



Federal Accounting Standards Advisory Board

February 4, 2020

Memorandum

To: Members of the Board

From: Ricky A. Perry, Jr., Senior Analyst

Through: Monica R. Valentine, Executive Director

Subject: Analysis of comment letters in response to leases deferral exposure draft – **Tab H**¹

MEMBER ACTION REQUESTED:

Staff requests preliminary responses to Board questions by February 21st.

MEETING OBJECTIVES

1. Provide a summary of public comments on the exposure draft (ED).
2. Review and discuss public comments on the ED.
3. Discuss next steps proposed by staff.

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 – Compendium of comment letters

Attachment 2 – Exposure draft

Attachment 3 – Leases project plan

Background

On December 18, 2019, the Board released an ED titled SFFAS XX, *Deferral of the Effective Date of SFFAS 54, Leases*, for public comment. Comments were due on January 31, 2020. FASAB received 19 comment letters, including 16 federal entities (preparers), 1 federal entity (auditor), 1 accounting firm, and 1 association/industry organization.²

Staff thanks the respondents, some of whom are contributing members of the leases implementation task force, for submitting comments on the proposal and providing input on behalf of their organizations.

One question for respondents (QFR) was available to respondents to solicit their views regarding the proposed deferral, as well as any other feedback.

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.

²Late comment letter submissions (if any) are not considered in staff's analysis or the amounts contained in this memo, but will be provided to members for their consideration.

Staff Analysis of Comment Letters

QFR 1: Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

Eighteen of 19 respondents agreed with the two-year deferral proposal (see Attachment 1, response numbers 1 through 7 and 9 through 19). One respondent disagreed with the proposal (see response number 8B).

Respondents agreed that a two-year deferral was appropriate and echoed the rationale provided for in the Board's proposal (see Attachment 2, Basis for Conclusions, Summary of Outreach and Conclusions for Proposed Deferral section). These responses reaffirm staff's outreach and task force feedback regarding the complexity and breadth of implementation challenges.

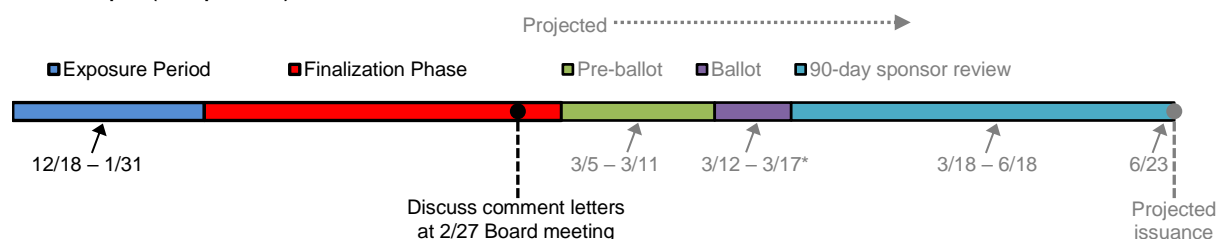
Respondent number 8B expressed concerns that the entity may not have sufficient time to consider FASAB implementation guidance. In the same vein, other respondents (04, 07, 11, 12, 14, 15, 19) supported the proposal while also stressing the importance of promulgating implementation guidance. A few of these commenters (e.g., 04, 07, 15) indicated that the leases implementation project plan timeline may inhibit their ability to consider such guidance as they implement SFFAS 54 in fiscal year 2023; particularly if there are delays resulting in issuance during fiscal year 2022.

BOARD QUESTIONS:

Question 1: Are there matters members wish to discuss in response to comments received from respondents in response to QFR 1?

Question 2: Are there other matters, comment letters, or aspects of this proposal Board members wish to discuss to guide staff's finalization of the proposal?

Next Steps (Proposed)



Assuming an absence of conditions that may necessitate delays in the finalization of this proposal, staff proposes the following procedures for pre-balloting and balloting the proposed Statement. The below proposals are consistent with the Board's rules of procedures.

- Staff will send out an updated working draft for member comment no later than COB Monday, March 2nd. Member comments will be due March 4th. The working draft will track any changes to the ED version. The primary updates will be minor additions to the basis for conclusions, including a few paragraphs to summarize outreach efforts and comment letters and pending language for Board approval. Staff will consider member comments, if any, to the working draft, and follow up with members as appropriate.

- Staff will send out a pre-ballot draft no later than March 5th. As a reminder, the pre-ballot will offer members an opportunity for minor edits but not to make substantive changes to the proposal; pre-ballot responses will be due March 11th.
- Staff will send out a ballot draft on March 12th. Staff requests that all Board member ballots be provided no later than March 17th. This will allow the 90-day sponsor review clock to start earlier (as compared to a full 10-day ballot period) and for the Statement to be issued around June 23rd.

The above timeline would be responsive to the need for stakeholders to receive timely information regarding the deferral, but would require Board members to conduct their reviews of the working draft and pre-ballot versions on an accelerated timeframe. In addition, it asks that every member submit their signed ballot in advance (March 17th) of the ballot deadline (March 25th).

BOARD QUESTION:

Question 3: Given the nature and scope of this proposed Statement and the level of agreement amongst Board members and respondents, are Board members comfortable with the above accelerated finalization timeline (pending February meeting Board deliberations and review of comment letters)?

Other Leases Implementation Project Updates

- The absence of implementation guidance should not prevent stakeholders from making sustained progress with their implementation preparation activities.

Staff is concerned that many stakeholders are not preparing for the implementation of SFFAS 54 as early and as vigorously as necessary. For example, staff has observed numerous instances of constituents that are unaware of the nature of the forthcoming SFFAS 54 requirements, their scope and applicability, and their major effects on lease accounting and financial reporting. As a result, some constituents seem prepared, while others continue to fall behind and await additional guidance from OMB, Treasury, and FASAB. There may be opportunities for the Board and staff to clarify timing issues and expectations associated with these sources of guidance.

- The leases implementation task force met on January 28th to discuss working drafts of implementation guidance on the following SFFAS 54 topic areas: scope and definitions. The next task force meeting is March 31st, which will include discussions on working drafts on the next four (estimated) topic areas of SFFAS 54.

The finalization of the January task force meeting minutes post-dates the preparation of this briefing memorandum. Staff can update members on specific results and outcomes of the January 28th meeting at the table if members have any questions.

