



October 8, 2019

Memorandum

To: Members of the Board
From: Ricky A. Perry, Jr., Senior Analyst
Through: Monica R. Valentine, Executive Director
Subject: Status of SFFAS 54, *Leases*, Implementation Efforts – **Tab D**¹

MEMBER ACTION REQUESTED:

Please review materials and answer questions by **October 17, 2019**.

Advanced responses to board question #1 will facilitate panelists' preparation for the meeting.

MEETING OBJECTIVES

To discuss the status of implementation efforts for Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases: An Amendment of SFFAS 5 and SFFAS 6*.

Panelists will be present to expand on their status reports (see **Attachment 2**) regarding the nature and extent of implementation challenges and any concerns regarding projected readiness for fiscal year (FY) 2021 implementation. Panelists include:

- *Rebecca Evertsz, Department of Defense (DoD)*
- *John Wall, Department of Energy (Energy)*
- *Edward Gramp, General Services Administration (GSA)*

BRIEFING MATERIAL

You may electronically access all of the briefing material at <https://fasab.gov/board-activities/briefing-materials/>.

The briefing materials include this memorandum and the following attachments:

Attachment 1 – September 6 task force meeting minutes (final)

Attachment 2 – Compendium of SFFAS 54 implementation status reports

- *DoD, Energy, Department of Homeland Security (DHS), and GSA*

Attachment 3 – Implementation project plan and status

¹The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

Background

At the August Board meeting, members asked that staff gather information from the task force regarding the status of implementation efforts.

Since the August meeting, staff has:

- A.** Held two task force meetings on September 6 (see **Attachment 1** for minutes) and October 4 (finalization of minutes is pending). At these meetings, the task force has been productively identifying implementation guidance candidates.
 - 1.** Staff coordinated a content analysis to assess the applicability of implementation issues enumerated in GASB Implementation Guide 2019-3, *Leases* in the federal context. Task force members generally concurred with staff's coding of such issues, and agreed that analogous guidance can be developed in the federal context by leveraging GASB guidance.
 - 2.** Staff developed a survey, by topic area, whereby task force members identified a plethora of insightful implementation issues that are not addressed with analogous GASB guidance; these will go to the Accounting and Auditing Policy Committee (AAPC) for its consideration.
 - 3.** Staff anticipates that the implementation guidance will have 90-100 questions and answers. (Note: The minutes in **Attachment 1** summarize task force discussions at that particular meeting and do not reflect of the breadth and complexity of the implementation issues identified to-date)
- B.** Reached out to four agencies with significant lease portfolios: GSA, DoD, Energy, and DHS. Staff met with GSA regarding implementation pain points experienced. Three of these four agencies are joining us as panelists.
- C.** Surveyed the four aforementioned agencies regarding the nature and extent of challenges and any concerns regarding projected readiness for FY 2021 implementation (see **Attachment 2**). Representatives from these agencies here as panelists can expand upon their responses and address any questions.

Staff Analysis

Staff believes that a nearly all of the issues identified to-date can be handled through the development and issuance of a Technical Release. The implementation issues identified by the task force will serve as excellent candidates for AAPC consideration.

Nevertheless, staff has identified reasonable areas of concern regarding implementation of SFFAS 54 that the Board may wish to consider in assessing the potential implications of maintaining the FY 2021 implementation timeline:

- Agencies with extensive lease portfolios are continuing efforts to identify leases and assess the effects and system requirements; however, challenges remain for implementing changes to systems and policies as FY 2021 approaches (see **Attachment 2**).
- Some agencies appear to be behind and have not made the progress staff anticipated.

- Implementation guidance to address key pain points will help agencies synthesize and integrate FASAB guidance appropriately. This often entails use of other existing pronouncements when applying SFFAS 54 standards.
- Some agencies would benefit considerably by having additional time to consider implementation guidance prior to FY 2021. The project plan is to issue guidance in June 2020; four months ahead of FY 2021 (see **Attachment 3**). Although this would be sufficient time for agencies with small lease portfolios, agencies with extensive and complex lease transactions would face significant challenges and risks that FY 2021 management assertions could be affected.
- Staff anticipates that the implementation guidance will also be helpful in preventing intragovernmental differences. Agencies will likely benefit by having additional time to consider such guidance in their efforts to prevent intragovernmental differences.
- Staff cannot yet rule out that certain issues may require the development of “A-level” guidance, such as interpretations and/or minor, targeted amendments to SFFAS 54. Staff needs additional time to research before briefing the Board.

Staff recommendations:

Staff is not making any recommendations in this briefing memorandum. Instead, staff will advise the Board during the meeting regarding potential benefits and drawbacks of deferring the effective date of SFFAS 54.

BOARD QUESTIONS:

1. Do Board members have any questions for the panelists regarding the nature and extent of implementation issues noted in **Attachment 2**?
2. Do Board members have any questions for staff in response to the above analysis?
3. Do Board members wish to discuss any views about the effective date of implementation and/or the planned timeline for issuing implementation guidance?

Leases Implementation Task Force Meeting Minutes

September 6, 2019, 9:30 AM to 11:45 AM
441 G Street NW, Room 4N30 Washington, D.C.

Attendance

Mr. Perry, FASAB senior analyst, was present throughout the meeting. Ms. Valentine, FASAB executive director, was present with a brief absence during agenda items 3 and 4.

Formal attendance was not taken due to the large task force membership and observer group constituency.

Fifteen task force members were physically present for the meeting, while many other members and observers dialed in. Seventy-nine phone numbers connected into the conference call.¹

Introductions and Welcome (Agenda Item #1)

The task force meeting officially convened at about 9:40 PM.

Ms. Valentine kicked off the meeting by welcoming task force members and thanking them for volunteering their time and expertise to serve and inform the FASAB's development of implementation guidance for lease accounting standards coming into effect in fiscal year 2021.

Overview of Task Force Timelines and Objectives (Agenda Item #2)

Timelines

Mr. Perry provided an overview of the timelines using an excerpt from [page 5 of Tab G of the FASAB August meeting briefing materials](#) (Attachment 1). Mr. Perry noted that the Board approved the project plan during the August meeting, with timelines subject to change based on the results of task force meetings and, in particular those held in September and October, and the complexity, nature, and pervasiveness and extent of implementation issues identified. Mr. Perry detailed plans to provide a general summary on the state of implementation issues to Board members at the October meeting.

Implementation issues discussed over the course of the September and October task force meetings would be summarized to provide the Board with a general sense of the state of implementation. Mr. Perry suggested that implementation issues faced by preparers with significant lease portfolios would be especially relevant, and that he will reach out to representatives from these agencies directly to gather more information.

Objectives

Mr. Perry summarized three sub-projects related to implementation of Statement of Federal Financial Accounting Standards (SFFAS) 54. Task force members read detailed summaries of these in advance of the meeting (see Attachment 1, page 4).

¹The total meeting time was 135 minutes. 65 of 79 numbers connected for at least 30 minutes; 50 of 79 for at least 60 minutes; 43 of 79 for at least 90 minutes; and 36 of 79 for at least 120 minutes. Some numbers represent individual task force members/participants/observers, while others represent groups of members/participants/observers.

Mr. Perry expressed that the software licenses technical bulletin sub-project would be narrow in scope to address a need for guidance. When SFFAS 54 amendments to SFFAS 5 and 6 take effect in fiscal year 2021, such amendments would result in a gap in authoritative literature on the accounting treatment for software licenses. This technical matter was identified in a comment letter on the exposure document for proposed conforming amendments to existing technical releases resulting from SFFAS 54 and through multiple informal technical inquiries received by FASAB staff. Mr. Perry noted that the conforming amendments technical release under development—the second sub-project—will be revised in tandem with the technical bulletin sub-project.

A small working group of 7 to 9 task force members will support the software licenses working group on these two sub-projects. Mr. Perry noted that, given the narrow scope and objective to continue current practice, the working group should include primarily preparers affected by the related guidance. He requested anyone who wishes to join the working group to reach out to him via email.

Mr. Perry explained that the leases implementation guidance sub-project—the third projected listed in the meeting materials—was the primary purpose of the task force. The software-license-related conforming amendments technical release and technical bulletin sub-projects will both be handled by the working group under the direction of the Accounting and Auditing Policy Committee (AAPC) and the Board, respectively.

Discussion of Timelines and Objectives

One task force member noted that her agency² has a significant portfolio of leases, and has undertaken significant efforts to implement the standards for over one year. One of the primary challenges faced is to design, communicate, oversee, test, and implement systems requirements for automated lease accounting systems to enable agencies with large portfolios to account for the diverse, complex, and voluminous lease transactions and events (e.g., reimbursable work authorizations, leaseholder improvements, holdovers).

A task force member from another agency³ echoed those challenges, noting that his agency addressing similar challenges.

Mr. Perry thanked the task force members for sharing that information, and noted that he will work directly with task force representatives from GSA, DHS, DOD, DOE, and a few other agencies to prepare for the October FASAB meeting and develop a current, complete, and accurate status of implementation to Board members.

Mr. Perry said that the next two meetings are designed to determine the extent to which FASAB can leverage (modifying as appropriate) the implementation issues discussed in the recently-released Government Accounting Standards Board (GASB) implementation guidance⁴ as well as identify implementation issues unique to the federal government in the context of SFFAS 54 requirements. These efforts, in tandem with outreach to individual agencies with large lease portfolios, should result in an informative briefing to the Board in October.

²The agency is a CFO Act agency.

³The agency is a CFO Act agency.

⁴GASB, *Implementation Guide 2019-3, Leases* (Norwalk, CT: Financial Accounting Foundation, August 2019).

Mr. Perry explained that any deferrals of lease accounting standards that may arise at Financial Accounting Standards Board (FASB), or—for that matter—other standards-setters, would not affect the implementation date of SFFAS 54. FASAB staff have received a few inquiries in response to the recent FASB approval to defer ASC 842, and asked that task force members inform their constituents and colleagues regarding any misperceptions or rumors related to such.

Overview of Administrative Items (Agenda Item #3)

Mr. Perry mentioned that the October task force meeting would have both in-person attendance and conference call options; however, he predicted that as the task force's work continues on in November and December, electronic collaboration will continue, and meetings may eventually transition exclusively to conference calls at some point.

Task force members reviewed administrative-related items in advance of the meeting (Attachment 2). Accordingly, Mr. Perry provided a brief overview of the material and asked whether or not members had any follow-up questions in response to the administrative-related materials. Members had no questions related to the administrative materials.

Discussion of GASB Implementation Guide 2019-3 and task force review of staff's content analysis (Agenda Item #4)

Purpose of the Analysis

Task force members reviewed FASAB staff's preliminary coding of GASB *Implementation Guide 2019-3, Leases* in advance of the meeting (Attachment 3). Mr. Perry recapped the purpose of the content analysis: to assess the applicability of the accounting issues raised by GASB implementation guidance questions; task force members did not assess the applicability of the answers.⁵ Staff coded the implementation guidance in three highlight colors, representing the following categories of questions: (1) applicable and relevant to federal entities, (2) applicable with modifications to ensure applicability to federal entities, (3) not applicable in the federal environment.

Task force members were asked to carefully read the questions in the guidance and coding and respond to the coding in advance of the meeting, noting concurrence and any specific differences of opinion. This effort will assist staff in gathering information to develop a population of question candidates for AAPC consideration.

Question and Answer Format

One task force member inquired as to whether the FASAB implementation guidance will also be in question-and-answer format. Mr. Perry said that FASAB implementation guidance has occasionally used this format when circumstances warranted. He anticipates recommending that the AAPC pursue such a format. Question-and-answer format would likely provide relevant, digestible content specific to the needs of the community. He acknowledged that there may be certain implementation issues that are not conducive to question-and-answer guidance; in that event, there may be a need to include a separate section that is not in question-and-answer format. Mr. Perry asked task force members to email him in the coming days if they had any reservations about using question-and-answer format.

⁵GASB, *Implementation Guide 2019-3, Leases* is in question-and-answer format, which is common practice for implementation guidance.

Results

Mr. Perry summarized the responses to his content analysis, noting that task force members that had responded concurred with the coding.

Mr. Perry noted that responses to Attachment 4 were also helpful in identifying modifications necessary when developing analogous questions in the federal context. These comments will be considered with drafting question candidates.

Mr. Perry invited task force members to raise significant differences of opinion or concerns identified in their reviews of staff's preliminary coding; no concerns were raised.

Discussion of Survey Responses (Agenda Item #5)

Mr. Perry noted that, although he had completed reviews of over half of the responses, he did not have sufficient time to complete reviews of all responses prior to the meeting. Mr. Perry assured members that this would not hinder discussions, and that a consolidated analysis of task force responses to Attachment 4 would be provided in advance of the October task force meeting to facilitate continued discussions. Mr. Perry walked members through how he was conducting his analyses of responses. Mr. Perry also stated that he intends to work one-on-one with respondents to reconcile key differences of opinion identified by task force members when reviewing his analyses.

Purpose of the Survey

Mr. Perry reminded task force members that the survey matrix (Attachment 4) was to identify implementation issues not covered by analogous questions in GASB implementation guidance questions.

One task force member asked whether staff identified overlap between GASB implementation guidance and task force member responses to the survey. Mr. Perry noted that respondents had done an excellent job of following the instructions in the survey and, as is consistent with the desired outcome, responses that he had reviewed thus far did not flag duplicative implementation issues covered by analogous GASB implementation guidance.

Results and Discussions

Mr. Perry briefly summarized responses he had analyzed and noted several unique implementation issues that will serve as preliminary candidates for implementation guidance questions include, but are not limited to:

- Effects on and relationships to (or absence thereof) budgetary scoring
- Service concession arrangements
- Interrelationships between SFFAS 54 and SFFAS 47, *Reporting Entity*, and SFFAS 49, *Public-Private Partnerships* and opportunities to assist agencies with harmonizing disclosures
- Leases of assets under construction
- Definitional differences between the GASB and FASAB lease definition and the meaning of the phrase "in exchange for consideration" in the FASAB definition
- Mr. Perry pointed out that there may be opportunities to address issues raised by survey respondents related to under-reimbursed and non-reimbursed inter-governmental leasing

arrangements based on guidance in SFFAS 4, *Managerial Cost Accounting Standards and Concepts*

