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LETTER OF COMMENT NO. 56

February 1, 2008

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

To the Trustees:

I wish to respond to the Financial Accounting Foundation Request for Comments on the ***Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB.***

I am currently a sitting member of the Governmental Accounting Standards Advisory Council representing the National Association of Counties (NACo). I am the Controller of Lake County, Illinois. These remarks are my own and not those of NACo or Lake County. I have selected 5 of the 11 recommendations that I wish to address. I do not feel qualified to comment on FASB recommendations and I am neutral on the terms of both FAF and GASB.

#### **FAF BOARD OF TRUSTEES**

1. The proposed action to expand the breadth of individuals and organization invited to submit nominations is a good recommendation but I am concerned about the appointees from the government sector. Perhaps allowing 3 national government membership organizations carte blanche to appoint trustees needs to be addressed but I would like to see some process in place that these organizations and other similar organizations be responsible for the nominees. The phrase "government finance or elected officials would continue to fill a minimum of three seats" is not reassuring that the needs of governments will be met. Because there are only 3 positions it is important to government finance that it be represented on the FAF with individuals thoroughly familiar about issues for a broad range of governments. Organizations that represent governments would be most familiar with what these issues are.

3. I am also uncertain about changing the number of trustees to a range rather than a specific number. It could be taken as an attempt to dilute some of the opinions that may currently exist. For example, if the number were currently 14 and the board was deeply divided on an issue, an additional appointment or 2 or even 4 could become a contentious situation. Even if current personalities would not have these issues, we cannot foresee

what would happen with future appointments. It is unclear of the positive need for this when expertise can be obtained through other means.

4. Also, I don't feel there is enough information on the proposed action to *strengthen and enhance oversight activities*. Exactly what is being proposed here? Could the FAF veto a technical agenda item or add an agenda item that either FASB or GASB has failed to include? These possibilities appear to be an erosion of independence. I would not see any harm in the oversight if it is to see that GASB or FASB is performing due diligence in its decision making and re-evaluating its processes to meet the needs of its constituents. There are performance measures in place to evaluate the Boards. I understand at one time there were trustees tasked with oversight. If this group could be reconvened to evaluate past performance that would not interfere with independence.

## **GASB**

9 *Securing a stable mandatory funding source for the GASB* is important. Right now it appears to be a patchwork quilt that does not achieve the necessary funding. I am not sure if mandating through the state government assessment would be successful but it is a start. Perhaps asking the states to provide a certain amount of funding depending on some set parameter – population or number of governmental entities etc is possible. Then let the State decide if they want to ask governments to pay a filing fee when they file with the state or whatever mechanism is required in a particular state.

11 I am strongly opposed to *providing the GASB chair with the decision-making authority to set the GASB technical agenda*. I have watched the healthy give and take that occurs when the Board is deciding on its technical agenda. It seems necessary to have these differing points of view when deciding the future of government financial reporting. The FAF is careful to appoint a diverse Board and there is a reason to maintain a diverse discussion. Although the current Chair is a reasonable person, the possibility of a chair who wants to promote his or her agenda should be considered. The GASB currently meets either remotely or in person on a monthly basis. It is difficult to see what pressing issue would require moving faster than that unless it is to undermine a Board deliberated decision. Perhaps the chair could be allowed to direct staff to initiate research into a topic not currently on the technical agenda. If there is some immediacy, the investigation would be in motion before deliberations among board members could take place

I appreciate the opportunity to comment on FAF's proposed changes. A strong focused FAF is crucial to maintaining the high quality of financial reporting and I hope that any changes will be discussed with careful consideration given to the comments that have been given by what will be a wide range of interested parties.

Sincerely,

Julie O'Brien