

## Memorandum

### Intragovernmental Leasehold Reimbursable Work Agreements

August 12, 2022

To: Members of the Board  
From: Ricky A. Perry, Jr., Senior Analyst  
Thru: Monica R. Valentine, Executive Director  
Subject: **Intragovernmental leasehold reimbursable work authorizations** (Topic F)

#### INTRODUCTION

The briefing material includes a staff analysis of issues for Board discussion, along with a summary of improvements to the draft Technical Bulletin proposal based on consultations with members.

#### REQUEST FOR FEEDBACK BY AUGUST 22

**Prior to the Board's August meeting**, please review the attached staff analysis (Attachment 1), along with the updated draft proposal (Attachment 2) and project plan (Attachment 3). Please respond to the ensuing questions by no later than August 22.

Please provide responses to Mr. Perry at [PerryRA@fasab.gov](mailto:PerryRA@fasab.gov), with a cc to Ms. Valentine at [ValentineM@fasab.gov](mailto:ValentineM@fasab.gov).

#### NEXT STEPS

**Pending Board member feedback**, staff will move to provide Board members with a pre-release draft for a 15-day review period. If a majority of members do not object during the 15-day review period, staff will release an exposure draft for public comment.<sup>1</sup>

#### ATTACHMENTS

1. Staff analysis

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<sup>1</sup> See Technical Bulletin 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*, par. 6-7.

2. Working draft: *Technical Bulletin 202X-X, Intragovernmental Leasehold Reimbursable Work Agreements*, marked with recommended edits based on member consultations
3. Project plan

## REFERENCE MATERIAL

1. [SFFAC 1, Objectives of Federal Financial Reporting](#)
2. [SFFAC 4, Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government](#)
3. [SFFAC 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements](#)
4. [SFFAS 1, Accounting for Selected Assets and Liabilities](#)
5. [SFFAS 4, Managerial Cost Accounting Standards and Concepts](#)
6. [SFFAS 6, Accounting for Property, Plant, and Equipment](#)
7. [SFFAS 7, Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting](#)
8. [SFFAS 54, Leases](#)
9. [SFFAS 60, Omnibus Amendments 2021](#)
10. [Technical Bulletin 2000-1, Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance](#)
11. [Rules of Procedures](#)
12. [GSA Reimbursable Services Program, Policy and Guidance page](#)
13. [FASAB 2021 Annual Report](#)
14. [April 2022 Board briefing materials](#)
15. [April 2022 Board meeting minutes](#)

## Staff Analysis

### Intragovernmental Leasehold Reimbursable Work Agreements

August 12, 2022

#### CONTEXT

At the April 2022 Board meeting, a panel of experts provided an educational session on reimbursable work authorizations (RWAs). After the educational session, the Board provided preliminary feedback on staff's recommended approach for providing guidance on the treatment of intragovernmental leasehold reimbursable work agreements in the form of a Technical Bulletin. Members were supportive of staff's proposed approach, noting that they also looked forward to a more technical review discussion at a later meeting.<sup>2</sup>

In May 2022, staff consulted with Board members to discuss the draft Technical Bulletin proposal under development, answered member questions on the intended posting logic, received feedback from members regarding potential improvements, and noted items for additional deliberation and discussion.

#### SUMMARY OF RECOMMENDATIONS AND ANALYSES

The ensuing staff analysis includes:

- A.** A summary of member consultations with staff. The items summarized are mapped to Board discussion items under part B (below).
- B.** A detailed analysis of the Technical Bulletin, revisions since the April meeting, and matters for additional deliberation.

Areas of analysis are organized on a sequential basis and mapped to the draft Technical Bulletin proposal and the related paragraph numbers in Attachment 2.

Although the Board agreed on staff's initial approach to the guidance at the April meeting, staff have made several clarifying improvements throughout the guidance since that time. Accordingly, staff's analysis covers most aspects of the proposal and, to some extent, repeats certain elements of staff analysis discussed in April. Staff's literature review, also discussed in April, is integrated throughout this analysis for more in-depth review and consideration.

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<sup>2</sup>See April meeting minutes, p. 19.

## ANALYSIS

### Part A – Staff summary analysis of member consultations:

At the April Board meeting and in subsequent discussions with staff, members have expressed general support for the proposal under development and continuing with the development of a Technical Bulletin pronouncement type. During follow-up one-on-one consultations with staff, members discussed the related accounting issues, conceptual fundamentals, and illustrative posting logic with staff.

