



August 23, 2019

Mr. David R. Bean, Director of Research and Technical Activities  
Project No. 38  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

VIA Email: [director@gasb.org](mailto:director@gasb.org)

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB/Board) on its Exposure Draft, *Subscription-Based Information Technology Arrangements* and is respectfully providing feedback on the Board's Views.

The FMSB is comprised of 19 members (list attached) with accounting and auditing backgrounds in federal, state and local government, and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

We appreciate the Board's efforts in providing guidance for the Subscription-Based Information Technology Arrangements (SBITA) and we commend the Board's efforts to be consistent with GASB Statement No. 87, *Leases*.

We support the use of the stages of implementation in paragraph 28 of the exposure draft and that it significantly mirrors the stages of implementation in paragraph 8 of GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. We agree with the Board's initial decision that all training costs should be expensed as incurred. This provides a straightforward way to ensure consistency amongst government entities and is consistent with GASB No. 51.

We noted in the definition, paragraph 6 of the exposure draft, "a SBITA includes hardware, software or a combination of both . . ." We believe the Board should remove hardware from the definition. Hardware is included in GASB 87 and the inclusion in the current exposure draft could cause confusion as to what GASB standard should be applied. For example, when a government is evaluating its leases based on the current definition noted above, should it apply GASB 87 to leases of computer equipment or wait for the SBITA implementation date.

We suggest the Board consider adding clarification for paragraph 10 regarding the evaluation of the fiscal funding or cancellation clause. We believe that it should be clarified whether the evaluation should be performed at commencement only or at commencement and annually thereafter.

There are a few areas we recommend the Board provide clarification and/or examples pertaining to the unique circumstances surrounding the SBITAs. As a group we debated whether to make the recommendation to include examples in the current exposure draft or in a future implementation guide. Overall, we believe the implementation guides are a great resource in addressing particular issues, however; we believe that delaying examples for SBITAs would be ineffective in light of the implementation of GASB No. 87 prior to the proposed implementation date for SBITAs. We recommend the Board provide examples in the proposed standard, rather than wait for an implementation guide. This would help address any potential implementation issues for both standards, especially where the scope boundaries are blurry.

Specifically, we encourage the Board to consider adding the following examples:

1. Examples relating to paragraphs 7a and 7b of the exposure draft to include situations meet both requirements and where only one requirement was met.
2. Examples that illustrate the calculation of the subscription liability as discussed in paragraph 16. We especially believe that an example is needed in order to clarify how subparagraph b relates to subparagraph c and paragraph 17 when calculating the subscription liability.
3. Provide examples that illustrate the treatment of the SBITA vendor incentive payments after the commencement of the subscription term as discussed in paragraph 41 of the exposure draft, especially on addressing the effect of the fixed and variable payments as discussed in the last sentence.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or [Lmiller@eidebailly.com](mailto:Lmiller@eidebailly.com).

Sincerely,



Lealan Miller, CGFM, CPA

Chair- AGA Financial Management Standards Board  
cc: Ernest A. Almonte, CGFM, CPA, AGA National President  
Association of Government Accountants

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