

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
October 17-18, 2023
Hybrid Meeting (In-Person and via Zoom for Government)

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

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Johnson, and Messrs. McNamee, Patton, and Vicks. The executive director, Ms. Valentine, and general counsel, Mr. Kirwan, were present throughout the meeting.

Tuesday, October 17, 2023

Administrative Matters

- **Clippings and Updates**

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of GASB's recent activities.

Ms. Reese highlighted the following GASB projects:

- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. GASB has not discussed this topic since the August FASAB meeting.
- Financial reporting model reexamination – The goal is to enhance the effectiveness of the reporting model in providing information that is essential for decision-making, enhance users' ability to assess a government's accounting, and address certain application issues. The Board decided to remove governmental funds from the scope of the project, including their recognition and presentation. The Board also agreed to a single transition approach, where all entities would adopt the guidance at the same time—fiscal years (FYs) beginning after June 15, 2025.
- Certain risk disclosures – The goal is to identify potential risks associated with concentration and constraints in state and local governments and consider developing disclosure requirements associated with those risks. The focus is to require disclosures about concentration and constraints when certain conditions indicate there is some question about the government's ability to continue to provide the level of services it has been providing or to meet its obligations when due. The Board discussed prospective application and implementation for FYs beginning after June 15, 2024. The Board is on the path to a final Statement by the end of the year.
- Classification of non-financial assets – The goal is to reconsider the existing classification of non-financial assets and other related sub-classifications. The proposal will also consider certain capital assets, the requirement to separate them by major class, and more specific guidance on a "capital asset held for sale." The capital asset would be held for sale if the government has decided to sell the asset—so there must be a decision—and it is probable that the sale will be finalized within one year of the financial statement date. The Board approved the issuance of an exposure draft (ED) called *Disclosure and Classification of Certain Capital*

Assets in September 2023. The guidance does not address recognition, only presentation and disclosure.

- Going concern uncertainties and severe financial stress (SFS) – GASB is working toward a proposal to address issues related to disclosures for going concern uncertainties and severe financial stress. Members want to refer to it as “severe” financial stress and they’re defining “severe” as greater than substantial, including but not limited to catastrophic matters. The Board deliberated on whether the guidance should be rules-based or principles-based. Ultimately, members agreed on a principles-based approach. The Board will address four broad categories: negative trends, other indicators of possible financial difficulties, internal matters, and external matters.
- Infrastructure assets – This new project is the result of research on capital assets. The project will address issues related to accounting and financial reporting for infrastructure assets in a question-and-answer format. The project will evaluate standards for reporting infrastructure assets. The goal is to make the information (1) more comparable across governments and consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government’s economic condition, and (4) a better reflection of the capacity of those assets to provide service and how that capacity may change over time. The Board agreed that the useful life of infrastructure assets should be reviewed periodically as it relates to depreciation. Members also decided that significant components of infrastructure assets that have differing useful lives should be depreciated separately. The Board also discussed deferred maintenance. Members recognize users want deferred maintenance information but have not found the right mechanism.
- Subsequent events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – GASB has added to its pre-research agenda a project on subsequent events. The objectives of the pre-agenda research are (1) to evaluate the effectiveness of the existing guidance for subsequent events and (2) to consider the need for revisions to those standards. If additional guidance is needed, another objective is to consider revising accounting and financial reporting for subsequent events. The pre-agenda research did show some inconsistencies in the reporting and understanding of subsequent events.
- Generally accepted accounting principles (GAAP) structure – GASB has added to its pre-research agenda a project on the GAAP structure. The initial objective of the pre-agenda research is to evaluate the effectiveness of GASB’s current dual-authority approach to communicating GAAP for

state and local governments (that is, a GAAP structure that includes both original pronouncements and a codification, each with equal authoritative status). Based on the outcome of the initial research, GASB may potentially add a subsequent objective to consider whether, and if so how, the current GAAP structure could be improved.

- Electronic financial reporting (a monitoring activity) – GASB has been discussing implications of the Financial Data and Transparency Act—specifically the requirement for state and local governments to have procedures in place to provide financial statements electronically. GASB is discussing its role in providing guidance for these requirements. GASB is considering rules about submitting electronic financial data, so staff is doing outreach in that area and considering the idea of a closed taxonomy that has fixed data elements or an open taxonomy where personalized data tags can be created when the standardized ones do not fit for certain items. Staff has reached out to both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board on their taxonomies to understand what their approaches are and the associated benefits and drawbacks.

One member asked what GASB's role would be in the legislative requirements of the Financial Data and Transparency Act. Ms. Reese noted that the actual requirements of the Act are out of GASB's scope of authority. GASB is discussing its role in providing guidance for the requirements.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Agenda Topics

- **Omnibus Amendments 202X**

Ms. Lee, senior analyst, provided the Board with the [topic A](#) comment letters on the ED titled *Omnibus Amendments: Amending Statements of Federal Financial Accounting Standards (SFFAS) 38, 49, and Technical Bulletin (TB) 2011-1*. Members agreed to move forward with the proposed amendments to SFFAS 38, *Accounting for Federal Oil and Gas Resources*, and TB 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, to retain information on oil, gas, and other natural resources as required supplementary information (RSI).

Mr. Domenic Savini, assistant director, provided the Board with an overview of the amendments to paragraph 24b of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*. For context purposes, staff reviewed the reasons for the proposed amendments.

Question 1 – Do members agree with staff's analysis and recommendation of response to QFR #1?

Staff explained that the fundamental problem is not solely limited to the “where available” exception in paragraph 24b but is the extension of this exception to the other paragraph 24 disclosures.

As reported to staff and the task force, certain preparers and their auditors have used the exception as a basis to not disclose, specifically, the remote risks underlying the public-private partnerships (P3) arrangement/transaction as required by the standards. Their rationale is that the Board’s logic in paragraph 24b is in essence allowing an exception whenever any disclosure element is not available. As discussed at the August 2023 meeting, this was not the intent. Any exception should be limited solely to paragraph 24b: private partner funding amounts. Moreover, as written, the exception can be interpreted to apply to federal amounts as well.

Staff then provided an overall summary of the respondent comments, noting the receipt of two additional letters (letters #13 and #14) after distribution of the briefing materials and an additional confirmation from an inspector general noting the existence of this “loophole” problem at their agency. Staff noted that most of the respondents, including preparers, agreed that the “where available” exception or “loophole” should be addressed to avoid exploitation. To that end, some respondents noted that the Board should consider making it more difficult to avoid disclosure of private partner funding amounts and clearly note that the paragraph 24b exception could not be used to avoid reporting any other paragraph 24 disclosure requirement. To the contrary, other respondents were in support of the proposed amendment and argued against the retention of the “where available” exception even if accompanied by language that would lessen its use and prohibiting its application elsewhere.

Staff reminded members that (1) the Board intended providing preparers with flexibility concerning private partner funding amounts for those instances when the entity would be legally or contractually prohibited from disclosing said amounts, (2) Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, states reliability does not imply precision or certainty and that estimates are appropriate for reporting, and (3) several Office of Management and Budget (OMB) documents require full lifecycle reporting and, specific to P3s, assessments of private partner participation for budget scoring purposes.

Members then discussed both reasons for and against the “where available” exception, noting the following key points:

- There are auditability concerns regarding the amount of private partner contributions and their reliability.
- A federal entity’s knowledge of a P3s overall project costs and its participation/contribution can be uncertain.
- Private partner contributions can be estimated in a range and not necessarily as a point estimate.

- Paragraph 24b. should emphasize estimated amounts or totals to ensure sufficient preparer flexibility.
- P3s are an exchange transaction where values can be associated or estimated for what has been given up and/or received.
- Because public interest is important, descriptions can accompany (estimated) amounts to provide context to the reader.
- There are other ways to eliminate the “where available” exception.

Question 2 – Do members agree with staff’s analysis and recommendation of response to QFR #2? If not, please provide your rationale and any changes or edits you would propose making.

Given that members desired to reach a balance between user needs and preparer burden, they agreed with the staff edits and tentatively identified the following (additional) clarifying edits (underlined):

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix and, ~~where available~~, the estimated amounts of such funding. Such amounts may be within a range of estimates, the range itself, or a general dollar magnitude. ~~For any amounts that are not available, the disclosures should indicate such.~~

Next steps: Staff will prepare a pre-ballot of the ED with a revised paragraph 24b and basis for conclusions for Board review.

- **Public-Private Partnerships: Measurement and Recognition**

Mr. Savini provided the Board with an overview of [topic B](#)’s purpose: to provide an update concerning the types of implementation guidance the task force recommends issuing in accordance with the Board’s October 2022 direction.

Question 1 – Does the Board generally agree with the direction and scope of the task force’s work thus far? If so, are there any areas members would like to see either broadened, narrowed, or changed? Are there any additional areas that the task force should research and study?

Although most members generally agreed with the task force’s direction and scope, the following points were noted:

- Given the relative benefits of developing implementation guidance, there is also a danger that some preparers will follow the case studies or illustrations and, in so doing, fail to meet the disclosure requirements. Although a Technical Release (TR) may be appropriate, the Board should

discuss this matter to ascertain if the case studies or illustrations should be non-authoritative.

- The Board needs to be careful when referencing SFFAS 47, *Reporting Entity*, because it is a principles-based document that requires significant agency judgment for effective implementation.
- The Board should clarify the distinction between related party disclosures and P3 disclosures.
- The focus on capturing risk and the barriers to properly disclosing risk loom large in the task force's rankings. Also, there is confusion about the relationship between SFFAS 47, SFFAS 49, and SFFAS 54, *Leases*.
- Further work and analysis will lead the Board to any necessary scope changes and identification of any additional areas that the task force should research and study.

Question 2 – Does the Board generally agree with the staff recommendations describing the proposed FASAB action plan for those implementation challenges ranked highest and medium priority?

Although most members generally agreed with the proposed FASAB action plan, the following points were noted:

- The Board should attempt to cover some of the lower priority implementation challenges in the higher ranked implementation challenges.
- The Board's intent for agencies to disclose the possibility of the government having to provide resources and/or absorb losses, despite the private partner's efforts to mitigate uncertainty, should be clearly explained from the perspective of the relationship with the private partners.
- A decision tree or other visual is also needed to help users understand the differences between the guidance on contingencies in SFFAS 5, *Accounting for Liabilities of the Federal Government*.

Question 3 – Are there any other issues or concerns that members would like for staff to consider? Please note in your response what changes you would recommend be made.

The Board should clarify descriptions of qualitative factors (some mentioned within SFFAC 9, *Materiality*). For example, how should agencies apply materiality considerations when qualitative factors (and the corresponding needs of a reasonable user) might change year to year?

Next steps: Staff will brief the Accounting and Auditing Policy Committee (AAPC) in November to seek formal project approval to begin work on a TR in accordance with the Board's direction.

The meeting adjourned for lunch.

- **Software Technology – SFFAS 3: Seized and Forfeited Digital Assets**

Mr. Williams, senior analyst, introduced [topic C](#) by explaining to the Board that the purpose of the session was to propose a draft TB that clarifies and elaborates upon seized and forfeited property guidance in SFFAS 3, *Accounting for Inventory and Related Property*, to address digital assets, a new and unique resource not previously considered by the Board.

Specifically, the TB would clarify that reporting entities should treat central bank digital currencies as monetary property and all other digital assets (for example, cryptocurrencies, stablecoins, non-fungible tokens, etc.) as nonmonetary property when applying the SFFAS 3 reporting requirements. The TB also provides clarifying guidance for measuring market value and applying SFFAS 3 disclosure requirements for seized and forfeited digital assets.

Mr. Williams explained that he had worked closely with representatives from the Department of Justice (DOJ) as part of the digital asset working group to develop the TB. He then introduced Mr. Chris Alvarez and Ms. Kelly McFadden as guest speakers from DOJ.

Mr. Alvarez provided the Board an overview of the seizure and forfeiture process for digital assets and explained that digital asset seizures and forfeitures have become material to the Federal Bureau of Investigation and Asset Forfeiture Fund audited financial statements. He also stated that digital asset seizures and forfeitures would likely continue to become more material for DOJ in the future as digital assets become more prevalent.

Mr. Alvarez stated that DOJ strongly supports the draft TB because it would establish and clarify reporting requirements for seized and forfeited digital assets in GAAP. Furthermore, he explained that the TB would ensure reporting consistency if there were a change in auditor or agency management in the future.

Question 1 – Do members support moving forward with the *Seized and Forfeited Digital Assets* TB? Please provide any feedback on the staff proposal.

The Board unanimously supported moving forward with the TB. All members generally agreed that the guidance would help DOJ and other reporting entities apply existing SFFAS 3 requirements to an increasingly material amount of seized and forfeited digital assets. Some members suggested the following edits to the TB:

- Define “fiat money” in the glossary.

