



## Memorandum

### Omnibus TR

November 9, 2023

To: Members of the Committee  
From: Ricky A. Perry, Jr., Assistant Director; Josh R. Williams, Senior Analyst  
Thru: Monica R. Valentine, Executive Director  
Subject: **Omnibus Technical Release (TR) Amendments** (Attachment B)

#### INTRODUCTION

Staff is recommending amendments to TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*; and TR 21, *Omnibus Technical Release Amendments 2022*.

#### REQUEST FOR FEEDBACK BY NOVEMBER 15

**Prior to the Committee's November meeting**, please review the attached material and respond to the ensuing questions by November 15, 2023. Please submit feedback to Messrs. Perry and Williams ([PerryRA@fasab.gov](mailto:PerryRA@fasab.gov) and [WilliamsJR@fasab.gov](mailto:WilliamsJR@fasab.gov)), with a cc to Ms. Valentine ([ValentineM@fasab.gov](mailto:ValentineM@fasab.gov)).

#### NEXT STEPS

**Pending Committee member feedback**, staff will seek preliminary decisions from the Committee on these proposed amendments. Based on the November discussion, staff will prepare any necessary revisions and the basis for conclusions for discussion in February.

#### ATTACHMENTS

- B.1. Draft ED, *Omnibus Technical Release Amendments 202X: Amendments to Technical Releases 10, 16, 20, 21*

## SUMMARY OF RECOMMENDATIONS AND ANALYSES

Staff is recommending the following:

- Amendments to footnote 5A of paragraph 8A of TR 10 and paragraph 4 of TR 21.
- Amendments to paragraphs 8, 26, 27, 29, and 32 of TR 16 and paragraph 102 of TR 20.

### RECOMMENDATION 1

Staff recommends an amendment to footnote 5A of TR 10 and paragraph 4 of TR 21.

### ANALYSIS

Staff has identified conforming amendments to footnote 5A of TR 10. These amendments would conform the footnote with relevant portions of SFFAS 6, *Accounting for Property, Plant, and Equipment*, paragraph 18, as amended by SFFAS 60 *Omnibus Amendments 2021: Leases-Related Topics*, paragraph 35. SFFAS 60 amendments to SFFAS 6 became effective on October 1, 2023. See attachment B.1., paragraph 4, and [SFFAS 60](#), paragraph 35.

#### Question for the Committee:

1. Does the Committee agree with the proposed amendments to TR 10 and TR 21, as reflected in Attachment B.1, paragraph 4?

### RECOMMENDATION 2

Due to the issuance of SFFAS 54, *Leases*, TR 20 amended TR 16 to remove software license guidance that applied to the now rescinded capital lease guidance in SFFAS 5, *Accounting for Liabilities of the Federal Government* and SFFAS 6, creating a gap in software license guidance. However, TR 20 removed guidance for perpetual software licenses that were based on SFFAS 10, *Accounting for Internal Use Software* and did not rely on the capital lease guidance that term-based software license guidance applied to.

Staff recommends amendments to TR 16 that would restore prior guidance on perpetual software licenses that TR 20 rescinded. This proposal would not update or add any new guidance for software licenses beyond what previously existed in TR 16.

## ANALYSIS

### Amendments to paragraph 8 of TR 16

Paragraph 5 of Attachment B.1. amends paragraph 8 of TR 16 to remove reference to SFFAS 5 when describing the scope of TR 16. After TR 20 removed all software license guidance that relied on capital lease guidance, TR 16 no longer clarifies SFFAS 5 guidance.