- The software licenses working group meets on February 20th to discuss a working draft of a Technical Bulletin under development. This meeting post-dates the preparation of this memorandum. Staff will update members on the results and outcomes of the working group meeting at the table.
- Staff met with the Bureau of Fiscal Service Office of Financial Innovation and Technology

and the General Services Administration on January 23rd to discuss opportunities to address implementation challenges through coordinated efforts. A second meeting is scheduled for February 14th. Staff will also present to the CFO Council on February 18th regarding SFFAS 54. Staff can update the Board on the results and outcomes of these outreach activities at the table if members have any questions.

- The leases implementation project plan remains on schedule (see Attachment 3). The next 6-8 months will be a critical phase of the project in determining the timing of the ultimate release of implementation guidance. Staff will continue to keep the Board apprised of the status of the project and any significant set-backs and risks.

BOARD QUESTION:

Question 4: Does this Board wish to discuss staff's proposed next steps or provide additional considerations for staff as we move forward with the leases implementation project?

Number	Respondent	Affiliation
1	Securities and Exchange Commission	Federal Entity - Preparer
2	Environmental Protection Agency	Federal Entity - Preparer
3	National Aeronautics and Space Administration	Federal Entity - Preparer
4	Greater Washington Society of CPAs	Association
5	Department of Housing and Urban Development	Federal Entity - Preparer
6	Social Security Administration	Federal Entity - Preparer
7	Department of the Treasury	Federal Entity - Preparer
8	Department of the Interior	Federal Entity - Preparer
9	Department of Commerce	Federal Entity - Preparer
10	Department of State, Office of Inspector General	Federal Entity - Auditor
11	Department of Defense	Federal Entity - Preparer
12	Federal Aviation Administration	Federal Entity - Preparer
13	Department of Veterans Affairs	Federal Entity - Preparer
14	Department of Energy	Federal Entity - Preparer
15	General Services Administration	Federal Entity - Preparer
16	Peace Corps	Federal Entity - Preparer
17	Department of Health and Human Services	Federal Entity - Preparer
18	Department of Labor	Federal Entity - Preparer
19	Kearney and Company	Non-Federal – Auditor

Deferral of the Effective Date of SFFAS 54, Leases

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please fax your comments to (202) 512-7366.

- Q1.** Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

Agree. The two-year deferral would provide the Board, the AAPC, and FASAB staff the time necessary to develop and issue implementation guidance to assist federal reporting entities, by addressing the extensive complexity and breadth of implementation issues identified by the leases implementation guidance task force. The deferral would also provide preparers with additional time to complete implementation activities and consider implementation guidance issued in advance of the deferred effective date.

Deferral of the Effective Date of SFFAS 54, Leases

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

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Organization:

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Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

The EPA agrees with the proposed two-year deferral of the effective date of SFFAS 54, *Leases*.

A two-year deferral will give federal entities additional time to implement the new standard. The new lease standard represents a significant change in how federal entities will account for leases. Since the current lease standard in SFFAS 5 and SFFAS 6 has been effective since 1995, the deferral will give all federal entities additional time to redirect resources, modify existing systems, and update business processes that have been in effect for potentially the last 25 years. In particular, federal entities with large and/or complex lease portfolios will have the opportunity to address the challenges they have encountered during the implementation.

A two-year deferral will also give FASAB an opportunity to utilize taskforce data in the development of implementation guidance. The lease taskforce provided FASAB with insightful data about the sizes/complexities of federal lease portfolios and implementation challenges. The

Deferral of the Effective Date of SFFAS 54, Leases

deferral will advance FASAB's objective to provide relevant implementation guidance and give federal entities time to fully benefit from the guidance.

Finally, a two-year deferral could facilitate coordination with other federal standard-setting bodies. Specifically, OMB requires that all leases be scored, per Appendix B of Circular A-11. Currently, the FASAB and OMB guidance is aligned. However, if the OMB does not revise the lease score criteria, then it will no longer align with FASAB standards. Thus, federal entities would be required to use two sets of criteria to evaluate and report leases. Ideally, a deferral will give all federal entities time to coordinate guidance for federal financial reporting.

From: [FASAB](#)
To: [Perry, Ricky \(Alan\)](#)
Subject: FW: SFFAS 54 - Leases exposure draft request for comment
Date: Tuesday, January 14, 2020 1:32:11 PM
Attachments: [image001.png](#)

From: Willing, Ryan M. (HQ-IM030) [mailto:ryan.m.willing@nasa.gov]
Sent: Tuesday, January 14, 2020 12:20 PM
To: FASAB
Cc: Tezna, Nestor A. (HQ-IM030); Tran, Jeanne (HQ-IM010); Butler, Michelle A. (HQ-IM010)
Subject: SFFAS 54 - Leases exposure draft request for comment

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Hello,

Please find NASA's written comments for SFFAS Deferral of the Effective Date of SFFAS 54, Leases exposure draft.

NASA concurs with the Board's proposal to defer the effective date for SFFAS 54 by two years. This will allow for an appropriate amount of time to ready ongoing implementation activities and review the updated guidance.

Thank you,

Ryan M. Willing, CPA
Senior Financial Policy Analyst
Office of the Chief Financial Officer
National Aeronautics and Space Administration

Office: 202.358.1757

Mobile: 202.450.8579





January 17, 2020

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

Dear Ms. Valentine:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board (FASAB or "the Board") Exposure Draft (ED) of the proposed Statement of Federal Financial Accounting Standards (SFFAS), titled *Deferral of the Effective Date of SFFAS 54, Leases*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views.

Our response to the ED question is included below.

Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

A1. The FISC agrees with the proposed deferral of the effective date for SFFAS 54 for the reasons stated in the ED. The FISC also views providing the federal financial accounting and reporting community with the implementation guidance during fiscal year 2021 to be a critical factor for the successful implementation of SFFAS 54 by the new effective date.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

Sherif R. Ettefa
FISC Chair

Proposed Response**FASAB Exposure Draft: *Deferral of the Effective Date of SFFAS 54, Leases*****Questions for Respondents due January 31, 2020**

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input checked="" type="checkbox"/>	If other, please specify: <u>Department of Housing and Urban Development</u>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <u></u>
Individual	<input type="checkbox"/>	

Please provide your name.

Name: N/A

Please identify your organization, if applicable.

Organization: Department of Housing and Urban Development

Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to 202-512-7366.

- Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government*, and SFFAS 6, *Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

Do you agree or disagree? Please provide the rationale for your answer.

HUD generally agrees with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government*, and SFFAS 6, *Accounting for Property, Plant, and Equipment*. HUD recently updated its PP&E policy and implemented new processes and internal controls centered around PP&E asset categories, specifically with leasehold improvements. This deferral would allow HUD the opportunity to continue to become more familiar with managing these new PP&E processes and importantly prepare for the new accounting standard for leases.

Proposed Response**FASAB Exposure Draft: *Deferral of the Effective Date of SFFAS 54, Leases*****Questions for Respondents due January 31, 2020**

HUD's Ginnie Mae is a dual reporting entity, utilizing FASB standards for purposes of Government Corporation Control Act ("Commercial") reporting to Congress and utilizing FASAB standards for component reporting to HUD. As such, Ginnie Mae anticipates implementing the revised FASB Lease standard (Topic 842) for FY22 reporting. Under the current exposure draft language, Ginnie Mae would be required to implement a revised FASB lease standard in FY22, and a revised FASAB lease standard in FY23. A staggered implementation of new lease standards may be unnecessarily burdensome and complex. Allowing for early adoption would alleviate some of this burden and allow for greater consistency between the two reporting structures.

Deferral of the Effective Date of SFFAS 54, Leases

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Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

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SSA Response: We agree. The two-year deferral of the effective date should allow agencies the additional time needed for planning, preparing, and implementing the new lease reporting and disclosure requirements.

Deferral of the Effective Date of SFFAS 54, Leases

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
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- Q1.** Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.
- A1.** The Department of the Treasury (Department) agrees with the proposed deferral of the effective date for SFFAS 54 for the reasons stated in the ED and the continued use of FASAB standards. The Department also views providing the federal financial accounting and reporting community with the implementation guidance during fiscal year 2021 to be a critical factor for the successful implementation of SFFAS 54 by the new effective date.

From: [FASAB](#)
To: [Perry, Ricky \(Alan\)](#)
Subject: FW: Interior Comments re: Deferral of the Effective Date of SFFAS 54, Leases
Date: Tuesday, January 28, 2020 8:26:24 AM

From: Lane, Monica <monica_lane@ios.doi.gov>
Sent: Tuesday, January 28, 2020 6:56 AM
To: FASAB <FASAB@fasab.gov>; Monica Lane <monica_lane@ios.doi.gov>; Maribel Miller <maribel_miller@ios.doi.gov>; Eric Still <eric_still@ios.doi.gov>; Sherry Lee <sherry_lee@ios.doi.gov>
Subject: Interior Comments re: Deferral of the Effective Date of SFFAS 54, Leases

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FASAB,

The Department of the Interior agrees with the deferral of the effective date of SFFAS 54, Leases. This will allow timely and effective implementation of the financial system requirements as well as ensure Interior personnel are fully engaged in this major accounting change.

Thank you for the opportunity to comment.

--

Monica Taylor Lane
monica_lane@ios.doi.gov
Office of Financial Management, DOI
MIB 5521
1849 C Street, NW
Washington, DC 20240

(202) 219-0213
(202) 208-6940 (Fax)

From: [FASAB](#)
To: [Perry, Ricky \(Alan\)](#)
Subject: FW: Additional Interior Comments re: Deferral of the Effective Date of SFFAS 54, Leases
Date: Friday, January 31, 2020 8:41:18 AM
Attachments: [Additional DOI Comments - SFFAS 54 two year deferral proposal.docx](#)

From: Lane, Monica <monica_lane@ios.doi.gov>
Sent: Thursday, January 30, 2020 6:31 PM
To: FASAB <FASAB@fasab.gov>; Monica Lane <monica_lane@ios.doi.gov>; Maribel Miller <maribel_miller@ios.doi.gov>; Eric Still <eric_still@ios.doi.gov>; Sherry Lee <sherry_lee@ios.doi.gov>; doi_pfm_frd <doi_pfm_frd@ios.doi.gov>
Subject: Additional Interior Comments re: Deferral of the Effective Date of SFFAS 54, Leases

FASAB,

The Department of the Interior would like to submit additional comments of the *Deferral of the Effective Date of SFFAS 54, Leases*. New information has been made available through the Lease Implementation Task Force, that warrants additional comments from the Department of the Interior.

Please see the attached file.

Regards,
Monica Lane

--

Monica Taylor Lane
monica_lane@ios.doi.gov
Office of Financial Management, DOI
MIB 5521
1849 C Street, NW
Washington, DC 20240

(202) 219-0213
(202) 208-6940 (Fax)

Department of the Interior Comments to FASAB on the two-year deferral of SFFAS 54, *Leases*

The Department of the Interior (DOI) initially agreed with the proposed two-year deferral. However, after learning of the Lease Implementation Task Force's timeline on issuing the final implementation guidance, which is projected to be the fourth quarter of fiscal year 2021, DOI disagrees with the proposal. A two-year delay does not provide enough time to effectively help DOI and puts us back to where we started by only having less than one year to implement the requirements.

DOI does not believe the two-year deferral is sufficient to finalize and then interpret the FASAB Implementation guidance, develop and issue DOI agency implementation guidance, research and determine the affected personal and real property assets, develop the system changes, test the system functionality, provide training to the Bureaus on the how asset accounting will work in the system, release the design in the system, convert the existing assets and contracts, and start reporting the requirements. Expecting agencies to start development of this extremely complex asset accounting requirement prior to final issuance of the FASAB Implementation standards is not smart business. It causes development work to be done and then re-done when those standards change due to review and comments.

Multiple agencies expressed similar concerns during the January 28, 2020, lease implementation task force meeting.

Ideal Department of the Interior's Business Integration Office (System Manager) Schedule:**FY 2020**

- (Complete by End of Q4) Proof of concept co-innovation with SAP to implement Lease Contract Management software originally designed for IFRS 16/ASC 842 validating it can work with budgetary ledger and obligations correctly
- **Needs:** Rough draft of posting model, high level understanding of SFFAS 54 requirements

FY 2021

- (Complete by End of Q4) Final development of solution for SFFAS 54 compliant Lease Contract Management functionality with actual posting logic and finalized guidance
- (Complete by End of Q1) Identify gaps in related existing functionality to develop (i.e. reports identifying impacted contracts, discussion on PRISM integration, discussion on need for commitments, etc.)
- (Complete by End of Q4) Design solutions for agreed upon gaps to move forward with go-live
- (Complete by End of Q2) Begin process for identifying impacted contracts and identifying additional required data to support requirements
- **Needs:** Final posting model, Final SFFAS 54 requirements, earlier in FY at least semi-final draft to provide adequate development time and creation of Contract identification/data process

FY 2022

- (Complete by End of Q4) Develop gap solutions to deploy with core SFFAS 54 compliant Lease Contract Management functionality
- (Complete by End of Q2) Develop conversions for Lease Contract Management functionality
- (Complete by End of Q4) Finalize impacted Contracts and data
- (Complete by End of Q3) Mock conversions to validate no issues with October 1, 2022 go-live

Comments specific to proposed timeline:

- Development of core accounting solution is extremely complex and should include a two-year window with the first year having at least very close to final information
- Accounting solution impacts many other areas and is a prerequisite to understanding the full scope, including existing procurement processes that have to be considered and included within timeline requiring larger windows to incorporate all software impacts
- All data has to be converted, this process first requires clear ground rules on what will and will not be required (set by initial software development), then developing additional reports and processes to identify it as well as mock conversions to ensure data is collected appropriately and will work
- It needs to be clear to the task force that development is not just for the solution for the accounting needs, but also for identification, data cleansing, conversions, additional functionality impacted by the change, etc. These all take significant time and resource investments beyond just the core requirement but that core accounting solution is a prerequisite for answering all the downstream impacts so it must be front loaded in the process



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Valentine:

The Department of Commerce has reviewed the Exposure Draft, *Deferral of the Effective Date of SFFAS 54, Leases* dated December 18, 2019.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov.

Sincerely,

Gordon T. Alston
Director of Financial Reporting and Policy,
Internal Controls, and Travel

Enclosure

cc: Kristin Salzer
Bruce Henshel
Christine Pham

Deferral of the Effective Date of SFFAS 54, Leases

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
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Nonprofit organization/Foundation	<input type="checkbox"/>	
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Department of Commerce Response:

The Department agrees with the proposed two-year deferral of the effective date of SFFAS 54. Given the significant changes to the standard, the Department feels this would be beneficial to allow adequate time to plan resources, accounting tools, system requirements, and internal controls prior to full implementation.

CONSOLIDATED BUREAU RESPONSES TO FASAB QUESTION REGARDING FASAB EXPOSURE DRAFT: DEFERRAL OF THE EFFECTIVE DATE OF SFFAS 54, LEASES

QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the question below. In addition to the question below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding this proposal.

The question below is available in a Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548

All responses are requested by January 31, 2020.

- Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

Census Bureau Response (David Freeland):Agree: ☒Disagree: ☐

The U.S. Census Bureau agrees with the proposed two year deferral of the implementation of SFFAS 54. The Census Bureau only has operating leases, therefore, the SFFAS 54 implementation will not significantly impact the Census Bureau. Should the Census Bureau ever enter into capital lease agreements; the bureau would need time and funding to develop and acquire information technology, data elements, core systems requirements and internal controls prior to full implementation.

NIST Response (Erin Price):Agree: ☒Disagree: ☐

NIST agrees with the board's recommendation to defer the implementation of SFFAS 54. Given the significant changes to the standard, we feel this would be beneficial to allow adequate time for preparation and implementation across the department.

NOAA Response (Amy Lin):Agree: ☒Disagree: ☐

NOAA agrees with the two-year deferral of the effective date of SFFAS 54. This action will allow NOAA additional time to plan resources, accounting systems/tools, and internal controls for the upcoming policy changes. NOAA anticipates issues in adjusting real property software to be able to produce the required reporting because it is older and there are often unexpected issues when significant changes are made.

NTIS Response (Andrea Patterson):Agree: ☐Disagree: ☐

While NTIS does not currently have anything to report, we agree with the deferral of the effective date to give agencies additional time to overcome the challenges incurred when making the implementation.

USPTO Response (Shana Willard):Agree: ☒Disagree: ☐

USPTO agrees the two-year deferral of the effective date of SFFAS 54 seems reasonable; it will allow federal agencies ample time for preparations to make changes with regard to the financial reporting for leases.

Deferral of the Effective Date of SFFAS 54, Leases

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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Response:

Yes, U.S. Department of State, Office of Inspector General, Office of Audits (OIG/AUD) agrees with the proposed 2-year deferral of the effective date of SFFAS 54. The deferral will allow the U.S. Department of State (Department), Bureau of the Comptroller and Global Financial Services, to ensure underlying lease data is accurate and develop appropriate policies to implement the requirements of SFFAS 54. OIG reported weaknesses related to the Department's accounting for leases as a result of the audit of the annual financial statements, which contributed to a significant deficiency. Specifically, OIG reported¹

¹ OIG, "Independent Auditor's Report on the U.S. Department of State FY 2019 and FY 2018 Consolidated Financial Statements" (AUD-FM-20-18, January 2020).

Deferral of the Effective Date of SFFAS 54, Leases

Accounting for Leases – The Department manages approximately 17,800 real property leases throughout the world. The majority of the Department's leases are short-term operating leases. The Department must disclose the future minimum lease payments (FMLP) related to the Department's operating lease obligations in the notes related to the consolidated financial statements. [Kearney & Company] found numerous recorded lease terms that did not agree with supporting documentation and errors in the Department's FMLP calculations. The Department's processes to record lease information and to ensure the accuracy of FMLP calculations were not always effective. The errors resulted in misstatements in the Department's notes related to the consolidated financial statements.

The underlying lease data that affects the FMLP calculation is the same data that the Department will need to use in its implementation of SFFAS 54. A 2-year deferral could allow the time needed to address the weakness reported in the audit.



