

April 30, 2013

Board of Trustees
Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856

RE: GASB Agenda Process

Dear Financial Accounting Foundation Board of Trustees,

As former Board members of the Governmental Accounting Standards Board, we strongly disagree with the proposed changes to the GASB agenda-setting process. These proposed changes would harm the independence of GASB and the credibility of the Financial Accounting Foundation. We have three primary objections to the proposed changes.

First, GASB has established a rigorous system for reviewing potential projects and adding projects to the technical agenda. The process involves input from a full-range of stakeholders; advice and input from the Governmental Accounting Standards Advisory Council; and lengthy Board and staff research, dialogue and debate before projects are approved for research and added to the technical agenda. It appears that the FAF wishes to establish a duplicative and project-lengthening review process that will not employ the same level of rigor and independence. The current and historical composition of the FAF includes only a small handful of trustees with training or experience in governmental accounting, public policy and the public sector. If past is prologue, the FAF and its Oversight Committee will lack the requisite knowledge and expertise in these critical fields. Without these imperative, experienced governmental members, the FAF should restrain its role to overseeing the activities of GASB, not assuming them.

If the FAF wishes to strengthen the GASB agenda-setting process, we suggest the FAF consider assessing the quality of due-process employed by GASB to select and place projects on the GASB agenda. However, second-guessing GASB decisions is not an appropriate role, in our opinion, and adds additional steps to an already thorough and lengthy process.

Our second major objection is that the proposal violates the bylaws established by the FAF to govern the standard-setting boards of FASB and GASB. The FAF bylaws state the FAF should not direct FASB or GASB to undertake or omit to undertake any project or activity. In addition, the bylaws state that FAF should not affect the exercise of FASB or GASB authority, function, and powers with respect to financial accounting and reporting, and the improvement of accounting and reporting standards. By establishing a separate FAF mechanism that can approve or disapprove GASB projects, FAF usurps the power given to the standard-setting boards by the FAF bylaws. Setting the technical agenda for accounting and financial reporting research is an integral part of the GASB standard setting process and a fundamental

role of the GASB that should reside with the Board members, each of whom have been selected by the FAF itself through its own rigorous appointment-making process.

Finally, we believe that the proposal violates another admonition in the FAF bylaws. Namely, the FAF should take care not to impair, in fact or perception, the independence or objectivity of the FASB or GASB. Proposing this action at a time when GASB is dealing with controversial and difficult topics related to general purpose external financial reporting (e.g. new pension standards and economic condition reporting) violates this principle if not in fact, certainly in perception. We believe if enacted, this proposal will impair GASB's independence as an objective standard setter and will diminish the credibility and national support for the FAF as an overseer of American accounting and reporting standard setting.

In conclusion, we urge the FAF to reconsider this proposal.

Sincerely,

Tom L. Allen

James F. Antonio

Michael D. Belsky

Cynthia B. Green

W. Gary Harmer

William W. Holder

Martin Ives

Anthony M. Mandolini

Edward J. Mazur

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