



August 22, 2019

David R. Bean, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: May 13, 2019 GASB Proposed Statement (ED), *Subscription-Based Information Technology Arrangements* (Project No. 38)

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciates the Board's work to provide guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITAs) for government end users (governments) and to eliminate diversity in practice. This is an area that is continually evolving and can be material for many governments.

TIC agrees with the definition in the Exposure Draft (ED) for a subscription-based IT arrangement. However, TIC was curious as to how a government would treat a contract whereby the government does not have the rights to the underlying hardware or software directly from the SBITA vendor and a third party is involved in managing the subscription-based IT arrangement. Would this meet the definition of a subscription-based IT arrangement under this ED? TIC believes this situation occurs often enough in practice to have some guidance as to how such arrangements should be treated. The way the ED currently reads could be interpreted to only apply in a direct SBITA vendor relationship.

TIC agrees with the three stages noted in the ED as well as the accounting treatment for contracts with multiple components. TIC does think it would be beneficial to clarify what is meant by the term "initial implementation stage" as in some cases the implementation stage could have

multiple phases. TIC discussed that perhaps simply calling it the “implementation stage” might be more appropriate in cases where the implementation could include multiple phases.

In order to facilitate a better understanding on the standard and promote consistency in how this standard is applied in practice, TIC would encourage the Board to expand upon the notion of “nature and manner of use” as used in paragraph 7. TIC suggests that questions be added to a forthcoming implementation guide on how the requirements be applied utilizing scenarios. TIC notes that while there is a discussion in the Basis for Conclusions, that content will not be codified and TIC believes it should be part of the final codified standard as many constituents do not always refer back to the Basis for Conclusions.

In fact, reviewing all basis for conclusions throughout the standards for useful information in better understanding and applying the standards and potentially moving some of that guidance into the codification might also be a useful future project. TIC finds that at times there is some very good information in the Basis for Conclusions that might be overlooked by constituents that are just reading the final codified standards.

TIC is aware that GASB made the decision not to list specific types of implementation costs in the ED to avoid being too descriptive. However, GASB might consider adding some additional examples or implementation guidance to assist governments with the application of this new standard. For example, one question we had was whether staff costs tracked and incurred during the initial implementation stage could be capitalized as this is not addressed specifically in the ED.

Once governments begin to apply this standard, TIC believes having implementation guide questions and answers will be a good approach to present specific fact patterns and examples that may not have been identified. TIC has found other implementation guides recently issued by GASB to be very helpful in addressing specific issues and fact patterns.

TIC believes the proposed note disclosures are appropriate and adequate and could not think of any additional disclosures that should be required. TIC also suggests that the Board clarify how a government could incorporate SBITA disclosures into the lessee disclosures rather than requiring separate presentation of the information in its own separate note to the financial statements, if that was the intention.

The requirements of this proposed Statement would be effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Earlier application would be encouraged. TIC believes that many governments may want to apply this guidance at the same time as the lease standard since a lot of this guidance is so closely aligned, so allowing for early adoption would be helpful. However, for governments that have significant, complicated subscription-based IT arrangements in addition to material and complicated lease transactions, allowing additional time would be beneficial as they will already incur significant time and effort to prepare for the lease standard.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee