March 31, 2016

Via Electronic Mail

Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Response to GASB Exposure Draft document – Fiduciary Activities

The Washington State Auditor's Office appreciates the opportunity to give input on the GASB’s proposed standards on Fiduciary Activities (Project No. 3-13E).

In general, we agree with provisions of the proposed standard. However, we are concerned the proposed standard will require reporting of trivial fiduciary activities that must be considered material as their own opinion unit under GASB Comprehensive Implementation Guide 2016-01 question 7.4.1 and AICPA guidance in AAG-SLV.

This should not be an issue with general governments, but will arise for special purpose districts that report as a single fund or otherwise do not report any other aggregate remaining fund activity, but has trivial amounts of:

- Security deposits, such as for utility accounts, tenants in a low income housing development, or in connection with use of meeting rooms by outside groups.
- Retainage related to a construction project.
- Prisoner accounts and prisoner property at a jail or juvenile detention facility.
- Donations, such as for scholarships, parent-teacher associations, or student aid at a school district, for rescue teams at a fire district, or for flowers or volunteer support at a hospital district.

We appreciate provisions of paragraph 16, but find them to be insufficient to address this concern because they (a) do not equally apply to governmental type activities and (b) the exclusion is not based on significance of the activity, but rather on how long amounts are expected to be held.
We therefore encourage the Board to consider both expanding the allowance in paragraph 16 to all types of governments and allowing such reporting when the economic resources held are not significant to the government. Using a significance threshold parallel to GASB 39 paragraph 5 would make standards consistent for governments that do not have a foundation to handle donations that would be classified as a fiduciary activity under the proposed standard. It would also follow the principle of NCGAS 1 paragraph 29 of reporting the minimum number of funds to avoid undue complexity and inefficient financial administration.

Alternatively, if criteria in paragraph 7 is intended to cover some or all of these situations, we request that the Board clarify this by specifically including them as examples. In particular, we note that GASB Comprehensive Implementation Guide 2016-01 question 4.26, which indicates that retainage would be considered a fiduciary activity, is not amended by the exposure draft.

We also suggest the Board consider clarifying:

a. The relationship of this standard with GASB 32 requirements for deferred compensation plans.

b. That the external portion of an investment trust fund should not duplicate assets reported elsewhere on the government’s financial statements, including its own funds, any blended or discretely presented component unit and amounts reported in other fiduciary funds.

Thank you for the opportunity to provide our comments. Any inquiries may be directed to me at (360) 902-0375.

Sincerely,

Barb Hinton
Deputy Director of Quality Assurance