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

Dear Ms. Polley:

On behalf of the Tennessee Department of Audit, we thank the Financial Accounting Foundation (FAF) for the opportunity to comment on its Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB. Our comments are presented below by proposed action.

Governmental Nominating Organizations Proposed Action

We believe the FAF should retain NASACT's and GFOA's recognition as "electors" of the FAF's three government trustees. We believe those organizations would be in the best position to recommend candidates that have the greatest knowledge of the needs of the governmental accounting community. In addition, with the role of FASB diminishing because of the certain international convergence of accounting standards, we believe that the FAF should be reorganized to require more than three governmental trustee members. We recommend a minimum of six governmental trustees as part of the 16-member board. We also believe that the FAF by-laws should explicitly state that a minimum of six trustee seats should be filled with government finance or elected officials.

GASB Funding Source Proposed Action

We believe the GASB's funding source should not be limited to state governments since the vast majority of governmental entities (which are local governments) benefit from using GASB standards. We agree that a voluntary approach has not worked in sufficiently funding the GASB; however, the FAF's recent changes to indirect cost allocations and refusal to accept offers of contributions to GASB from accounting firms have contributed greatly to this problem. Therefore, the FAF has itself contributed to the problem and also has not performed its duty proper fund-raising responsibilities as stated in the FAF by-laws. The FAF has essentially
delegated its fund-raising responsibilities to the states and sponsoring organizations. The GASAC role should be expanded to include a general review of the GASB’s budget for sufficiency based on the significance of the issues/topics for future consideration.

Setting the GASB Technical Agenda

We believe the board as a whole, rather than the chairman, should have the final say in what is on the technical agenda. Furthermore, the GASAC’s role should be expanded to include more authoritative input into the topics or issues that get on the technical agenda.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 747-5262.

Sincerely,

Arthur A. Hayes, Director
Division of State Audit