



## National Association of State Auditors, Comptrollers and Treasurers

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October 30, 2008

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

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, I am pleased to provide these comments about the Governmental Accounting Standards Board's exposure draft, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Our members support the board's proposal to codify all GAAP for state and local governments in a single source in the GASB's authoritative literature. They agree that the inclusion of the GAAP hierarchy in the GASB's authoritative literature will assist preparers of financial statements in recognizing the appropriate sources of guidance as they prepare financial statements. Our members also appreciate that adopting the GAAP hierarchy as it currently exists in the AICPA auditing literature will have a minimal impact on current practices.

Some members have provided some suggestions for edits or further clarification of some matters discussed in the exposure draft. They are included as an attachment to this letter.

As always, NASACT appreciates the opportunity to participate in the GASB's due process. Should you have any questions about our comments, please feel free to contact me at 517-334-8050 or Pat O'Connor or Sherri Rowland of the NASACT staff at 859-276-1147.

Sincerely,

Thomas H. McTavish  
President of NASACT

**NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS AND TREASURERS**

Suggestions Related to the GASB ED, *The Hierarchy of  
Generally Accepted Accounting Principles for State and Local Governments*

October 2008

Paragraph in the ED	Questions and Suggestions
Para 3.a	<p>Paragraph 3 lists the hierarchy for state and local governments, and is very similar to what exists in the American Institute of Certified Public Accountants (AICPA) literature. However, while the AICPA literature included in category (a) "...AICPA and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements or Interpretations," this verbiage was omitted from the ED. We understand that AICPA pronouncements will be incorporated in GASB Statements and therefore why they were not included in the ED.</p> <p>However, we are curious why applicable FASB standards were not included in category (a) at least by reference and/or why the Basis for Conclusions didn't explain why FASB pronouncements were omitted from category (a). We note that paragraph 17 of GASB Statement 34 includes language about pre-November 30, 1989 FASB standards. We also note that FASB pronouncements are referenced in the ED only as other accounting literature.</p> <p>We wonder if this omission is related to the GASB's forthcoming research project, the <i>Codification of Pre-November 30, 1989, FASB Pronouncements</i>. The FASB is continuing to move forward in its codification project and the GASB is in the early stages of its project to codify FASB pronouncements that are applicable to state and local governmental entities. Therefore, since the effective date for this proposed statement will be upon issuance, we recommend that the GASB include a transition clause in the proposed statement to continue to recognize pre-November 30, 1989, FASB pronouncements as "category (a)" GAAP until such time as GASB completes its codification project.</p>
Para 3.c	It appears that footnote #3 should be referencing footnote #2, not footnote #1.