

Good Day,

On behalf of the Department of Energy, attached please find responses to questions from the exposure drafts titled "The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards issued by the Financial Accounting Standards Board" and "Estimating the Historical Cost of General Property, Plant, and Equipment -- Amending Statements of Federal Financial Accounting Standards 6 and 23." DOE appreciates the opportunity provided by the Federal Accounting Standards Advisory Board to respond to the exposure drafts.

If you have any questions or need additional information, please contact me at 202-586-3959.

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Department of Energy

**US Department of Energy****Chief Financial Officer's Comment on FASAB Exposure Draft on GAAP Hierarchy****Hierarchy of Generally Accepted Accounting Principles**

Q1. This Exposure Draft (ED) proposes to incorporate the hierarchy of generally accepted accounting principles (GAAP) that currently resides in the professional auditing literature into the FASAB's authoritative literature. Do you agree or disagree with the hierarchy presented in the Exposure Draft ?

A1. Energy agrees with the incorporating the GAAP hierarchy.

**Application of Standards Issued by the Financial Accounting Standards Board**

Q2. This ED proposes to regard general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) as being in conformity with GAAP for those federal entities that have in the past issued such reports (see paragraph 9). Do you agree or disagree with the Board's position?

A2. Energy agrees with regarding general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) as being in conformity with GAAP. Paragraph 9 of the ED is somewhat misleading in that it makes reference to statements prepared pursuant to standards set by regulatory agencies, but does not conclude whether standards set by regulatory agencies would be considered US GAAP for Federal Agencies. Energy takes the position that such standards are GAAP because they would be standards widely recognized as allowed under paragraph 5(d) of the ED.

Q3. This ED proposes to clarify that a federal entity that is preparing GAAP-based financial statements for the first time is required to implement FASAB standards unless the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards (see paragraphs 10 and 11). Do you agree or disagree with the Board's position?

A3. Energy agrees that a federal entity preparing GAAP-based financial statements for the first time should be required to implement FASAB standards unless the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards. This requirement will ensure consistency in financial reporting across the Federal government and ease the burden on Treasury, GAO, and auditors when consolidating government wide financial statements make it easier for users to compare financial results between agencies.

**Separate Project on Reporting By Federal Entities That Primarily Apply Standards Issued By the FASB**

The Board would greatly appreciate your responses to the following questions to aid in the Board's future deliberations on its companion project on reporting by federal entities that primarily apply standards issued by the FASB. Further information on this project

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may be found in paragraphs A7 through A16 of Appendix A: Basis for Conclusions and on the FASAB website at <http://www.fasab.gov/projectsgaap.html>.

- Q4. The Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether additional reporting may be required in order to meet the objectives of federal financial reporting (e.g., budgetary reporting, cost accounting, management's discussion and analysis). What FASAB reporting requirements are you aware of that would complement or enhance current reporting by federal entities following FASB standards (see paragraphs A8 through A12 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.
- A4. Energy is not aware of FASAB reporting requirements that would complement or enhance current reporting by federal entities following FASB standards.
- Q5. As noted in the previous question, the Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether information provided by these entities to a parent agency or the U.S. Department of the Treasury for the consolidated financial report of the U.S. Government (CFR) should conform with accounting and reporting principles issued by the FASAB where there are material differences between the two sources (see paragraphs A13 through A15 of Appendix A: Basis for Conclusions). Do you agree or disagree that the information provided for consolidated financial reports should conform to FASAB accounting and reporting standards? Please explain the reasons for your position in as much detail as possible.
- A5. Energy agrees that the information provided for consolidated financial reports should conform to FASAB accounting and reporting standards at the Agency level. As in the case of Energy, where power marketing administration provide audited, restated financial data used by Energy in its consolidating statements, requiring the subordinate agencies to provide restated audited information will prevent disputes that may otherwise arise from restatements done by the parent and help the parent agency in preparing the consolidating statements in conformity with GAAP. This will also simplify the audit requirements on the consolidated financial statements assuming the auditors of the parent agency can rely on the audited restatements. In addition, the users of the subordinate statements (an example at Energy includes electricity customers commonly referred to as "rate payers") may have significantly different needs than the users (as yet undefined) of the parent agency statements.
- Q6. Do you have a current opinion on whether federal entities that report in conformance with FASB standards should be permitted to convert to International Financial Reporting Standards (IFRS), given the discussions regarding whether public companies should use IFRS?

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- A6. Energy does not have a current opinion on whether federal entities should report in conformance with International Financial Reporting Standards (IFRS).