



September 30, 2013

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

RE: *GASB Scope of Authority: Consulting Process* (Revised Proposal)

Dear Members of the Board of Trustees:

On behalf of the New York State Government Finance Officers' Association (the "NYS GFOA") the Accounting, Auditing and Financial Reporting Committee composed of members with governmental accounting and auditing background in state and local governments as well as members in academia and public accounting have reviewed the Revised Proposal entitled "GASB Scope of Authority: Consulting Process."

General Comments

We generally agree with the position of the Trustees as presented in the Revised Proposal that clarification is needed regarding the boundaries for GASB's authority to issue concepts, standards and guidance related to state and local governmental general purpose external financial reports (GPEFR). We believe the Trustees have done that in its classification of Group 1 information as being clearly within GASB's scope of authority, subject to one characteristic of information that is missing (see below "Group 1 Definition"). We also believe the Trustees have clearly set forth in Group 3 those characteristics of information that will be considered to be outside GASB's scope.

The original proposal had the FAF Oversight Committee involved in the GASB's agenda setting process, rather than in pre-agenda consultation. The first proposed "Consultation Process and Operating Procedures" that the Trustees proposed for subject areas that some one or some group think do not fall within Group 1 was not appropriate. We believe the Trustees' original proposed consulting process would diminish GASB's independence and, in the long term, diminish the effectiveness of GASB as a standard setting entity.

However, we do not support having a Group 2 classification. We believe the definitions of Group 1 and 3 should clearly define the information that is within or not within the objectives of governmental financial accounting. We believe GASB is responsible for clearly setting forth during the agenda setting process why certain projects or research are properly classified as being within Group 1. We believe the projects or research agenda GASB proposes to undertake should include GASB's explanation and justification for why it is included within the Group 1 classification and further should be exposed for public comments. If comments are received that questions whether any proposed projects or research are properly classified within Group 1 then GASB should have the responsibility to justify their decision to the FAF Oversight Committee before any further actions are taken. The revised proposal affords the FAF Trustees the appropriate oversight of GASB's agenda setting process to ensure GASB is operating within their scope of authority.

GASB's Research and Technical Project Agendas

The Trustees currently have the responsibility to monitor GASB's research and technical project agendas and if it does not approve of a proposed project to tell GASB to stop. We fully appreciate that; whoever controls the agendas ultimately controls the standard setting process. Therefore, we believe establishing the project agendas needs to be the responsibility of all members of the GASB Board and that it is their responsibility as a Board to determine if any proposed project clearly falls within Group 1 scope classifications. We would recommend that any proposed project require a super majority Board approval to be added to an agenda.

Further we would recommend that, once approved by the Board, the proposed project agendas be exposed for public comment using the same process GASB uses for exposing proposed concepts or exposure drafts for standards. The exposure of the proposed agendas should not be limited to the GASAC members as is currently done. If comment letters are received that suggest a proposed project does not fall within the scope of Group 1 as defined, then GASB should have the responsibility to either drop the proposed project or to justify to the Trustees' Oversight Committee their position that the project clearly falls within the scope of Group 1 before proceeding further with any research or standard- setting process.

We agree with the Trustees' position that once it is determined that a proposed project is within Group 1 scope of responsibility, the Trustees will avoid participating in any further aspect of GASB's standard- setting process.

Group 1 Definition

We believe one characteristic of information is missing from the Group 1 characteristics as currently set forth: that the information relate to the current or historic position or operations of the governmental entity. We recommend that bullet two be revised as follows: "Results from current or historic economic or financial events affecting user's assessment of the current financial position of the governmental reporting entity." We believe this clarification is required to prevent the possibility of GASB attempting to require projections not based on current or historic events.

Parallel Agenda Setting Process

We also question why this proposal for Scope of Authority is limited to GASB. We do not find any justification that the Trustee's' oversight responsibilities should be set differently for GASB versus FASB. If these proposed procedures are deemed necessary to ensure that GASB is operating within its competent jurisdiction, then FASB should be subject to similar oversight.

Trustees' Three-Year Assessment

We do not believe the Trustees should wait three years to reassess the effectiveness and efficiency of GASB's independent standard-setting process. We strongly recommend an annual assessment be required. As set forth in the FAF By-Laws, this should be an important part of the FAF's responsibility for the oversight of the GASB structure and of the exercise of their responsibilities for establishing and imposing financial accounting and reporting standards for GPEFR. It needs to be an integral component of the FAF's annual funding and Board member appointment responsibilities.