- Move paragraph 17 below paragraph 18 so that the reporting guidance for central bank digital currencies is easier to follow.
- In paragraph 17, remove “coin and paper money” from the real (fiat) currency description since central bank digital currencies do not represent tangible forms of money.
- In paragraph 17, clarify how the reporting guidance applies for central bank digital currencies that do not have “store of value” characteristics.
- In paragraph 24, replace “without difficulty” with “with reasonable effort” when explaining the meaning of “readily determinable.”
- In the basis for conclusions:
 - Further explain how digital assets operate as part of a complex and interconnected digital ecosystem.
 - Further explain why the TB categorizes central bank digital currencies as monetary property and all other digital assets as nonmonetary property and compare to other standard-setter guidance.

Next steps: Mr. Williams concluded by explaining that staff would coordinate with DOJ to implement the suggested edits and that staff plans to propose the updated TB for the Board’s consideration during the December 2023 meeting.

- **Annual Report Review**

In addition to the Board, the following Appointments Panel members were present for the session: Ms. Ganeriwala and Mr. Murrin. Ms. Harrison and Mr. Showalter were absent.

Mr. Scott opened the discussion by noting that FASAB members and the FASAB Appointments Panel members were meeting in a joint session.

Ms. Valentine introduced the updated draft FY 2023 annual report from topic D to the Board and Appointments Panel. She noted that FASAB releases an annual report and three-year plan each FY to enhance visibility of its operations and to obtain input regarding the Board’s plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB’s collaboration, outreach, and educational activities throughout the FY, as well as a section on governance, operations, and budgetary resources. The objective for the session was for the Board and Appointments Panel members to review an updated draft of the FY 2023 annual report and three-year plan.

Ms. Valentine noted that revisions discussed at the August meeting, project updates through the end of the FY, and edits provided by members were included in the updated draft. Members suggested a few additional, minor edits.

Ms. Valentine reminded the members that the report would be issued November 15, and the members would have an opportunity to see another final draft before the report was published.

Ms. Valentine asked the members for any final edits/comments as soon as possible, giving staff an opportunity to provide members the final version before the report is issued on November 15, 2023.

Adjournment

The Board meeting adjourned for the day at 3:10 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's FY 25 budget, as well as other administrative matters.

Wednesday, October 18, 2023

Agenda Topics

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced [topic E](#), the climate-related financial reporting project, and reviewed the project history. At the August 2021 meeting, the Board added this project to the technical agenda. On May 17, 2022, FASAB published a non-authoritative staff paper titled *Statements of Federal Financial Accounting Standards That May Be Relevant to Climate-Related Financial Reporting*.

At the June 2022 Board meeting, members agreed to analyze the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations as a starting point for developing the climate-related financial disclosure framework. At the December 2022 Board meeting, members learned more about TCFD, and which government organizations were adapting it. On June 26, 2023, the International Financial Reporting Standards Foundation published International Financial Reporting Standards (IFRS) S2, *Climate Related Disclosures*, which includes the TCFD recommendations. At the August 2023 Board meeting, the International Public Sector Accounting Standards Board (IPSASB) shared with members IPSASB's decision to use the IFRS S2 model for its climate disclosures. The Board agreed to use relevant content from IFRS S2 to begin developing the federal framework.

The October 2023 meeting objectives were to review staff's recommended approach for adapting IFRS S2 to the federal climate-related financial disclosure framework and to approve the proposed project plan.

The recommended approach would first identify and adapt IFRS S2 "defined terms" relevant to FASAB. This would help the Board to understand how the government is talking about climate-related events and risks. Staff's analysis would also include federal climate terms and any existing federal climate-related data dictionaries.

This approach would then identify IFRS S2 core content that is relevant based on FASAB's mission and reporting objectives, first for government-wide standards and then component reporting entity standards. This would be a change from staff's normal approach where research has been necessary to understand which reporting entities engaged in activities such as insurance, P3s, or land management. For this project, climate-related activity has already been defined by the Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA).

Question 1 – Do members agree with the recommended process for adapting IFRS S2 to the federal climate-related financial disclosure framework? Yes, or no? If no, please provide your reasoning and suggested update(s).

Members agreed to first develop a vision statement to understand the Board's objective and scope for what climate-related risk financial reporting should include. For example, should disclosures include information about risks associated with climate or the risk of not achieving the goals of climate-related expenditures? Members also agreed that IFRS S2 would help to begin scoping out the vision statement; however, it is too detailed for this project.

One member wanted to leverage and build on OMB A-136, *Financial Reporting Guidance*, for including climate-related information in agency financial reports.

Most members agreed with developing government-wide requirements in tandem with agency reporting requirements. Members want to understand what financial risk is included in current government-wide reporting and what is missing in relation to climate risk. Terms would be defined in conjunction with developing core content that is relevant to FASAB.

