



August 15, 2019

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

Dear Mr. Bean:

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), *Subscription-Based Information Technology Arrangements*.

We generally agree with the provisions of the ED and believe the requirements will provide increased comparability in financial reporting. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

*Paragraph 4.a. and c.*

Even though paragraph B7 explains why the proposed statement *does not apply* to governmental entities that provide the right to use their hardware or software to other entities through SBITA arrangements, we request that the Board consider adding a footnote to paragraph 4.a. to provide within the main body of the statement why the statement does not apply to such arrangements. We believe that adding this footnote would be beneficial since paragraph 4.a., on its face, seems inconsistent with GASB 87.

In paragraph 4.c. where it discusses what this Statement doesn't apply to, we request that this be expanded based on the information in the Basis for Conclusions in paragraph B6 to read: Licensing arrangements, including commercially available software that is subscription based, that grant a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

*Paragraph 6*

The definition of SBITA includes the right to use another party's "hardware, software, or a combination of both..." This definition could appear to include leased hardware covered under GASB 87. We suggest that the definition of the hardware and equipment used through a SBITA arrangement be modified to clearly distinguish it from other IT equipment a government might obtain the right to use by contract.

*Paragraph 13*

The paragraph states: "For a SBITA that is cancellable by either the government or the SBITA vendor, such as a rolling month-to-month SBITA, the maximum possible term is the noncancellable period, including any notice periods." This is the same language that is in GASB 87, paragraph 16. However, in the ED of the *Leases Implementation Guide*, question 4.21 states the intent was "that the lessee and lessor both are required to have a right to cancel." We request that the SBITA language be modified to clearly state that this is the intent.



*Paragraph 16*

There is not an explicit statement requiring the exclusion of maintenance costs when determining the measurement of a subscription liability. While we believe paragraphs 42 and 43 imply this exclusion, we request that the Board add this as part of the definition in paragraph 16, or reference paragraphs 42 and 43, to make this requirement more transparent.

*Paragraph 17*

We believe that it would be helpful if the Board provided an example or elaborated on variable payments that have a fixed component. For example, an agreement including a fixed monthly charge up to a certain amount of usage; however, any amount above that usage (variable component) would be charged an additional fixed rate (fixed component).

*Paragraph 57*

We request that the Board give examples of "groups" or broad classifications that would be acceptable for grouping SBITAs for note disclosures for consistency purposes.

*Paragraph 57.b.*

We request that the standard be more specific about the requirement to disclose subscription assets separately from other capital assets, such as whether subscription assets may be included in with intangible assets or in a separate line called subscription assets, or whether subscription assets are reported in a separate section of the capital asset note.

*Paragraph 59*

If the ED is to be adopted in its current form, an implementation date in the year following implementation of GASB Statement No. 87 could be difficult, given the work required to gather information needed to fully develop the required disclosures (paragraph 57). We request the Board to push back the effective date of this proposed standard by one or two years.

*General Comments*

Information technology personnel may interpret the terms within the Statement differently than financial personnel; therefore, we request that the Board include more guidance related to the IT terms used in the Statement.

We believe that an appendix illustrating related accounting entries, financial statement impacts, and note disclosures (like similar appendices found in GASB 68 and 75, for example) should be provided to increase accounting and reporting uniformity across all governmental entities. Also, implementation guide Q&As for SBITAs will be key in providing additional clarification and uniform application of this proposed statement.

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 (602) 542-5405.

Sincerely,

D. Clark Partridge  
President, NASACT  
State Comptroller, Arizona