

March 24, 2016

Director of Research and Technical Activities  
Project No. 3-13E  
[director@gasb.org](mailto:director@gasb.org)

RE: Proposed Statement of the Governmental Accounting Standards Board, *Fiduciary Activities*

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

The following is our response to the above-referenced exposure draft (ED) *Fiduciary Activities*.

We generally agree with the guidance proposed in the GASB Exposure Draft on *Fiduciary Activities*. The few areas of the ED that we believe need some further consideration are noted below.

We have a concern regarding paragraph 7 of the ED which indicates that *individuals should be recipients of the government goods or services*. This would appear to rule out students in school districts that may have custodial funds. Thus, we believe funds generated by student activities should be included in the criteria. Also, we suggest including an example of how to report funds raised by students and the subsequent use of such funds for relevant student activities.

One other issue related to the dialogue found in paragraph 7d concerns the guidance on “a pass-through grant.” The proposed standard should include clarification of the term *pass-through grant* due to the fact that current literature treats these grants as special revenue funds. In practice, we rarely see an absence of administrative or direct financial involvement in a grant. Even in situations where there is a separate board or governing body posing reporting requirements, the governing body handling the pass-through is still responsible for some level of oversight. Having multiple governments make a determination such as this can easily result in inconsistent reporting between such governments for the same grant. Also, financial statement users may not realize that their government is receiving pass-through monies if they are buried in with “custodial funds.”

Our final concern regarding this ED involves the information in paragraph 20 of the ED dealing with the Statement of Changes in Fiduciary Net Position. Section c in paragraph 20 states in part: *Investment-related costs should be reported as investment cost if they are separable from (a) investment income and (b) administrative expense. The statement of changes in fiduciary net position should disaggregate deductions by type and, if applicable, should separately display administrative costs.*

In today's financial environment we believe it is rare to see investment-related costs not separated from investment income and administrative costs. This is a key consideration when hiring investment firms and comparing investment results. As such, we suggest a change in the language in paragraph 20c along the lines of the following:

**20 c. Investment-related costs should be reported as investment costs, separate from (a) investment income and (b) investment expense. In the event that investment costs cannot be separated from investment income and investment expense, a footnote disclosure should describe the rational for inability or handicap for inseparability. The Statement of Changes in Fiduciary Net Position should disaggregate deductions by type and, if applicable, should separately display administrative costs.**

We appreciate the opportunity to participate in the standard setting process.

Sincerely,



Jerilyn K. Barthel, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants