requirements for "internally-developed" software. SFFAS 6 was clarified by SFFAS 10, which in paragraph 15 states that "entities should capitalize the cost of software when such software meets the criteria for general property, plant, and equipment (PP&E)." Furthermore, the SFFAS 10 Executive Summary states that "[Internal Use] software serves the same purposes as other general PP&E and functions as a long-lived operating asset." Therefore, an indirect argument can be made that estimating the costs of acquiring or developing software already falls within the scope of the exposure draft. However, to prevent conflicts in interpretation we recommend that the board make it clear that the estimating procedures apply to SFFAS 10 as well as SFFAS 6.

In capitalizing the costs of internal use software, agencies face many of the same challenges associated with capitalizing physical property. In addition, these challenges are compounded by the requirement to limit capitalization to the software development phase when the demarcation between phases may not always be readily distinguishable. Recognizing the acceptability of estimating techniques would provide agencies with a cost effective mechanism for complying with the standard.

We appreciate your consideration of our comments. Please feel free to call me at (571)-227-2118 if you would like to discuss further or need clarification on our particular financial reporting requirements.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey M. Bobich".

Jeffrey M. Bobich
Director, Office of Financial Management
Office of Finance and Administration