GAO

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United States Government Accountability Office
Washington, DC 20548

January 11, 2008

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board

Dear Ms. Payne:

We appreciate the opportunity to comment on the Federal Accounting Standards Advisory Board's (FASAB) proposed exposure draft (ED) entitled Accounting for Federal Oil and Gas Resources.

We have concerns about the significant amount of information proposed for disclosure in Required Supplementary Information (RSI), as discussed in paragraph 32, and the costs versus the benefits of accumulating and reporting this information in the general purpose financial statements. While this information might be relevant and useful to sophisticated users, such detailed information may not be necessary for the broader set of intended users of the general purpose financial statements. Our comments are directed at the requirements for component entities only, as we agree with the required disclosures for the CFR without additional supplementary information.

Also, we have concerns about the costs versus the benefits of accumulating, reparing, and auditing information required by paragraph 34 to be reported in disclosures for fiduciary activities. Requiring the Federal entities to disclose the value of oil and gas reserves for fiduciary activities will incur additional costs and result in information that is inconsistent with information currently reported to beneficiaries of these fiduciary activities. In addition, it will reflect only the value of reserves for which the entity has fiduciary responsibility, which may not represent all reserves owned by beneficiaries.

The Board should obtain specific information from the management of affected entities concerning the costs of developing and reporting the RSI and fiduciary information, and should reconsider the requirements of the ED based on this information. Further, the Board should clearly document the basis for its determination of whether such information is appropriate for general purpose financial statements and whether it can be prepared and audited at a reasonable cost in relation to its usefulness.

In addition, for clarity, the standard should specifically require disclosure of the basis of accounting for estimated petroleum royalties and describe the nature of such disclosures. Appendix D should include illustrative language for such disclosure.

Finally, the Board should consider whether changes in long-term assumptions related to oil and gas reserves should be reported as a separate component of net cost similar to changes in long-term assumptions for liabilities as proposed in the ED entitled Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates.

We appreciate the opportunity to provide our comments on the exposure draft and would be pleased to discuss our comments with you at a convenient time. If we can be of further assistance, please call me at (202) 512-2600.

Sincerely yours,

McCoy Williams

McCoy Williams
Managing Director
Financial Management and Assurance