



December 3, 2014

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

We generally agree with the provisions of the ED and believe that having two stated categories rather than four simplifies GAAP analysis. We agree with the distinction between GASB Statements, which establish fundamental accounting and financial reporting standards, category (a), and guidance, which is limited to clarifying, explaining or elaborating on GASB Statements, category (b). We also agree with the inclusion of the Comprehensive Implementation Guide in the GAAP hierarchy because it addresses issues not included in the GASB standards.

However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraph 3.a.

We do not believe it is necessary to take the "GASB Interpretations" out of the paragraph and put it in the footnote. If it is still a source of authority, keeping it as part of the paragraph is reasonable since it is part of the hierarchy. We recommend that GASB include interpretations in the body of the paragraph and provide further explanation in the footnote.

Paragraph 7

This paragraph includes a requirement to consider consistency with Concepts Statements in evaluating the appropriateness of any other nonauthoritative literature. We agree with this provision, however, we are concerned that this could be confusing because certain nonauthoritative literature will be required to be consistent with specifically identified nonauthoritative literature. Because of the important nature and purpose of the Concepts Statements, we believe the Board should add further explanation to bridge why nonauthoritative literature is elevated to the status provided in this paragraph. For example, we recommend the Board explain in this paragraph that *considering whether nonauthoritative accounting literature is consistent with Concepts Statements is required because Concepts Statements undergo the same rigorous due process as GASB's officially established accounting principles in category (a). However, they are categorized as nonauthoritative because their role is to provide a conceptual framework for resolving accounting and financial reporting issues rather than serve as principles or guidance.*

National Association of State
**Auditors, Comptrollers
and Treasurers**



We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (217) 782-3536.

Sincerely,

A handwritten signature in blue ink, appearing to read 'William G. Holland'. The signature is stylized with a large, sweeping flourish that extends upwards and to the right.

William G. Holland
NASACT President