December 5, 2014

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 33-1ED
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We are writing to you on behalf of the Government Finance Officers Association (GFOA) in response to the Governmental Accounting Standards Board’s (GASB) exposure draft (ED) on The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This response was prepared by the GFOA’s standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR), all of whose members are active government finance officers.

The GFOA appreciates the GASB’s efforts to streamline the hierarchy of generally accepted accounting principles (GAAP). We support the proposals of the ED, especially for the following reasons:

- We support simplifying the hierarchy from four levels to two because: 1) the current “third level” is an anomaly that serves no purpose; and 2) regardless of their current status on the GAAP hierarchy, Implementation Guides have been treated as authoritative by stakeholders, for all practical purposes, and therefore, in our view, should be subject to appropriate due process;
- We agree that the inherent difficulty of determining what constitutes “widely recognized and prevalent practice,” is inconsistent with its classification as an authoritative source of GAAP; and
- While concepts statements are not authoritative, they do receive broad public exposure. Therefore, we agree that when a nonauthoritative source is the basis for an accounting or financial reporting treatment it should be consistent with the framework provided by the GASB’s Concepts Statements.

If you have any questions regarding our position, please contact the GFOA's Director of Technical Services, Stephen J. Gauthier (312/917-6101; FAX 312/977-4806; e-mail: sgauthier@gfoa.org).

Sincerely yours,

William Hall, chair
Committee on Accounting, Auditing, and Financial Reporting

Melinda Gildart, vice-chair
Committee on Accounting, Auditing, and Financial Reporting