

State of Colorado



John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Jennifer Okes
Deputy Executive Director

David J. McDermott
State Controller

DPA

**Department of Personnel
& Administration**

Office of the State Controller
633 17th Street, Suite 1500
Denver, Colorado 80202
(303) 866-6200
Fax (303) 866-3569
www.colorado.gov/dpa

March 25, 2013

Financial Accounting Foundation
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

Dear FAF Trustees:

This letter is in response to your Request for Comment on your document titled GASB's Scope of Authority: Proposed Changes To Agenda-Setting Process. Thank you for the opportunity to provide input to this important decision.

We at the Colorado Office of the State Controller believe this issue should not have risen to the level of the FAF. We believe that the issues and communications leading up to the FAF decision to commission an academic study of GASB's scope of authority were disproportionate to the consequences of the two matters that we believe prompted constituent concerns. It is our opinion the academic study and the current FAF proposal inappropriately arises out of preparers' and auditors' adverse reaction to the GASB's Service Efforts and Accomplishments (SEA) document and the Economic Condition Reporting: Financial Projections Preliminary Views document. These two matters represent a very minor level of dissatisfaction with GASB's due process in the context of nearly 70 standards issued by the GASB since its inception.

It is significant to note that the SEA matter was resolved to the satisfaction of most all parties in that the SEA promulgation represented recommended guidelines and not a standard requiring preparer participation or an auditor opinion. As you are likely aware, due to placement in supplementary information the SEA disclosures are not subject to audit opinion. This was an optimal result that provided standardizing guidance for those governments able and desiring to demonstrating service effort accountability while allowing other governments to opt out if such accountability reporting was deemed an infringement of the budgetary sovereignty enjoyed by state governments. We believe the objections stem more from the lack of resources available for governments to implement such guidance than from a valid concern that the recommended guidelines were inappropriate or beyond GASB's authority. It cannot be known whether the Economic Condition Reporting: Financial Projections proposal would have found a similarly acceptable resolution had it not been halted pending the FAF proposal.

FAF Trustees
March 25, 2013

Page 2 of 2

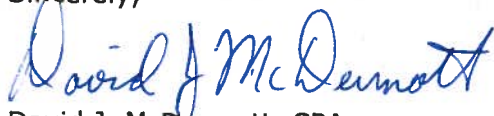
We are concerned that the table on page 4 of the proposal titled "Information Within the Scope of the GASB Standards (and Guidelines) Issued to Date" does not accurately reflect the nature of current governmental financial reporting. For example, Items No. 4 through No. 7 in that table are referenced in the "Proposed Changes" on page 6 as residing in Group Two tentatively subject to FAF approval. While the individual examples in two of these four categories may be perceived as outside GASB scope (SEA and financial projections), the two other examples – capital asset condition information and service capacity information – have been clearly accepted without significant dissent as generally accepted presentations in RSI (modified method for infrastructure reporting) and in the Statistical Section (GASB 44 – Economic Condition Reporting). We believe it would be an inefficient and potentially ineffective use of the FAF's resources to assess matters that may successfully be adopted as generally accepted without controversy.

In addition, the table intends to indicate a range from narrow to broad scope, but the header categories in Sections 4 through 7 (Notes, RSI, Supplementary Information, and Other General Purpose Financial Reports) do not align with that continuum. For example, combining statements and schedules are included in supplementary information (which is shown near the broad scope end of the continuum) in governments' CAFR's. Even those who believe GASB has on occasion exceeded its scope would not consider these combining statements and schedules in any way beyond GASB's scope of authority.

We believe that a significantly large proportion of the FAF trustees and their experience and expertise appropriately lie outside of governmental accounting and reporting. As a result, FAF involvement in assessing GASB's scope of authority will be inefficient and an unnecessary burden on your precious resources. We do not believe that the activities represented in the FAF proposal will mitigate the dissatisfaction of governmental financial statement preparers and auditors when faced with requirements increasing workload as resources decline.

We thank you for consideration of our comments.

Sincerely,



David J. McDermott, CPA
Colorado State Controller