OFFICE OF THE UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

JAN 28 2020

Dear Ms. Valentine:

The Department of Defense (DoD) is pleased to submit the attached comments on the Federal Accounting Standards Advisory Board (FASAB) Exposure Draft (ED) of the proposed Statement of Federal Financial Accounting Standards (SFFAS), "Deferral of the Effective Date of SFFAS 54, Leases." The DoD agrees with the proposed ED. Detailed response to FASAB's question and supporting details are provided in the enclosure.

Thank you for considering the DoD's input.

Sincerely,

A handwritten signature in blue ink, reading "D.A. Glenn", is positioned below the word "Sincerely,".

Douglas A. Glenn
Assistant Deputy Chief Financial Officer

Enclosure:
As stated

Deferral of the Effective Date of SFFAS 54, Leases

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DoD Response: Agree. *We agree with the proposed two-year deferral of the effective date of SFFAS 54. The new lease standard is a significant change in accounting practice. Therefore, the proposed two-year deferral of the effective date of SFFAS 54, would give DoD additional time to consider and address the implementation challenges and concerns in the following areas:*

- Identification of the leases population and abstraction of required lease data: DoD's total population of leases is unknown at this point in time. Identifying DoD leases is complex as every lease is not labeled as a "lease agreement," and may be embedded in related documentation. Identifying embedded leases involves considerable time and professional judgement as many of DoD contracts have not been identified as leases in the past. Locating and*

Deferral of the Effective Date of SFFAS 54, Leases

compiling the entire population of DoD leases may take an average of 3-9 months to complete. Required lease data can be a challenge to abstract, migrate, and maintain. Many lease agreements contain complex terms and conditions that could impact accounting conclusions. Some DoD lease agreements have numerous amendments, thus making identification of the appropriate source document for required data fields an additional level of complexity. DoD lease agreements do not easily contain all the necessary data fields necessary to comply with the new lease accounting standard (e.g., discount rate and fair value). Abstraction of DoD leases and required lease data may take on average an additional 4-12 months.

- *System modification:
The new lease standard requires significantly more data and calculations to produce accounting journal entries and disclosures. New lease technology solutions will have to be acquired or existing systems will have to be modified in order to comply with the new lease accounting standards. Internal processes and requirements for systems that need to be approved for use can significantly impact the implementation timeline. Some DoD Components are currently improving their system environment with migrations from outdated legacy systems with an estimated completion expected in October 2023.*
- *United States Standard General Ledger (USSGL) configuration:
System and data integrity is one of the primary implementation issues. According to the U.S. Department of the Treasury, four new or repurposed USSGL accounts would facilitate and/or affect implementation of SFFAS 54. Accordingly, these configuration changes would require significant lead-time to adequately test and implement USSGL updates to the underlying systems that feed into the respective DoD financial statements. Furthermore, the accounting treatment of certain lease transactions are also unknown at this point in time (e.g., leasehold improvements where DoD advanced funds to GSA who is the lessor).*
- *FASAB Implementation Guidance and other pronouncements:
The new lease standard is a significant change in the accounting for leases, and given the unfamiliarity with SFFAS 54, several questions and concerns have been posed. The forthcoming FASAB Implementation Guidance will address key issues that will help DoD synthesize and integrate FASAB guidance appropriately. FASAB also confirmed that various additional guidance and other pronouncements would have to be issued in order to address some of the key issues. Consequently, DoD requires the review, development, and update of all applicable lease accounting and accountability policies, procedures, and manuals at the Office of the Secretary of Defense and Component level.*

Deferral of the Effective Date of SFFAS 54, Leases

- *Other priorities:*

The implementation of SFFAS 54 has not been a priority as DoD has been mainly focusing on the initial DoD-wide financial audit and addressing significant notice of findings and recommendations, and corrective action plans. Also, some DoD Components have been focusing on getting their legacy financial and feeder systems compliant with current effective policies, accounting standards, and Federal financial management requirements.

In conclusion, the two-year deferral of the effective date of SFFAS 54 would help DoD in achieving the successful implementation of SFFAS 54 for reporting periods beginning after September 30, 2022 as DoD would be able to address implementation challenges and concerns as noted above.

Deferral of the Effective Date of SFFAS 54, Leases

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Yes, FAA agrees with the proposed two-year deferral. More time is needed to review the high volume of leases, and to apply the forthcoming implementation guidance.

Deferral of the Effective Date of SFFAS 54, Leases

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VA – The Department of Veterans Affairs concurs with the proposal to defer the effective date of SFFAS 54 to periods beginning after September 30, 2022. This additional two years should allow Federal Entities to address the significant challenges noted in the exposure draft.


**Department of Energy**

Washington, DC 20585

January 28, 2020

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FROM **KARIN DASUKI** Digitally signed by KARIN DASUKI
Date: 2020.01.28
17:00:39 -05'00'
Karin Dasuki
Director, Office of Finance and Accounting
Department of Energy, Office of the Chief Financial Officer

Thomas Griffin 
Director, Office of Financial Policy and Audit Resolution
Department of Energy, Office of the Chief Financial Officer

SUBJECT Federal Accounting Standards Advisory Board Exposure Draft:
Deferral of the Effective Date of SFFAS 54, Leases

The Department of Energy (DOE) appreciates the opportunity to respond to the question in the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft: *Deferral of the Effective Date of SFFAS 54, Leases*. The Department agrees the Board should defer the effective date of Statement of Federal Financial Accounting Standards (SFFAS) 54 and corresponding amendments which will permit agencies to perform the evaluations and reviews needed to implement the standard.

Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment? The revised effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

Agree. The Department was on schedule to meet the initial implementation date for reporting periods occurring after September 30, 2020. The Department developed a process of implementing the standard two-years prior to the initial implementation date and conducted diligent work with Departmental elements, and national laboratories. The deferral will permit the Department to consider FASAB's implementation guidance and provide additional time to test transactions through DOE's accounting system. As a result, DOE agrees with deferring the implementation of SFFAS 54.

If you have any questions about the response, please contact John Wall at (202) 586-5728.

