March 4, 2019

Director of Research and Technical Activities
Governmental Accounting Standards Board
PO Box 5116
Norwalk, Connecticut 06856-5116

Via e-mail: director@gasb.org

RE: Project No. 3-13 - Exposure Draft - Implementation Guide - Fiduciary Activities

Dear Mr. Bean,

Moss Adams LLP appreciates the opportunity to share our comments on what it believes is a significant issue related to the Governmental Accounting Standards Board’s (GASB or Board) Exposure Draft of its Proposed Implementation Guide on Fiduciary Activities (ED).

Moss Adams LLP is the one of the 15 largest accounting and consulting firms in the United States. Our staff of over 2,900 includes more than 300 partners. Founded in 1913, Moss Adams LLP provides accounting, tax, and consulting services to public and private middle-market businesses, not-for-profit and governmental organizations.

We appreciate the efforts of GASB to improve the quality of accounting and financial reporting of fiduciary activities to provide financial statement users a clear understanding of an entity’s fiduciary activities in accordance with the requirements of GASB Statement 84, Fiduciary Activities.

Overall, we support the Board’s ED. However, there are many governmental entities, state and local agencies, and Tribes that have fiduciary activities, some of which have not historically been reported on, specifically those related to certain types of employee benefit arrangements that were not consistently considered component units. We have a specific comment and suggestion regarding a potential audit implementation issue we’ve identified, which we have summarized in the following paragraphs.

**Reporting of Fiduciary Activities in Fiduciary Funds**

Under the new criteria provided in Statement 84 regarding the identification and inclusion of fiduciary activities, many pension and other postemployment benefit plans and trust funds will now more clearly need to be reported as fiduciary activities. These plans will likely include many single-employer defined benefit plans, and for many special purpose governments, will also include defined contribution plans, such as 401(k) plans and 401(a) plans. Historically, many of these plans were not included in the sponsoring primary government’s financial statements as a fiduciary fund, especially for those related to stand-alone business-type activities. Many of these plans may not have been audited, or if they were audited, those audits would have been completed after the financial audits of the sponsoring primary government were completed and annual reports were issued.

Generally, actuarial valuations and reports from the trust administrator or plan administrators are not available until at least 4-6 months after year end. To accommodate the requirement to include the
financial results of the most recent period end for these fiduciary activities, the primary government will need extra time and resources to work with third party administrators and determine if it is possible to obtain information in time for completing their annual audits in the same reporting timeline they have historically followed.

There are even more unique challenges for those who have 401(k) type plans. The audits completed at the plan level are typically limited scope audits as allowed under ERISA, and many of these plan audits are not completed and financial statements issued until the extended IRS/ERISA deadline which is 9½ months after the plan year end. In addition to the concerns noted about the timing of the availability of plan information from administrators, we also note the impact on timing to obtain these plan audits. Further, due to the typical limited scope nature of the plan audits, there would likely need to be further disclosures and additional audit work performed over the investments and related disclosures to include them the sponsoring primary government’s financial statements.

For example, consider a primary government with a December 31 year-end that has an annual requirement to produce its audited financial statements by March 31 to satisfy lender requirements. It administers a defined contribution employee benefit plan that has not been audited in the past, but now meets the criteria for reporting as a fiduciary fund under Statement 84. The plan uses a third party recordkeeping service for plan reporting that historically provided year-end plan reports to plan management after March 31. (Often these reports are provided closer to May or later for December year-end plans). In this scenario, the primary government would not have the necessary information to prepare its financial statements for the fiduciary activities related to the plan and have an audit completed in time for its required reporting to the lender.

To solve these timing issues, we propose that GASB’s Implementation Guide include a statement allowing governments to report fiduciary activities for pension and postemployment benefit plans and trusts in arrears, similar to current guidance for pension and OPEB reporting under GASB 68 and GASB 74, where the measurement and reporting dates do not have to be the same. This would allow governments to collect accurate information for reporting the fiduciary activities, particularly when third party service providers such as actuaries, recordkeepers, and trustees are involved in gathering that information. For example, a primary government with a year ended December 31, 2019 should be allowed to include the information for its fiduciary component unit for the plan year ended December 31, 2018. Extant guidance allows a primary government to include component units with different fiscal year ends, but only for a difference up to 9 months, which we believe is not sufficient in this case.

We hope that you find our comments and suggestion meaningful. If you would like to discuss our comments or require further information regarding our response, please contact Erica Forhan in our Professional Practice Group at 206-302-6826 or by e-mail at Erica.Forhan@mossadams.com.

Respectfully,

Moss Adams LLP