



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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B-167459

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Mr. Thomas G. Cassidy  
Chairman, ASPR Committee  
Office of the Assistant  
Secretary of Defense  
Department of Defense

Dear Mr. Cassidy:

By letter dated September 28, 1977, with attachment, you transmitted for our comment proposed revisions to ASPR 15-205.6(f), regarding Compensation for Personal Services.

Currently, under ASPR 15-205.6, deferred compensation costs are allocable and allowable only in those years in which they are allowable as tax deductions under the Internal Revenue Code. Generally such costs are allowable as tax deductions only in the years in which the employees are actually paid. Therefore, under current ASPR policy, deferred compensation costs are neither allocable nor allowable in the year of award to the employee; rather, they are allocable to and allowable in the years in which actual payments are made. Conversely, Cost Accounting Standard (CAS) 415 sets forth measurement and allocability criteria based on accrual accounting concepts and prescribes that deferred compensation costs are allocable entirely to the year in which the award is made to the employee--they are not allocable to the years subsequent to award in which actual payments are made. In view of the above conflict, the ASPR Committee is considering a revision to the cited ASPR provision, incorporating CAS 415.

The proposed revision makes subparagraphs (A) and (B) of ASPR 15-205.6(f)(2)(ii) applicable only to deferred compensation costs not covered by CAS 415. The first phrase of each of these subparagraphs requires deferred compensation costs to be deductible for the same fiscal year for Federal Income tax purposes under Section 404 of the Internal Revenue Code of 1954. We agree that subparagraphs (A) and (B) should no longer be applicable to costs covered by CAS 415.

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New subparagraphs (C) and (D) of ASPR 15-205.6 (f) (2)(ii) incorporate CAS 412 (regarding pension plans) and CAS 415 (regarding other forms of deferred compensation), respectively, into the cost principle. New subparagraph (D)(a) makes unallowable an interest component of deferred compensation cost. We have been informed by Mr. George H. Strouse, Chairman of the ASPR Section 15, part 2 Subcommittee, that this provision has been deleted. New subparagraph (D)(b) makes the cost of stock options unallowable. We have no objection to the remaining provisions of subparagraphs (C) and (D).

New subparagraph (E) provides that deferred compensation paid to employees under awards made prior to the effective date of CAS 415 are allowable to the extent they would have been allowable under ASPR 15-205.6, dated July 1, 1976. We have no objection to this provision.

Sincerely yours,

R. F. WELLS

Deputy

Comptroller General  
of the United States