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April 16, 2013

Financial Accounting Foundation
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FAF Trustees:

Thank you for the opportunity to comment on the FAF Request for Comment document titled *GASB's Scope of Authority: Proposed Changes to Agenda-Setting Process*.

The Wisconsin State Controller's Office is responsible for annually preparing the State of Wisconsin's Comprehensive Annual Financial Report (CAFR). We have reviewed the FAF document and identified some concerns with the proposal.

First, while there is merit in assessing whether a project is within GASB's scope early in the agenda-setting process, we are unconvinced that the proposed changes will result in positive changes. It is unclear when GASB would be required to get approval from FAF prior to proceeding with a project. Based on our understanding, GASB would decide whether a project fell outside of Group 1 and then approach the FAF for approval. Thus, requiring the FAF's approval of certain projects would not necessarily result in fewer controversies or happier constituents. For example, GASB presumably decided that the Economic Projections project was within their scope and within Group 1. Thus, we presume the project would not have been reviewed by the FAF had the proposed process been in place at the time.

Second, the FAF membership consists primarily of non-governmental participants. Members of the GASB, on the other hand, are experts in governmental financial reporting issues and circumstances unique to government. Therefore, we believe the GASB is best poised to understand and make decisions related to governmental financial reporting issues and determining the projects needed to address those issues. Having the FAF take on the agenda-setting role removes the governmental expertise at a critical decision-making point. Further, the proposed change takes the FAF out of an oversight position and places it in what some may see as an active management position.

Third, adding another layer of reviews to the standard setting process will delay the implementation of standards and increase the costs. Potential projects within Group 2 will be reviewed on a more comprehensive basis and, theoretically, stakeholder views given more weight when deciding whether to allow GASB to add them to its current technical agenda. Although the proposed changes may be an attempt to improve GASB's independence from undue influence or special interests, that influence may simply shift to the FAF instead.

The current GASB process to develop and release new standards is inherently imperfect because of the nature of the standard-setting task itself. There will be disagreements from interested parties and there will be, at times, contentious discussions. However, we do not consider the current standard-setting process to be so broken as to require such a significant change as having the FAF making agenda decisions. Due to uncertainty about

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whether positive results would occur with such a change, we do not agree that the proposed changes be implemented.

In addition to the issues discussed above, we have included technical comments on the group categorization and the agenda setting process (see page 3).

We appreciate this opportunity to provide our comments. Please contact Cindy Simon at (608) 266-3052 or Kip Zellmer at (608) 267-6958 if you need additional information.

Sincerely,

A handwritten signature in black ink that reads "Stephen J. Censky". The signature is written in a cursive style with a large initial "S".

Stephen Censky, CPA
State Controller

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Additional Technical Comments on FAF Proposal to GASB's Agenda-Setting Process

Categorization of Governmental Information: The Group 2 classification of potential projects is confusing as it relates to the Diagram of Financial Reporting For State And Local Governments from GASB Concepts Statement No. 1, as amended shown on page 3 of the FAF document. Group 2 potential projects fall into items 4 through 7 on the financial reporting scope spectrum on page 4, and each of these items 4 through 7 appear within the light blue shaded box on the diagram on page 3. Given that this light blue box is entitled "General Purpose External Financial Reporting", the appearance is that these items would always be within the reporting scope of GASB, but we know that per the agenda process, some of these items can fall outside of GASB's scope. Therefore, it would appear proper at a minimum to at least include some "Other General Purpose External Financial Reports" outside of the light blue shaded box in the diagram on page 3.

Proposed GASB Agenda-Setting Process: There appears to be a few items that are missing or incorrect in the proposed GASB agenda-setting process when the process as described on pages 7 & 8 is compared to the process as described in Appendix A. These items are described below.

1. According to Appendix A, if after proposed process 4.i., the Oversight Committee decides to review the Project Prospectus, the next process to be performed is proposed process 11, which starts out with 11.a., "Oversight Committee reviews Project Prospectus." However, the Project Prospectus has not yet been prepared, so how can the Oversight Committee review it? Proposed process 11.a. should be "GASB prepares Project Prospectus." Then proposed process 11.b. should be "Oversight Committee reviews Project Prospectus", and finally proposed process 11.c. should be added to state "Oversight Committee evaluates whether to repeat above process 4.e. through 4.h."
2. According to Appendix A, if after proposed process 4.i., the Oversight Committee decides not to review the Project Prospectus, the next process to be performed is process 5, "Add potential project to the technical plan's potential projects section. Consult with the GASAC." This is the same as the current agenda process 5 and is consistent with Step 2, points 1 & 2 on page 8. But what follows next is *not* consistent. According to Appendix A, the next process after proposed process 5 would be process 6, "Prepare a project proposal." However, according to page 8, the next item to be performed would be Step 2 point 3, "Continue with Agenda Process 4." It is unclear why Appendix A informs you to proceed to proposed agenda process 6, but the narrative on page 8 informs you to proceed to agenda process 4?
3. An issue that stems from item #2 just described above is that if Appendix A is correct and a person is supposed to proceed with agenda process 6 after agenda process 5, why would you prepare a project proposal again, when you have already developed an expanded project proposal in proposed process 4.a. and then revise the proposal in proposed agenda process 4.c. This seems to be unnecessary and redundant.

Another issue also related to item #2 above is the questionable sequence under Step 2 on page 8, point 3, which is entitled "Continue with Agenda Process 4." This point follows points 1 & 2 which relate to proposed process 5. Why is proposed process 4 stated after proposed process 5? This does not flow logically. If proceeding to proposed process 4 in point 3 is correct, then logically, the next step after point 3 would be proposed process 5, but this was just completed before proposed process 4 in points 1 & 2, and it should not be completed again.