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

Dear Ms. Polley:

The Michigan Office of the Auditor General appreciates the opportunity to comment on the Financial Accounting Foundation's Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB. We have limited our comments to the proposals affecting the Financial Accounting Foundation (FAF) and the Governmental Accounting Standards Board (GASB) since our primary concern is with the operation and oversight of the GASB.

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 recognize that with the planned convergence of international accounting standards with U.S. standards, it is appropriate to reconsider the role of the FAF and the process by which its members are appointed. If the role of the Financial Accounting Standards Board (FASB) is limited upon convergence, we expect that the FAF will have a greater opportunity to focus its attention on the GASB. Such a change in focus would also suggest a greater need to staff the FAF with persons having governmental and not-for-profit accounting experience. While we are open to changes in the size and composition of the FAF, we view the current status of the Government Finance Officers Association (GFOA) and the National Association of State Auditors, Comptrollers and Treasurers (NASACT) as "electors" to the FAF as vital, and strongly support their existing role. These bodies have a proven their expertise and skill in appointing knowledgeable and experienced trustees and are deserving of maintaining their "elector" status.
2. **Change the term of service for Trustees from two three-year terms to one five year term.**

   We have no objection to the proposal to modify the terms from two three-year terms to one five year term.

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

   As mentioned above, a change in the size and composition of the FAF may be appropriate upon convergence of international and U.S. accounting standards. Without such convergence, we do not consider this change as necessary. If the Board is concerned with being able to react to a changing environment, a staggering of the trustee terms would allow the replacement of individuals with the necessary expertise in a timely fashion. We suggest that the use of consultants to instruct existing Board members as a way to mitigate any lack of expertise on the Board until such time as a vacancy on the Board occurs.

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

   We do not support this proposal as we consider the involvement of Trustees into matters such as agenda setting, due process, consideration of comments and the retrospective evaluation of the effectiveness and efficiency of standards as supplanting the responsibilities of the FASB and GASB board members.

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

   No comment.

6. **Retain the FASB simple majority voting requirement.**

   No comment.

7. **Realign the FASB composition.**

   No comment.

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

   No comment.
9. Secure a stable mandatory funding source for the GASB.

We strongly support the establishment of a stable funding source for the GASB which maintains its independence. The proposal of a state government assessment is appealing as it would likely be the most efficient way to collect the funding. NASACT currently collects voluntary contributions from states and remits them to the Foundation. NASACT could continue to serve as a liaison with the states in collecting a mandatory fee. If a state assessment cannot be agreed upon and federal funding is sought for the GASB, we urge the Foundation to maintain the independence of the GASB and not agree to federal oversight of the appointment of GASB members or its technical agenda.

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

We agree that the size, term length, and composition of the current GASB is appropriate.

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

We do not support this proposal as we consider the simple majority of the GASB Board as the appropriate method to include issues on the technical agenda. We are not persuaded that the government accounting environment is so fluid that the Board cannot adjust the technical agenda as necessary.

If you have any questions or desire further details on our comments, please contact me or Craig M. Murray, C.P.A., Director of Professional Practice.

Sincerely,

[Signature]
Thomas H. McTavish, C.P.A.
Auditor General

Via e-mail