### Paragraphs 26A-27A added to TR 16

TR 20 completely rescinded paragraphs 26-27 of TR 16 that addressed software licenses. After further review however, staff believes that portions of paragraphs 26-27 that apply to perpetual software licenses based on SFFAS 10, and not SFFAS 5 capital lease guidance, should be restored as paragraphs 26A-27A. Paragraph 6 of Attachment B.1. would effectively amend the original TR 16 paragraphs as follows:

~~26. **Software License:** If the term of software license(s) is 2 years or more with periodic payments, the license should be evaluated against lease criteria as stated in SFFAS 5 paragraphs 43-46 and SFFAS 6 paragraph 20 to determine if it is a capital or operating lease. If the a software license(s) is perpetual with an upfront cost<sup>9</sup> to use the software for its entire lifetime, then the entity is purchasing IUS and should apply its existing policy for capitalization thresholds to determine if the license should be capitalized or expensed.~~

~~27. A license agreement may include executory costs for maintenance and technical support. Agency judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus executory maintenance and technical support costs. Assuming lease capitalization criteria and thresholds are met, software license capitalization amounts<sup>10</sup> may be derived from the payment schedule contained in the license agreement. As stated in SFFAS 5, if the portion of the minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated. Agencies may also want to consider having each license agreement specifically identify the various costs throughout the license lifecycle, for example, initial license, maintenance, and enhancement.~~

Staff believes the restored guidance addressing perpetual software license capitalization and associated maintenance costs apply to internal use software guidance in SFFAS 10. Paragraph 26A would state that a perpetual license is an internal use software purchase. Additionally, paragraphs 23 and 26 of SFFAS 10 addresses maintenance costs for internal use software that paragraph 27A would clarify for perpetual software licenses.

The Board plans to deliberate new reporting guidance for perpetual and term-based software licenses as part of the software technology project. However, staff believes it is prudent to restore prior perpetual software license guidance in TR 16 in the meantime so that the gap in software license guidance is not greater than it needs to be.

## Amendments to paragraph 29 of TR 16 and paragraph 102 of TR 20

Paragraph 102 of TR 20 rescinded portions of paragraph 29 of TR 16 that provided guidance for software licenses associated with cloud computing arrangements. After further review however, staff believes that paragraph 29 should reference paragraph 26A to provide guidance for perpetual software licenses associated with cloud computing arrangements. Paragraph 7 of Attachment B.1. would effectively amend the original paragraph 29 of TR 16 as follows:

*29. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses in accordance with the lease criteria stated in SFFAS 5 and SFFAS 6, and as discussed in paragraph 26A of this TR. SFFAS 10 is not applicable to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The entity that develops and owns the software, platform, or infrastructure that is used in the cloud computing arrangement would account for the software development in accordance with SFFAS 10. If the funding to develop cloud computing is shared among entities without clear ownership, the service provider entity that receives funding and is responsible for maintaining the software, platform, or infrastructure should account for the software in accordance with SFFAS 10 and the full cost/inter-entity cost requirements of SFFAS 4.*

The Board is deliberating new reporting guidance for cloud-service arrangements as part of the software technology project. However, staff believes it is prudent to restore prior guidance from TR 16 in the meantime that would address how to account for perpetual software licenses that are part of cloud computing arrangements.

## Amendment to paragraph 32 of TR 16

Paragraphs 30-32 in TR 16 provide guidance for shared services. Staff realized that paragraph 32 of TR 16 contained an incorrect reference to another TR 16 paragraph. Paragraph 32 addresses software licenses included in shared services but references paragraph 24 that addresses software impairment issues. Paragraph 8 of Attachment B.1. would amend TR 16 so that paragraph 32 correctly references the perpetual software license guidance in paragraph 26A.

The Board plans to deliberate new reporting guidance for shared services as part of the software technology project. However, staff believes it is prudent to restore prior guidance from TR 16 in the meantime that would address how to account for perpetual software licenses included in shared services.

### Question for the Committee:

2. Does the Committee agree with the proposed amendments to TR 16 and TR 20, as reflected in Attachment B.1., paragraphs 5-8?