Members provided constructive feedback and suggested to improve the organization and technical clarity of the working draft proposal and address matters requiring additional deliberation. The following issues were raised during these consultations:

- A1.** A few members advised staff to explain the proposal's purpose to potential respondents in the Executive Summary and Basis for Conclusions sections. At the April Board meeting, the Executive Summary and Basis for Conclusions sections were not yet drafted. These suggestions were helpful to staff in developing the Executive Summary. Staff believes that these sections can serve to facilitate informed responses to the pending exposure draft. See items **B1-B2** below.
- A2.** Several members provided suggestions to clarify the scope and applicability language. The most significant improvement was bringing the entire scope and applicability-related guidance forward. In earlier drafts, this guidance was generally complete but fragmented. Staff concurred with these members' observations and implemented corrective changes. See items **B4-B5** below.
- A3.** Members understand that the projected derivations of economic benefits and services from reimbursable work are a potentially complex and a consequential professional judgment with implications for preventing intragovernmental elimination differences. A few members provided suggestions to enhance the clarity of the guidance in this area. Others expressed preferences to minimize the use of subjective phrasing. To the extent subjective terminology and phrasing is unavoidable, these members were supportive of staff efforts to elaborate and provide guidance on how to minimize subjectivity in professional judgment by considering the appropriate factors. See items **B6-B7** below.
- A4.** One member observed that the Board does not typically provide criteria for accounting policies. The member suggested that staff provide additional analysis and facilitate further Board deliberations on the matter. See item **B7** below.
- A5.** Members were generally supportive of the definitional criteria discussed in April. Staff made a few minor improvements. One member noted that "acquisitions, improvements, and/or alterations" phrasing could be interpreted by some users as inadvertently omitting construction-related RWAs. Staff concurred and implemented corrective edits to include "construction" in the guidance. See item **B8** below.
- A6.** A few members suggested that staff further clarify the purpose of intragovernmental leasehold reimbursable work agreements. Staff concurred with these members'

observations and implemented additional explanatory language. See items **B1**, **B2**, and **B9** below.

- A7.** One member expressed a preference to build upon and directly reference existing Board Statements to the extent possible. Staff concurred with the feedback and implemented changes. See item **B9** below.
- A8.** A few members expressed an openness to not requiring carrying amount and amortization disclosures. The members suggested that staff provide additional analysis and facilitate further Board deliberations on the matter. See item **B9** below.
- A9.** After consultations with several members, it became clear to staff that complexities associated with early adoption of SFFAS 54, *Leases*, not being permitted were inhibitive for purposes of allowing for early implementation of the Technical Bulletin. Several aspects of the working draft proposal interact with and serve to clarify aspects of SFFAS 54 par. 72-79 and 26-38. Accordingly, staff revised the effective date paragraph. See item **B10** below.

#### Part B – Staff analysis of working draft proposals and other matters for further deliberation:

- B1.** The Executive Summary section (see Attachment 2, Executive Summary) will play an important role in introducing a complex topic for potential respondents of the Technical Bulletin exposure draft. The Executive Summary recommended by staff includes five paragraphs:
  - The first paragraph’s purpose is to describe the purpose of the Technical Bulletin proposal at a high level. The term “intragovernmental leasehold reimbursable work agreements” is first introduced in this paragraph.
  - The second paragraph’s purpose is to define and explain the term “intragovernmental leasehold reimbursable work agreements.” The definition and explanations mirror language in par. 16 and 20 of the proposed guidance.
  - The third paragraph summarizes the accounting guidance provided under the Technical Bulletin proposal. The summary is consistent with the proposed guidance. It is also stylistically consistent with the summary for SFFAS 54, *Leases*.
  - The fourth paragraph explains why the Board is proposing this additional guidance and summarizes key accounting issues for which the Board believes additional guidance is needed.
  - The fifth paragraph summarizes the purpose and expected benefits of the Technical Bulletin. The paragraph references Technical Bulletin 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*. Staff believes that this reference will further empower respondents to assess the proposal in an informed manner.

**B2.** The Basis for Conclusions section (see Attachment 2, Appendix A) will also play an important role in providing further explanations and rationale for respondents' consideration. The Basis for Conclusions recommended by staff includes 12 paragraphs:

- Paragraphs A1-A4 summarize the leases project history, the origins of the identified accounting issue, and the elevation of this issue to the Board by staff.
- Paragraph A5 summarizes the Board's research.
- Paragraph A6 expresses the Board's understanding of the topic, its complexity, and the potential burdensome effects on preparers and auditors if the topic were to be left unaddressed. Staff believes that this summary is consistent with the Board's technical agenda planning factors.<sup>3</sup>
- Paragraph A7 summarizes the proposal's consistency with Technical Bulletin 2000-1 criteria (as discussed in April). It also provides staff views on burden reduction. If Board members concur with the staff views expressed on burden reduction, staff recommends attributing this statement to the Board. Otherwise, the expression of staff views in Technical Bulletin bases for conclusions is common practice as well.
- Paragraph A8 documents a key decision of the Board to not use the term "reimbursable work authorizations" in the standards section of the proposal as a matter of clarity (as discussed in April). Understandably, many respondents may wish for the Board to minimize the introduction of new terminology; however, this paragraph serves to provide a basis for the decision. Staff believes this paragraph will facilitate informed assessments by respondents.
- Paragraph A9 documents the general sentiments of Board members to avoid unnecessary changes in existing practice for most RWAs. Staff believes that explicit expression of this intent will facilitate informed assessments by respondents.
- Paragraphs A10-A12 document the Board's key decisions related to and basis for designing paragraphs 11-15 of Attachment 2 as presented.

#### Question for the Board #1:

1. Do members have feedback or wish to discuss the Executive Summary or Basis for Conclusions sections (items **A1** and **B1-B2** and related sections of Attachment 2)?

<sup>3</sup> Technical agenda planning factors are summarized in the FASAB Annual Report in the Message from the Executive Director.

- B3.** Attachment 2, paragraphs 1-5 of the Scope section, are introductory in nature. Staff believes that Board members were and continue to concur with these paragraphs. The tracked changes under paragraph 4 are conforming edits resulting from changes discussed under item **B6**.
- B4.** Attachment 2, paragraphs 6-9 of the Scope section, were reorganized by staff to enhance the clarity and flow of the section. Paragraphs 6-7 discusses the general scope exclusion of reimbursable leasehold work agreements with non-federal entities. Paragraphs 8-9 discusses the scope and applicability of paragraphs 23-24. Locating these two paragraphs immediately preceding paragraphs 10-15 should improve the flow and understandability of the guidance. These revisions, along with those discussed under item **B5**, eliminate fragmentation in the previously drafted scope-related guidance.
- B5.** Paragraphs 10-15 of Attachment 2 were moved up to the Scope section to improve flow. These revisions, along with those discussed under item **B4**, eliminated fragmentation in the previously drafted scope-related guidance.

#### Question for the Board #2:

2. Do members have feedback or wish to discuss items **A2** and **B4-B5** and the related changes to paragraphs 1-15 in Attachment 2?

- B6.** Paragraphs 10-15 of Attachment 2 provide guidance to clarify, explain, and elaborate on SFFAS 54 and its related interactions with other existing Statements. Certain aspects of these paragraphs also have fundamental underpinnings that are inherently tied to and consistent with the Board's conceptual framework.

- Paragraph 11 of Attachment 2 sets the overall objective.
- Paragraph 12 of Attachment 2 builds on SFFAC 5, SFFAS 6, and SFFAS 54.

SFFAC 5, paragraphs 12-13, discusses fundamental concepts for which component entity should report a particular item or element. SFFAC 5 paragraph 12 provides that authorizing legislation, laws, regulations, and other executive issuances will typically define one component reporting entity as having a comprehensive relationship to the related program or activity. When no component entity has a comprehensive relationship to the program or activity, as is the case with intragovernmental leases-related RWAs, the element involved should be reported by the component entity most responsible for managing them.

Paragraph 13 of SFFAC 5 provides an example, noting that if one entity has acquired or has some control over a government asset (as does GSA in its role as provider-lessor) but the other component reporting entity presently manages and



utilizes the asset as part of its routine operations, the second component entity should report the asset. In the context of RWAs, the customer-lessee typically utilizes but does not manage the leasehold improvement asset; the provider-lessor does. Further complicated matters, at times, and depending on various factors, GSA may delegate certain authorities and elements of control associated with the reimbursable work and related leasehold improvement to its customers. Therefore, the example provided under paragraph 13 of SFFAC 5 is not analogous.

Accordingly, paragraphs 12-13 of Attachment 2 provide criteria for assessing which component entity (the provider-lessor or customer-lessee) is most responsible for managing the leasehold improvement asset.

Given the provider-lessor legislative authorities to own, lease, and provide reimbursable goods and services under the lease and reimbursable work agreements, staff recommends a high threshold for the customer-lessees to recognize the leasehold improvement asset. This will provide for the overall results of these assessments to lead to reporting decisions that are consistent with SFFAC 5 fundamentals. Accordingly, paragraphs 12-13 of Attachment 2 provide such criteria, requiring that the customer-lessee only recognize the leasehold improvement asset (PP&E) if they are expected to be the predominant beneficiary (and the provider-lessor will derive an insignificant level of economic benefits and services).

Paragraphs 11-15, taken as a whole, are sufficient and appropriate criteria for enabling reporting entities to determine the applicability of paragraphs 23-34 in a manner consistent with the Board's existing conceptual framework. Paragraphs 14-15 further assist entities with making consistent, reasonable projections based on relevant factors. The guidance is not rule-based, but rather principles-based. Provider-lessors and customer-lessees are better positioned to further define and assess which component entity should report the leasehold improvement asset. These paragraphs, in staff's view, provide sufficient criteria for doing so.

- B7.** Under paragraph 15, staff acknowledges that Technical Bulletins do not typically provide criteria for accounting policies. In staff's opinion, given the nature of the inter-entity balances and transactions that should eliminate, federal accounting standards should encourage adherence to policies and reaching agreement on the treatment of intragovernmental transactions. In light of the Board's limited domain and authority as it relates to this area and feedback provided by a Board member on this matter, staff recommends "encouraging" such systems and controls in support of the related federal financial reporting objective (see SFFAC 1 par. 146-148 and SFFAC 4 par. 8). Staff would like to hear the perspectives of Board members and FASAB General Counsel on this matter during the April meeting.



**Questions for the Board #3-4:**

3. Do members have feedback or wish to discuss items **A3** and **B6** and the related proposals in paragraphs 10-15 in Attachment 2?
4. Do members have feedback or wish to discuss the policy criteria matter discussed and analyzed under items **A4** and **B7**, and paragraph 15 in Attachment 2? Do Board members agree with staff's recommendation on this matter?

