

AUDITING

Racial Slur Propels GASB to Mull Renaming Comprehensive Annual Financial Report

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The GASB added a project this month to its agenda to consider renaming the Comprehensive Annual Financial Report (CAFR), and if so, with what name, according to a December 18, 2020 update of its technical agenda.

The work would eliminate the acronym CAFR, generally pronounced KAFF-ur, which sounds like “kaffir,” a profoundly offensive term directed at Black South Africans. The word “kaffir” was adopted as a derogatory term after 1948 when the Apartheid system was established. It now ranks as perhaps the most offensive term in South African English.

The CAFR is a set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the GASB. It must be audited by an independent auditor using generally accepted government auditing standards.

The board plans to begin discussions during its January 12-13 meetings, focused on consideration of terminology change, a review of the first draft of the standards section of an exposure draft, and cost-benefit considerations, its meeting agenda states.

“Replacing the term would have no impact on the effort required to prepare, audit, or use GAAP-based financial statements,” the board said in a summary of the project.

“It should be noted, however, that because the terminology is ingrained in the AICPA’s auditing standards, the Blue Book, textbooks, and other professional literature, changing it would have a secondary impact as those publications are updated to reflect the change,” the summary states.

Moreover, there would not be any direct benefit to entities in terms of making decisions or assessing accountability, “but it can be asserted that demonstrating a willingness to make the effort necessary to avoid inadvertently giving offense would be beneficial in other ways to the GASB and its stakeholders.”

The term Comprehensive Annual Financial Report was established in GAAP in 1979 by the National Council on Governmental Accounting (NCGA) Statement 1, Governmental Accounting and Financial Reporting Principals.

NCGA Statement 1 subsequently was carried over in force in 1984 by GASB Statement **(GASBS) No. 1**, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide. It is now woven throughout GAAP and widespread in practice.

The GASB is the nation's main accounting rulemaking body that establishes accounting and financial reporting standards for U.S. state and local governments that follow GAAP. The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs.

The board holds ongoing dialogues with the International Public Sector Accounting Standards Board (IPSASB), including earlier this month, which informs its work. The IPSASB works to improve public sector financial reporting worldwide through the development of IPSAS, international accrual-based accounting standards, for use by governments and other public sector entities around the world.