



April 10, 2020

David R. Bean, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: March 5, 2020 GASB Proposed Statement, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* [Project No. 3-38]

Dear Mr. Bean:

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 agrees that the proposed amendments will increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, where this question arises quite often in practice.

For plans with defined contribution pension, OPEB or similar arrangements, TIC believes this will be a positive change and will reduce audit costs. In most cases that TIC members have encountered, such plans have not been considered component units of the primary governments. From TIC's perspective, primary governments have worked through a third-party administrator to manage the plans and have only reported the outflows of contributions to the Plan, as well as related payables.

TIC agrees with the Basis for Conclusions that specific scenarios are going to arise that are more common than GASB presently may be aware of and where they will have to respond with implementation guidance. TIC is happy to send any additional scenarios as they arise in practice. TIC believes that additional guidance in the form of an implementation guide would be helpful.

TIC believes that the way some of these changes are written, it may confuse less sophisticated state and local governments. For example, TIC members found it challenging to read certain sentences (paragraphs 4 and 6 are examples) and comprehend how that guidance would apply to specific fact patterns. TIC believes that some of the titles to the paragraphs can be deceiving/confusing and, perhaps could be written in a bit more “plain English,” or with some examples included within the text to make them easier to digest.

Related to paragraph 6, TIC believe it may be easier to include the definition of a pension plan rather than including a reference to paragraph 51 of GASB No. 67, which is just the glossary, to scroll through to find the pension definition.

From the perspective of the component unit criteria, TIC believes this ED clarifies that specific guidance. For pension, OPEB, and similar arrangements, if the activity is not determined a fiduciary component unit, then the control criteria still would need to be evaluated to determine if it should be considered an other fiduciary activity. TIC is aware of several governments that have struggled with the definition of control, and some of the content within the Basis for Conclusions has helped with some of the evaluations. TIC believes this may be a good opportunity for GASB to amend and pull in some of the content from the Basis for Conclusions into the amended Standard. For example, paragraph B11 of GASB 84, *Fiduciary Activities*, alludes to the fact that, if participants have a choice of more than one investment, the participant has control over the investments and not the primary government.

With the pending exposure draft expected later this month to delay the effective implementation dates of several standards, including GASB 84, *Fiduciary Activities*, by one year, it seems logical the effective date should be aligned with the required implementation date of GASB 84, rather than immediately.

The effects of COVID-19 have put additional strain on firms and the clients they serve., Any possible delays to standards that are other than simplification or very narrow scope would be much appreciated as we all struggle to deal with the implications of this pandemic.

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,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek", with a long, sweeping flourish extending to the right.

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee