February 10, 2008

LETTER OF COMMENT NO. 40

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

Sent via e-mail

Dear Ms. Polley,

Please find comments as an attachment to an e-mail on the proposed changes to oversight, struct, and operations of the FAF, FASB, and GASB.

REQUEST FOR COMMENTS

In summary, the Trustees have voted to expose for public comment the following proposed actions:

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.

RESPONSE: I agree with this recommendation. This would permit a larger pool of recommended nominations and give the trustees the opportunity to interview more candidates and then select the best person and the best fit given the make-up of the FAF board at the time of the final selection. Even though a person may professionally and on paper appear as the best candidate, the board may still obtain the same quality of profession and an ability to consider personality traits and collaboration of a nominee.

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

RESPONSE: I do not quite agree with this recommendation but have a recommendation that may be similar in nature. Five years is a long time and there are changes that will occur to individuals serving as a FAF member. If we use the current three year term with an automatic renewal of three years, it will afford an opportunity for a FAF member to "bow out" gracefully instead of having to resign.

By making the FAF term a five-year term, I feel there will be more resignations compared to the current three-year term and maybe another three-year term.

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

RESPONSE: I agree with this recommendation. This will not only allow flexibility to change as change is needed, but will permit a resignation to occur and the Board will still be able to continue to operate in "full mode" and establish quorums for meetings easier, etc.

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

RESPONSE: I agree with this proposed action. Because of the changing environment, I think it is important to give the FAF enhanced and strengthened oversight responsibilites as stated in the proposed action. As an additional example, the current issue of clarifying the "standards setting" for the Service Efforts and Accomplishments is an excellent responsibility of process oversight the FAF board needs to maintain and monitor.

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

RESPONSE: I do not agree with this proposed action. Given the many kinds of private and non-profit entitites, the membership needs to remain at seven. This is even more criticial as we merge into a single set of global accounting standards—which will increase the numbers and kinds of private and non-profit entities the FASB will need to address. My other concern is whether a quorum rule exists for the FASB meetings. Holding a meeting with a quorum of seven members, i.e., no less than four members seems to be more reasonable than holding a quorum meeting for a five member FASB which could mean that three persons are at the meeting. Part of this concern can be addressed on the topic of simple or super majority in the approval/disapproval process.

6. Retain the FASB simple majority voting requirement.

RESPONSE: I agree with the simple majority voting requirement on the condition that the FASB membership remains at seven. If the FASB membership changes to five members, then I do not agree and would suggest a super-majority requirement, i.e., four out of the five must agree on final determinations. This appears to be an inconsistent position, but to me the simple majority of a five member board, or only three members can swing a vote is too much of a risk given the changes coming in the future for accounting standards setting.

7. Realign the FASB composition.

RESPONSE: Given the condition that the FASB Board becomes a five-member board, then I agree with this proposal. I especially appreciate the selection of the one at-large, best qualified member.

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

RESPONSE: I agree with this proposed action with a condition: The ultimate responsibility of ensuring efficient and effective operations of the FASB from a policy point of view rests with the FASB Board. Thus, the management decisions of setting the technical agenda by the FASB Chair is an appropriate direction to take, however the FASB Board should reserve the right to "adjust the reins" of the pace and workload caused by the setting of technical agenda items. In other words, there needs to be some oversight by the FASB Board and yet the FASB Chair needs the ability to make changes as needed and when needed. However, there may come a time where the technical agenda is just too much workload and may cause other decisions, such as the need to expand the technical staff, which should be under the control and oversight of the FASB Board along with the concurrence of the FAF Trustees.

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

RESPONSE: I agree with the proposed action of acquiring a stable mandatory funding source for the GASB. The primary reason my State does not make voluntary contributions is that our own State Auditor has determined that this would be a gift of public funds, therefore not legal. The GASB needs to make a mandatory assessment, not a voluntary assessment, on every governmental entity that is required to file financial reports and certain financial information with the SEC website identifying the four recognized Municipal Securities Information Repositories. The SEC site is http://www.sec.gov/info/municipal/nrmsir.htm and lists the web links to the repositories. GASB could be included as a website link to generate a required payment invoice payable to GASB based upon, for example, the required list of the current outstanding bonds, along with their CUSIP numbers (a report already produced for the repositories). The basis could be on the amount issued or the amount outstanding in accordance with the reporting dates. The mandatory fee rates would be based upon, as examples, the basis of the original issue amount of the outstanding bonds and/or the remaining amount outstanding of the current bonds outstanding. The fee then can be submitted within thirty days of the filing of the reports with the repositories.

At any rate, the voluntary part of GASB revenues does not work and must be discontinued.

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

RESPONSE: I agree with the proposal to retain the current size, term length, and composition of the GASB. If the board positions become more time-consuming, then there should be a consideration of change.

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

RESPONSE: I agree with this proposed action with a condition: The ultimate responsibility of ensuring efficient and effective operations of the GASB from a policy point of view rests with the GASB Board. Thus, the management decisions of setting the technical agenda by the GASB Chair is an appropriate direction to take, however the GASB Board should reserve the right to "adjust the reins" of the pace and workload caused by the setting of technical agenda items. In other words, there needs to be some oversight by the GASB Board and yet the GASB Chair needs the ability to make changes as needed and when needed. However, there may come a time where the technical agenda is just too much workload and may cause other decisions, such as the need to expand the technical staff, which should be under the control and oversight of the GASB Board along with the concurrence of the FAF Trustees.

Responses from interested parties wishing to comment on *Proposed Changes* to Oversight, Structure, and Operations of the FAF, FASB, and GASB must be received in writing by February 10, 2008. Comments should submitted by email to tspolley@f-a-f.org.

The opinions expressed above are my opinions and do not specifically represent the position of the Board Members of the Association of School Business Officials International.

Respectfully Submitted,

Neil A. Sullivan, RSBO, CGFM

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