February 15, 2021

David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Project No. 24-1 6f

Dear David:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Exposure Draft (ED) of the Governmental Accounting Standards Board, Implementation Guidance Update 2021 (2021 Guide). NACUBO is a nonprofit professional organization representing chief financial and administrative officers at approximately 1,700 colleges and universities. In its capacity as a professional association, NACUBO issues accounting and reporting industry guidance for higher education and educates thousands of higher education professionals annually on accounting and reporting issues and practices.

NACUBO’s comments on the ED were developed with input from its Accounting Principles Council (APC). The APC consists of experienced business officers from various types of institutions who collectively possess a thorough knowledge of higher education accounting and financial reporting issues and practices.

**Overall Observations and Conclusions**

We appreciate the time and effort that the staff have devoted to this project. Implementation guide questions and answers are frequently used by financial statement preparers to clarify accounting standards.

**Specific Provisions**

*Question 4.3* This question explains that when defined contribution plans are not in a trust or equivalent arrangement, the assets continue to belong to the university. As such, although administered by a third party, disbursements to the administrator are not outflows of resources in a government’s financial statements.
However, the question is a bit confusing because it is in the fiduciary activities section of the proposed 2021 Guide. Consequently, we assumed that the activity described was fiduciary in nature; we didn’t understand the significance of an answer requiring that amounts be reported in governmental or proprietary funds, because most public higher education institutions do not use fund reporting.

Although the answer implies that there is no fiduciary activity, we think the clarity of the question can be improved by indicating that the defined benefit pension plan activities do not meet any criteria for fiduciary fund reporting in Statement 84. *(For example, the requirements of paragraphs 11 and 12 are not met.)*

Additionally, the answer would be enhanced with an additional sentence or two, explaining that administrative involvement of a third party does not indicate a separation of assets and liabilities from the primary government. Moreover, if a concept or pronouncement supports this assertion, it should be added. Generally, questions and answers in implementation guides are enhanced by narratives and citations supported in authoritative standards.

**Question 4.6** NACUBO appreciates question and answer 4.6, which clarifies that selecting investment options does not constitute control because the government cannot spend, consume, or use the assets for anything other than the provision of benefits to employees.

**Question 4.28** We appreciate the clarification that contractual agreements are not eligibility requirements. However, the wording in the last sentence could be improved. We suggest:

> *Even when provisions exist that permit reimbursement for allowable costs prior to the start of a grant or project, an executed contract would be required to specify the allowability of such costs.*

In closing, we wish to express our appreciation for the opportunity to comment. We welcome any questions the Board or the staff may have about our response. Please direct your questions to me at smenditto@nacubo.org.

Sincerely,

Susan M. Menditto
Senior Director, Accounting Policy