

**COMMENTS ON THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
EXPOSURE DRAFT OF A PROPOSED STATEMENT OF FEDERAL FINANCIAL
ACCOUNTING STANDARDS, ENTITLED *LEASES: AN AMENDMENT OF SFFAS 5,
ACCOUNTING FOR LIABILITIES OF THE FEDERAL GOVERNMENT AND SFFAS 6,
ACCOUNTING FOR PROPERTY, PLANT, AND EQUIPMENT***

The U.S. Postal Service Office of Inspector General appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board's (the Board) exposure draft *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment*.

We reviewed the exposure draft and had specific comments on two selected questions discussed below. The questions are listed below, followed by our response.

Q2. The Board is proposing to define a **short-term lease** as a lease that, at the beginning of the lease, has a maximum possible term under the contract/agreement of 24 months or less, including any options to extend, regardless of its probability of being exercised. The proposed requirements for the measurement and recognition of a short-term lease are presented in paragraphs 59 – 61 and further explained in paragraph A25.

Do you agree or disagree with the proposed definition and measurement and recognition of a short-term lease as presented in paragraphs 59 - 61 and further explained in paragraph A25? Please provide the rationale for your answer.

We understand the logic supporting the Board's proposal defining a short-term lease as a maximum term of 24 months. However, we believe a short-term lease should have a maximum term of 12 months.

Establishing a 12-month maximum term would bring uniformity with the Financial Accounting Standards Board's (FASB) proposed accounting standards update for leases. For those agencies using the FASB's accounting standards, a maximum term other than 12 months would require substantial additional work.

In addition, a 12-month period is used throughout the FASB's Accounting Standards, including the definitions of current assets and current liabilities, and in numerous other instances. We believe accounting standards issued by the Board should be consistent with those issued by the FASB, whenever possible.

Q12. The Board is proposing that the requirements of this Statement be effective for reporting periods beginning after September 30, 2018. The proposed effective date is presented in paragraph 101.

Do you agree or disagree with the proposed effective date as presented in paragraph 101? Please provide the rationale for your answer.

Certain agencies, including the Postal Service, prepare their general-purpose financial statements in accordance with the FASB's accounting standards. The FASB's new accounting standard for leases is effective for fiscal years beginning after December 15, 2018. For the Postal Service and other agencies, this standard is effective in fiscal year (FY) 2020.

However, the proposed implementation date for the Board's new lease standard is for reporting periods beginning after September 30, 2018, or FY 2019. If the Board were to delay implementation to FY 2020, implementation would be easier by allowing agencies to develop processes to convert from the FASB standard to the Board's. Therefore, we believe an FY 2020 effective date is more feasible.