

August 26, 2024

VIA E-MAIL: OMBCASB@omb.eop.gov

ATTN: Mr. John L. McClung, Manager
Cost Accounting Standards Board (CASB)
Office of Federal Procurement Policy
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

RE: Conformance of Cost Accounting Standards to Generally Accepted Accounting Principles for Compensated Personal Absence and Depreciation of Tangible Capital Assets
Case 2021-02

Section 820 of the 2017 National Defense Authorization Act directed the Board to conform CAS to GAAP to the maximum extent practicable. The CASB has proposed a rule change affecting two Cost Accounting Standards, which serve to conform these Standards to GAAP for costs of compensated personal absences and depreciation of tangible capital assets.

Costs of Compensated Personal Absences: The proposed rule change would eliminate CAS 408 because the differences between GAAP and CAS are not significant. The difference is in regard to GAAP, which requires the accrual of accumulated rights in addition to vested rights in the year earned. CAS only requires the accrual of entitled (i.e., vested) rights.

The Board requested input regarding the treatment of changes to cost accounting practices to conform to GAAP, such as assigning the costs to earlier cost accounting periods than CAS 408 permits. Specifically, should the changes be considered required, unilateral or desirable changes in accordance with 48 CFR 9903.201-4(a)(4)(i), (ii), or (iii), respectively.

COMMENT: The proposed rule change is desirable.

- a. GAAP and CAS are in such close alignment that CAS 408 is not needed to provide for uniformity and consistency in the allocation of costs to cost accounting periods,
- b. There is no material difference regarding accumulated rights, while not stated in CAS, that would warrant the submission of a cost impact, and
- c. Any change as a result of the elimination of CAS 408 should be considered a required change without a cost impact requirement.

Depreciation of Tangible Capital Assets: The proposed rule change would eliminate CAS 409 because the differences between GAAP and CAS no longer exist. The Standard was originally necessary in the 1960's because the Internal Revenue Code (IRC) contained accelerated depreciation methods that did not equitably allocate depreciation costs to the cost accounting periods representative with an asset's useful life. GAAP has evolved since the 1960's and the original promulgation of CAS 409. As such, a comparison of GAAP and CAS depreciation requirements results in little to no difference.

COMMENT: This proposed rule change is desirable.

- a. Considering the evolution of GAAP over time, the differences between GAAP and CAS no longer warrant a separate Standard for the depreciation of capital assets and GAAP should replace CAS 409,
- b. The fundamental requirements and techniques for application of CAS 409 are addressed by GAAP in a manner that provides for uniformity and consistency in allocating costs, and
- c. Any changes to established cost accounting practices should be prospective, aligning any change to the treatment of changes in expected useful lives. This will reduce or eliminate the impact on the Government resulting from any change necessary, making the change desirable, required and eliminating the need for any cost impact calculations.

The conformance of Cost Accounting Standards to Generally Accepted Accounting Principles for the compensation of personal absences and depreciation of capital assets benefits all parties, reducing the likelihood of misapplication and noncompliance in practice.

Respectfully submitted,



Anthony Worick, CPA
Partner
Capital Edge Consulting, LLC

tworick@capitaledgeconsulting.com