



September 30, 2013

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

RE: GASB Scope of Authority: Consultation Process

Dear Trustees:

The American Institute of Certified Public Accountants (AICPA) has reviewed the Financial Accounting Foundation (FAF) Board of Trustees Exposure Draft (ED), *GASB's Scope of Authority: Consultation Process, Revised Proposal*, and is pleased to offer its comments. The AICPA is very supportive of active and effective oversight of accounting standard-setting bodies. While we appreciate the FAF's effort to revise the original proposal outlined in, *GASB's Scope of Authority: Proposed Changes to Standard-Setting Process* (Original Proposal), we have continued concerns that the revised process and procedural changes could affect the independence of the Governmental Accounting Standards Board (GASB). Therefore, we object to the FAF's revised consultation process for Group 2 projects of the GASB. The remainder of this letter further describes the rationale for our concerns and several other observations on the ED.

***FAF Involvement in Pre-Agenda-Setting Phase Still Problematic.*** The ED asserts that the revised consultation process alleviates independence concerns because it moves the FAF consultation with GASB on the appropriateness of Group 2 projects to the pre-agenda-setting timeframe. In our view, this change does not overcome the independence concerns described in our response to the Original Proposal. In particular, FAF is still afforded the opportunity to take exception with the GASB and overrule a Board decision that a Group 2 project is in-scope. Further, even in light of the revised FAF process, we believe GASB may be reluctant to even consider Group 2 projects going forward, regardless of how important or necessary the Board views such projects.

We continue to maintain our view that GASB's current agenda-setting process, along with FAF's strong oversight, is effective. This process includes the recent improvement to require agreement by a majority of the GASB members to add projects to the Board's agenda (versus Chairman only). However, as further described in our previous comment letter, if the FAF concludes it needs to take further action as it relates to Group 2 projects, we believe a much better and transparent alternative would be for the FAF and GASB to look at utilizing other existing due process alternatives that would still allow GASB to maintain its independence. For example, the GASB could increase its use of Discussion Memorandums or Invitations to Comment for projects that include Group 2 information. Additionally, the Governmental Accounting Standards Advisory Committee (GASAC) could be more effectively engaged in discussing and getting feedback on potential projects.

***GASB Expertise Better Suited for Evaluating Whether Group 2 Projects In-Scope.*** The ED attempts to address the expertise issues raised by commenters on the Original Proposal by stating that all Government Trustees will be invited to participate in the Oversight Committee consultation process. Even in light of this change, we continue to believe that the GASB members and staff are in the best position to evaluate whether Group 2 information is in-scope in light of their strong expertise in governmental accounting and their understanding of related trends both in the United States and internationally.

***FAF Three-Year Assessment.*** The ED introduces the concept that the Trustees will review the effectiveness, efficiency, and effects on the GASB's independent standard-setting process three years after a revised FAF consultation process is introduced for Group 2 projects. If the FAF moves forward with the consultation process proposed in the ED, we recommend that any assessment of that process and its effect on the GASB's independence be performed by an independent third party to ensure an unbiased evaluation.

***FAF Proposal Sets Precedent for FASB Agenda-Setting Process.*** As expressed in our previous comment letter, we continue to question how the FAF can conclude that an adjusted process is necessary for GASB and not come to the same conclusion for FASB if it decided to pursue similar projects. Therefore, we continue to oppose any FAF involvement with the FASB process in the future just as we oppose any FAF involvement with the GASB process.

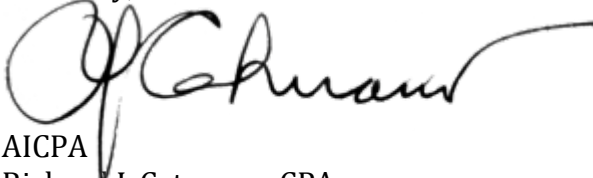
***Other Comments from Previous AICPA Letter.*** In our comments on the Original Proposal, we provided several other specific comments on the proposed process for the GASB agenda-setting that continue to be relevant to the revised process. Please refer back to the following comments in our original letter:

- *Proposal Assumes a "Linear" Standard-Setting Process;*
- *Method of Outreach Needs to be More Clearly Defined; and*
- *AICPA Recommends Utilizing Other Existing Alternatives if Changes Deemed to be Necessary by FAF.*

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The AICPA appreciates the opportunity to submit its comments and would be pleased to discuss them with you at your convenience.

Sincerely,



AICPA  
Richard J. Caturano, CPA  
*Chairman of the Board*