



Proposed Changes to the Process Used to Set the GASB's Technical Agenda

By Stephen J. Gauthier

Earlier this year, the Financial Accounting Foundation requested feedback on certain changes it is considering making in the process used to set the GASB's technical agenda.

In late February 2013, the Financial Accounting Foundation, which oversees the operations of both the Governmental Accounting Standards Board and the Financial Accounting Standards Board, requested feedback from interested parties on certain changes it is considering making in the process used to set the GASB's technical agenda. The FAF released its proposals for change in the form of a *request for comment* document: *GASB's Scope of Authority: Proposed Changes to Agenda-Setting Process*. The FAF has requested that interested parties respond to its proposed changes by no later than April 30, 2013.

BACKGROUND

Some of the GASB's constituents, including the Government Finance Officers Association, have voiced concern that certain GASB technical agenda projects appear to exceed the scope of the GASB's authority as an accounting standard-setting body. In response to those concerns, the FAF recently sponsored an independent academic study to determine how GASB stakeholders perceived the scope of the GASB's authority and standard-setting activities. That study, which is available on the FAF's website (www.accountingfoundation.org), indicated a lack of consensus on the part of stakeholders. In light of those

results, the FAF concluded that it should explore how best to exercise its oversight responsibility in regard to the scope of the GASB's jurisdiction, without in any way compromising the GASB's independence.

The scope of *financial reporting*, for standard-setting purposes, could be defined narrowly or broadly. A narrow approach, for example, might limit the scope of standard setting to just the basic financial statements and accompanying notes. A broad approach, on the other hand, might allow a standard-setting body to issue guidance for types of information well beyond the scope of traditional financial reporting. In its RFC, the FAF classifies the guidance the GASB has promulgated thus far into the following seven categories, from the narrowest in scope to the broadest in scope, as follows:

- **Category 1:** Items recognized in the basic financial statements.
- **Category 2:** Notes to the basic financial statements that either
 - Describe the policies underlying amounts recognized in financial statements or
 - Provide more detail about or explanations of amounts recognized in financial statements.
- **Category 3:** Required supplementary information (RSI) that provides historical context (for example,

trend information for pensions).

- **Category 4:** Notes to the basic financial statements that provide non-traditional information about financial position or inflows and outflows of resources that do *not* meet the criteria for recognition (for example, information on the condition of capital assets).
- **Category 5:** RSI that provides an operational or economic context (for example, proposed presentation of financial projections).
- **Category 6:** Supplementary information (for example, service capacity information).
- **Category 7:** Other general purpose financial reports (for example, suggested guidelines for reporting information on service efforts and accomplishments).

The FAF also categorizes the governmental information into three “groups,” based on the GASB’s authority to issue financial reporting standards and guidance:

- **Group 1:** Information clearly within the scope of the GASB’s standard-setting authority.
- **Group 2:** Information the GASB believes is within the scope of its standard-setting authority, but that is *not* clearly within Group 1.
- **Group 3:** Information clearly recognized as being outside the GASB’s standard-setting authority.

In the FAF’s view, as expressed in the RFC, Group 1 information generally would be consistent with the types of information described earlier for categories 1-3.

PROPOSED CHANGES

Since there is no debate about information in Group 1 (clearly within the scope of the GASB’s jurisdiction) and Group 3 (clearly outside the scope of the GASB’s jurisdiction), the changes proposed in the RFC are limited to potential projects involving information in Group 2. For such projects, the FAF proposes in the RFC that the preparation of a potential project description, a regular step in the current GASB standard-setting agenda process, be expanded to encompass the following steps:

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- The *GASB* would:
 - Develop an expanded project proposal including the project’s objectives, scope (identifying any items that are not clearly within Group 1), research plan, and the need for issuing guidance on the issue;
 - Conduct outreach with the GASB stakeholders; and
 - Revise the project proposal based on stakeholder feedback.
- The *GASB chairman* would:
 - Provide the revised project proposal to the FAF Oversight Committee, which would summarize stakeholder input and indicate

the GASB’s preliminary views on whether to add the project to its research agenda.

- The *FAF Oversight Committee* would:
 - Review the project proposal and obtain additional input from stakeholders (for example, issuing the project proposal for public comment, holding public roundtable meetings, consulting the Governmental Accounting Standards Advisory Council);
 - Evaluate whether the project is appropriately within the scope of the GASB’s jurisdiction; and
 - Make a recommendation to the trustees.
- The *FAF Trustees* would:
 - Make a final determination whether the project is appropriately within the scope of the GASB’s jurisdiction. If so, the FAF Oversight Committee would have the option of reviewing the eventual project prospectus before the item was added to the GASB’s current technical agenda and possibly changing its evaluation.

If the FAF Oversight Committee had doubts whether a given potential project should be classified in Group 1 or Group 2, the potential project would be subject to all of the procedures just described for a Group 2 potential project. ■

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