



Greater Washington Society of CPAs and GWSCPA Educational Foundation

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January 31, 2011

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

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB or the Board) Exposure Draft (ED) on the proposed Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*.

The GWSCPA consists of approximately 2,000 members, and the FISC includes 26 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members. Our responses to the ED questions follow.

- Q1. This proposed technical bulletin would explicitly apply the requirements of SFFAS 38, *Accounting for Federal Oil and Gas Resources*, to all federal natural resources under lease, contract or other long-term agreement and reasonably estimable as of the reporting date (see paragraphs 9 and 16). The Board believes that explicitly applying SFFAS 38 to all federal natural resources is preferable to remaining silent and relying on preparers and auditors to follow the hierarchy of generally accepted accounting principles and apply SFFAS 38 to other federal natural resources through analogy. The Board believes that being explicit will result in more complete, consistent, and useful reporting of federal natural resources. Do you agree or disagree with the Board's decision? Please explain the reason for your position in as much detail as possible.
- A1. The FISC generally agrees with the Board's decision that being explicit will result in the more complete, consistent, and useful reporting of natural resources. However, although the list provided in Appendix B of the ED is robust, additional natural resources may be identified for which agencies may need to follow the hierarchy of generally accepted accounting principles (GAAP).

- Q2. Appendix B: Federal Natural Resources is a listing of various categories/types of natural resources. It is intended as a general guide to the universe of natural resources that were considered during development of this technical bulletin (see Appendix B).
- a. Which categories/types of federal natural resources, if any, result in annual receipts and/or collections that would be material to a federal reporting entity over the life of the related lease, contract, or other long-term agreement?
 - b. Are there any categories/types of federal natural resources omitted from the listing in Appendix B which result in annual receipts and/or collections that would be considered material to a federal reporting entity over the life of the related lease, contract, or other long-term agreement? If so, please explain.
 - c. Are there any categories/types of federal natural resources that a federal agency currently recognizes as an asset on the face of the balance sheet/statement of financial position? If so, please explain.
- A2. The FISC is not aware of any additional categories or types of federal natural resources that have been omitted from Appendix B.
- Q3. This proposed technical bulletin applies the same valuation guidance contained in SFFAS 38 for federal oil and gas proved reserves to all federal natural resources under lease, contract or other long-term agreement and reasonably estimable as of the reporting date (see paragraphs 23 through 27). Do you agree or disagree that the valuation guidance is sufficient? Please explain the reasons for your position in as much detail as possible.
- A3. The FISC agrees with the guidance provided in the ED.
- Q4. Please comment specifically on the reasonableness of the proposed technical bulletin from each of the following three perspectives:
- a. Cost – Considering the preparer and audit perspective, would any federal agency incur significant costs to implement the requirements of this proposed technical bulletin? Please explain the reason for your position in as much detail as possible.
 - b. Timing – Considering that the proposed requirements would be reported in RSI, is a fiscal year 2012 implementation date reasonable? Please explain the reason for your position in as much detail as possible.
 - c. Benefits – Considering the user perspective (internal as well as external), would the benefits of this proposed technical bulletin outweigh the costs of implementation? Please explain the reason for your position in as much detail as possible.
- A4. The FISC agrees with the reasonableness of the proposed technical bulletin in terms of the ED's cost, timing, and benefits.

Other Comments

We recommend that the references in paragraph 29(c), 29(d), and 29(f) to the federal government be replaced with reference to the reporting entity. For example, in paragraph 29(c), the current

reference requires the component entity to disclose narrative “describing the estimation methodology used to calculate the value of the federal government’s natural resources under lease, contract, or other long-term agreement” (emphasis added). This requirement may be considered overly broad by the individual reporting entity to address government-wide reporting matters. Rather, requiring the component entity to describe its individual estimation methodology, and that the component entity’s approach is consistent with generally accepted accounting standards, would be more meaningful to a reader of the individual component’s financial report.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

A handwritten signature in black ink that reads "Andrew Lewis". The signature is stylized with a large, looped "A" and a cursive "L".

Andrew C. Lewis
FISC Chair