



September 25, 2013

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

RE: Financial Accounting Foundation Request for Comment:
GASB Scope of Authority: Consultation Process (Revised Proposal)

To whom it may concern:

The Colorado Government Finance Officers Association ('CGFOA') Technical Issues Taskforce (the 'Taskforce') has studied the Financial Accounting Foundation's Request for Comment on the Revised Proposal *GASB Scope of Authority: Consultation Process* (the 'RFC'). We continue to appreciate the FAF's addressing this issue and have several recommendations to improve the effectiveness of the proposal.

As noted in our original response, the proposed changes in the original and revised proposals appear to have been made, at least in part, in reaction to the volume of responses submitted to the GASB regarding the recent GASB Preliminary Views document on *Economic Condition Reporting: Financial Projections* (the 'PV'), and specifically in reaction to the responses submitted regarding the PV's apparent deviation from the GASB's scope of authority. The Taskforce agrees that reexamination of the standard setting process followed by the GASB is appropriate and necessary.

Review of original concerns and recommendations

In evaluating the original and revised RFCs, the Taskforce considered how the proposed changes would have affected the outcome of the PV and if it would have been effective in influencing the GASB's research process or the scope of the PV project sufficiently so as to keep the project clearly within the GASB's scope of authority and avoid the misuse of significant time and resources on topics that fall outside the GASB's scope of authority.

The Taskforce's concerns with the original proposal included the process used by GASB to determine in which Group a potential topic would be classified and lack of oversight by the FAF at the classification phase. Recommendations included providing more specific examples of what types of information would be included in Groups 1, 2, and 3 and including oversight by the FAF earlier in the agenda setting process, particularly information classification.



Evaluation of revised proposal and recommendations

The Taskforce evaluated the revised proposal by assessing how the previous recommendations were or were not addressed. Additionally, the Taskforce reviewed for new concerns that may have arisen based on the revised proposal.

1. **Original recommendation #1**
Expand the guidance to include specific examples

The revised proposal includes a clear set of characteristics that would qualify information to be in Group 1 and considered to be “clearly in-Scope.” While these characteristics are helpful, there is still broad room for interpretations of what “meets governmental financial statement users’ common information needs” and what is “relevant to governmental financial reporting objectives.”

The Taskforce believes that the detailed characteristics do not sufficiently address the concern that topics may be misclassified by the GASB and does not believe that the guidelines are specific enough to prevent a topic from being advanced inappropriately to the GASB’s technical agenda, thereby misusing time and resources on a topic that is not within the GASB’s scope of authority.

2. **Original recommendation #2**
FAF review of all potential GASB research projects

The revised proposal did not modify the FAF’s involvement to include a general review of topics being discussed by the GASB. Under the revised proposal, a topic would only reach the FAF’s Oversight Committee if the GASB classified it as a Group 2 topic. This does not address the concern discussed above that there is room for interpretation in the classification of topics and the GASB could misclassify a topic as Group 1. With no oversight of this process, it would be very possible for a topic outside the GASB’s scope of authority to be classified as Group 1 and advanced to the technical agenda with no review by the Oversight Committee.

The Taskforce believes that a basic review by the Oversight Committee of all Group 1 topics proposed by GASB is appropriate, reasonable, and could prevent a significant investment of GASB resources into a topic that is not clearly within the GASB’s scope of authority.

3. **New concern and recommendation**
Consultation process doesn’t address scope concerns or provide preventative authority to the FAF

The Taskforce has two concerns with the proposed consultation process.

The first concern is that the consultation occurs only after the GASB has classified a topic in Group 2. The revised proposal states that “the Trustees presume that the GASB will assess the characteristics ... and classify information into its proper groups.” This places significant trust and responsibility on the GASB to properly classify topics using broadly defined characteristics. Remembering that the GASB originally considered the PV to be clearly in scope and expended considerable resources researching and proposing guidance, there are understandably concerns amongst financial statement preparers and



users regarding the GASB's ability to render an objective and unbiased decision on the appropriateness of a topic for consideration. This concern is not addressed by the proposed consultation process.

The second concern of the Taskforce is that the consultation process is merely a recommendation to the GASB. Should the Oversight Committee or Trustees recommend against including a topic on the GASB's technical agenda, the GASB could still move forward against that recommendation without the FAF being able to prevent such action.

Additionally, the proposed consultation process appears to be a retraction from the original proposal which stated that the Trustees would make scope determinations for questioned topics (noted in Appendix A of the revised proposal). With the new proposal allowing for consultation and stating no clear requirement for the GASB to comply with the Trustees' recommendation, the revised proposal appears to be less stringent and less likely to address the original concerns of the respondents.

The Taskforce recommends revising the proposal to include a required review by the Oversight Committee on the classification of topics the GASB considers being Group 1 topics and further clarification of the process that the GASB is to follow should the Trustees recommend against advancing a Group 2 topic to the GASB's technical agenda.

The Taskforce believes that the current proposal would not be effective in preventing the misuse of time and resources on topics outside of the GASB's scope of authority and that modification is needed in order to ensure the effectiveness of the proposal.

This response to the Request for Comment has been presented to the CGFOA Board of Directors and approved for submission to the FAF, GASB and GFOA. Please direct any questions to the CGFOA Technical Issues Taskforce Co-Chairs (contact information is below).

Sincerely,

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Approved by the CGFOA Technical Issues Taskforce (09-12-2013)
Approved by the CGFOA Board of Directors (09-24-2013)

CC: CGFOA Board of Directors
Government Finance Officers Association