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

***Eliminating the Category National Defense Property,
Plant, and Equipment Exposure Draft***

Dear Ms. Comes:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board (FASAB) exposure draft (ED), *Eliminating the Category National Defense Property, Plant, and Equipment*.

The FMSB, comprised of 21 members with accounting and auditing backgrounds in federal, state, and local government, academia, and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. The FMSB's comments and recommendations regarding the proposed changes are presented below. However, our comments and recommendations do not necessarily represent positions of individual FMSB members or the organizations that they represent. Local AGA chapters and individual members are encouraged to comment separately.

The ED proposes an amendment to the standards for national defense (ND) property, plant, and equipment (PP&E) that would rescind the special category ND PP&E effective for the periods beginning after September 30, 2002. All assets previously classified as ND PP&E would be reclassified and presented as general PP&E in accordance with the provisions of Statement of Federal Financial Accounting Standards No. 6, as amended. In addition to the reclassification of ND PP&E, the ED proposes to permit composite or group depreciation for ND PP&E. The FMSB supports the proposed reclassification of ND PP&E to general PP&E and the proposed effective date.

The FMSB also supports, with certain reservations, the use of composite or group depreciation methods for ND PP&E. The credibility of the group or composite methodology rests on the validity of the



depreciation rates. While these rates may be readily established for most general PP&E, the fact that, in any accounting period, a major conflict may result in a large number of ND PP&E assets being destroyed in a relatively short time complicates the development and application of group or composite depreciation rates to ND PP&E. Therefore, we suggest that the FASAB keep on its agenda a project to monitor the results of the use of the composite and group depreciation methods for ND PP&E for at least the first three years after implementation. We also suggest that the FASAB revisit those results every three years thereafter until it is comfortable with the credibility of the depreciation numbers calculated using these approaches.

Again, the FMSB appreciates the opportunity to provide comments on this ED. Should you have any questions, or desire further details on FMSB's position, please contact me at (216) 583-8276 or james.williams17@ey.com, or Rhoda Icerman, the FMSB facilitator for this project, at (850) 644-7874, or ricerma@cob.fsu.edu.

Sincerely,



James M. Williams, CPA, CGFM, Chair,
AGA Financial Management Standards Board

C: Mr. Richard V. Norment, CGFM
AGA National President