- Challenges in interpreting lessor and leasehold improvement definitions (paragraphs 11 and 12) in conjunction with lease incentives requirements in certain situations
- Definition of “probable”
- Measuring purchased assets (for lessees) and financed sales (for lessors) for contracts and agreements that transfer ownership
- The phrase “significant leases”
- Intergovernmental arrangements, such as Reimbursable Work Authorizations (RWAs), and international arrangements, such as International Cooperative Administrative Support Services (ICASS)
- Intergovernmental lease disclosure requirements
- Accounting treatment of certain executory costs
- Leases of heritage assets and stewardship land
- Discount rates
- Absence of readily-available values for leased asset components
- Materiality considerations for accounting for leased asset impairments

One task force member noted that RWAs, leasehold improvements, and implementation guidance for determining the commencement date in unique situations (e.g., when commencement is in stages) are key matters that their agency would like to have implementation guidance on as a basis for their approach.

Another task force member reiterated that interest rate implementation guidance would be helpful. This member also noted that implementation guidance on the accounting treatment for certain executory costs would also be helpful.

Next Steps

One task force member asked about how to obtain information from GSA to ensure proper alignment and consistent treatment with respect to intergovernmental leases.

Other task force members stated that information sharing would facilitate proper implementation.

Members from GSA and the Bureau of Fiscal Service (FS) agreed that information sharing would be helpful. An FS representative indicated that, potential changes needed to the United States Standard General Ledger (USSGL) are of particular interest to FS stakeholders.

Mr. Perry agreed with these views and offered to be a facilitator between GSA, FS, and task force members and their organizations. Mr. Perry noted he could coordinate with GSA and FS representatives to consider holding one or two information-sharing meetings between their organizations and the community. Mr. Perry also offered to assist in the development of the objectives, scheduling, and format of such meetings if needed.

1. Mr. Perry stated that he will:

- a. Complete and distribute a working file of a consolidated listing of implementation issues identified by task force member respondents to Attachment 4 in advance of the next task force meeting

This listing will omit certain responses that either (a) did not—in the view of staff—warrant implementation guidance, or (b) require follow-up or clarification from the respondent

- b. Follow up directly with respondents to discuss his analyses of their survey responses. He will obtain clarification and reconcile and/or discuss any specific differences of opinion if members wish to do so
- c. Begin drafting a list of implementation guidance question candidates for future discussion
- d. Meet one-on-one with GSA representatives in the coming weeks to learn more about specific and complex implementation issues faced at that agency

2. Task force members will:

- a. Communicate any reservations about question-and-answer format in the next few weeks
- b. Reach out to Mr. Perry if they wish to volunteer for the software licenses working group
- c. Provide late submissions of Attachment 4 if they wish to do so

Adjournment

Ms. Valentine and Mr. Perry thanked the task force for a productive meeting.

The meeting adjourned at about 11:55 AM.

The next meeting will be Friday, October 4th at 9:30 AM in the GAO building and via teleconference.

SFFAS 54 Implementation - Status Report

Purpose: To summarize the status of SFFAS 54 implementation efforts at the reporting entity, including the nature and extent of challenges/concerns regarding projected readiness for FY 2021 implementation.

Reporting Entity:	Department of Defense
Status Date:	October 2019
Project Timeline:	For reporting periods beginning after Sept. 30, 2020 (SFFAS 54 ¶ 98)

Status Key	Green = on track / low risk area; minor challenges and/or minimal delays exist in this area. Such issues are on track to, by and large, be resolved before or early in FY 2021.
	Yellow = moderate risk area; moderate challenges and/or delays exist in this area. Outstanding issues may linger during FY2021 and/or FY2022, but not expected to be detrimental or pervasive or to affect management assurances in FY 2021.
	Red = area of significance / high risk area; major challenges / delays exist in this area. Outstanding issues are likely to linger during FY2021 and/or FY2022 and may be detrimental or pervasive; potentially affecting management assurances in FY 2021.

