December 12, 2014

Governmental Accounting Standards Board  
Attn: Director of Research and Technical Activities  
Project No. 25-20  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT  06856-5116

Dear Sir,

Thank you for the opportunity to comment on the Exposure Draft (ED), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* document. The Wisconsin State Controller’s Office is responsible for annually preparing the State of Wisconsin’s Comprehensive Annual Financial Report (CAFR). The comments included in this response focus primarily on the impact the updated guidance will have on implementation guides as follows:

1. As preparers of the State’s CAFR, we did not experience significant problems with GASB implementation guides being non-authoritative. The new standard makes them authoritative. Because the implementation guides clarify, explain or elaborate on GASB standards (para. 28) we believe the additional guidance itself promotes consistent application of GASB standards by preparers without being authoritative. Further, the fact that guides are issued by GASB lends credibility to the document.

2. We are concerned that, because implementation guides will have to go through the exposure process for public comment, there will be delays in receiving information necessary for effective and timely implementation of new standards. This is particularly true for complex and significant new standards. For example, GASB 67 and 68 are effective next year. Implementation guides of 97 and 195 pages were issued for those standards in June 2013 and January 2014, respectively. Under the existing hierarchy, those implementation guides were not exposed for public comment. However, under the new hierarchy, we believe the publications would have been delayed several months or longer. Therefore, any perceived benefit gained by the guides being authoritative will be negated by the fact the guidance is not promptly available to preparers. One way to mitigate this problem would be for GASB to lengthen the time period between when a standard is issued and when it is effective to allow for the additional time for exposure and review of associated implementation guides. The exposure draft did not indicate whether that might be the case.

3. Paragraph 21 indicates that broader public exposure would improve the guides by eliciting greater and more diverse input and improving awareness of the guidance. However, this increases the workload on preparers to analyze even more GASB drafts than are currently exposed. Further, implementation guides contain more details requiring a more detailed analysis than exposed statements. Preparers have the experience needed to most efficiently and effectively assess the quality of the information.

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contained within implementation guides after they have implemented a standard, not before. This does not suggest the input of preparers would be of limited value for the exposed implementation guides, but reflective of the fact that additional time and attention will have to be given to the exposure drafts because the information contained within will be authoritative.

We receive requests for comments on GASB drafts several times per year. In fact, over 2,000 pages of GASB exposure draft information has been issued for public comment this year. This is in addition to three new standards that were implemented for our FY 2014 CAFR. Further, the two new pension standards effective in the near future, along with associated implementation guides, contain more than 500 pages of information. It is difficult to keep up with the high volume and technical complexity of GASB standards and exposure drafts. Adding the implementation guides to the process increases that workload.

4. We believe that non-authoritative guidance that is available in a prompt manner is of more value to preparers than authoritative guidance that may be delayed for use. Further, non-authoritative implementation guides provide some flexibility in application of standards. At times flexibility is needed because standards, and associated guidance, will not address all reporting circumstances regardless of the review and input efforts completed prior to its issuance. At that time, the flexibility to use professional judgment becomes important to ensure financial statements are presented in a way of most value to the users.

In addition, we have one final comment pertaining to the removal of “practices that are widely recognized and prevalent in state and local government” from the hierarchy. This language can serve as a practical reference point for how preparers should proceed when standards do not exist for a particular circumstance. We suggest the language continue to be part of the hierarchy.

We appreciate this opportunity to provide our comments to the GASB. Please contact Cindy Simon at (608) 266-3052 if you need additional information.

Sincerely,

Stephen Censky, CPA
State Controller