



American Institute of CPAs
1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

November 14, 2016

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

Re: Changes Proposed on Fiduciary Activities Project

Dear Mr. Bean:

The State and Local Government Expert Panel (SLGEP) of the American Institute of Certified Public Accountants (AICPA) is writing to express our concern about the Fiduciary Activities project and to encourage the Government Accounting Standards Board (GASB) to defer the scheduled December 2016 vote on a final standard until more input can be solicited from constituents. We believe that taking this step will ensure that the final standard issued by the Board is conceptually sound and does not result in unanticipated consequences.

The SLGEP previously commented on the GASB's Fiduciary Activities due process documents, as well as provided testimony at the April 2016 public hearing. Since that time, we have been closely following the Board's redeliberations and we participated in the Board's recent webinar discussing the changes being made to the standard based on those redeliberations. We acknowledge this is an important and complex project and applaud the GASB and its staff for the efforts that have gone into the project to date. However, based on our understanding of the Board's recent decisions on this project, and after comparing the December 8, 2015, exposure draft to the revised standards section released during the Board's recent webinar, we question the conceptual underpinning of the some of the changes.

The changes proposed substantially revise the framework for determining whether an activity is fiduciary in nature. In the limited time the SLGEP has been able to devote to understanding the revisions, our members have identified various questions and potential concerns with the revised standard. One primary example is that the Board's new position that making contributions to a pension or OPEB plan demonstrates a financial burden seems inconsistent with the conceptual framework, as such contributions are exchange in nature. As a result, the criteria for determining whether a defined benefit pension plan that is a legally separate entity will be included in the reporting entity as a fiduciary activity appears to be highly dependent

on whether the primary government appoints a voting majority of the plan board. This seems to be a significantly different outcome than what would have resulted from the criteria included in the exposure draft that focused primarily on whether the primary government controls the assets by either (a) holding the assets, or (b) having the ability to administer or direct the use, exchange, or employment of the present service capacity of the assets

While the GASB's recent webinar asked for participants to provide feedback on the changes being made to the standard through a survey, the SLGEP believes that the reach of the webinar to GASB's constituents was limited. Further, based on discussions that some of our members have had with preparers and other practitioners, it appears that many do not have a full understanding of the changes being considered by the Board or the implications of those changes.

Given the significance of this project, the complex framework, and the magnitude of the changes being made to the standards section since the exposure draft, the SLGEP requests the GASB re-expose the standard to provide appropriate due process that allows constituents to provide thoughtful and deliberate feedback to the Board prior to the issuance of a financial standard. While this would defer the issuance of a final Statement, it does promote the thorough and open study of the issues at hand.

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This letter was prepared by members of the AICPA's SLGEP and was reviewed by representatives of the Financial Reporting Executive Committee who did not object to its issuance. Representatives of the AICPA would be pleased to discuss these comments with you at your convenience.

Sincerely,



Heather S. Acker
Chair
AICPA State and Local Government
Expert Panel



Mary M. Roelster
Director
AICPA Governmental Auditing and
Accounting

cc: David A Vaudt, Chairman of GASB
State and Local Government Expert Panel
James Dolinar
Dan Noll