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From: Shiller, Rebecca L

Sent: Friday, October 16, 2015 4:36 PM

To: Wu, Grace Q

Cc: Olewack, Jacqueline L; Plews, James

Subject: RE: IUS Implementation Guide Exposure Draft Issued - Response Remind

Hi Grace,

Attached are the consolidated comments from our organization. Please let Jackie and I know if additional help is needed to clarify and consider/address comments from various organizations.

Thanks so much!

Becca and Jackie

Expos	NSA Comment (Ref paragraph if appropriate)
Q1	<p>Para. 16 and para. 21 are not clear. When should an entity be treating a component/enhancement/module (distinction between the three terms is unclear) as an addition to the existing asset versus a new, separate asset? Currently reads as if the distinction is between components and enhancements; however the terms, along with module, sometimes seem to be used interchangeably. We believe the distinction should be as follows:</p> <p>Does the component/enhancement provide economic benefit through distinct, substantive functionality? Yes - may be treated as a new asset separate and independent from the original asset as stated in par. 16; No - adjust the cost and useful life (if appropriate) of the original asset, as stated in par. 21.</p> <p>In either of the above cases, if multiple components/enhancements are delivered together and are dependent upon each other to function, then those modules/enhancements should be evaluated as one asset (in the case of #1), or as one adjustment to an existing asset (in the case of #2).</p> <p>Additionally, suggest covering material in paras. 16-21 in the following order: Component based IUS asset, Enhancements, Capitalization Threshold.</p> <p>Furthermore, the example used in par. 16 does not apply to the guidance given in this paragraph because a general ledger and sub-ledgers are dependent upon each other; and therefore, the example actually would follow the guidance stated in par. 21 (i.e. they would be grouped together).</p>

	<p>Agree w/ paras. 31-34.</p> <p>Believe that the guidance on Cloud Computing and Shared Services implements new reporting requirements and is not implementation guidance to the existing requirements within SSFAS 10. Additionally, the new requirements set forth for Cloud Computing and Shared Services are too narrow and do not consider all of the components of these types of software and the accounting treatment implications. We suggest removing this guidance from the TR and performing additional research over the construct of clouds so that guidance given is all encompassing.</p> <p>Specific comments include, but are not limited to:</p> <p>Par 27 "If cloud computer arrangement includes a software license..." - is this referring to an Agency purchasing licenses to use a commercially available cloud (e.g. oracle cloud) vice developing an internal cloud -OR- is this referring to licensing use of a developed cloud (i.e. one Agency develops a cloud and then licenses the use of that cloud to other agencies)?</p> <p>Par 27: "If the funding to develop cloud computing is shared among entities without clear ownership, the service provided that [1.] received [the] funding [for] and [2.] is responsible for maintaining..." - are these always the same entity? What if multiple entities receive funding to maintain different components of the cloud? What guidance should be followed if an Agency is developing Cloud Computing software but will not be the owner/maintainer of the software?</p> <p>Par 27: "The entity that develops and owns the software, platform, or infrastructure..." - the platform or infrastructure for the cloud is generally a centrally and remotely located set of hardware components (e.g. servers). Should these be accounted for under SFFAS 6 as General PP&E? Does whoever purchases and maintains these servers have any bearing on the accounting determination for the software development related to the cloud?</p>
Q2	
Q3	No comments.
	<p>Par. 19, last two sentences seem to be contradictory and additional clarification is needed. The first says that more than one capitalization threshold could be established for different components of an agency, but the next sentence states that the thresholds should be implemented across the agency.</p> <p>Was the intent of this para to allow agency to establish different thresholds for components within the property line item; i.e. personal property vs. real property vs. IUS, but that the thresholds need to be implemented across the agency? - OR - is this trying to say that within a Agency, one directorate could have one IUS threshold while another directorate could have another?</p>
Q4	
	<p>Par. 21, in addition to the comments in Q1, this par states that costs "should be amortized over the enhancement's estimated useful life" - is there no relationship to the original software's useful life? Is this guidance assuming that the enhancement is extending the original software's useful life? Perhaps "the greater of the original software or enhancements useful life" is more appropriate?</p>
Q4	
Q4	Paras. 23 & 24: Suggest presenting par 24 before par 23.

	<p>Para. 25 needs additional clarification:</p> <p>The first COTS licenses determination is whether the contract is a financing vehicle; if yes, evaluate for capital vs. operations; if no, does the license meet asset criteria? Separately, perpetual licenses may be purchased at an upfront cost, or a number of perpetual licenses can be purchased at a set prices per year, over a set period of time.</p> <p>Update footnote to read "the cost could be charged as a one-time payment or purchased over a period of time. " Using the term "financed" implies lease.</p> <p>Additionally, what about unlimited rights to purchase perpetual licenses at a set price per year over a set number of years? Do these purchases follow the above guidance for perpetual licenses?</p>
Q4	
Q4	<p>Par. 26, "over the internet" is too specific. Suggest NIST language - "that is provided to a shared pool of configurable computing resources."</p>
Q4	<p>How do Agencies determine if fully amortized software is still actively being used? If it is deemed that software is substantially removed from service, are they removed from the Agency's balance sheet? If they must remain on the balance sheet, how should they be presented? Current guidance implies that they should be documented in both the asset and accumulated accounts on the balance sheet, which leaves a zero net book value asset categorized with assets that do have a value.</p>
Q4	<p>In addition to the response in Question 2 above: A gov't cloud may have multiple entities funding the platform (PaaS), separate from the associated application cloud (SaaS). For example, Agency A maintains the applications (SaaS) structure however individual applications are developed and maintained by various entities. In some instances, Agency A maintains but does not receive the economic benefit of the asset. Suggest removing guidance from this TR and instead creating a working group on cloud / shared service environments to further discuss gov't scenarios.</p>
Misc.	Please change organization for Becca Shiller to "Department of Defense"