



June 3, 2021

Mr. Alan Skelton
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Skelton:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Compensated Absences*.

We generally agree with the provisions of the ED and believe the requirements will improve consistency in financial reporting across governments. In particular, we support the proposals in the ED that allow for the option to disclose the net change in the compensated absence liability, the removal of the requirement to disclose which funds are responsible for liquidating the compensated absence liability, and using an employee's rate of pay as of the date of the financial statements to calculate the liability rather than the other alternatives considered. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraphs 17-20

We believe that the complexity and nuance involved in these paragraphs may lead to misinterpretation and inconsistent application in practice. To increase consistency, we request that implementation guidance cover "salary-related payments" to incorporate illustrations and practical examples.

Paragraph 20

We request that the Board reconsider the requirement of this paragraph to report salary-related payments related to defined contribution pensions or OPEB as a pension/OPEB liability rather than a compensated absences liability. The compensated absences liability is an estimate whereas a defined contribution pension/OPEB liability generally represents actual amount payable to the plan. Also, including this portion of the compensated absences estimate in the pension/OPEB liability would also impact the entity's pension/OPEB plan note disclosure. We prefer to keep all estimates related to compensated absences in the compensated absences liability.

Paragraphs B8-B9

These paragraphs explain that the Board chose "more likely than not" because it provides a clear minimum level of probability that enhances consistency and comparability. We are not clear whether the Board felt this conclusion was specific to compensated absences, or whether "more likely than not" was superior to "probable" in general. Given that "more likely than not" is only used for non-exchange financial guarantees and in this proposed statement, whereas other probability thresholds are used in all other instances throughout the standards, we encourage the Board to pursue a separate project to review and harmonize all uses of probability thresholds in the standards rather than deal with this topic piecemeal.



Paragraphs B11-B12

We appreciate the clarification regarding vesting outlined in these paragraphs, and request that discussion be maintained in the final statement. We believe this is an important consideration when preparing the calculation and helps to increase understanding.

Appendix C, Illustrations

We request that the Board consider adding some illustrative examples for estimating the amount of the compensated absences liability that is due within one year.

Codification Instructions

We appreciate the codification instructions working file which helped us to better understand and analyze the proposed changes. We ask that the Board continue to provide this information with future exposure drafts.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (916) 445-0255.

Sincerely,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive style with a long horizontal flourish at the end.

Elaine M. Howle
President, NASACT
State Auditor, California