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United States Government Accountability Office
Washington, DC 20548

January 31, 2011

Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Washington, D.C. 20548

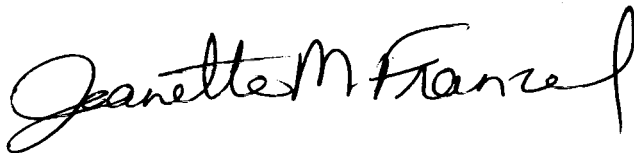
Dear Ms. Payne:

The U.S. Government Accountability Office (GAO) is pleased to provide its comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) of Technical Bulletin 2011-1 entitled Accounting for Federal Natural Resources Other Than Oil and Gas. This proposed technical bulletin would clarify the application of the requirements of SFFAS 38, Accounting for Federal Oil and Gas Resources, to other federal natural resources.

The GAO supports the FASAB's efforts to provide explicit requirements for reporting estimates of the value of federal natural resources other than oil and gas. Accounting and reporting of such federal natural resources could enhance accountability and stewardship over assets in the federal government and improve transparency in federal financial reporting regarding the value and changes in value of these assets. We believe that Technical Bulletin 2011-1 could be enhanced by the inclusion of illustrative examples which would be general in nature and could aid preparers of federal financial reports. Also, with respect to cost-benefit (see question 4 of the ED), it is important that the Board receive information from the anticipated preparers of such information concerning expected implementation costs, so that the Board can make an informed decision about the cost-benefit of the reporting requirements in the Exposure Draft.

We have included detailed comments for your consideration in the enclosure to this letter, to provide our perspectives on information included in the Exposure Draft of Technical Bulletin 2011-1 entitled Accounting for Federal Natural Resources Other Than Oil and Gas. If you have any questions, please call me at (202) 512-2600 or Robert Dacey, Chief Accountant at (202) 512-7439.

Sincerely yours,

A handwritten signature in black ink that reads "Jeanette M. Franzel". The signature is written in a cursive, flowing style.

Jeanette Franzel,
Managing Director
Financial Management and Assurance

Enclosure

ENCLOSURE

GAO Comments on the Exposure Draft for Technical Bulletin 2011-1 entitled Accounting for Federal Natural Resources Other Than Oil and Gas.

1. Page 9, paragraph 12,

The definition of federal natural resources could be clarified by including all of the criteria in one paragraph, including identification of the types of federal natural resources (e.g., non-renewable, renewable). Consistent changes should be made to the definition in Appendix D. Potential language to replace paragraphs 11-12 is as follows:

Federal natural resources are resources that occur in nature (including non-renewable and renewable resources) and meet all of the following criteria:

- the federal government may exercise sovereign rights over the resources with respect to exploration and exploitation;
- the federal government has the authority to derive revenues from the resources for its use; and
- the resources are contained on federal lands or the federal government substantially manages and/or controls the resources.

Also, it would be helpful to define the phrase *substantially manage and or/control* and provide examples so that preparers, auditors, and users can have a consistent understanding of the terminology and apply it consistently.

2. Page 9, Paragraph 14

We believe the applicability of the guidance should be clarified with respect to whether reporting is permitted for renewable resources, electromagnetic spectrum, and non-renewable resources (other than oil and gas) that are not long-term. Also, the content of paragraphs 16 and 17 could be incorporated into that discussion.

In addition, we suggest that the guidance clarify the permissibility of reporting Renewable Natural Resources and Electromagnetic Spectrum in the related definitions in the Technical Terms section (Appendix D).

Further, we suggest that the Technical Bulletin clarify whether the definition of “long-term” (i.e., more than five years) refers to the initial, rather than the remaining, term of the agreement and whether it considers renewal options. Also, we suggest that the Basis For Conclusions explain the rationale for using the five year term as the basis for the definition of “long-term”

3. Page 11, paragraph 21

We suggest that the Basis For Conclusions clarify the rationale for the threshold used for requiring reporting of a schedule of estimated revenue to be distributed to others (a majority of the estimated revenue is designated to be distributed to others). Also, it appears that the reference to paragraph 26 of SFFAS 38 should be to paragraph 25.

4. Page 11, paragraph 26

This paragraph refers to “using a risk-free discount rate as described in paragraph 23”. The correct paragraph reference should be paragraph 24 as the technical bulletin is now drafted.

5. Page 13, paragraph 31b.

We suggest that for CFS purposes that immaterial amounts may be aggregated.

6. Appendix B

Is the term “category” in Appendix B different from “type” and is it necessary to use the term in the Appendix?