January 23, 2020

David Bean
Director of Research
Project No. 24-16e
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Tennessee Division of State Audit, we thank the GASB for the opportunity to comment on its proposed Exposure Draft (ED), Implementation Guidance Update—2020. We generally agree with the board’s proposals. However, we have the following suggestions for the board’s consideration:

1. For Q.#4.1, we believe the answer could be different if, for example State statutes establish a statutory rate different than the rate established by the actuarial valuation. In this scenario, the primary government may not have control over which rate to pay because the legislature decided to establish a different required rate (i.e., required to pay the statutory rate, not the actuarial valuation rate). If it is the board’s intent that a statutory rate was an example of “holds the power to set the plan’s rates,” we suggest clarifying the answer to Q.#4.2 to address this.

2. We believe additional clarifying guidance is needed for Q.#4.5 and Q.#4.6. We believe professional judgment could conclude the exact opposite results on both questions. We believe the differing answers between Q.#4.5 and Q.#4.6 will likely lead to inconsistency in practice because some practitioners could likely conclude that the answer in Q.#4.6 is administrative involvement in substance and Q.#4.5 is not administrative involvement, which is contrary to the board’s conclusions. Maybe the board could explain conceptually what the objective criteria within administrative involvement produces different conclusions. In both circumstances (4.5 and 4.6), the only difference appears to be the number of activities; however, the school policy does not specify how the resources must be spent within those activities, even with the sole annual ski trip resources (4.5). I could conclude this is not administrative involvement because the policy does not constrain how the resources must be spent for the trip activities.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 747-5262.

Sincerely,

Deborah V. Loveless, CPA
Director, Division of State Audit