



State Department of  
Administrative Services  
**State Accounting Enterprise**

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February 8, 2008

Ms. Teresa S. Polley  
Chief Operating Officer  
Financial Accounting Foundation  
401 Merritt 7  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 23

Dear Ms. Polley:

We appreciate the opportunity to respond to the Financial Accounting Foundation's request for comments on Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB.

Our comments to the each of the Board of Trustee's recommendations are as follows.

1. Expand the breadth of individuals and organizations that are invited to submit nominations for the FAF Board of Trustees with the understanding that final authority for all appointments rests solely with the Board of Trustees.

We have no objection to expanding the nomination process to include a broader and more diverse group of candidates. However, we disagree with the proposed action to eliminate the NASACT and GFOA role in electing three members. The recommendation provides for a minimum of three government finance or elected officials, but does not provide any argument or evidence that the current method of electing the three governmental trustees should be changed. The agreement that established this method was instrumental in governments delegating their standard setting authority to the FAF and the GASB, and we are not aware of any dissatisfaction within the governmental community to justify a change.

2. Change the term of service for Trustees from two three-year terms to one five-year term.

We have no objection to this proposal. If reappointments are indeed near automatic, this will effectively reduce the term for Trustees from six years to five years.

3. Change the size of the Board of Trustees from sixteen members to a range of fourteen to eighteen members.

We are not convinced that a change in the size of the Board is necessary. The Board should at all times be composed of individuals with ample experience and sufficient expertise to react to a changing environment. The Board is surely able to utilize outside experts if particular situation dictates.

4. Strengthen and enhance the governance and oversight activities of the Trustees as to the efficiency and effectiveness of the standard-setting process.

We support the proposal for the Trustees to take a more active oversight role as to the efficiency and effectiveness of the standard-setting process. Most particularly, in monitoring agenda setting, and in reviewing the GASB's responsiveness to constituents' comments and concerns.

5. Reduce the size of the FASB from seven members to five.

We do not support the proposal to reduce the FASB to five members. We are not persuaded by the arguments to reduce the number of members and believe the complexity and volume of the workload justifies a seven member board.

6. Retain the FASB simple majority voting requirement.

We favor retaining the simple majority voting requirements. A supermajority requirement would not necessarily result in higher quality or more readily accepted accounting standards

7. Realign the FASB composition.

The proposed composition is balanced and reasonable, should the FASB be reduce to five members.

8. Provide the FASB Chair with decision-making authority to set the FASB technical agenda.

We oppose this recommendation for the reasons as cited below as it relates for the GASB.

9. Secure a stable mandatory funding source for the GASB.

We agree that it is necessary to establish a stable funding source for the GASB. The GASB's inability to focus solely on accounting standards, and their apparent lack of concern and respect for government input, makes it difficult for government financial leaders to justify a constant funding stream for the GASB

10. Retain the current size, term length, and composition of the GASB.

We support the recommendation to retain the current size, term length, and composition of the GASB.

11. Provide the GASB Chair with decision-making authority to set the GASB technical agenda.

We oppose the recommendation to provide the GASB chair with decision-making authority to set the technical

agenda. Because the addition of items to the agenda represents a collective commitment of all the Board members and significant dedication of Board resources, each member should have a vote and be on record, for or against. Additionally, it is sensible to first build a consensus for the need to address a particular topic in order to enhance the prospect for the successful completion of the project. Finally, this proposal would grant too much influence on the Chair, and potentially result in a negative perception of the standard setting process.

In closing, we believe that with the prospect of IFRS in the future, and of either the elimination or vast reduction in the FASB's authority, it may be time for governments to reexamine the role of the FAF and the GASB in establishing governmental accounting standards. It has been over twenty years since this issue was reviewed and there may be other options that would provide better results for all governments. The FASAB has been a viable option for the federal government and the States may want to consider the establishment of their own quasi-governmental entity to issue governmental accounting standards.

If you have any questions or need additional information regarding this response, please do not hesitate to contact me at (515) 281-4877.

Sincerely

*Calvin McKelvogue*

Calvin McKelvogue  
Chief Operating Officer