March 4, 2015

David Bean, Director of Research and Technical Activities
Project No. 26-5E
Governmental Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116


Dear Mr. Bean

We appreciate the opportunity to respond to the GASB’s Preliminary Views (PV) on major issues related to Financial Reporting for Fiduciary Responsibilities.

In general, we support improving consistency and comparability; however, we encourage the Board to obtain a realistic assessment of costs so they can be weighed against the expected benefits derived from these proposed changes. The PV states that the “Board does not believe the proposed changes will result in a significant increase in costs; however the costs of reporting fiduciary activities have not been fully assessed.” The proposed changes could significantly impact time, thus costs spent by financial statement preparers, so we strongly encourage the Board to not overlook or minimize the costs.

While the PV contains additional guidance for fiduciary activities, we are not convinced reformatting financial statements, revising fund type definitions and renaming fund types is the best method to achieve improvements in fiduciary reporting. Expanded footnote disclosures could provide details about the government’s fiduciary responsibilities and nature of each relationship. This would provide statement users with more information and a greater understanding of governments’ fiduciary activities than the proposed financial statement changes.

We are also concerned the proposed custodial fund type statement formatting will not provide statement users with more valuable information and could imply more government involvement than exists. The PV identifies specific line items such as investment income, investment cost and administrative cost as important details for users but these do not apply to many of our current agency funds which would likely become custodial funds. Our current material agency funds collect taxes and fees which are then distributed to the appropriate entities and organizations, so our financial statements would not display any of the crucial line items proposed by the Board. Many agency funds collect and hold assets for a short period of time and disburse those assets without adding any value or incurring any costs. We want to ensure the financial statements convey the appropriate level of responsibility and involvement to statement users.
Also, we do not support the criteria of “citizenry” in chapter 2 paragraph 6c used to determine if a government has fiduciary responsibility. Paragraph 15 states that “regardless of whether a trust agreement or equivalent arrangement exists, if the beneficiaries are individuals that are required to be part of the citizenry as a condition of being a beneficiary…the government is not considered a fiduciary because the resources being held would be considered to be resources that benefit the government itself”. Our human services and correctional institutions, along with our schools for deaf and blind students hold assets for their clients. Under the PV, these arrangements would not be classified as fiduciary activity as these clients are “required to be part of the citizenry to be a beneficiary” as they are living or incarcerated in state institutions in order for the State to hold their assets. These are client funds not resources that benefit the State.

We greatly appreciate and support the flowcharts and exhibits contained in the document. They are useful tools and we encourage the Board to increase the number of exhibits in the exposure draft and final standard to cover more fiduciary activities, especially common activities and those activities with prior reporting inconsistencies.

Finally, the audience for governmental financial information is becoming more diverse. We believe it is becoming important that standards used to prepare that financial information is understood by statement users as well as preparers. This can be accomplished if standards are written using plain language so they are easily read and understood and common transactions are included in the body of the standard along with detailed examples in the appendices. As financial statement users are a significant piece of the standard setting process, they should be able to understand the standards they help create. We believe this would aid their understanding of the financial statements.

If you have questions or need additional information regarding this response, please contact Lisa Dooly at (515) 281-4098.

Sincerely,

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