

May 1, 2013

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

Re: GASB's scope of Authority

Dear FAF Board of Trustees:

Although I am submitting this comment letter as an individual, I have worn a number of hats over the past 35 years that reflect a cross section of the primary stakeholders related to governmental accounting reports. Over those years, I have worked in various roles as a municipal analyst, municipal bond research director, institutional investment manager, elected municipal official, board member of a governmental watchdog organization and president of a municipal bond credit database company. Moreover, I served during the late 1990s as a member of GASAC, representing municipal bond analysts and municipal bondholders. During those GASAC years, I had had the good fortune of closely observing and participating with the Governmental Accounting Standards Board (GASB) on a number of important and far reaching changes to the governmental accounting rules, including those related to Statement 34, involving entity wide financial statements and infrastructure accounting. On other occasions, I have provided individual feedback through the normal GASB due diligence process on a host of other GASB initiatives that would be classified under all three GASB "authority groups" which you have categorized under your "Proposed Changes to GASB's Agenda-Setting Process".

While a number of the issues that GASB has handled over the past twenty years have been highly controversial and often met with resistance, it has been my observation that the GASB's deliberation process was fair and considerate of all points of view and, in the end, final compromise decisions were made that have ultimately benefitted financial statement users and stakeholders. In addition, my analytical work has shown, time after time, that advancements that emerged from the once controversial Statement 34 have beneficially provided a more complete and accurate assessment of credit quality. Likewise, highly debated changes such as new accounting data on capital plant information helped create ratios, such as the average age of infrastructure, which provides users with quantitative evidence of a trend that continues to go in the wrong direction.

I do not believe that the proposed change in the GASB Agenda-setting process is warranted. It appears to me that the proposal is redundant to the existing process, which relies on a broad representation of reasonable, fair-minded GASB board members already appointed by the FAF. When it comes to making tough decisions that might challenge select constituencies (who also may also provide funding), it seems to me that the FAF's best protection to the process is better spent on making sure that it appoints the best possible board rather than having to assert itself into that fray.

GASB has proven its ability to make hard decisions that strive for practical solutions in order to advance best practices and address problems that might improve transparency and comparability. Ultimately, those actions have helped stakeholders to make better decisions at all levels.

In the case of the highly controversial Service Efforts and Accomplishments (SEA) reporting, the GASB board took into consideration broad input that led to these rules to be voluntary rather than mandatory. While it is my belief that governments, elected officials and ultimately taxpayers benefit from adopting the SEA voluntary suggested guidelines in order to assess performance efficiencies and effectiveness, I understand that only a relatively small number of entities have undertaken SEA reports. Critics might suggest that the GASB resources spent on designing those recommended best practices might have been better used on other projects, I would argue the opposite opinion. In these times, in which tax dollars are so scarce, funds spent to promote and improve governmental reporting so that waste and inefficiencies might be more easily identified is a much less expensive proposition for taxpayers at the end of the day. I believe that governmental accounting and accountability must be measured in ways that go beyond whether a budget is in balance. At the time in which GASB's Board adopted the SEA reporting suggested guidelines, they must have agreed with that premise by not giving up on the project despite objections. At the same time, they exercised prudence, sensitized by the existing due process, to create voluntary guidelines that objectively created an independent template for governments to better account for the resources provided them by taxpayers.

I believe that the balance of actions taken by the GASB board since its inception speak for themselves. They deserve your trust to maintain the status quo.

I appreciate your consideration of my views. The comments contained in this letter solely represent my personal views.

Sincerely,

Richard A. Ciccarone