Policies/ Procedures	<ul style="list-style-type: none"> • Development of updates accounting policies / procedures / manuals • Revisions to business requirements, procedures for identifying potential leases during contract management and/or procurement processes, if deemed necessary
High Risk Area	<ul style="list-style-type: none"> • DoD requires the review, development, and update of lease accounting and accountability policies, procedures and manuals at the OSD and Component level. • Identify and verify existing leases across all military bases and other DoD Components (CONUS and OCONUS) for materiality, accuracy, and completeness. • A detailed review and rescoring of DoD-wide leases must be conducted. • Lease execution authority across the DoD must be reviewed for internal control purposes. • Define roles and responsibilities, and update Standard Operating Procedures (execution, maintenance, accounting, and reporting) as aging Memorandum of Agreement/Memorandum of Understanding/Service Level Agreements often lead to undefined roles and responsibilities for all stakeholders.
Systems	<ul style="list-style-type: none"> • Requirements development • Implementation of requirements and updated policies into systems • Testing with stakeholders, readiness assessment
High Risk Area	<ul style="list-style-type: none"> • Enterprise dependencies will impact the implementation of SFFAS 54 requirements within multiple accounting systems across DoD Agencies. • Software parameters are being discussed, mapped, and documented. • Lease repository and accounting IT solutions are being evaluated and scoped based on the software parameters. • After IT solutions have been implemented, user acceptance testing must be conducted and training developed. • New procedure and user software training must be established across DoD. • DoD Components are on different IT/IS platforms for identifying leased assets. Several of the systems do not interphase with the accounting/reporting system of record leading to manual entries/adjustments thereby, losing validity and accountability of evidentiary data/transactions. • DoD Components are also utilizing commercial off-the-shelf products that usually turn into "in-development" system leading to non-standardized output of information. • FASAB implementation guidance will not be available until June 2020; therefore, there is a significant risk that accountability and financial systems will not be compliant by the implementation date (October 1, 2020). • Some DoD Agencies are currently improving their system environment with migrations from outdated legacy systems with an estimated completion expected in October 2023.

Note: Survey respondents are asked to assume that implementation guidance is issued in June or July 2019 and that such guidance, by and large, addresses key implementation issues faced by the agency.

SFFAS 54 Implementation - Status Report

People	<ul style="list-style-type: none"> • Internal stakeholders: alignment and education/familiarity of components, divisions (e.g., accounting, acquisitions, procurement) • External stakeholders: information sharing with counterparties, BFS, and/or GSA
Moderate Risk Area	<ul style="list-style-type: none"> • Internal stakeholders have been engaged to identify the universe of leases and establish a baseline. Additional support will be required moving forward to monitor, track and report leases in accordance with SFFAS 54. • External stakeholders have not been engaged at this time; GSA engagement will be required for federal agreements (e.g., occupancy agreements and reimbursable work agreements). • Resources will be required to assess lease agreements against SFFAS 54 reporting requirements. • Business process updates and training will require internal stakeholder engagement in both the financial management and functional operations. • DoD will have to budget for resources to execute the necessary training and review of leases given other audit and financial management challenges that the DoD is currently facing. • Employee retention remain a concern to keep training and skilled employees.
Data	<ul style="list-style-type: none"> • Completeness of leases population from operating components and divisions • Completeness of data elements
High Risk Area	<ul style="list-style-type: none"> • DoD does not have insight into the possible universe or types of PP&E leases that are being used and if the current Accountable Property System of Record (APSR) could account for them. • IT Systems need to be modified in order to capture specific data requirements for SFFAS 54, which have not been yet been defined. DoD Components are trying to develop a methodology to analyze and assess the data required for reporting lease information. • Some DoD Components conducted data review/validation of non-federal lease agreements (i.e., commercial) with associated property records during Fiscal Year 2019 Existence and Completeness (E&C). The purpose of the data review was to create an E&C baseline of non-federal leases, but did not include a review of financial terms for completeness and accuracy. • Known population of leases will be captured and analyzed. Data calls will be established to capture remaining unknown population. • Evaluation criteria and procedures need to be redefined. • DoD will have to test the various APSRs functionality to see if they can manage leases as directed by SFFAS 54 to establish a baseline of the leases population.

Summary of Key Issues

- Capture of unknown lease population.
- Review of service based contracts for lease components.
- Implementation of a lease system, process, and system controls.
- Rescoring of most leases is likely.
- Conversion of old lease types to new lease types.
- Updates to current lease practices, policies and procedures.
- Review and update of current internal controls and the addition of new internal controls related to leases.
- The implementation of SFFAS 54 has not been a priority as DoD has been focusing on their initial DoD-wide audit and addressing significant notice of findings and recommendations, and corrective action plans.
- The implementation of SFFAS 54 is a significant change in the accounting practice. The lack of guidance before the implementation date will cause weaknesses in management controls and lead to additional audit findings.
- Inconsistencies between the evaluation criteria for the scoring of leases for budgetary purposes and for proprietary accounting.

Note: Survey respondents are asked to assume that implementation guidance is issued in June or July 2019 and that such guidance, by and large, addresses key implementation issues faced by the agency.

SFFAS 54 Implementation - Status Report

Purpose: To summarize the status of SFFAS 54 implementation efforts at the reporting entity, including the nature and extent of challenges/concerns regarding projected readiness for FY 2021 implementation.

