



**Government Finance Officers Association**  
203 North LaSalle Street, Suite 2700  
Chicago, Illinois 60601-1210  
312.977.9700 fax: 312.977.4806

September 26, 2013

Board of Trustees  
Financial Accounting Foundation  
“GASB Scope of Authority: Consultation Process”  
401 Merritt 7, P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Trustees of the Financial Accounting Foundation:

I am writing to you on behalf of the Government Finance Officers Association of the United States and Canada (GFOA) to respond to the Financial Accounting Foundation’s (FAF) recent revised proposal concerning the *GASB’s Scope of Authority: Consultation Process*.

The GFOA is a professional association of almost 18,000 members that has served governments and the public finance profession since 1906. From the very beginning, one of the Association's principal objectives has been to improve the quality of governmental accounting and financial reporting. In pursuit of this objective, the Association itself promulgated accounting standards for state and local governments for more than half a century. It also played a crucial role in establishing the Governmental Accounting Standards Board (GASB) in 1984, and was one of the board’s major financial supporters until recently, when federal legislation created a new method for funding the GASB's operations. Moreover, the GFOA continues to play a major role in promoting compliance with generally accepted accounting principles (GAAP) through its Certificate of Achievement for Excellence in Financial Reporting Program (over 3,900 participating governments), its Annual Governmental GAAP Update webinar (over 4,500 participants), the periodic publication of its classic “Blue Book” (*Governmental Accounting, Auditing, and Financial Reporting --GAAFR*), and other training and publications. In short, the GFOA has a deep and abiding interest in GAAP for state and local governments, and in the process used to set authoritative standards.

In recent years, a number of professional and public-interest groups have voiced growing concern that the GASB has sometimes exceeded the proper scope of its authority as an *accounting and financial reporting* standard-setting body. Accordingly, the GFOA applauded the FAF’s decision to address such concerns and supported most of the specific procedural changes proposed in *The GASB’s Scope of Authority: Proposed Changes to Standard-Setting Process – Request for Comment*, which the FAF released earlier this year.

The GFOA supports many aspects of the revised proposal that the FAF issued this past August:

- **Jurisdictional Oversight.** We believe the FAF has both the right and the duty to oversee the GASB's operations, and that *jurisdictional* oversight in no way compromises the GASB's independence as a standard-setting body;
- **Composition of the Oversight Committee.** The GFOA is gratified that under the revised proposal the FAF's governmental trustees would automatically serve as members of the Oversight Committee;
- **Alternatives to GASB Involvement.** We strongly agree that the ready availability of information elsewhere (for example, a budget document or long term financial plan) should be a significant consideration in determining the appropriateness of GASB involvement. Likewise, we support the proposed language recognizing that some other group may be better suited to provide guidance; and
- **Timing of FAF Involvement.** We agree that FAF involvement *prior* to the agenda setting process for individual projects should help allay concerns regarding the GASB's independence. Furthermore, early involvement reduces the risk of significant GASB resources being misdirected.

At the same time, we have serious reservations about some specific aspects of the revised proposal:

- **Need for Definitions.** The revised proposal fails to offer definitions of the crucial terms *accounting* and *financial reporting*. Such definitions are essential if the FAF is to make decisions on a principled basis rather than arbitrarily. Moreover, such definitions need to set real boundaries. No practical purpose is served by appealing to concepts that are so broad as to justify the inclusion of virtually any potential type of information in a financial report (for example, the notion of *accountability* set forth in GASB Concepts Statement No.1, *Objectives of Financial Reporting*);
- **Need to Focus on Financial Data.** It is true that nonfinancial information sometimes can be useful for understanding *financial data* (for example, population data and data on the assessed value of taxable property). All the same, there must be a close tie to *financial* data, as such, to justify the inclusion of *non-financial* data in a *financial* report;
- **Need to Focus on Historical Data.** It also is true that projections sometimes are necessary to estimate the amount at which *existing obligations* should be reported (for example, pensions and other postemployment benefits). However, the use of projections to estimate the amount to be reported for transactions and events *that have already occurred* is entirely different from projecting transactions and events *that have yet to occur*;

One final note: the GASB alone decides when to issue, amend, or rescind a GASB Concepts Statement. Consequently, it would be inappropriate to argue that Concepts Statements, in and of

themselves, settle the issue of whether a given type of information does or does not fall within the scope of *accounting* and *financial reporting*.

We appreciate being afforded the opportunity to provide our views on the proposed changes to the GASB's agenda-setting process.

Sincerely yours,

A handwritten signature in black ink that reads "Tim Firestine". The signature is written in a cursive, slightly slanted style.

Timothy L. Firestine, President  
Government Finance Officers Association