# OMNIBUS TECHNICAL RELEASE AMENDMENTS 202X:

AMENDMENTS TO TECHNICAL RELEASES 10, 16, 20, AND 21

**Federal Financial Accounting Technical Release**

**Draft Exposure Draft**

Written comments are requested by **Month XX**, 2023

**Month XX**, 2023

**Public comments are not requested on this draft.**

## THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at [www.fasab.gov](http://www.fasab.gov):

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [Bimonthly newsletters](#)

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### **The Accounting and Auditing Policy Committee**

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget, the Government Accountability Office, the Chief Financial Officers Council, and the Council of the Inspectors General on Integrity and Efficiency, as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the FASAB. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation that are not specifically or fully discussed in federal accounting standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from [FASAB's website](#).



Month XX, 2023

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release, *Omnibus Technical Release Amendments 202X*, are requested. Specific questions for your consideration appear on page seven, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific proposals, your responses will be most helpful to the Committee and the Board if you explain the reasons for your positions, the paragraph number(s) and/or topic areas of the proposals that are related to your positions, and any alternatives you propose.

Responses are requested by **Month XX, 2023**.

All comments received are considered public information. Those comments will be posted to the Accounting and Auditing Policy Committee's website and included in the projects' public record.

Please provide your comments by email to [fasab@fasab.gov](mailto:fasab@fasab.gov). We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at (202) 512-7350 or [fasab@fasab.gov](mailto:fasab@fasab.gov) to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

*Monica R. Valentine*

Monica R. Valentine  
Executive Director, AAPC Chair



## EXECUTIVE SUMMARY

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This proposal would amend TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*; and TR 21, *Omnibus Technical Release Amendments 2022*.

The proposed amendment to TR 10, footnote 5A, would align the footnote with the guidance provided under SFFAS 6, *Accounting for Property, Plant, and Equipment*, paragraph 18, as amended. The proposed amendments to TR 16 would restore portions of prior guidance for perpetual software licenses based on available Board requirements under SFFAS 10, *Accounting for Internal Use Software*. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project.

## MATERIALITY

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The provisions of this Technical Release need not to be applied to information if the effect of applying the provision(s) is immaterial.<sup>1</sup> A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

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<sup>1</sup> Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

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## QUESTIONS FOR RESPONDENTS

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The Accounting and Auditing Policy Committee (AAPC or “the Committee”) encourages you to become familiar with the proposed Federal Financial Accounting Technical Release (TR) before responding to the questions for respondents (QFR) in this section.

In addition to the questions below, the Committee also welcomes your comments on other aspects of the proposed TR. Because these proposals may be further modified before a final TR is issued, it is important that you comment on aspects that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated. All responses are requested by **Month XX**, 2023.

The Committee believes that these proposals would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Committee has considered the perceived benefits and costs associated with this proposal. In responding, please consider the expected benefits and challenges, and communicate any concerns that you may have regarding this proposal.

To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe the Board and/or the Committee should consider. Please include references to the related paragraph numbers in your responses.

The questions in this section are available for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to submit your comment letter via email, please contact 202-512-7350.

- QFR 1.** Do you generally support the proposed amendments to TR 10 under paragraph 4 of this proposed TR? This amendment is intended to align the guidance in footnote 5A of TR 10 with that of SFFAS 6, paragraph 18, as amended by SFFAS 60, *Omnibus Amendments 2021*. Please explain the reasons for your position.
- QFR 2.** Do you generally support the proposed amendments to TR 16 under paragraphs 5-8 of this proposed TR? Paragraphs 6-7 would restore portions of prior guidance for perpetual software licenses based on available Board requirements under SFFAS 10. Paragraph 5 removes reference to SFFAS 5, *Accounting for Liabilities of the Federal Government* under scope paragraph 8 of TR 16, as TR 16 no longer clarifies SFFAS 5 after the earlier conforming amendments provided under TR 20. Paragraph 8 is a technical correction and conforming amendment to paragraph 32 of TR 16. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board’s software technology project. The AAPC will consider additional updates in coordination with the Board’s project. Please explain the reasons for your position.

## INTRODUCTION

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### PURPOSE

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1. This proposed Technical Release (TR) would update TR 10, *Implementation Guidance for Cleanup Costs Associated with Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*, and TR 21, *Omnibus Technical Release Amendments 2022*; with clarifying and corrective amendments.

