



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
Office of the Secretary

February 8, 2011

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

Dear Ms. Payne:

The Department of Interior (DOI) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft proposing a one-year deferral of the effective date of SFFAS 38, *Accounting for Federal Oil and Gas Resources*.

Q1. Do you agree or disagree with the proposed one-year deferral of the effective date of SFFAS 38, ***Accounting for Federal Oil and Gas Resources*** (see paragraph 2 and further discussion in paragraphs A1 through A7)?

The DOI agrees with the proposed one-year deferral of the effective date of SFFAS 38.

On May 19, 2010, Secretary Salazar announced the restructuring of the Minerals Management Service (MMS), the component entity responsible for collecting federal oil and gas royalties and charged with preparing the information to be reported under SFFAS 38, by issuing Secretarial Order No. 3299. The structure established in Secretarial Order No. 3299 reflects Interior's conclusions regarding how best to achieve the goals of mission independence, appropriate checks and balances, and rigorous oversight, while maintaining ongoing communication and coordination necessary to facilitate an effective, efficient and predictable process. As an interim step, MMS was also renamed the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE).

MMS's successor organization will be divided into three new entities. First, the BOEMRE and the Bureau of Safety and Environmental Enforcement will divide the duties of the former Offshore Energy and Minerals Management organization, with the former managing the development of conventional and renewable resources and minerals on the OCS, and the latter providing safety and environmental oversight. Second, the Office of Natural Resources Revenue (ONRR) will perform the royalty collection and disbursement roles of the former Minerals Revenue Management

organization. On October 1, 2010, ONRR was transferred to DOI's Assistant Secretary for Policy, Management and Budget.

As a result of these significant organizational changes, many challenges and issues have arisen which will complicate the successful implementation of SFFAS 38. Numerous decisions remain regarding the reorganization and final make-up of the successor entities and the accounting and reporting support for each of the entities. Additionally, further analysis should be given to some of the underlying assumptions used in developing the requirements for the Standard, to determine potential impacts to reporting in light of the new organizational structure.

Accordingly, DOI concurs with the Exposure Draft which proposes a one-year deferral of the effective date of SFFAS 38, and we appreciate the opportunity to provide comments on the matter.

Sincerely,

/s/

Edward King  
Acting Deputy Director  
Office of Financial Management  
US Department of the Interior  
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