



June 2, 2021

Alan Skelton, CPA  
Director of Research and Technical Activities  
GASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: February 24, 2021 GASB Proposed Statement, *Compensated Absences* [Project No. 4-7]**

Dear Mr. Skelton:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciates the efforts of the Board to try to better meet the information needs of financial statement users by enhancing the recognition and measurement guidance for compensated absences and by refining the related disclosure requirements. TIC also appreciates the efforts of the Board to modernize the definition of compensated absences to be inclusive of the wide range of types of leave governments offer. However, TIC is concerned the proposed requirements lower the threshold for reporting compensated absences to a level that will increase cost and introduce additional professional judgment to calculate items that are for many governments not material to the financial statements as a whole. To clarify, utilizing the current guidance generally results in compensated absence balances that are not material to the financial statements; therefore, TIC believes the new calculations would not provide added benefit to the user.

While "more likely than not" is a lower threshold than probable and will likely result in additional liabilities being recorded in the financial statements, TIC believes any incremental increase in liability will often be immaterial. This proposal may result in additional professional judgment by governments as they complete their assessments using the "more likely than not criteria", which may lead to inconsistency in those judgmental determinations and incomparability of the liability recorded across governments. TIC believes governments should not be using time and resources to perform these additional assessments for calculations that do not result in material amounts that would require recognition in the financial statements. And, auditors will also likely need to

audit these judgments and calculations for reasonableness to ensure they are not material which also could add audit cost.

TIC does support the proposed disclosure requirements in paragraph 25 whereby presenting the net increase or net decrease in the compensated absences liability is permitted and believes this is a welcome change to the disclosure requirements.

#### **ADDITIONAL COMMENTS**

If GASB proceeds with the changes as proposed in this ED, TIC believes it may be helpful to update paragraph 7c to provide a definition of paid, or to otherwise make it clear that a compensated absence settled through other means includes the use of any leave time and not just cash payment for unused time. TIC also believes providing additional guidance about the meaning of “some other means” would be helpful.

TIC believes the requirement to record salary-related payments that are directly and incrementally associated with payments for compensated absences to defined contribution pension/OPEB plans in a separate liability could be confusing and require entities to provide additional disclosure to explain the purpose of the liability.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

*Bryan Bodnar*

Chair, On Behalf of the PCPS Technical Issues Committee