**Best Practices for Implementing New GASB Standards**

During the past 10 years, state and local governments have had a yearly average of three new Governmental Accounting Standards Board (GASB) standards to implement. Each new standard is unique, but having to implement new standards is not. Therefore, the overall process to identify, plan, communicate and monitor changes can be built into the normal financial statement preparation process. And best practices – such as those described below – can make implementation of new standards a regular and manageable part of financial statement preparation.

**Identifying and Analyzing Changes**

* All key members of the financial statement preparation team should be subscribed to publications that announce new GASB standards (for example, the free quarterly *GASB Outlook*).
* Assign responsibility for identifying and analyzing new GASB standards. This person should be part of the financial statement preparation team and have strong accounting and research skills. This assignment should be included in the person’s job description.
* The assigned person should read all new GASB statements soon after they are issued to ensure sufficient time for any needed research or implementation.
* The assigned person – and other key team members, as appropriate – should attend training classes as they are able, to enhance and confirm their understanding of new standards.

**Planning**

* Capture preliminary research steps, conclusions and implementation plan (if needed) on a checklist (such as this [example checklist](http://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18505) available on our website).
* Develop an implementation plan that includes, as needed:
  + Additional research steps to resolve any interpretation or application questions, or to check understanding of key provisions (especially if expected to be costly);
  + Discussions with internal and external stakeholders who may need to be involved;
  + Gathering needed information;
  + Changes to the chart of accounts, worksheets or templates;
  + Changes to systems or processes to gather new or different information; and
  + Changes to internal controls.
* Implementation plans should have sufficient detail and include assignment of responsibility with estimated timelines to allow for effective monitoring.
* Review preliminary conclusions and the implementation plan with the financial statement preparation team to ensure a shared understanding.
* Brief the governing body on final conclusions about new GASB statements and the team’s implementation plan so the governing body can oversee the financial reporting process.

**Implementation**

* Resolve all research questions before financial statement preparation.
* Document interpretations and policy decisions in writing to ensure consistency in future periods and as support for external audits.
* Formalize changes in the accounting system and financial statement worksheets rather than implementing them off-book whenever possible.

**Monitoring**

* Assign responsibility for monitoring and tracking progress on the implementation plan. Normally, this would be the same person assigned responsibility for researching and implementing new standards.
* Save tracking documents in a location accessible to all members of the financial statement preparation team so progress is transparent and can be easily referenced throughout the year.
* Compare draft changes to financial statements against available examples. Examples may be obtained from: GASB statement appendices; associations such as Government Finance Officers Association (GFOA); industry publications such as those from PPC, CCH or Wiley; the [BARS Manual example notes](http://www.sao.wa.gov/local/BarsManual/GAAP/Pages/GAAP_ReportingNotes.aspx); or draft statements shared by a peer government.
* The implementation plan and tracking document(s) should act as summary documentation of controls over implementation of new standards.
* Communicate with the governing body on implementation progress; depending on the extent of work needed, this could range from regular updates to a simple notification that implementation is complete.

**Adjusting**

* External audits represent independent evaluations of implementation, useful for affirming conclusions or correcting errors in the current statements. This experience also informs financial preparation and processes for evaluating and implementing new standards for future periods.
* Auditors will communicate independently with the governing body. However, management’s response to any issues noted is an opportunity to demonstrate accountability and a commitment to continuous improvement. Moreover, communications with the governing body in previous phases can help set appropriate expectations for audit results and the need for adjustments. For example, the resources a governing body dedicates to financial reporting should be comparable to the government’s size and complexity as well as the risk tolerance for the financial reporting objective. If the tolerance is high, the governing body should expect a higher likelihood of audit issues and needed adjustments, particularly with new standards.
* New reporting may lead to new systems and data collection processes. It may also mean   
  work-arounds, manual processing or off-book adjustments. Accordingly, the financial statement preparation team should solicit internal feedback and discuss how to streamline processes in the future. Process improvement methods may be useful for particularly time-consuming issues.
* Making adjustments should be viewed as a necessary and valuable part of the process. When audit results are clean or minimal, it is an opportunity to celebrate. When audit results or internal feedback identifies accuracy or efficiency problems, it is an opportunity to promote a good control environment by responding appropriately.

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