Deferral of the Effective Date of SFFAS 54, Leases

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GSA Response: Yes, we agree with the proposed 2-year deferral. With a very significant volume of leases, especially for GSA's real property activities, automation is critical to our implementation of this standard. For real property alone, GSA manages approximately 8,000 active leases, as a lessee with private entities. As a lessor, we also lease or sublet properties, primarily to Federal agencies, but also to private entities, with over 22,000 leasing arrangements and agreements covering special services and leasehold improvements. Since the issuance of SFFAS 54, GSA has been actively pursuing the necessary systems improvements, both to our business systems and our core accounting system. With the complexity of this standard, considerable effort has been required to define systems requirements and specifications, and negotiate with our commercial off-the-shelf software (COTS) vendors to obtain the necessary systems improvements. Despite the concerted efforts, the implementation timeline for these improvements will extend well beyond the date prescribed by the initial SFFAS 54, and we

Deferral of the Effective Date of SFFAS 54, Leases

expect to need the whole two-year deferral period to test, configure, and implement the new functionalities.

There also continues to be many issues where we await implementation guidance from the FASAB or AAPC, to clarify the practical implementation of the standard to specific circumstances. The clarity needed for some of these issues are also necessary to complete the aforementioned systems requirements. We consider it critical that the issuance of implementation guidance be provided as soon as possible. Of similar urgency, the interrelated US Standard General Ledger guidance being developed by the Department of Treasury is also vital for configuring systems and related processes.

Given the timeline circulated to the team supporting development of the FASAB implementation guidance, we are concerned that the planned timeframe of the 4th quarter of 2021 for final issuance of the guidance (and potentially new FASAB interpretations or technical bulletins) poses additional risks of delays in our systems implementation schedule. Until we receive those final documents, it will remain unclear as to the potential need to develop and implement additional systems requirements, or change the functionalities we are currently working to develop. We are also concerned with potential additional costs we may incur and delays we may face to address items in those final documents. We plan to move forward with task orders for systems development in the near future in order to implement the SFFAS 54 requirements by the beginning of FY 2023. Subsequent changes to the specifications could easily cause re-work and add workload that could result in implementation delays.

Lastly, some of the elements of SFFAS 54 for intragovernmental leases will lead to changes in accounting treatment that will require more regular and increased communication amongst Federal agencies to ensure proper matching of outstanding reciprocal balances. Development of communications processes and procedures are also dependent upon the FASAB implementation guidance and Treasury's SGL guidance.

Considering these issues described above, for GSA, efforts to implement SFFAS 54 by the original effective date would likely not be successful, and due to the very material magnitude of dollar amounts involved, would likely result in financial reporting that would not provide GSA with a favorable audit opinion. Accordingly, we adamantly support the Board's proposal to defer the effective date of SFFAS 54 for an additional two years.

Deferral of the Effective Date of SFFAS 54, Leases

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Yes, the Peace Corps agrees with the proposed two-year deferral of the effective date of SFFAS 54 Leases. After conducting a readiness assessment for the SFFAS 54 implementation, the Peace Corps would benefit from the additional time to ensure appropriate implementation. In our readiness assessment, we noted the following challenges:

- (I.) Policies, standard operating procedures, and business processes will need to be drafted and tested for feasibility. Additionally, a materiality threshold for leases will need to be established which will include an initial analysis to determine materiality, routing for approval and application to right to use property, plant, and equipment leases.
- (II.) The Peace Corps will need time to conform to technical guidance established by the Department of the Treasury (i.e. Crosswalks, USSGL Chart of Accounts) and Office of

Deferral of the Effective Date of SFFAS 54, Leases

Management and Budget Circular A-136, Financial Reporting Requirements. This guidance has yet to be published. Once published, a realignment of existing financial system reports will likely need to occur in order to accommodate new USSGL accounts. The financial system will also need to conform to changes that are likely to occur with the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

- (III.) The Peace Corps has many internal stakeholders that will be involved in the SFFAS 54 implementation, including across multiple headquarters offices and 60 overseas posts. These stakeholders will need to be engaged and educated on the new reporting requirement and likely changes to business processes. The Peace Corps headquarters staff will require multiple data calls to discuss lease information held at posts overseas, which make up 90% of the Peace Corps current lease population. The lease population at posts overseas may include residential leases for each U.S. direct hire and potentially some volunteer housing.
- (IV.) The Peace Corps will require additional time to compile domestic and overseas leases. All leases will need to be reviewed against SFFAS 54 reporting requirements and assessed for materiality.

Deferral of the Effective Date of SFFAS 54, Leases

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HHS agrees with the two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*. HHS actively participated in the Lease Working Group and communicated the concerns around core systems changes, policy changes, and reporting requirement changes. The proposed two-year deferral will provide sufficient time for a successful implementation. HHS appreciates the Board's support to postpone the implementation date.

From: [Simpson, Cynthia - OCFO](#)
To: [FASAB](#)
Cc: [Perry, Ricky \(Alan\)](#); [Maurer, Jennifer - OCFO](#); [Wyes, Tesfaye T - OCFO](#); [Lin, Ching Yi - OCFO](#); [Sacchetti, Dylan M - OCFO](#); [Polen, Chris P - OCFO](#); [Simpson, Cynthia - OCFO](#)
Subject: US DOL/OCFO/DFR Comments on FASAB ED, Proposed SFFAS, "Deferral of the Effective Date of SFFAS 54"
Date: Friday, January 31, 2020 9:38:22 AM

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), Division of Financial Reporting (DFR), on the exposure draft (ED) of proposed Statement of Federal Financial Accounting Standards (SFFAS), "Deferral of the Effective Date of SFFAS 54." Comments were requested by January 31, 2020. DOL/OCFO/DFR is a Federal entity preparer.

We appreciate the opportunity to provide comments. If there are any questions, please contact:

Cynthia Simpson, simpson.cynthia@dol.gov or
 Jennifer Maurer, Maurer.Jennifer@dol.gov

Regards,

Cynthia D. Simpson
 U.S. Department of Labor
 Office of the Chief Financial Officer
 Division of Financial Reporting

=====

Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

DOL/OCFO/DFR Response to Q1: Agree.

The two-year delay of the effective date would allow time for FASAB to publish additional implementation guidance.

Other aspects of the proposed Statement

“... the Board also welcomes your comments on other aspects of the proposed Statement.”

For the purposes of this comment, the references to “fiduciary” are not references to SFFAS 31, “Accounting for Fiduciary Activities.” DOL’s use of the “fiduciary” term is with reference to Treasury Financial Manual I TFM 2-4700 (July 2019 version) intragovernmental transactions:

Fiduciary Transactions—Intragovernmental transactions that consist of Fiscal Service investments and borrowings; Federal Financing Bank (FFB) borrowings; Department of Labor (DOL) employee benefit transactions; and Office of Personnel Management (OPM) employee benefit transactions.

