

# Association of Local Government Auditors



April 22, 2013

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Mr. Jeffrey J. Diermeier, Chairman  
Financial Accounting Foundation  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: FAF Proposal on GASB's Scope of Authority – Proposed Changes to the  
Agenda-Setting Process

Dear Mr. Diermeier:

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to the Financial Accounting Foundation's (FAF) *Proposed Changes to the Agenda-Setting Process* for GASB. Our organization represents 300 audit organizations, totaling more than 1,750 members. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We are opposed to the FAF's proposal to change the Governmental Accounting Standards Board's (GASB) agenda-setting process. We acknowledge the importance of the agenda-setting function, and we consider the current process GASB administers to be appropriate and thoughtful. Our additional comments regarding specific interpretations of FAF proposal are as follows:

### **The FAF's proposed remedy appears unnecessary.**

The FAF proposal (p. 9) states that questions about GASB's authority rarely arise, the Trustees' priority will be to ensure the processes are free from undue influence, and the revised procedures would be part of its oversight role, "not an appeals process." If questions about GASB's authority rarely arise, then the proposed remedy seems redundant to the rigorous feedback process GASB already has in place for adding topics to its agenda. The proposed process would add more time and expense in developing standards.

## **The proposed changes would impair GASB's independence**

We are concerned that the proposed process would provide more opportunity for undue influence. The proposal itself states that there is no bright line for demarcating the limits of the GASB's scope of authority. The proposal substitutes the Oversight Committee's judgment for GASB's judgment. If proper controls were not implemented with respect to the selection or appointment of Oversight Committee members, they may be influenced by special interest groups. GASB's jurisdictional authority may expand and contract over time as Oversight Committee members change. It could even prevent the GASB from issuing guidance on matters that may be within the realm of their jurisdictional authority. This potentially weakens standards-setting and could reduce transparency and weaken the GASB's independence. GASB's independence in establishing standards was noted by the academic study the FAF commissioned as being one of its highly valued qualities.

The members of the GASB are already appointed by the FAF Trustees. The members have significant experience in government accounting and reporting issues. They are well qualified and capable of interpreting the Board's scope of authority and making decisions about what should be on the agenda. Were the members not, we believe the Trustees would never have appointed them to such an important position. The GASB also benefits greatly by the assistance of the Governmental Accounting Standards Advisory Council (GASAC) in developing their final decisions. The GASAC provides a broad representation of preparers, attestors, and users of financial information.

Ideally, the GASB's jurisdiction would be clearly defined in writing so that it would be simple for GASB to determine whether it should undertake particular projects. Unless that occurs, the definition will always be up to someone's interpretation.

## **The proposal model and scope groupings may be difficult to apply**

The model and groupings lack clarity and may be difficult to apply. For example, the notes and required supplementary information are identified as elements in both Group 1 and Group 2 (pgs. 4 and 6). The distinguishing characteristics would be the specific content, which is a matter of judgment and disagreement to stakeholders.

In addition, the proposed language about not conducting any research on Group 3 items is troubling. We can understand the need to limit research on items outside of scope in the context of allocating scarce resources. This seems, however, like it may stifle inquiry, which makes us uncomfortable. GASB needs the flexibility to take on topics that are important to financial reporting and accountability that may be difficult. Those, by their nature, are likely to be controversial and evolving.

GASB already has appropriate processes in place to consider new topics for its agenda and any scope issues that may arise. We feel the FAF proposal would be difficult to implement and is unnecessary. The effect would undercut the GASB's independence and weaken standards-setting.

We appreciate the opportunity to respond to this proposal.

Respectfully Submitted,

A handwritten signature in black ink that reads "Kristine Adams-Wannberg". The signature is written in a cursive, flowing style.

Kristine Adams-Wannberg  
Chair, Professional Issues Committee

Key ALGA Contributors:

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