

Please find attached our comments on the Annual Report and Three-Year Plan.

Thank you....

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Comments for FASAB Annual Report and 3-Year Plan

PPE/Capitalization of Internal Use Software: (Section: *Intangible Assets – page 16 & 17*)

In review of the Intangible Assets section, we feel there is a communications barrier in the guidance, i.e., Information Technology (IT) refers to Internal Use Software as IT Systems. From their perspective, software is a tool used to support an IT System. It would be helpful if the language in the guidance was bridged between accounting and IT terms.

FASAB should consider expounding on terms or language such as *enhancements*, *significant functionality* related to development. These terms are too broad and it causes difficulty in mapping certain development activities for capitalization purposes. Even the Board has indicated there are challenges determining when to capitalize. Consequently, technical guidance should illustrate more effectively the criteria for capitalizing development costs.

Currently, the Board is deliberating updates to guidance associated with Software Technology. Specifically, the Board intends to update guidance to address changes to development methodology, from traditional (waterfall) to agile development. We believe that as the Board deliberates these changes, it should also review clarifying the language, provide detailed examples of what system enhancements are, and the difference between an enhancement and operation & maintenance for development purposes.