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

RE: Request for comments concerning the Financial Accounting Foundation's proposed changes to GASB's agenda-setting process

We appreciate that the Financial Accounting Foundation has requested input on and has proposed changes to GASB's agenda-setting process to address the scope of authority issues. We support GASB's role as the independent governmental financial accounting and reporting standards setter. However, given that GASB's stakeholders often times disagree on how narrowly or broadly GASB's efforts should be focused, we strongly support the addition of the FAF Trustees' oversight to help alleviate any potential controversy. This is especially important given the two most recent projects that led to major divisive controversy in the accounting community. The first of these projects, Service Efforts and Accomplishments, provoked the Government Finance Officers Association to work with other major state and local government organizations to reassess GASB's continued role as the authoritative accounting standard-setting body for state and local governments and to explore the possibility of transferring that responsibility to the FASB. In addition, many state comptrollers and state auditors objected as well. The second project, Economic Condition: Reporting Financial Projections is still pending. Many stakeholders continue to believe that this project is clearly outside of GASB's scope and should have already been discontinued.

Our position is that GASB should not extend its scope into other nonfinancial accounting and reporting areas that are appropriate for purposes outside of GASB's purview, such as those regulated by state and local laws, regulations, and the action of managing a government's financial affairs, including fiscal sustainability and future financial projection activities. Therefore, it is imperative that GASB's agenda-setting process and project categories have clear, descriptive, and appropriate guidelines.

We offer the following comments in the areas relating to the Oversight Committee review and Trustee approval processes, group 1 and 2 project scope descriptions, and the extent of the Oversight Committee's member experience related to governmental financial reporting.

**Oversight Committee review and Trustee approval process should be better defined and more transparent:** We believe one of the keys to whether these proposed process changes will be successful is for the final decisions to be transparent, reflecting whether stakeholder input supported the decision, the process undertaken, and the basis or reasons for the decision that was made. Especially for broader financial information projects, there can be disagreements among various stakeholders—from preparers to the various user types. A transparent and judicious process can ensure that even if all stakeholders are not happy with the outcome, those stakeholders know that a fair decision was reached.

To help achieve this level of transparent and judicious project approval process, we recommend more explicit requirements for certain points in the proposed process concerning the Oversight Committee's involvement and decisions, and certain points in the process concerning the Trustees' final determinations about whether projects are within GASB's jurisdiction.

We believe that the Oversight Committee's process during its "normal" review of changes to the GASB's research and technical agenda should be more explicit. The proposal states that this normal review will include a review of group classifications. To make this more explicit, we recommend, for example, that the Oversight Committee have the explicit authority to recommend that a project be moved from group 1 to group 2, or group 2 to group 3, if a majority of its members determine it to be better defined at a different group level and a majority of the Trustees agree. This would help accomplish the goal of having the Committee assess a project to be "in scope" early in the agenda-setting process. In addition, during the expanded steps for group 2 projects, we recommend the Oversight Committee be able to determine and make specific recommendations to the Trustees and communicate their recommendations and basis for them to stakeholders on a timely basis. Likewise, we recommend the process clearly indicate that a majority vote of Trustees is necessary to make a final determination about whether projects are within GASB's jurisdiction and information supporting those decisions should be made publicly available to stakeholders.

**Financial information included within the scope of the GASB's project groups should be better defined:** We believe it is important for Oversight Committee members to have clear guidelines to help determine whether a project is inside or outside GASB's jurisdiction. The descriptions and example guidelines within the group 2 project spectrum, including items 4 through 7 in the table on page 4 of the proposal, provide only short descriptions and very brief issued guideline examples. In some cases, the examples given for some categories only make this spectrum of financial information more confusing. Indeed, one of the categories includes an example, "financial projections," under required supplementary information. It isn't clear whether this may be referencing the proposed Economic Condition Reporting: Financial Projections standard, or some other financial projections. If it is the controversial current proposed economic condition project, which is currently only through the preliminary views phase, it is the most notable example of a project that we believe nearly all stakeholders believe is group 3 information. We are concerned that the proposed process descriptions would include such a controversial project. We believe that if these categories of financial information are to provide clear and transparent guidelines and examples to help the Oversight Committee and stakeholders evaluate whether a potential project is within GASB's jurisdiction, these categories should be revised and expanded to clearly define and provide appropriate examples.

We believe this to be at the heart of the issues creating the need for these process revisions, and we strongly believe GASB's efforts should primarily focus on important financial accounting and reporting projects that will help preparers and auditors of financial reports issue useful, complete, and transparent financial reports within a time frame that allows users to receive current information. We also believe that GASB should not extend its scope into other nonfinancial accounting and reporting areas that are appropriate for purposes outside of GASB's purview, such as those regulated by state and local laws, regulations, and the action of managing a government's financial affairs, including fiscal sustainability and future financial projection activities. It is imperative that the process and categories related to determining project status have clear, descriptive, and appropriate guidelines.

**Consideration of whether Oversight Committee has sufficient representation from members with governmental financial reporting backgrounds:** Trustee oversight, and ultimately the objectives of the changes proposed, will be effective only if those overseeing this process have the requisite knowledge and abilities to understand the issues presented. Currently, the Committee is

required to include one governmental Trustee. We are concerned that the Oversight Committee, which includes only one Trustee with governmental experience, will not have the requisite experience and knowledge of governmental accounting issues to ensure a judicious review of whether potential projects are categorized in their appropriate groups. Accordingly, we recommend that two, or all three, governmental Trustees be included in oversight committee review of GASB related projects. We believe having an appropriate number of government-experienced Committee members will be an important aspect in whether the new process steps will be effective.

Sincerely,

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