**B8.** Paragraphs 16-18 of Attachment 2 (and other paragraphs) were revised to enhance the related definitions.

- Staff recommends strategic redundancy and meticulousness with respect to matters concerning definition and scope. Such an approach will facilitate respondent assessments of the proposal. To the extent that some respondents may be critical of or averse to such redundancies, meticulous scoping, and definitional details in the proposals, they are encouraged to suggest viable alternatives.
- Staff continues to recommend that the Board to not use the term “reimbursable work authorizations” in the standards section of the proposal as a matter of clarity (as discussed in April). This term would not provide sufficient descriptors for scoping purposes. Staff also recommends explaining the basis for use of the term “intragovernmental leasehold reimbursable work agreements” in the basis for conclusions (as discussed under item **B2**, par. A8).
- As mentioned under item **A5** above, staff also implemented a Board member's suggested to include “construction” in the definition to provide sufficient descriptors for scoping purposes.

**B9.** As previously discussed under item **A6** above, staff implemented additional explanatory language to clarify the purpose of RWA agreements and aspects of them that are relevant to the proposal. The primary revision to the standards can be found at paragraph 20 of Attachment 2.

**Question for the Board #5:**

5. Do members have feedback or wish to discuss the items **A5-A6** and **B8-B9** and related changes to paragraphs 16-22 in Attachment 2?

**B10.** Paragraphs 23-34 of Attachment 2 include several revisions to improve the proposal:

- In response to member feedback, staff referenced paragraphs 27-28 of SFFAS 54 under paragraphs 24 (for customer-lessees and 30 (for provider-lessors). As a reminder, these assets and liabilities are akin to advances and prepayments under SFFAS 1 and SFFAS 54. As such, these “prepayments” for intragovernmental leasehold reimbursable work authorizations are subject to contract combinations and multi-component agreement guidance provided for under paragraphs 72-79 of SFFAS 54.

Affected reporting entities have repeatedly expressed concerns with describing RWAs as “prepayments.” Staff holds ambivalent views on this matter. The Board has the flexibility to use whichever term it prefers. This may or may not influence resulting Treasury USSGL decisions. In staff’s opinion, Treasury can instruct entities to use the existing USSGLs for advances and prepayments, or it can create a new USSGL. Staff recommends that the Board deliberate on terminology preference and select terminology based on the preference of the majority. Treasury can, in turn, consider the Board’s deliberations and final pronouncement terminology in making its determinations on whether to implement USSGL changes or not.

- Staff also recommends Board discussion on the inclusion of paragraphs 28.b and 34.b. These proposed disclosure requirements, as originally proposed by staff, are intended to provide analogous disclosure requirements that is comparable to the disclosure requirements of paragraphs 54.b and 67.b of SFFAS 54.

Staff prefers including the requirements in the proposal, since staff was unable obtain sufficient information about the potential usefulness of these disclosures during the research process. Staff recommends including a question for respondents on the matter and, depending on the results of the responses, making a decision after the exposure period. Staff recommends Board discussion of staff’s recommendation.

**B11.** As previously discussed under item **A9** above, staff revised the effective date paragraph in response to member feedback.**Question for the Board #6:**

6. Do members have feedback or wish to discuss items **A7-A9** and **B10-B11** and related changes to paragraphs 23-37 in Attachment 2?

Please provide feedback on the matters highlighted by staff, including the prepayments issue and the potential exclusion of paragraphs 28.b and 34.b.



# INTRAGOVERNMENTAL LEASE- ~~RELATE~~HOLD REIMBURSABLE WORK AGREEMENTS

Technical Bulletin 202X-X

Draft

Written comments are requested by [60-day comment period]

Month day, 202X

**Pre-ballot draft – comments are not requested on this draft**

## 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](http://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](#)
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Month XX, 202X

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

Your comments on the exposure draft of a proposed Technical Bulletin, *Intragovernmental Lease-~~Relate~~hold Reimbursable Work Agreements*, are requested. Specific questions for your consideration appear on page 3, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose. Responses are requested by **Month XX, 202X**.

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.

Please provide your comments by email to [fasab@fasab.gov](mailto:fasab@fasab.gov). 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. If you are unable to email your responses, please call (202) 512-7350 to make alternate arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document in the Federal Register and in FASAB's newsletter.

Sincerely,

Pending

George A. Scott  
Chair

## EXECUTIVE SUMMARY

### WHAT IS THE BOARD PROPOSING?

This Technical Bulletin would provide accounting and reporting requirements for intragovernmental lease~~hol-related~~ reimbursable work agreements (often referred to in practice as reimbursable work authorizations). These ~~intragovernmental~~ agreements possess unique features that are not contemplated in SFFAS 54, *Leases*, paragraphs 26-38, and other Board guidance.

Intragovernmental leasehold reimbursable work agreements are agreements whereby one reporting entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee) and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. These reimbursable costs are beyond (or “above-standard” for) what is included in the tenant improvement allowances of the lease agreement for the related underlying asset.

This proposal would require customer-lessees to recognize an intragovernmental reimbursable work asset for reimbursable acquisition, construction, improvement, and/or alteration costs (unless the leasehold improvement asset is recognized by the customer-lessee). It would require provider-lessors to recognize an intragovernmental unearned reimbursable work revenue liability for reimbursable acquisitions, construction, improvements, and/or alterations provided to the customer-lessee on a reimbursable basis (unless the leasehold improvement is recognized by the customer-lessee).

Accounting for the substance of these agreements inherently involves professional judgment in determining which reporting entity should report the leasehold improvement asset (or PP&E)—particularly in situations when both parties may derive economic benefits and services from the reimbursable work over the useful life of the resulting PP&E. This proposal would assist reporting entities with comparably recognizing the appropriate types of assets and liabilities embodied under these intragovernmental agreements.

In accordance with Technical Bulletin 2000-1, *Purpose and Scope for FASAB Technical Bulletins and Procedures for Issuance*, this proposal would address accounting issues not directly covered by SFFAS 54 in a manner congruous with SFFAS 54 and other relevant FASAB Statements and Concepts.

### MATERIALITY

The provisions of this proposed Interpretation would not need to be applied to information if the effect of applying the provision(s) is immaterial.<sup>i</sup> A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be

<sup>i</sup> Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

DRAFT



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## QUESTIONS FOR RESPONDENTS

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The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Technical Bulletin before responding to the questions below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Technical Bulletin. Because FASAB may modify the proposals before a final Technical Bulletin 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 implementing this proposal.

The questions in this section are available for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by email, please fax your responses to (202) 512-7366.

All responses are requested by **[insert date]**.

- Q1.** Do you generally support the proposed Technical Bulletin as a whole? Please provide reasons for your views.
- Q2.** Are there specific aspects of the proposed Technical Bulletin that you disagree with? If so, please explain the reasons for your positions, the paragraph number(s), and/or topic area(s) of the proposal that are related to your positions, and any alternatives you propose and the basis for such alternatives.
- Q3.** ~~Are you aware of any implementation issues that are not addressed in the proposed Technical Bulletin?~~ Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues ~~and any~~ references to applicable guidance, ~~and/or topic area(s) related to the issues~~, and any potential solutions you propose.
- Q4.** Are there specific aspects of this proposal that you otherwise wish to provide comments on?

## PROPOSED STANDARDS

### SCOPE

1. **What reporting entities are affected by this Technical Bulletin?**
2. This Technical Bulletin applies to federal entities that present general purpose federal financial reports (GPFFRs) 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*.
3. **What accounting practices are addressed in this Technical Bulletin?**
4. This Technical Bulletin provides guidance for accounting for and reporting of **intragovernmental leasehold reimbursable ~~leasehold~~ work agreements** (as defined under par. 16-9).
5. These agreements have unique features that require supplementary accounting guidance for purposes of implementing paragraphs 72-79 and 26-38 of SFFAS 54, *Leases*, and doing so in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.
6. **What is excluded from this Technical Bulletin?**
- ~~7.1. Paragraphs 16-27 of this Technical Bulletin do not apply to intragovernmental reimbursable leasehold work agreements for which the associated leasehold improvement is recognized by the customer-lessee agency. Paragraphs 28-33 of this Technical Bulletin provide principles for customers and providers to use when recognizing leasehold improvement (PP&E) assets between a customer-lessee or provider-lessor on a rational and consistent basis and determining the applicability of paragraphs 16-27.~~
7. This Technical Bulletin does not apply to reimbursable leasehold work agreements with non-federal entities. Such contracts and agreements should be reviewed by reporting entity lessees (and lessors) in accordance with paragraphs 78-79 of SFFAS 54 and considered when measuring the lease asset (unearned lease revenue) in accordance with paragraphs 49 (and par. 64) and 72-77 of SFFAS 54.
8. **What is excluded from paragraphs 23-34 of this Technical Bulletin?**
9. Paragraphs 16-27 23-34 of this Technical Bulletin do not apply to intragovernmental reimbursable leasehold work agreements for which the associated leasehold improvement is recognized by the customer-lessee agency. Paragraphs 10-15 28-33 of this Technical Bulletin provide principles for customer-lessees and provider-lessors to use when recognizing leasehold improvement (PP&E) assets between a customer-lessee or provider-lessor on a rational and consistent basis and when determining the applicability of paragraphs 16-27 23-34.

10. How should customer-lessees and provider-lessors determine the applicability of paragraphs 23-34 of this Technical Bulletin and recognize leasehold improvement assets accordingly?
11. Assets arising from intragovernmental reimbursable leasehold work agreements should be recognized between customer-lessees and provider-lessors on a rational and consistent basis.
12. For intragovernmental reimbursable leasehold work agreements in which the customer-lessee is expected to be the predominant beneficiary of the acquisition, construction, improvement, and/or alteration to the underlying asset, paragraphs 23-34 do not apply. For these types of agreements, the leasehold improvement—which is a type of PP&E asset under paragraph 18 of SFFAS 6, *Accounting for Property, Plant, and Equipment*—should be recognized by the customer-lessee. The provider-lessor would not be expected to derive significant residual economic benefits or services from such reimbursable work. In such instances the customer-lessee should recognize the leasehold improvement in accordance with SFFAS 6 (and par. 34 of SFFAS 54), while the underlying asset (other than the leasehold improvement recognized by the customer-lessee) remains on the books of the provider-lessor, in accordance with paragraph 66 of SFFAS 54.
13. For acquisitions, construction, improvements, and/or alterations with an expected useful life beyond the remaining lease term and for which the provider-lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the reimbursable work, the customer-lessee would not be considered the predominant beneficiary. In such cases, the leasehold improvement (or PP&E) asset should be recognized by the provider-lessor and the customer-lessee and lessor-provider should follow the guidance under paragraphs 23-34 (rather than par. 12).
14. The determination of whether or not the customer-lessee is expected to be the predominant beneficiary must be made in a manner that is consistent with the lease contract or agreement, its lease term (par. 14-21 of SFFAS 54), the nature of the reimbursable work, and the expected residual economic benefits and services at the end of the lease term.
15. Customer-lessees and provider-lessors are encouraged to establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reaching agreement on such recognition in a manner consistent with this guidance.

## DEFINITIONS

16. **Intragovernmental leasehold r**~~Reimbursable leasehold~~ **work agreement** – An agreement whereby one reporting entity (the provider-lessor) acquires, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee) and the customer-lessee agrees to pay-reimburse the provider-lessor for (finance) direct and indirect costs for the acquisition, construction, improvement, and/or alteration. The reimbursement of such acquisitions, construction, improvements, and/or alterations go beyond what may be included in the rent or tenant improvement allowances provided for in a lease contract or agreement for the related underlying asset.

17. **Customer-lessee** – this term refers to the reporting entity financing (~~paying-reimbursing~~ for) the acquisition/construction of, or improvements and/or alterations to, the underlying asset provided by the provider-lessor on a reimbursable basis.
18. **Provider-lessor** – this term refers to the reporting entity providing the acquisition/construction of, or improvements and/or alterations to, the underlying asset to the customer-lessee on a reimbursable basis.

#### INTRAGOVERNMENTAL LEASEHOLD REIMBURSABLE WORK AGREEMENTS

19. **What types of rights and obligations are established under reimbursable leasehold work authorizations that might give rise to recognizable assets and liabilities?**
20. Intragovernmental lease rental amounts are generally based on provider-lessor pricing policies prescribed by legislation and approved by the Office of Management and Budget (OMB). Pricing policies may be based—depending on the types of legislative authorities associated with the transaction—on prevailing market rates; return on investment pricing; or the costs (if any) of services not provided by the provider-lessor, plus a fee, and security charges and parking (if not in the lease). Intragovernmental leasehold reimbursable leasehold work agreements give rise to a reduction in the lease rental amounts that would otherwise be incurred by the provider-lessor and subsequently charged to the customer-lessee. These agreements provide for reimbursable work that are beyond (or “above-standard” for) what is included in the tenant improvement allowances of the lease agreement for the related underlying asset.
21. These agreements establishes a right for the customer-lessee to derive economic benefits and services from the goods and services provided and the subsequent use of the underlying asset and improvements thereto for costs already financed (paid for) through the reimbursable leasehold work agreement (hereinafter referred to as the intragovernmental leasehold reimbursable work asset).
22. These agreements also establishes an obligation for the provider-lessor to acquire, construct, improve, and/or alter the underlying asset for the customer-lessee and to provide access to the resulting economic benefits and services over the shorter of the remainder of the lease term, or useful life of the underlying asset or improvements/alterations thereto (hereinafter referred to as intragovernmental unearned reimbursable work revenue ~~liability~~).
23. **How should customer-lessees account for intragovernmental leasehold reimbursable leasehold work agreements?**
24. ~~Reimbursable leasehold work agreement~~ Customer-lessees should initially recognize an intragovernmental reimbursable work asset for the amount payable for reimbursable work acquisition, construction, improvement, and/or alteration costs (in a manner congruous with par. 27 of SFFAS 54 requirements for recognizing prepaid rent assets).
25. An intragovernmental reimbursable work asset should be amortized in a systematic and rational manner over the shorter of (a) the remainder of the lease term, or (b) the useful life of the underlying asset acquired/constructed or improvements/alterations thereto associated with the reimbursable work. The amortization of the intragovernmental reimbursable work asset should be reported as amortization expense.



26. The asset amount and subsequent amortization should be determined in a coordinated manner with the provider-lessor to facilitate the elimination of inter-entity balances and costs in accordance with paragraphs 108-109 of SFFAS 4.<sup>2</sup>
27. **What should customer-lessees disclose in the notes regarding intragovernmental reimbursable work assets and how do such disclosures relate to SFFAS 54 (par. 37) disclosure requirements?**
28. Customer-lessees should disclose the following regarding intragovernmental reimbursable work assets:
- A general description of significant reimbursable work agreement activities. Such disclosures may be separate from or incorporated within the general description disclosures provided for under paragraph 37.a of SFFAS 54.
  - The carrying amount of the asset and the amount of amortization expense for the reporting period.
29. **How should provider-lessors account for intragovernmental leasehold reimbursable ~~leasehold~~ work agreements?**
30. ~~Reimbursable leasehold work agreement p~~Provider-lessors should initially recognize an intragovernmental unearned reimbursable work revenue liability for the amount receivable for reimbursable work acquisitions, construction, improvements, and/or alterations (in a manner congruous with par. 28 of SFFAS 54 for prepaid rent liabilities).
31. Provider-lessors should recognize the intragovernmental ~~unearned~~ reimbursable work revenue in a systematic and rational manner over the shorter of (a) the remainder of the lease term, or (b) the useful life of the underlying asset acquired/constructed or improvements/alterations thereto associated with the reimbursable work.
32. The liability amount and subsequent revenue recognition should be determined in a coordinated manner with the customer-lessee to facilitate the elimination of inter-entity balances and ~~costs~~ earned revenues in accordance with paragraphs 108-109 of SFFAS 4.<sup>3</sup>
33. **What should provider-lessors disclose in the notes regarding intragovernmental reimbursable work assets and how do such disclosures relate to SFFAS 54 (par. 38) disclosure requirements?**
34. Provider-lessors should disclose the following regarding intragovernmental unearned reimbursable work revenue liabilities:
- A general description of significant reimbursable work agreement activities. Such disclosures may be separate from or incorporated within the general description disclosures provided for under paragraph 38.a of SFFAS 54.

<sup>2</sup> SFFAS 4 par. 108-109 provide for sharing cost information, recognizing inter-entity expenses and assets (and corresponding revenues and liabilities) when appropriate for purposes of recognizing the full cost of goods and services provided for inter-entity business-type activities, and the elimination of inter-entity balances and transactions.

<sup>3</sup> Ibid.

- ~~b.~~—The carrying amount of the liability and the amount of intragovernmental reimbursable work revenue recognized in the reporting period.

**~~How should customer lessees and provider lessors determine the applicability of paragraphs of this Technical Bulletin and recognize leasehold improvement assets accordingly?~~**

~~Leasehold improvement assets arising from reimbursable leasehold work agreements should be recognized between customer lessees and provider lessors on a rational and consistent basis.~~

~~For intragovernmental reimbursable leasehold work agreements in which the customer lessee is expected to be the predominant beneficiary of the improvement or alteration made to the underlying asset, paragraphs 16–27 do not apply. For these types of agreements, the related leasehold improvement—which is a type of PP&E asset under paragraph 18 of SFFAS 6, *Accounting for Property, Plant, and Equipment*—should be recognized by the customer lessee. The provider lessor would not be expected to derive significant residual economic benefits or services from this type of reimbursable work. In such instances the customer lessee should recognize the leasehold improvement in accordance with SFFAS 6 (and par. 34 of SFFAS 54), while the underlying asset (other than the leasehold improvement recognized by the customer lessee) remains on the books of the provider lessor, in accordance with paragraph 66 of SFFAS 54.~~

~~For improvements or alterations with an expected useful life beyond the remaining lease term or for which the provider lessor is expected to derive a more than insignificant level of residual economic benefits and services, the customer lessee would not be considered the predominant beneficiary. In such cases, the leasehold improvement (or PP&E) asset should be recognized by the provider lessor and the customer lessee and lessor provider should follow the guidance under paragraphs 16–27 above (rather than par. 30).~~

~~The determination of whether or not the customer lessee is expected to be the predominant beneficiary must be made in a manner that is consistent with the lease contract or agreement, its lease term (par. 14–21 of SFFAS 54), the nature of the reimbursable work, and the expected residual economic benefits and services at the end of the lease term.~~

- ~~e.b. There should be a policies established, documented, and followed consistently by customer lessees and provider lessors for recognizing leasehold improvement assets between reporting entities and reaching agreement on such recognition in a manner consistent with this guidance.~~

## IMPLEMENTATION

35. This Technical Bulletin requires that intragovernmental leasehold reimbursable work agreements meeting the above-specified scope and recognition criteria above, and unexpired at the beginning of the reporting period in which the Technical Bulletin is implemented, be recognized and measured using the facts and circumstances that exist at the beginning of the reporting period.
36. Entities should report the effect of implementing this Technical Bulletin on existing intragovernmental leasehold reimbursable ~~leasehold~~ work agreements prospectively in accordance with paragraph 13 of SFFAS 21, *Reporting Correction of Errors and Changes in*



*Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.* Accordingly, any changes in assets or liabilities should be treated prospectively. The change should be accounted for in the period of implementation and applicable future periods. No adjustments should be made to previously reported expenses or revenue.

## EFFECTIVE DATE

37. The requirements of this Statement are effective for reporting periods beginning after September 30, 2023. ~~Early adoption is permitted for intragovernmental reimbursable leasehold work agreements, on a transaction-by-transaction basis, if both the customer-lessee and provider-lessor reporting entities agree to early adopt the requirements for the related transaction.~~

The provisions of this Technical Bulletin need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

## APPENDIX A: BASIS FOR CONCLUSIONS

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The Federal Accounting Standards Advisory Board (FASAB) has authorized its staff to prepare Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board's Rules of Procedures, as amended and restated through October 2010, and the procedures described in FASAB Technical Bulletin 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*. The provisions of Technical Bulletins need not be applied to immaterial items.

This appendix discusses some factors considered significant by ~~staff~~ ~~Board members~~ in reaching the conclusions in this ~~Statement~~ Technical Bulletin. It includes the reasons for accepting certain approaches and rejecting others. ~~Individual members gave~~ Some factors were given greater weight ~~than to some factors than to other factors~~. The guidance standards enunciated in the ~~is~~ proposed technical guidance section ~~Statement~~—not the material in this appendix—would govern the accounting for specific transactions, events, or conditions.

