



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240



FEB 02 2009

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

RE: FASAB Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, dated December 2, 2008.

Dear Ms. Payne:

The Department of the Interior appreciates the opportunity to comment on the exposure draft shown above.

Attached is the Department of the Interior's consolidated response to the subject Exposure Draft.

If you have any questions or concerns please contact David Horn at 202-208-5542.

Sincerely,

Daniel L. Fletcher
Director
Office of Financial Management

Attachment

Department of the Interior
Office of Financial Management
Response to FASAB Exposure Draft
The Hierarchy of Generally Accepted Accounting Principles for Federal Entities,
Including the Application of Standards Issued by the Financial Accounting Standards
Board

Question #1 - 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 Federal Accounting Standards Advisory Board's (FASAB's) authoritative literature. Do you agree or disagree with the hierarchy presented in the Exposure Draft (see paragraphs 5 -8)? Please explain the reasons for your position in as much detail as possible.

Response #1 – The Department of the Interior (Interior) agrees with the hierarchy as it is presented in the Exposure Draft. Agencies of the federal government should look to federal authority first before consulting other accounting literature, including international standards.

Question #2 - 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? Please explain the reasons for your position in as much detail as possible. To help you in preparing your response, a listing of some of the entities that apply FASB standards as well as some of the areas where differences occur is included in **Error! Reference source not found.**

Response #2 – Interior agrees that federal entities already preparing general purpose financial reports in conformity with FASB Standards should continue to do so. Continuing to prepare statements in conformity with these standards preserves continuity and consistency.

Question #3 - 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? Please explain the reasons for your position in as much detail as possible.

Response #3 – Interior agrees that federal entities preparing GAAP-based financial statements for the first time should implement FASAB standards unless the needs of its primary users would be better met by using standards promulgated by the FASB. With the exception of those entities whose characteristics mirror those found in Appendix C, federal entities should be required to implement

FASAB standards in order to make the comparison of financial data across the federal government fair and consistent. Ultimately however, financial statements should be prepared so that the content is readily usable and comprehensible by their primary users. If the application of FASB standards proves more appropriate to primary users, then the financial statements should reflect those standards.

Question #4 - 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.

Response #4 - Interior is not aware of any FASAB reporting requirement that would complement or enhance current reporting by federal entities following FASB standards.

Question #5 - 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.

Response #5 – Interior agrees that in order to reflect true comparability, financial statements should possess a consistency or uniformity in the basis of their reporting. In those instances where there are marked differences between FASAB and FASB guidance, the CFR should conform to FASAB principles and information provided for consolidated financial reports should conform to FASAB accounting and reporting standards.

Question #6 - 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 (see paragraph A16 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.

Response #6 – Interior currently has no opinion on whether entities that currently report in conformance with FASB standards should be allowed to convert to reporting in conformance with IFRS.