Members want to focus on expenditures and not just the funding provided by the IRA and BIL/IIJA. They want to focus on financial information that addresses both climate risk and accomplishments to understand how the reporting entities are utilizing expenditures in relation to climate risk.

Some members believe that RSI might be the best vehicle for this information.

Question 2 – Do members agree with the proposed climate-related financial disclosure framework project plan? Yes, or no? if no, please provide your reasoning and suggested updates.

Members agreed that five years or more was too long to provide climate-related information in financial statements. Members agreed to look beyond level-A GAAP and consider smaller deliverables, such as an omnibus for amendments to existing standards or guidance for existing standards at lower levels of GAAP. This could include TBs, AAPC TRs, or Staff Implementation Guidance. A review of the staff paper and task force input could help to determine what level(s) of GAAP is needed. Staff will not update the proposed project plan at this time.

- **Software Technology – Cloud**

Mr. Williams introduced [topic F](#) by explaining that the purpose of the session was to deliberate financial reporting requirements for cloud-service arrangements. He reminded members that during the cost-benefit deliberations at the April 2023 meeting, the Board overwhelmingly supported developing disclosure requirements for annual cloud-service arrangement expenses.

Question 1 – Do members support staff’s proposed recognition and measurement guidance for cloud-service payments? Please provide any feedback on the staff proposal.

Mr. Williams explained that the proposed recognition guidance would establish that reporting entities should apply existing liability and prepaid asset guidance to cloud-service arrangements and expense payments for cloud services as incurred in accordance with basic accrual concepts. He explained that the language simplifies reporting requirements by focusing cloud-service reporting on the total cost that reporting entities pay vendors for the cloud service. Reporting entities would not have to report overhead or individual vendor costs associated with cloud-service arrangements.

The Board generally supported the proposed recognition guidance. One member suggested that staff further align the guidance to the cloud-service arrangement definition that the Board deliberated in a previous meeting.

One member questioned why the guidance should explain the type of cloud-service costs for which to apply the recognition guidance. Mr. Williams explained that the working group had discussed a wide range of different costs that reporting entities incur related to cloud services and that the working group requested that reporting guidance make it clear which costs to apply the reporting requirements to. Mr. Williams further explained that staff believed the guidance would help reporting entities identify which cloud-service costs to expense, capitalize, and disclose. Another member agreed that it was important for the guidance to be clear as to which costs apply to the reporting requirements.

One member questioned why the guidance needed to address how to recognize general costs related to cloud-service arrangements. The member suggested that the existing liability and prepaid asset guidance in SFFAS 1, *Accounting for Selected Assets and Liabilities*, would already apply to cloud-service arrangements and that the guidance should focus on identifying expense and capitalized asset requirements for cloud-service arrangements. Another member agreed but still believed it was important that the Board establish in authoritative guidance that reporting entities should recognize typical cloud-service costs as the service is incurred and not recognize cloud-service arrangements as a right-to-use asset.

Mr. Williams agreed and reminded members that after extensive deliberations, the Board decided not to require right-to-use asset and liability recognition for cloud-service arrangements using the framework from GASB No. 96, *Subscription-Based Information Technology Arrangements*. Furthermore, he explained that preparers have asked the Board to address how to account for cloud-service transactions and that both FASB and GASB have specifically addressed cloud computing in authoritative guidance.

Other members agreed that the Board should issue guidance addressing how to recognize cloud-service arrangement costs to ensure reporting consistency. However, several members suggested that the guidance should more directly reference existing liability and prepaid asset guidance in SFFAS 1 for which to apply to cloud-service arrangements.

Question 2 – Do members support staff’s proposed financial statement note disclosure guidance for cloud-service arrangements? Please provide any feedback on the staff proposal.

Mr. Williams explained that the proposed financial statement note disclosure guidance would require reporting entities to disclose annual cloud-service expenses in total. He stated that the proposed guidance would also require various qualitative information for significant cloud-service arrangements to include a general description, such as the characteristics and purpose of the IT resource; terms and conditions, such as payment requirements, value-added services, and multi-year commitments; and financial risks and benefits.

Mr. Williams stated that staff focused on providing the Board multiple disclosure options for deliberation based on input from internal and external users with an interest in federal cloud-service arrangements. He reiterated that there is user interest in the proposed reporting requirements among federal IT personnel, non-federal stakeholders, and Congress. However, some reporting entities voiced concerns that the proposed disclosure requirements go beyond what the Board requires for other types of service contracts and that cloud-service costs are not significant compared to total annual spending.