Reporting Entity:	Department of Energy
Status Date:	October 2019
Project Timeline:	For reporting periods beginning after Sept. 30, 2020 (SFFAS 54 ¶ 98)

Status Key	Green = on track / low risk area; minor challenges and/or minimal delays exist in this area. Such issues are on track to, by and large, be resolved before or early in FY 2021.
	Yellow = moderate risk area; moderate challenges and/or delays exist in this area. Outstanding issues may linger during FY2021 and/or FY2022, but not expected to be detrimental or pervasive or to affect management assurances in FY 2021.
	Red = area of significance / high risk area; major challenges / delays exist in this area. Outstanding issues are likely to linger during FY2021 and/or FY2022 and may be detrimental or pervasive; potentially affecting management assurances in FY 2021.

Policies/ Procedures	<ul style="list-style-type: none"> • Development of updates accounting policies / procedures / manuals • Revisions to business requirements, procedures for identifying potential leases during contract management and/or procurement processes, if deemed necessary
Moderate Risk Area	DOE convened a working group in August 2018 through which a working plan and timeline to implement the new standard by FY21 were developed. The working group meets once a month to discuss the standard and the status of implementation. DOE believes we are on track to have policies written and procedures in place by FY21.
Systems	<ul style="list-style-type: none"> • Requirements development • Implementation of requirements and updated policies into systems • Testing with stakeholders, readiness assessment
Moderate Risk Area	DOE considers this a moderate risk because of the integration with DOE management and operating contractors (integrated) and the lack of clarity as to whether the Department of Treasury will issue new SGL accounts. This is integral to a successful implementation.
People	<ul style="list-style-type: none"> • Internal stakeholders: alignment and education/familiarity of components, divisions (e.g., accounting, acquisitions, procurement) • External stakeholders: information sharing with counterparties, BFS, and/or GSA
Low Risk Area	We consider this a low risk because DOE has a working group that has been assessing the impact of the standard and the impediments to implementation for over a year. DOE has also conducted two webinars as well as a two-hour class at the annual CFO workshop and further in-depth training/knowledge-sharing will likely be transmitted throughout DOE in FY20.
Data	<ul style="list-style-type: none"> • Completeness of leases population from operating components and divisions • Completeness of data elements
Moderate Risk Area	CFO requested and received initial numbers including the total number of existing leases and whether the lease terms extended beyond both FY21 and FY23. To assure reasonable completeness of our potential lease universe, DOE sent the request for information to the finance/accounting POCs for each finance office.

Note: Survey respondents are asked to assume that implementation guidance is issued in June or July 2019 and that such guidance, by and large, addresses key implementation issues faced by the agency.

SFFAS 54 Implementation - Status Report

Summary of Key Issues

1. For a lease in which GSA is leasing space from a non-Federal entity and DOE is “subleasing” the space from GSA, and the sublease is long-term and non-cancellable, should this be considered intragovernmental from DOE’s perspective? If the lease between GSA and DOE is specifically labeled as a “pass-through” and the owner of the leased space is a non-Federal entity, should it be considered an intragovernmental sub-lease from DOE’s perspective?
2. For existing capital leases that will end in FY21 or FY22 (“short-term” based on the SFFAS 54 criteria) in which the lease asset will transfer ownership to DOE, should the asset be recorded as an acquisition as of October 1, 2020, even though the agreement would be considered “short-term” at the time of SFFAS 54 implementation?
3. If DOE (as a lessee) is leasing an asset with a nominal purchase option price (for example, \$1) and has every intention of exercising that purchase option, should this agreement be treated as a lease (i.e., recording of a lease asset/liability that includes the nominal purchase option price), or is the spirit of this type of agreement better reflected in Paragraph 25 of SFFAS 54 (“Contracts or Agreements That Transfer Ownership”) in which the transaction should be recorded as a purchase of the asset instead of a lease?
4. For operating leases in which expenses are currently being recognized on a “straight-line” basis (per GAAP), should the calculation of the PV of the liability beginning in FY21 be based on actual payment amounts (including escalation) as defined in the lease, or should the calculation of the PV be based on “straight-line” amounts? For example, if an operating lease has Year 1 payments of \$1M, Year 2 payments of \$1.5M, and Year 3 payments of \$2M, “straight-line” expensing would dictate that \$1.5M be recognized each year. Should PV calculations be measured based on these “straight-line” amounts or on the actual payments contractually required per year?
5. In FASAB’s opinion, is OMB Circular A-94 Appendix C or the Daily Treasury Yield Curve Rates the appropriate place to obtain the Department of Treasury’s borrowing rate for discounting future lease payments?
6. Because “operating leases” often have cancellation clauses, they’re typically funded on a yearly basis per OMB A-11 Appendix B guidance. However, with the new SFFAS 54 criteria, many of these long-term leases will soon require asset/liability entries. Is it acknowledged/accepted that many Departments will consequently have to record large unfunded liabilities?
7. Is it known whether Treasury will be providing new asset/liability SGLs for right-to-use leases that meet SFFAS 54 criteria?
8. Clarification of Paragraph 19? “We have a question for FASAB related to paragraph 19 of SFFAS 54 where it states “Periods for which both the lessee and lessor (1) have an option to terminate the lease without permission from the other party or (2) have to agree to extend are cancelable periods and are excluded from the lease term.” We have a concern about a possible loop hole from this statement where government entities or contractors could try to incorporate language into all new leases where both the lessor and the lessee have an option to terminate the lease without permission from the other party. They could do this even if there is no intent to do so from either party. Based on the statement from paragraph 19 noted above this would allow the entity to consider all leases as short term leases. Was this the intent of the Board?”
9. Non-monetary exchanges: For agreements in which DOE doesn’t pay “rent” for use of a facility, per se, but does pay all other expenses associated with the facility, does this fall under the right-to-use asset criteria of SFFAS 54? What about, as another example, a DOE-owned asset that is used by a non-Federal entity in which the non-Federal entity is only responsible for paying O&M and replacement costs associated with the asset?

