



April 8, 2013

GASB Agenda-Setting Process
Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, CT 06856

RE: Financial Accounting Foundation Request for Comment:
GASB's Scope of Authority: Proposed Changes to the Agenda Setting Process

To whom it may concern:

The Colorado Government Finance Officers Association ('CGFOA') Technical Issues Taskforce (the 'Taskforce') has studied the Financial Accounting Foundation's Request for Comment on *GASB's Scope of Authority: Proposed Changes to Agenda Setting Process* (the 'RFC'). We appreciate that the FAF is addressing this issue and, with some modification, support the proposed changes to the GASB's agenda-setting process.

Based on the recent GASB Preliminary Views document on *Economic Condition Reporting: Financial Projections* (the 'PV'), and the response it received from various entities, it would appear appropriate to reexamine the process used by GASB to research and propose additions or changes to financial reporting standards and guidance. The proposed changes appear to have been made, at least in part, in reaction to the volume of responses submitted to the GASB regarding the PV, and specifically in reaction to the responses submitted regarding the PV's apparent deviation from the GASB's scope of authority.

Evaluation process and recommendations

In evaluating the RFC, the Taskforce considered how the proposed changes would have affected the outcome of the PV and if it would have been effective in influencing the GASB's research process or the scope of the PV project sufficiently so as to keep the project clearly within the GASB's scope of authority.

The GASB and FAF have proposed that topics the GASB wishes to research be categorized into 3 groups based on the GASB's authority to issue standards and guidance on the topic. Topics in Group 1 are clearly within the GASB's authority and topics in Group 3 are clearly outside of the GASB's authority. Group 1 and 3 topics would proceed through the current agenda-setting process. Topics that fall into Group 2 would require additional research and approval by the FAF Oversight Committee prior to the GASB adding the topic to the technical agenda.

The Taskforce agrees with the modification to the process which adds categorization of topics and the additional oversight of Group 2 topics. While this will increase the time associated with the review process for certain

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topics, we expect it will also increase overall efficiency and prevent time and resources being spent on topics not within GASB's authority.

However, we have concerns about the process for determining how topics are categorized into Groups by the GASB.

The categorization for any given topic is to be made by the GASB without input from or review by the Oversight Committee. In the case of the PV, the topic should have been appropriately categorized in Group 2, or possibly even Group 3 under the proposed process. However, the GASB clearly interpreted the topic as being within their scope of authority or significant time and resources would not have been dedicated to the project.

If the PV's topic were to have been proposed under the process outlined in the RFC, would the outcome have changed? We are not confident that the investment of resources in a topic outside the GASB's scope of authority could have been avoided using the currently proposed changes to the agenda-setting process.

The Taskforce feels that the guidance included in the RFC for categorizing topics into groups is not sufficient to properly direct the GASB to categorize issues appropriately. Additionally, there is no oversight of the GASB's categorization choices. Without sufficiently specific guidance or review by the Oversight Committee, an inappropriate categorization can still be made (e.g. the topic in the PV being included in Group 1). We suggest the following changes to increase the accuracy of the process proposed in the RFC:

1. **Expand the Guidance to Include Specific Examples.** The RFC includes basic guidance on the scope of topics that would fall within each category, but the Taskforce does not believe that this guidance is specific enough to ensure accurate categorization of topics by the GASB. The guidance should be expanded to include more specific examples. This should also include topics that are specifically excluded from being categorized in Group 1 and would always require Oversight Committee review. This additional guidance would help prevent topics from being inappropriately included in Group 1 by using weak justifications or tenuous connections to the Group 1 topics in the proposal (which are very general in nature) in order to avoid the need for further scrutiny and time added to the process. It would also increase transparency to the agenda-setting process for the users of GASB information.
2. **Review of all Potential GASB Research Projects.** The Taskforce feels that the Oversight Committee should consider performing a cursory review of all potential GASB research projects early in the issue identification phase of the agenda-setting process, prior to significant resources being committed or expended. Once a topic is added to the GASB's Technical Agenda, countless hours will be spent researching the topic, developing views, obtaining feedback prior to issuing an exposure draft and finalizing the guidance prior to implementation. Additionally, interested parties spend significant time responding to the GASB's requests for feedback. The time and resources invested by many in any one GASB project can be immense. It would seem that a brief review by the Oversight Committee is a reasonable request of FAF time and resources prior to committing to a project that is either unnecessary or out of the GASB's scope of authority.



The Taskforce feels that these changes would significantly improve the effectiveness of the GASB's agenda-setting process and provide clarity to both the GASB and to users of GASB information as to how the FAF intends for the agenda-setting process to be applied to potential topics.

This response to the Request for Comment has been presented to the CGFOA Board of Directors and approved for submission to the GFOA and the GASB. Please direct any questions to the CGFOA Technical Issues Taskforce Co-Chairs (contact information is below).

Sincerely,

CGFOA Technical Issues Taskforce Co-Chairs

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