

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
August 28-29, 2019
Room 7C13
441 G Street, NW
Washington, D.C. 20548

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Content abridged

For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by tab; references to these tabs in the minutes are hyperlinked.

Wednesday, August 28, 2019

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Mss. Bronner and Harper, and Messrs. Patton and Smith. Mr. Dacey was represented by Mr. O’Neill. Mr. McNamee was present on August 29. Mr. Soltis was present on August 29 and represented by Ms. Johnson on August 28. The executive director, Ms. Valentine, and general counsel, Ms. Motley, were present throughout the meeting.

p. 2-7: Abridged

- **Software Licenses and Leases Implementation**

Mr. Ricky A. Perry, Jr., senior analyst, began the discussion by recapping the staff recommendation to develop a Technical Bulletin (TB) to clarify the accounting treatment for software licenses in tandem with the finalization of conforming amendments to Technical Release 16, *Implementation Guidance for Internal Use Software*, resulting from SFFAS 54, *Leases*.

Staff pointed out that a comment letter on the exposure document (ED) for the proposed Federal Financial Accounting Technical Release, *Conforming Amendments to Technical Releases for SFFAS 54, Leases*, identified the technical issues in the proposal (as summarized in [Tab G](#)). Similarly, staff has received numerous informal inquiries from the community regarding the treatment of software licenses.

Staff recommended using a TB (see [Tab G](#)), and indicated that such an approach would provide narrow guidance in a manner consistent with TB 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*, paragraphs 3-5.

Question 1 – Does the Board agree with staff’s recommendation to promulgate guidance on software licenses through use of a Technical Bulletin?

Question 2 – Do Board members wish to share their observations and views regarding how software licenses are handled in current guidance?

Ms. Johnson, in response to the last bullet under the basis for staff’s recommendation to issue a TB, questioned whether SFFAS 6 and SFFAS 10, *Accounting for Internal Use Software*, would ultimately need to be revisited at a later time.

Mr. Perry highlighted potential benefits of amending and/or revisiting those standards:

- The Board may wish to look at software-related issues more broadly, as opposed to specifically reviewing the treatment of software licenses.
- The Board may wish to consider intangible assets guidance.
- The Board may wish to make clarifying edits to existing language in these standards.

Staff explained that the TB approach provides a timely, viable solution, and the Board can revisit broader software- or intangible-asset-related accounting issues as a second step.

Mr. Smith observed that Board members did not disagree with the TB approach and encouraged the Board to proceed with the project to address the matter in a timely manner prior to fiscal year 2021.

Mr. Patton concurred with Mr. Smith's observation but noted—apart from the timing issue—it would be preferable, in some respects, to address intangibles as a whole; however, he acknowledged that the Board needs to develop timely guidance.

Ms. Harper expressed the importance of maintaining updated and relevant internal use software guidance, noting that changes in technology, subscription-based technology services, and operational practices may warrant revisiting these standards.

The Board agreed that issuance of a TB is appropriate, given the pending rescissions to paragraphs in existing guidance—SFFAS 5, *Accounting for Liabilities of the Federal Government*, and SFFAS 6—that take effect in fiscal year 2021 as a result of SFFAS 54. Board members agreed that the intent of the rescissions, which are currently used by the community as criteria for capitalizing and amortizing software licenses in a manner consistent with tangible assets that exceeds capitalization thresholds, was not to discontinue current practice. The Board agreed that a TB is the appropriate vehicle for addressing the matter.

Mr. Scott asked whether Board members were amenable to considering future projects on software issues and intangible assets more broadly. Members generally agreed that these topic areas serve as viable candidates for potential project opportunities. Members asked that staff conduct preliminary research on such opportunities for discussion at a future meeting to inform future technical agenda-setting discussions.

Question 3 – Do Board members agree with the proposed project plan for the leases implementation guidance project?

Mr. Perry noted that Board members were generally supportive of the plan when providing their advanced responses to [Tab G](#); however, he noted certain members had concerns about the project plan timeline.

Some members expressed concerns that the project plan timeline for issuing implementation guidance four months prior to the beginning of fiscal year 2021 may result in challenges for agencies; particularly if there are delays to the project. Mr. Bell also noted that the Bureau of the Fiscal Service, as is typical, produces implementation guidance for the Treasury Financial Manual. He asked that staff coordinate efforts with the Bureau of Fiscal Service working group that is developing implementation guidance for federal financial managers.

Ms. Johnson demonstrated interest in learning more about whether a June 1, 2020, timeline for issuing guidance would provide sufficient time for agencies to consider such guidance in their implementation efforts. Mr. Bell agreed that this would be informative, but the Board would also likely need to learn more about the scope and extent of the guidance needed.

Mr. Perry recognized that the timeline may be challenging but noted that certain conditions may work in favor of a relatively efficient draft timeline. For example, staff is working with the task force to identify implementation issues in a systematic manner by (1) performing a content analysis of analogous GASB implementation issues and (2) surveying task force members and their constituents regarding issue areas that may be candidates for guidance. He pointed out that the recent issuance of GASB Implementation Guide 2019-3, *Leases*, is informative to the project and beneficial to the project timeline, given the similarities between SFFAS 54 and GASB Statement No. 87, *Leases*, in certain topic areas.

