

February 7, 2008

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

LETTER OF COMMENT NO. 2/1

Dear Ms. Polley:

We appreciate the opportunity to comment on selected proposed changes in the Request for Comments on Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB and GASB.

As a general comment, we strongly support the private-sector standard setting process and the independence of the FASB and GASB. We believe the Financial Accounting Foundation's (FAF) oversight role is critical to protecting this independence and support the FAF's initiative to strengthen the effectiveness and efficiency of their role.

Trustee Issues

Proposed Actions: The FAF proposes to make changes to the Board of Trustees including expanding the breadth of individuals and organizations invited to submit nominations to the Board, changing the term of service and size of the Board and strengthening the Board's governance and oversight activities.

We agree with the recommendation to expand the organizations and individuals invited to submit nominations for FAF. Any actions taken to allow the FAF to choose the best qualified individuals, without limiting candidates to those representing a particular interest group, is an important improvement to the process.

We question the importance of changing the term of service to one five-year term. The change is not significantly different than what currently exists (assuming trustees are routinely automatically reappointed) and creates an unusually long initial service period. It may be easier to attract qualified candidates if they are only committed to three years. At the same time, the Trustees could review the renomination process to ensure it's meaningful and substantive.

We have no issues with the proposed change in the size of the Board of Trustees.

We are not knowledgeable enough of the current oversight activities of the Trustees to respond effectively to this proposed action. However, as indicated in our general comment, we believe FAF's effective oversight is critical to protecting the independence of accounting standard setting.

FASB Issues

Proposed Actions: The FAF proposes to reduce the size of the FASB and realign the composition of the Board (assuming the size is reduced), retain a simple majority voting requirement and provide the Chair with decisionmaking authority for the technical agenda.

We are not in favor of reducing the number of FASB board members to five. The demands on Board member time are increasing as a result of convergence-related activities. Reducing the level of Board resources to meet these

demands could slow the standard setting process and/or lower the quality of the response as resources become strained. Finally, reducing the number of FASB board members sends a negative message to all of FASB's constituents that we are winding down standard setting in this country as we move towards IFRS.

We support retaining the simple majority voting requirement for the reasons indicated in the proposal.

We have concerns about giving the FASB Chair decision-making authority to set the FASB technical agenda. Granting that level of authority to one individual, who may be the minority on certain standard-setting issues, could inappropriately influence the process. Potentially these concerns, and the overall need for increased efficiency, could be overcome with enhancements to the oversight of the agenda setting process by the FAF.

GASB Issues

<u>Proposed Actions:</u> The FAF proposes to secure a stable mandatory funding source for GASB, retain the size, term length and composition of the Board and provide the GASB Chair with decision-making authority for the technical agenda.

We support the need to secure a stable mandatory funding source for GASB and support the retention of the size, term length and composition of the GASB for the reasons indicated in the proposal.

For the same reason, indicated above in the FASB Issues section, we have concerns about granting the GASB Chair decision-making authority to set the GASB technical agenda.

Thank you for the opportunity to comment on the proposed changes to oversight, structure and operations of the FAF, FASB and GASB.

Sincerely,

CLIFTON GUNDERSON LLP

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