This Technical Bulletin may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any pronouncement that affects this Technical Bulletin. Within the text of the Technical Bulletins, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements or other pronouncements for the rationale for each amendment.

### PROJECT HISTORY

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- A1. The Federal Accounting Standards Advisory Board (FASAB or "the Board") issued SFFAS 54, Leases, in April 2018 with an effective date for reporting periods beginning after September 30, 2020. The effective date was later amended by SFFAS 58, Deferral of the Effective Date of SFFAS 54, Leases, to reporting periods beginning after September 30, 2023.
- A2. FASAB and the Accounting and Auditing Policy Committee (AAPC) commenced projects on their technical agendas to identify implementation challenges and develop guidance related to SFFAS 54.
- A3. The AAPC assembled a task force to identify and analyze numerous SFFAS 54 implementation topics.
- A4. FASAB has received several requests from reporting entities and task force members for further guidance and clarification on accounting for reimbursable work authorizations tied to leases.
- A5. The Board received an educational update from staff and subject matter experts at significantly affected reporting entities in April 2022. The update included a presentation on the accounting issues, the purposes of reimbursable work authorizations and the underlying legislative authorities permitting them, examples of reimbursable work authorization transactions, and staff's accounting literature review on the topic.

- A6. The Board and its staff appreciate that intragovernmental leasehold reimbursable work agreements are complex and may, at times, have material effects on general purpose federal financial reports.
- A7. The Board generally agreed that a Technical Bulletin proposal would be an appropriate publication under the Rules of Procedure, as it would provide guidance for implementing paragraphs 72-79 and 26-38 of SFFAS 54 in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*. Staff believes that this proposal would comparatively reduce burden by more directly explaining the applicability of this guidance to intragovernmental leasehold reimbursable work authorizations.
- A8. The Board also agreed that the proposal should clearly articulate the scope of the guidance, which is intended for reimbursable work agreements for acquisitions, construction, improvements, and/or alterations to underlying assets of *intragovernmental leases*. For similar reasons, the Board and its staff decided it best to avoid use of the term “reimbursable work authorizations” in the standards section of the proposal. Rather, staff elected to use the term “intragovernmental leasehold reimbursable work agreements.” Use of this term is intended to clarify the scope of the proposed guidance.
- A9. The Board did not wish to change existing accounting practices for situations in which the customer-lessee is expected to be the predominant or sole beneficiary of the reimbursable work on the underlying asset and recognize the related leasehold improvement in accordance with SFFAS 6, *Accounting for Property, Plant, and Equipment*.
- A10. Staff is aware that the determinations of whether the customer-lessee will be the predominant beneficiary of the reimbursable work (with the provider-lessor being expected to derive an insignificant amount of, if any, residual economic benefits) is a matter of professional judgment. In some cases, the nature of the intragovernmental reimbursable work and lease agreements, uncertainties, among other factors, may result in high levels of subjectivity in professional judgment.
- A11. Understanding this, the exposure draft (ED) proposal provides factors to consider when making such determinations. It calls for reporting entities to establish, document, and follow policies for making these determinations and reaching agreement among intragovernmental counterparties for comparable treatment to facilitate elimination of intragovernmental balances and transactions.
- A12. Some task force members suggested that the proposed guidance allow provider-lessor (oftentimes the General Services Administration) to control and/or serve as the sole determiner of whether or not the customer-lessee will be the predominant beneficiary, given their experience in providing reimbursable work to many customer-lessees. The Board and its staff cannot provide such guidance, as this would compromise customer-lessee reporting entities’ control over their general purpose federal financial reports.

## APPENDIX B: ABBREVIATIONS

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

## APPENDIX C: GLOSSARY

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Pending finalization of the definitions section. The glossary will match the definitions section, once balloting is completed.

DRAFT

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## Leases Project Plan

	<u>Deferral</u> SFFAS 58	<u>Implementation Guidance</u> TR 20 Updates To TR 20	<u>Omnibus</u> SFFAS 60 SFFAS TBD	<u>Leases-Related</u> <u>Intragovernmental RWAs</u> TB TBD	Training / Outreach
FY 2020	Draft Exposure Period Finalize Issuance SFFAS 58 ISSUED	Draft	Research Draft		Provide
FY 2021		Exposure Period Finalize / Approve Research	Exposure Period Finalize / Approve Research	Research Draft	Provide
FY 2022 Q1		Issuance TR 20 ISSUED Research	Issuance SFFAS 60 ISSUED Research Draft	Research Draft	Draft FY 22 content
FY 2022 Q2			Draft	Draft	Provide
FY 2022 Q3		Research	Draft Exposure Period	Draft Exposure Period	Provide
FY 2022 Q4		Research	Exposure Period Finalize / Approve	Exposure Period Finalize	Provide
FY 2023 Q1		Research Draft	Issuance	Finalize / Approve	Draft FY 23 content
FY 2023 Q2		Draft		Issuance (original plan)	Provide
FY 2023 Q3		Exposure Period Finalize / Approve Issuance			Provide
FY 2023 Q4				Behind schedule. Projected issuance.	Provide
FY 2024 Q1	SFFAS 54 effective				

Last updated: July 2022. The leases-related intragovernmental RWAs sub-project is currently running behind schedule. The omnibus project is running ahead of schedule.