Mr. David R. Bean  
Director of Research and Technical Activities  
Government Accounting Standards Board (GASB)  
Project No. 3-24  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

Re: Exposure Draft – Subscription-Based Information Technology Arrangements

Dear Mr. Bean,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to GASB’s Subscription-Based Information Technology Arrangements (SBITA) exposure draft. ALGA represents 272 audit organizations comprising more than 2,200 individuals. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the proposed Exposure Draft. Overall, we believe it provides useful guidance on the accounting and financial reporting for SBITAs and should reduce diversity in practice. As more governments move away from perpetual licenses to subscription-based software and cloud computing, this guidance is timely and relevant.

We agree with the GASB’s approach of modeling the SBITA guidance after Statement 87 (Leases). We reluctantly agree with the GASB’s proposal to expense all training costs. As described in paragraph B28, this decision was made for the sake of consistency with Statement 51, and because the Board is not addressing the issue of capitalization criteria for training costs in this project. We believe that in some cases training is required for the government to be able to use the hardware or software, therefore such training should be capitalized rather than expensed. However, we recognize that it is simpler for governments to expense all training costs.

Respectfully submitted,

Vickie Classen  
Chair, Professional Issues Committee

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