Staff note: These are good examples of the types of issues that the implementation guidance TR will address; however, staff notes that item 8 is a matter that cannot be addressed in a TR. Staff is prepared to discuss item 8 at the Board meeting if the Board wishes to do so. Staff believes that other items here can be addressed in a TR.

Note: Survey respondents are asked to assume that implementation guidance is issued in June or July 2019 and that such guidance, by and large, addresses key implementation issues faced by the agency.

SFFAS 54 Implementation - Status Report

Purpose: To summarize the status of SFFAS 54 implementation efforts at the reporting entity, including the nature and extent of challenges/concerns regarding projected readiness for FY 2021 implementation.

Reporting Entity:	Department of Homeland Security
Status Date:	October 2019
Project Timeline:	For reporting periods beginning after Sept. 30, 2020 (SFFAS 54 ¶ 98)

Status Key	Green = on track / low risk area; minor challenges and/or minimal delays exist in this area. Such issues are on track to, by and large, be resolved before or early in FY 2021.
	Yellow = moderate risk area; moderate challenges and/or delays exist in this area. Outstanding issues may linger during FY2021 and/or FY2022, but not expected to be detrimental or pervasive or to affect management assurances in FY 2021.
	Red = area of significance / high risk area; major challenges / delays exist in this area. Outstanding issues are likely to linger during FY2021 and/or FY2022 and may be detrimental or pervasive; potentially affecting management assurances in FY 2021.

Policies/ Procedures	<ul style="list-style-type: none"> • Development of updates accounting policies / procedures / manuals • Revisions to business requirements, procedures for identifying potential leases during contract management and/or procurement processes, if deemed necessary
Low Risk Area	DHS is still reviewing SFFAS 54 and evaluating DHS's impact.
Systems	<ul style="list-style-type: none"> • Requirements development • Implementation of requirements and updated policies into systems • Testing with stakeholders, readiness assessment
Moderate Risk Area	DHS is still reviewing SFFAS 54 and evaluating DHS's impact.
People	<ul style="list-style-type: none"> • Internal stakeholders: alignment and education/familiarity of components, divisions (e.g., accounting, acquisitions, procurement) • External stakeholders: information sharing with counterparties, BFS, and/or GSA
Low Risk Area	DHS is still reviewing SFFAS 54 and evaluating DHS's impact.
Data	<ul style="list-style-type: none"> • Completeness of leases population from operating components and divisions • Completeness of data elements
Moderate Risk Area	DHS is still reviewing SFFAS 54 and evaluating DHS's impact.

Summary of Key Issues

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Note: Survey respondents are asked to assume that implementation guidance is issued in June or July 2019 and that such guidance, by and large, addresses key implementation issues faced by the agency.

SFFAS 54 Implementation - Status Report

Purpose: To summarize the status of SFFAS 54 implementation efforts at the reporting entity, including the nature and extent of challenges/concerns regarding projected readiness for FY 2021 implementation.

Reporting Entity:	General Services Administration
Status Date:	October 2019
Project Timeline:	For reporting periods beginning after Sept. 30, 2020 (SFFAS 54 ¶ 98)

Status Key	Green = on track / low risk area; minor challenges and/or minimal delays exist in this area. Such issues are on track to, by and large, be resolved before or early in FY 2021.
	Yellow = moderate risk area; moderate challenges and/or delays exist in this area. Outstanding issues may linger during FY2021 and/or FY2022, but not expected to be detrimental or pervasive or to affect management assurances in FY 2021.
	Red = area of significance / high risk area; major challenges / delays exist in this area. Outstanding issues are likely to linger during FY2021 and/or FY2022 and may be detrimental or pervasive; potentially affecting management assurances in FY 2021.

