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Re: Request for Comment, *GASB's Scope of Authority: Proposed Changes to Agenda-Setting Process*

Dear Trustees:

Deloitte & Touche LLP is pleased to respond to the Financial Accounting Foundation (FAF) Board of Trustees' Request for Comment, *GASB's Scope of Authority: Proposed Changes to Agenda-Setting Process*.

We understand and support the FAF's desire to better delineate the scope of the Governmental Accounting Standards Board's (GASB's) authority to conduct standard-setting activities related to accountability reporting by state and local governments. We believe that such delineation, bolstered by strong due process and oversight, is critical to maintaining and enhancing the independence of the GASB.

However, we are concerned that directly involving the FAF's Standard-Setting Process Oversight Committee and the full Board of Trustees in the GASB's agenda-setting process could impair the GASB's independence. Further, including the Oversight Committee in decisions about GASB agenda items appears to conflict with the Oversight Committee's charter and the FAF's bylaws (both of which prohibit the FAF's Trustees from directing the GASB to "undertake or omit to undertake any particular project or activity"). As the FAF model is emulated around the globe by organizations seeking to establish appropriate oversight and governance related to the establishment of independent standards, such direct involvement in the agenda-setting process would also establish a precedent that could have far-reaching implications for other independent standards setters, including the FASB.

The background section of the Request for Comment states that "[t]here is a lack of shared understanding about which aspects of accountability are suited for assessment through financial reporting." This may indicate that the GASB's conceptual framework could benefit from revisions that would clarify the purpose and scope of financial reporting for state and local governmental entities. In determining the scope of financial reporting in the GASB's conceptual framework, the FAF may need to resolve, and is responsible for resolving, questions about the scope of the GASB's authority.

We encourage the FAF to continue its proactive oversight of the GASB's standard-setting processes, which would include expecting the GASB to be mindful of the effect of its standards on all groups of its constituents as well as to follow due process, to consider feedback from constituents, and to consult with the Governmental Accounting Standards Advisory Council as warranted.

We appreciate the opportunity to respond to the Request for Comment. If you have any questions concerning our comments, please contact Karen Wiltsie at (203) 761-3607.

Yours truly,

Deloitte & Touche LLP

cc: Bob Uhl