As required by I TFM 2-4700, DOL is the fiduciary agency with regard to intragovernmental transactions on workers’ compensation and unemployment insurance for Federal employees. As the fiduciary agency, DOL has

the lead role in determining other agencies' intragovernmental revenues, expenses, receivables, and payables. In a similar manner, for intragovernmental leases between GSA and other reporting entities, Treasury should designate GSA as the fiduciary agency for the intragovernmental lease transactions. The implementation guidance for SFFAS 54 should be consistent with GSA taking a lead role in determining the revenues, expenses, assets, and liabilities associated with the intragovernmental leases.

From: FASAB <FASAB@updates.gao.gov>
Sent: Wednesday, December 18, 2019 3:19 PM
To: Simpson, Cynthia - OCFO <Simpson.Cynthia@dol.gov>
Subject: FASAB Issues Exposure Draft: Deferral of the Effective Date of SFFAS 54

Federal Accounting Standards Advisory Board



NEWS RELEASE
12/18/2019

FASAB Issues Exposure Draft
Deferral of the Effective Date of SFFAS 54, Leases

The chair of the Federal Accounting Standards Advisory Board (FASAB), George A. Scott, announced today that the Board is seeking input on the proposed Statement of Federal Financial Accounting Standards (SFFAS) titled *Deferral of the Effective Date of SFFAS 54, Leases*.

The Board is proposing to defer the effective date for SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, for two years.

Under this proposal, the requirements of SFFAS 54 would become effective for reporting periods beginning after September 30, 2022. Early adoption would not be permitted, which is an existing stipulation under SFFAS 54 that would remain unchanged under this proposal. Reporting entities would continue to follow the current FASAB guidance that addresses lease transactions. This comprises paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6. These paragraphs are not rescinded by SFFAS 54 until SFFAS 54 becomes effective.

"In learning more about implementation challenges faced by reporting entities, particularly with respect to developing and implementing systems and data requirements, the Board agreed that providing additional time to complete ongoing implementation preparation activities would be appropriate," noted Chairman Scott. "This proposed deferral of the new lease accounting requirements would allow agencies to improve the quality and completeness of their data and update their lease accounting systems and controls to conform their financial reporting to the new standards."

Respondents are encouraged to respond to the specific question contained in the exposure draft and provide the reasons for their positions. **Comments on the exposure draft are due by January 31, 2020.**

The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website: <https://www.fasab.gov/documents-for-comment/>.

Deferral of the Effective Date of SFFAS 54, Leases

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Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please fax your comments to (202) 512-7366.

Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

We support the Federal Accounting Standards Advisory Board's (FASAB) position on the proposed two-year deferral of the effective date of Statement of Federal Financial Accounting Standard (SFFAS) No. 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*. The new standard is a major change, further complicated by special circumstances and implementation challenges that exist for many Federal agencies. Guidance has not been fully developed to ensure that these issues are addressed in a consistent manner. The deferral period also provides Federal agencies with the opportunity to process the guidance and affect it in an orderly and efficient manner. FASAB's deferral mirrors similar actions in the private sector.

A deferral is necessary for agencies to determine the situations that qualify as a lease based on the new standard. Agencies require time and resources to create new and/or update existing systems, modify posting models, purchase or reconfigure software products, create and/or update

Deferral of the Effective Date of SFFAS 54, Leases

existing reporting modules, and create and/or update existing accounting processes. The deferral provides agencies the opportunity to work through issues and implementation challenges as they arise and apply the new standard correctly while promoting an orderly transition.

In a similar vein, the Financial Accounting Standards Board (FASB) provided private and non-profit companies a one-year reprieve on implementing a comparable standard, *Accounting Standards Update No. 2016-02, Leases (Topic 842) (Leases)*.

We have no further comments on deferral of the effective date of SFFAS No. 54 at this time.



Federal Accounting Standards Advisory Board

DEFERRAL OF THE EFFECTIVE DATE OF SFFAS 54, *LEASES*

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by January 31, 2020

December 18, 2019

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

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Federal Accounting Standards Advisory Board

December 18, 2019

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or "the Board") requests your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, titled *Deferral of the Effective Date of SFFAS 54, Leases*. A question for your consideration appears on page 4, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your responses will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose. Responses are requested by January 31, 2020.

All comments received by FASAB are considered public information. Those comments may be posted to [FASAB's website](#) and will be included in the project's public record.

Postal mail delivery is delayed by screening procedures. Please provide your comments by email to fasab@fasab.gov. If you are unable to email your responses, we encourage you to fax comments to (202) 512-7366. Alternatively, you may mail your comments to:

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548

We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at (202) 512-7350 to determine if your comments were received.

FASAB's rules of procedure provide that the Board may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

A handwritten signature in black ink, reading "George A. Scott".

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The Board is proposing to defer the effective date for Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, for two years. Under this proposal, the requirements of SFFAS 54 would become effective for reporting periods beginning after September 30, 2022. Early adoption would not be permitted, which is an existing stipulation under SFFAS 54 that would remain unchanged under this proposal.

Under this proposal, federal reporting entities would continue their current lease accounting practices until SFFAS 54 becomes effective; they would not follow the Financial Accounting Standards Board's (FASB) new lease standards (Accounting Standards Codification – *Leases - Topic 842*) nor would they follow the Governmental Accounting Standards Board's (GASB) new lease standards (GASB Statement No. 87, *Leases*).¹ Rather, reporting entities would continue to follow the current FASAB guidance that addresses lease transactions. This comprises paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6. These paragraphs are not rescinded by SFFAS 54 until SFFAS 54 becomes effective.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

On the basis of feedback obtained from outreach with stakeholders and monitoring of implementation, the Board has gained an understanding of the implementation challenges encountered by federal reporting entities in their efforts to implement the requirements of SFFAS 54. The challenges are significant for reporting entities with large lease portfolios.