DRAFT

## PROPOSED TECHNICAL GUIDANCE

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### SCOPE OF TECHNICAL GUIDANCE

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2. Readers of this TR should first refer to the hierarchy of accounting standards in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR proposal would supplement the relevant accounting standards but would not substitute for or take precedence over the standards.
3. This TR updates TR 10, *Implementation Guidance for Cleanup Costs Associated with Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*, and TR 21, *Omnibus Technical Release Amendments 2022*; with clarifying and corrective amendments.

### PROPOSED AMENDMENTS TO TR 10 AND TR 21

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4. Paragraph 8A, footnote 5A, of TR 10 and TR 21, par. 4, are amended as follows:

<sup>5A</sup> For the purpose of this document, real property is defined as federal facilities and installed equipment within general PP&E, heritage, and stewardship categories. It includes 1) real property acquired through ~~leases, including~~ leasehold improvements, ~~and~~ 2) real property owned by the reporting entity in the hands of ~~or leased to~~ others (for example, state and local governments, colleges and universities, or federal contractors) ~~and 3) real property acquired through contracts or agreements that transfer ownership (see SFFAS 6, par. 18)~~. Installed equipment “fixture” is defined in GAO-08-978SP, Volume III, Third Edition of the Principles of Appropriation Law (13-199) as those equipment items that are (1) permanently attached to the realty, or (2) if not permanently attached, (a) it is necessary and indispensable to the completion and operation of the building, or (b) the structure was designed and built for the purpose of housing the equipment.

### PROPOSED AMENDMENTS TO TR 16 AND TR 20

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5. Paragraph 8 of TR 16 is amended as follows:

Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards, but it is not a substitute for and does not take precedence over the standards. This TR clarifies but does not change guidance in SFFAS 4, ~~5~~, 6 (as amended), and 10.

6. Paragraphs 26A-27A are added to TR 16 as follows:

26A. If a software license is perpetual with an upfront cost<sup>9</sup> to use the software for its entire lifetime, then the entity is purchasing IUS and should apply its existing policy for capitalization thresholds to determine if the license should be capitalized or expensed.

<sup>9</sup>The cost could be charged as a one-time payment or financed over a set period of time.

27A. A license agreement may include costs for maintenance and technical support. Agency judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus maintenance or technical support costs.

7. Paragraph 29 of TR 16 and TR 20, par. 102, are amended as follows:

29. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses as discussed in paragraph 26A of this TR. SFFAS 10 is not applicable to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The entity that develops and owns the software, platform, or infrastructure that is used in the cloud computing arrangement would account for the software development in accordance with SFFAS 10. If the funding to develop cloud computing is shared among entities without clear ownership, the service provider entity that receives funding and is responsible for maintaining the software, platform, or infrastructure should account for the software in accordance with SFFAS 10 and the full cost/inter-entity cost requirements of SFFAS 4.

8. Paragraph 32 of TR 16 is amended as follows:

32. If the shared service arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of their other software licenses, as discussed in paragraph ~~26A-24~~ of this TR. SFFAS 10 is not applicable to a shared service arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license.

## EFFECTIVE DATE

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9. This TR is effective upon issuance.

The provisions of this Technical Release need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

## APPENDIX A: BASIS FOR CONCLUSIONS

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This appendix discusses factors considered significant by Committee members in reaching the conclusions in this Technical Release. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any pronouncement that affects this Technical Release. Within the text of the Technical Releases, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements or other pronouncements for the rationale for each amendment.

### PROJECT HISTORY

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A1. TBD

A2. TBD.

A3.

## APPENDIX B: ABBREVIATIONS

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AAPC	Accounting and Auditing Policy Committee
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
IUS	Internal Use Software
QFR	Questions for Respondents
SFFAS	Statement of Federal Financial Accounting Standards
TR	Federal Financial Accounting Technical Release



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