Members confirmed that they were comfortable with the timeline for the time being and asked that staff gather information from the task force regarding the present status of implementation efforts and the scope and extent of implementation issues. Staff will return to brief the Board on the state of such at the October 2019 Board meeting.

Adjournment

The Board meeting adjourned for the day at 3:00 p.m.

Thursday, August 29, 2019

p. 10-16: Abridged

- **Leases Implementation**

Panelists presentations to the Board

Mr. Ricky A. Perry, Jr., senior analyst, began the discussion by directing members to [tab D](#) and introduced three leases implementation task force members. These members were present to provide the Board with updates on implementation efforts and challenges at their agencies:

- Ms. Rebecca Evertsz, Department of Defense (DoD)
- Mr. John Wall, Department of Energy (DOE)
- Mr. Edward Gramp, General Services Administration (GSA)

Mr. Perry noted that the Department of Homeland Security (DHS) also provided a status report in the briefing materials, but was unable to participate on the panel due to a scheduling conflict. Mr. Perry noted that, while DHS responses should also be considered as a useful data point, their absence from the panel—which, in turn, inhibits their ability to clarify or explain any detailed narrative—likely contributed to their decision to provide brief responses.

Ms. Evertsz reported that the population of leases to be accounted for is still unknown and numerous implementation actions have yet to be completed, such as updates to department-wide and component policies and procedures and systems updates. The nature of systems changes to capture the information about leases is also unknown and is further complicated due to systems that are not integrated. Ms. Evertsz indicated that early issuance of implementation guidance would be helpful to DoD and facilitate its progress in preparing for implementation and identifying appropriate IT solutions and requirements.

Mr. Wall reported that a large number of DOE leases are related to numerous contractor arrangements, which adds to the challenges of implementation. Mr. Wall explained that systems changes at DOE must be coordinated with 28 different management and operating contractors. DOE has identified the universe of leases, and they are currently developing materiality guidance.

Mr. Gramp from GSA reported that their greatest challenge is with the large volume of leases and that an automated solution is necessary. GSA is the primary real estate manager for the federal government. Most of the approximately 20,000 occupancy arrangements with various agencies will likely be considered short-term leases with no accounting changes needed. However, there is a large volume of leases to and from nonfederal agencies that will require changes in accounting. They are negotiating with their primary software vendor regarding systems changes to automate processes and update systems interfaces. GSA believes that they will need two additional years for implementation.

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Mr. Gramp observed that core accounting systems functionalities have been determined by each agency thus far during implementation planning. He noted that systems requirements communicated to commercial off-the-shelf software vendors may not be consistent from agency to agency. Mr. Gramp echoed Ms. Evertsz sentiments, further noting that it is vital for agencies to receive implementation guidance to inform their preparation for implementing SFFAS 54.

Q&A with panelists

Question 1 – Do Board members have any questions for the panelists regarding the nature and extent of implementation issues noted in Attachment 2?

Mr. Soltis encouraged staff and Mr. Gramp to connect with Treasury’s Office of Financial Innovation and Transformation (FIT), which engages with vendors regarding the identification, development, and standardization of the government’s core accounting systems requirements and data elements.

Ms. Harper and Mr. Soltis both expressed interest in receiving updates regarding future discussions with Treasury FIT on core accounting requirements.

Mr. Bell asked panelists for their insights regarding the extent to which four new or repurposed United States Standard General Ledger (USSGL) accounts would facilitate and/or affect implementation of SFFAS 54 at their agencies. Mr. Wall noted that DOE would require adequate lead time to test and implement USSGL updates in the underlying systems that feed into DOE’s overall financial statements. He observed that agencies with different financial reporting processes may experience different challenges resulting from such updates. As such, it would be ideal to finalize and promulgate such changes sooner rather than later.

Staff analysis and Board discussions regarding implementation timelines

Question 2 – Do Board members have any questions regarding staff’s analysis?

Mr. Perry discussed the various additional guidance that appears to be needed based on the feedback from the task force, which includes an omnibus amendment to SFFAS 54 for a handful of small changes to level-A guidance, such as (1) temporary land rights and easements that meet the definition of a lease and paragraph 19.a of SFFAS 54. Staff also mentioned the software licenses TB, the two ongoing technical release (TR) projects—including the implementation guidance and issuance of the conforming amendments TR.

Staff recommended that the implementation date of SFFAS 54 be deferred by two years.

Question 3 – Do Board members wish to discuss any views about the effective date of implementation and/or the planned timeline for issuing implementation guidance?

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Board members unanimously agreed to propose a two-year deferral.

Next steps: Staff will draft and distribute a deferral document and possibly a pre-ballot and/or ballot draft in the time before the December 2019 meeting. There is a possibility of reviewing a ballot draft of the deferral at the December 2019 meeting.