



FAF Issues Revised Proposal on GASB Oversight

By Stephen J. Gauthier

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Last February, the Financial Accounting Foundation, which oversees the Governmental Accounting Standards Board, issued *The GASB's Scope of Authority: Proposed Changes to Standard-Setting Process — Request for Comment*. This document proposed establishing specific oversight procedures to ensure that the GASB consistently operates within the scope of its jurisdiction as an *accounting and financial reporting* standard-setting body. In August 2013, the FAF issued a revised proposal, *GASB Scope of Authority: Consultation Process*, that takes into account concerns raised by respondents to the original request for comment.

Until now, the GASB has been the sole determiner of whether a given topic properly falls within the scope of its authority as an *accounting and financial reporting* standard-setting body. Some critics, including the Government Finance Officers Association, have viewed this situation as an inherent conflict of interest. In response to these critics, the FAF proposed in its February request for comment to make certain changes to the process used for setting the GASB's technical agenda. Specifically, the FAF suggested that its oversight committee become *directly involved* in the GASB's agenda-setting process, which would involve evaluating whether *specific projects* fell within

the proper scope of the GASB's jurisdiction.

A number of respondents to the February request for comment expressed concern that the FAF's proposal for enhanced oversight would compromise the GASB's independence. These respondents argued that FAF oversight would need to be exercised in a less intrusive and detailed manner if the GASB's independence is to be preserved.

In its revised proposal, the FAF attempts to address these concerns by proposing that the FAF's oversight committee:

- Be involved in a *pre-agenda consultation* with the GASB, rather than in the agenda-setting process itself.
- Operate from a more general perspective, rather than focusing on individual potential agenda projects.

Specifically, 1) the GASB would be asked to make its own analysis of why information in questionable cases fell within the scope of its jurisdiction, and 2) the FAF's oversight committee would then evaluate the GASB's analysis, taking into consideration, at a minimum, the following factors:

- The GASB's analysis that there is a clear need for concepts, standards, or guidance covering the information in question.



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- The GASB's analysis that the information in question clearly will improve general purpose external financial reporting.
- The GASB's analysis that the information in question meets a significant governmental financial reporting objective.
- Whether the information in question already is available through other reporting regimes or mechanisms.
- Whether any other group or entity is involved in, better equipped to, or more appropriately positioned or designed to standardize reporting and disclosure for the information in question.

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If the GASB and the FAF's Oversight Committee were unable to reach agreement, the ultimate decision would be made by the members of the FAF's Board of Trustees.

The comment deadline on the revised proposal was September 30, 2013. ■

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