November 25, 2014

David R. Bean, Director of Research and Technical Activities
Governmental Accounting Standards Board
Project No. 26 5E
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Exposure Draft- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Project No. 33-1ED

Dear Mr. Bean:

The following is the response of the Government Accounting and Auditing Committee of the Washington Society of Certified Public Accountants (WSCPA). The views expressed are the views of the Committee and not necessarily the views of the individual members or the WSCPA as a whole. We are pleased to have the opportunity to respond to the Governmental Accounting Standards Board’s (GASB) Exposure Draft (ED) The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

We support the mission of GASB, to establish and improve standards of state and local governmental accounting and financial reporting.

*Overview of Our Response:*

We support this ED because it allows the GASB Implementation Guides as category (b) Generally Accepted Accounting Principles (GAAP) only after established GASB due process, such as public exposure and public comment. We also agree that drawing conclusions based on analogies for similar transactions and events with existing authoritative GAAP before using nonauthoritative accounting literature is appropriate.

*General ED Comments:*

Elevating the GASB Implementation Guides to category (b) within authoritative GAAP is appropriate, given that all implementation guides will now become subject of GASB’s due process: issuance of an exposure draft for public comment and GASB’s deliberation prior to a final guide. Footnote 2 in Paragraph 3 states GASB Implementation Guides are incorporated periodically into the Comprehensive Implementation Guide, but it does not specifically state that future implementation guides or amendments to the Comprehensive Implementation Guide will be subject to GASB’s due process. We believe that this statement implies, but does not explicitly state, that all future changes to implementation guides will be subject to the GASB due process and that when a new GASB standard is issued it will provide amendments to implementation guides in
addition to the GASB standards as is current GASB practice. Our support for this statement would be strengthened if GASB made explicit how GASB will treat new implementation guides and amendments to existing guides based upon future GASB statements.

Using analogies to authoritative GAAP, if valid and appropriate, is preferable to using nonauthoritative accounting literature. However, this may present some diversity in practice both by preparers and attesters. Using a weak correlation with authoritative GAAP may not be preferable to using nonauthoritative accounting literature, when it is consistent with the GASB Concepts Statements. We do not have a good recommendation to solve potential issue that might occur when a preparer uses a weak correlation with authoritative GAAP to justify a position then uses this GASB standard to state that their correlation must be used before using nonauthoritative accounting literature, when the auditor does not believe that the analogy is valid and appropriate. Perhaps some discussion either in the standard or in the basis for conclusions that to use the analogy process, the specific transaction or event must be closely correlated to the transactions or events considered under authoritative GAAP. If such specific transactions or events do not closely correlate to those considered under authoritative GAAP, then the use of nonauthoritative accounting literature is appropriate.

In summary, we believe that his statement would be improved by a much more clear indication of how GASB’s due process will be applied in future implementation guides and adding a more robust discussion of the strength of the correlation needed to use analogies.

**Summary of Specific ED Comments:**

We agree with this ED and believe it improves accounting and financial reporting for state and local governments. We believe this ED can be improved by specifying how future additions will also be subject to GASB’s due process and further guidance on how analogies should be closely correlated to existing GAAP.

Thank you for the opportunity to respond. If you have any questions or need additional information regarding this response, please contact Olga A.Darlington at (425) 551-5712.

Sincerely,

**SENT VIA E-MAIL to director@gasb.org**

Olga A. Darlington, CPA
Chair, Government Accounting and Auditing Committee
Washington Society of Certified Public Accountants