The following factors (not all-inclusive) are examples of significant challenges encountered when implementing SFFAS 54:

- The need to develop and acquire information technology, data elements, core systems requirements, and internal controls at the government-wide and component reporting entity levels
- Resource limitations, coupled with extensive preparation activities necessary for implementation
- The need for the federal financial accounting and reporting community to receive, understand, and apply forthcoming implementation guidance due to the extensive complexity and breadth of implementation issues identified by the leases implementation guidance task force

In response to these challenges, the Board is proposing a two-year deferral of the effective date of SFFAS 54. The deferral will provide the Board, the Accounting and Auditing Policy Committee, and FASAB staff the time necessary to develop and issue implementation

¹Except for a limited number of reporting entities permitted to follow FASB generally accepted accounting principles (see SFFAS 34, par. 9-12). Those entities would adopt any new lease accounting standards promulgated by FASB as appropriate.

guidance. It would also provide federal reporting entities an appropriate amount of time to complete ongoing implementation activities and consider such guidance.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the question below. In addition to the question below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding this proposal.

The question below is available in a Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548

All responses are requested by January 31, 2020.

- Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFR), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
2. This Statement amends SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, to defer the effective date of implementation by two years.
3. This Statement also amends SFFAS 57, *Omnibus Amendments 2019*, to defer the effective date of certain conforming amendments contained therein related to SFFAS 54.

AMENDMENT TO SFFAS 54

4. Paragraph 98 of SFFAS 54 is amended as follows:
 98. The requirements of this Statement are effective for reporting periods beginning after September 30, ~~2020~~2022. Early adoption is not permitted.

AMENDMENT TO SFFAS 57

5. Paragraph 15 of SFFAS 57 is amended as follows:
 15. Paragraphs 3 through 8, 11, and 12 of this Statement are effective for reporting periods beginning after September 30, ~~2020~~2022. Early adoption is not permitted.

EFFECTIVE DATE

6. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

- A1. In April 2018, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 54. SFFAS 54 provides a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity’s GPFFR and include appropriate disclosures. Such standards were set to go into effect for reporting periods beginning after September 30, 2020.
- A2. Since the issuance of SFFAS 54, the Accounting and Auditing Policy Committee (AAPC) initiated a project to develop implementation guidance for the federal financial accounting and reporting community on applying the requirements of SFFAS 54.² As part of this effort, the Board and AAPC engaged a task force to obtain feedback from stakeholders and constituents and monitor implementation efforts across the federal government.

SUMMARY OF OUTREACH AND CONCLUSIONS FOR PROPOSED DEFERRAL

- A3. The Board believes that SFFAS 54 offers appropriate guidance for the accounting and financial reporting of leases for federal entities and maintains the views expressed in the basis for conclusions to SFFAS 54 regarding costs and benefits. Implementation of SFFAS 54 will ensure that GPFFR users receive useful information regarding the resources and obligations that support federal programs and activities and can monitor federal investments in property, plant, and equipment, and lease financing activities.
- A4. Notwithstanding such benefits, the Board believes this proposed deferral would be a prudent response commensurate to the identified implementation challenges, costs, and constraints and allow reporting entities to reliably implement SFFAS 54.
- A5. The Board reviewed and discussed implementation issues in August and October of 2019 by reviewing Board and task force briefing materials and receiving feedback and status reports from task force panelists and technical staff.

²The AAPC is a permanent committee established by the Board to assist the federal government in improving financial reporting by timely identifying, discussing, and recommending solutions to accounting issues within the framework of existing authoritative literature. The AAPC works under the general oversight of the Board.

- A6. Through these efforts, the Board gained an understanding of the nature and magnitude of implementation challenges encountered by federal reporting entities. The Board found that challenges were significant for reporting entities with large lease portfolios.
- A7. The following factors (not all-inclusive) are examples of significant challenges encountered when implementing SFFAS 54:
- a. The need to develop and acquire information technology, data elements, core systems requirements, and internal controls at the government-wide and component reporting entity levels
 - b. Resource limitations, coupled with extensive preparation activities necessary for implementation
 - c. The need for the federal financial accounting and reporting community to receive, understand, and apply forthcoming implementation guidance due to the extensive complexity and breadth of implementation issues identified by the leases implementation guidance task force
- A8. In response to these challenges, the Board is proposing a two-year deferral of the effective date of SFFAS 54. The deferral would provide the Board, the AAPC, and FASAB staff the time necessary to develop and issue implementation guidance to assist federal reporting entities. It also provides preparers with additional time to complete implementation activities and consider implementation guidance issued in advance of the deferred effective date.
- A9. The Board expects the AAPC to issue implementation guidance during fiscal year 2021.
- A10. Based on the feedback obtained by the Board and its implementation monitoring activities, Board members agreed that a one-year deferral would not provide sufficient time for the Board, AAPC, technical staff, and federal reporting entities to complete implementation preparation and readiness activities. Therefore, the Board agreed that proposing a two-year deferral was appropriate.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFR	Consolidated Financial Report of the U.S. Government
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
SFFAS	Statement of Federal Financial Accounting Standards

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Leases Implementation Project Plan

	Deferral SFFAS	Implementation Guidance on Leases	Omnibus SFFAS / Interpretations	Conforming Amendments TR	Software Licenses Technical Bulletin	Training / Outreach
FY 2020 Q1	Draft Exposure Period	Draft	Research			Draft FY 20 content
FY 2020 Q2	Exposure Period	Draft	Research		Draft	Provide
FY 2020 Q3	Finalize Issuance	Draft	Draft		Draft	Provide
FY 2020 Q4		Draft	Draft		Draft	
FY 2021 Q1		Exposure Period	Exposure Period	Finalize	Draft	Draft FY 21 content
FY 2021 Q2		Finalize	Finalize		Draft	Provide
FY 2021 Q3		Finalize	Finalize		Exposure Period	Provide
FY 2021 Q4		Issuance	Issuance		Finalize	Draft FY 22 content
FY 2022 Q1					Finalize	Draft FY 22 content
FY 2022 Q2				Issuance	Issuance	Provide
FY 2022 Q3						Provide
FY 2022 Q4						Provide
FY 2023 Q1	Projected effective date of SFFAS 54 (assuming FY 2023 deferral proposal is issued)					

Yellow highlighted cells = AAPC project

Note: Conf. Am. TR finalization and issuance is staggered to enable simultaneous issuance thereof in tandem with the Software Licenses Technical Bulletin