April 12, 2018

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

The State of Oklahoma Comptroller’s office appreciates the opportunity to respond to the Governmental Accounting Standards Board’s Invitation to Comment (ITC), Revenue and Expense Recognition. This is an interesting project that has encouraged us to reevaluate the manner in which financial information is ascertained.

In general, the current methods of revenue and expense recognition have served our government well for many years and the purported issues addressed by this project are not problems that have plagued our financial processes. As such, we do not feel there is a need to take a revolutionary approach to the way that governments recognize revenues and expenses. We believe that the overall objective of improving consistency would be best served by improving understanding of the established methods in place rather than creating new methods which are even more likely to invoke differing interpretations.

With regard to the specific questions posed by the ITC, the State of Oklahoma offers the following comments:

2.1 Do you believe the exchange/nonexchange model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

We believe that the exchange/nonexchange model is the most suitable basis for classifying transactions and recognizing revenue and expense. All methods discussed will have a risk of inconsistency due to differing interpretations, but this method appears to be the most straightforward. Additional instruction in an implementation guide would sufficiently reduce inconsistencies.

3.1 Do you believe the performance obligation/no performance obligation model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

While this method is not unreasonable, we do not believe it adds value and question whether it would reduce inconsistency or open the door to more inconsistency in interpretation. The method would require significant implementation effort for very little, if any, improvement in reporting. This proposed solution results in additional complexity for all existing transactions in an attempt to solve a problem caused by a small number of transactions.

4.1 Do you believe that the alternative model presented as an example in Chapter 4 could provide a suitable basis for classifying transactions and recognizing revenue and expense? If so, what are the potential benefits and challenges of that model?
This appears to be a better solution than the performance/no performance model. The alternative model requires reevaluation of transactions that have been the most difficult to consistently interpret in the past, while leaving less problematic processes alone. Even so, we question whether changing the methodology for exchange transactions adds enough value to justify the change and highly favor the exchange/no exchange model.

4.2 The models distinguish transactions on the basis of (a) exchange or nonexchange or (b) a performance obligation. Do you believe there is another alternative for distinguishing revenue and expense transactions? If so, please describe that alternative and explain why you believe it would be suitable.

We do not have an alternative method to propose.

Thank you again for the opportunity to participate in this project, and we hope the comments provided are useful in the process. Should you have any questions or need additional information regarding our response, please contact Matt Clarkson, Financial Reporting Supervisor, at (405) 521-2759 or matt.clarkson@omes.ok.gov.

Sincerely,

Lynne Bajema
State Comptroller, Oklahoma