Governmental Accounting Standards Board (GASB) Statement No. 84—*Fiduciary Activities* is effective for the fiscal year ended June 30, 2021. During the implementation process for this new standard, our Office has received several questions pertaining to the Federal Direct Student Loans Program (Program), Assistance Listing 84.268, and how it should be reported in the financial statements.

**The Program is not a fiduciary activity**—The Program is very similar to Pell Grants, which GASB has concluded are not fiduciary activities (GASB Comprehensive Implementation Guide, Question 7.72.10). Colleges and universities are required to monitor compliance with Program requirements the U.S. Department of Education established and, therefore, have administrative involvement as defined in GASB Statement No. 84, paragraphs 11 b. (2) and 11 c. (2). Accordingly, the Program does not meet GASB Statement No. 84’s definition of a fiduciary activity.

**The Program’s loan receipts and disbursements should be reported in the statement of cash flows only**—There is no specific GASB guidance currently available that addresses how to report this Program’s activity. The guidance in GASB Statement No. 24—*Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* was not intended to include loan programs. Accordingly, we recommend that colleges and universities continue to follow the existing industry practice, meaning that colleges and universities would not report Program revenues or expenses on their statement of revenues, expenses, and changes in net position. Further, in the statement of cash flows, cash inflows and outflows would be reported as noncapital financing activities.

If you have questions, please contact your financial audit manager within the Office or your contract auditor. You may also contact Carla Wall, financial audit technical manager, at cwall@azauditor.gov or (602) 553-0333.