Policies/ Procedures	<ul style="list-style-type: none"> • Development of updates accounting policies / procedures / manuals • Revisions to business requirements, procedures for identifying potential leases during contract management and/or procurement processes, if deemed necessary
Moderate Risk Area	GSA is developing procedures to meet the SFFAS 54 requirements. However, we do have some outstanding questions that the Implementation Team is currently reviewing. One or more issues in particular may require additional interpretations of the standard by the Board. The delay of waiting for this interpretation may cause us a problem as we move forward with our systems development.
Systems	<ul style="list-style-type: none"> • Requirements development • Implementation of requirements and updated policies into systems • Testing with stakeholders, readiness assessment
High Risk Area	With a large inventory of real property leases, it is critical for GSA that our systems be enhanced to automate the necessary transactions to implement SFFAS 54. We are facing major hurdles to this development and are very concerned about our ability to have all of our systems ready for FY21 implementation. As noted in the previous topic, we have multiple areas needing clarity with the implementation team. Systems specifications are dependent on resolving those issues.
People	<ul style="list-style-type: none"> • Internal stakeholders: alignment and education/familiarity of components, divisions (e.g., accounting, acquisitions, procurement) • External stakeholders: information sharing with counterparties, BFS, and/or GSA
Moderate Risk Area	Some of the outstanding questions we have will impact the way GSA and our customers handle certain transactions. Making sure our customers know how to properly account for this will be vital to reducing GTAS/intragovernmental reconciliation issues. Information sharing with trading partners has just begun with the starting of the implementation team. Addressing some of interdependencies issues will depend on resolving implementation questions.
Data	<ul style="list-style-type: none"> • Completeness of leases population from operating components and divisions • Completeness of data elements
Moderate Risk Area	GSA has the majority of the needed data elements captured today in our lease inventory system. However, there are some additional data fields needed. The system must be modified and the fields populated before all data will be available. There are also issues on this topic that are dependent on implementation guidance/interpretations.

Note: Survey respondents are asked to assume that implementation guidance is issued in June or July 2019 and that such guidance, by and large, addresses key implementation issues faced by the agency.

SFFAS 54 Implementation - Status Report

Summary of Key Issues

The major risk issues for GSA are unresolved questions for the Implementation Guidance/Interpretation and our systems development. We have a COTS product for our accounting/financial system and changes to the baseline product must be approved by the contractor before moving forward. Further, GSA will have to fund certain enhancements that are needed and that will be difficult to do until a budget is passed. There are also changes needed for our business feeder systems and contract funding and development time will be an issue for those systems as well.

PROJECT PLAN AND STATUS (AS OF OCTOBER 10, 2019)

Month	CA TR and Software Licenses TB	S54 TR	FASAB/AAPC Meetings
9/19	Determine scope Formulate working group from TF	Formulate working groups from TF TF Meeting #1 Determine scope	
10/19	Determine scope Working group meeting #1* to review 1st draft of TB	Develop consensus on scope TF Meeting #2 Begin consensus development on scope	FASAB Meeting #1 Brief Board on progress (?)
11/19	1st draft of CA TR revisions sent to working group and AAPC	TF Meeting #3 Provide outline of S54 TR to TF, AAPC	AAPC Meeting #1 Brief AAPC on progress, feedback on CA TR revisions and S54 TR outline
12/19	1st draft of TB to Monica	TF Meeting #4 (tentative) 1st draft of S54 TR to TF	FASAB Meeting #2 Brief Board on progress (?)
1/20	2nd draft of revised CA TR to AAPC	TF Meeting #5 (tentative) 2nd draft of S54 TR to TF, AAPC	
2/20	Pre-ballot revised CA TR with AAPC Pre-ballot draft of TB to FASAB	Pre-ballot ED of S54 TR to TF, AAPC	AAPC Meeting #2 Ballot CA TR, final edits to S54 TR for exposure FASAB Meeting #3 Discuss TB draft, brief Board on S54 TR
3/20	Ballot CA TR with AAPC ED of TB released (~3/2) ED of TB comments due (~3/18) Analyze / review comments w/ TF	ED of S54 TR released (~3/2)	
4/20	Clear CA TR with Board Pre-ballot TB with Board	ED of S54 TR comments due (~4/1) Review/ analyze comments	AAPC Meeting #3 Analyze, review S54 TR ED comments FASAB Meeting #4 Clear CA TR with Board Pre-ballot and ballot TB
5/20	Final edits, ballot TB	Pre-ballot S54 TR Clear S54 TR	AAPC and FASAB electronic communication and approvals
6/20	Issue CA TR, TB, S54 TR (~6/1)		

~~Strike through~~ items have been completed.

* Scheduled for October 29

Note: The above project plan and timelines assume no "level-A" amendments or Interpretation projects; however, as noted in the staff analysis above, staff cannot yet rule out that certain issues may require the development of "A-level" guidance, such as interpretations and/or minor, targeted amendments to SFFAS 54.