The Board had mixed opinions about whether guidance should require reporting entities to disclose information on cloud-service arrangements. One member supported all the proposed note disclosure requirements and believed that the guidance made the

expense disclosure requirement simple. Another member supported requiring expense disclosures along with a general description and terms and conditions of significant cloud-service arrangements but did not support the risks and benefits disclosure requirements.

One member strongly supported requiring reporting entities to disclose cloud-service arrangement commitments. The member believed that financial reports should show whether a reporting entity is committed to paying for a future service. Another member supported requiring expense disclosures along with the general description and multi-year commitments related to significant cloud-service arrangements.

One member only supported requiring expense disclosure along with a general description of significant cloud-service arrangements. However, the member also indicated that they were leaning towards no disclosures and preferred to consider the cost-benefit considerations further.

Several members did not support any of the proposed note disclosure requirements because they viewed the requirements as too burdensome relative to the benefits. One member acknowledged that there was interest among the federal and non-federal IT community in the proposed disclosure requirements but believed that financial reporting requirements should cater to more general-level users.

A few members believed the qualitative disclosure requirements were too specific. However, another member observed that the qualitative requirements would apply only to significant cloud-service arrangements and that preparers would have to use judgment to determine whether to apply the requirements.

Some members questioned why the Board would require the notes disclosures for cloud-service arrangements when the Board does not require reporting that level of information for other service contracts. Some members did not believe that annual cloud-service costs would ever be material relative to what the federal government spends in total each year. Other members acknowledged that may be true for government-wide and some component entity reports. However, the members believed that the information would be useful to some stakeholders and thought it beneficial for reporting entities to have the reporting guidance to apply if cloud-service arrangements are determined by any reporting entity to be qualitatively or quantitatively material now or in the future.

Some members believed that it was possible that cloud spending could come to dominate federal IT spending and supported a forward-looking approach with issuing reporting guidance to address a fundamental change with how federal agencies use software technology resources. The members also believed that cloud computing was significant to federal agency operations and that there were significant risks associated with government agencies storing their data with a few vendors in a cloud space.

Other members agreed but still questioned if those issues would be better addressed in other reporting requirements. Some members suggested that risks and commitments

associated with cloud-service arrangements could be addressed through other standards or management's discussion and analysis if material and did not see a need for the guidance to draw attention to cloud-service arrangements. However, one member believed that commitments were a budgetary matter and do not belong in the financial reports.

Mr. Williams reminded the Board that while it was true that government-wide cloud-service spending was insignificant relative to total government spending, cloud-service costs are significant at both the government-wide and component reporting entity level in the context of internal use software reporting. He reminded members that the purpose of the overall software technology project was to update the Board's outdated internal use software reporting guidance to address new technologies. He further stated that staff believed that without cloud-service reporting, the financial reports would not fully present federal software technology resources.

Mr. Williams also reminded members that the intent of the software technology project was to also deliberate reporting guidance for shared services, software licenses, and update existing SFFAS 10, *Accounting for Internal Use Software*, guidance as needed. Some members suggested revisiting note disclosure considerations after the Board deliberates recognition guidance for all the other software technology project topics.

Question 3 – Do members support staff's proposed RSI guidance for cloud-service arrangements? Please provide any feedback on the staff proposal.

The proposed RSI guidance would require reporting entities to report annual cloud-service expenses by service-model category, to include infrastructure-as-a-service, platform-as-a-service, and software as-a-service. The Board did not specifically deliberate question 3. However, one member believed that the Board should not require that level of cost reporting for a type of service contract.

One member asked how the Board planned to issue the cloud-service arrangement guidance in the context of the entire software technology project. Another member responded that the Board still needed to decide how to issue the guidance updates. Mr. Williams stated that staff had planned to propose issuance options for the Board's consideration after deliberating the necessary cloud-service guidance issues. He also suggested that the reporting requirements that the Board ultimately approves should be considered when deciding when and how to issue the guidance in relation to the entire software technology project.

Mr. Williams concluded by observing that members had very mixed opinions on whether to issue guidance requiring financial statement note disclosures for cloud-service arrangements. He stated that staff would scale back the disclosure requirements for future Board consideration and indicated that staff next planned to propose financial statement recognition options for cloud-service implementation costs at a future meeting for the Board to deliberate.

Adjournment

The Board meeting adjourned for the day at 12:10 p.m.