

## Memorandum

### Leases - RWAs

December 2, 2022

To: Members of the Board  
From: Ricky A. Perry, Jr., Senior Analyst  
Thru: Monica R. Valentine, Executive Director  
Subject: **Analysis of comment letters on proposed Technical Bulletin** (Topic B)

#### INTRODUCTION

The briefing material includes staff's analysis of comment letters received on the Board's proposed Technical Bulletin (TB), *Intragovernmental Leasehold Reimbursable Work Agreements*, and recommended improvements to the proposal in response to those comments. Comments were due by November 4.

Staff analyses and recommendations are intended to support the Board's review of comment letters and not a substitute for reading the individual letters.

#### REQUEST FOR FEEDBACK BY DECEMBER 12

**Prior to the December meeting**, please review all comment letters (Reference Material, item 1), along with the attached staff analysis and recommendations (Attachment 1-3), and respond to the ensuing questions no later than December 12.

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 seeks to ballot the proposal soon after the December meeting. Otherwise, staff will provide an updated pre-ballot copy for further discussion in February 2023.

#### ATTACHMENTS

1. Staff analysis and recommendations
2. QFR and SMC responses, with staff notes

3. *Technical Bulletin 202X-X, Intragovernmental Leasehold Reimbursable Work Agreements*, pre-ballot draft, marked with suggested edits
4. Leases project plan

## REFERENCE MATERIAL

1. [Compendium of comment letters \(please review\)](#)
2. [SFFAS 54, Leases](#)
3. [SFFAC 9, Materiality](#)
4. [Technical Bulletin 2000-1, Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance](#)
5. [SFFAS 4, Managerial Cost Accounting Standards and Concepts](#)
6. [SFFAS 34, The Hierarchy of Generally Accepted Accounting Principles](#)
7. [SFFAS 47, Reporting Entity](#)
8. [SFFAS 60, Omnibus Amendments 2021](#)
9. [SFFAC 1, Objectives of Federal Financial Reporting](#)
10. [SFFAS 1, Accounting for Selected Assets and Liabilities](#)

## Staff Analysis

### Leases - RWAs

December 2, 2022

#### CONTEXT

As part of the leases implementation guidance project, the Board proposed a Technical Bulletin (TB) pronouncement to provide supplementary guidance for purposes of implementing paragraphs 72-79 and 26-38 of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, and other relevant SFFAS for purposes of accounting for leases-related reimbursable work agreements.

The Board released the exposure draft (ED) on September 19 with comments due on November 4. The ED request for comments included four questions for respondents (QFR) and two specific matters for comment (SMC). Staff has analyzed the comments and prepared recommendations for Board consideration.

FASAB has received 18 responses from the following sources:

	FEDERAL	NON-FEDERAL
Associations	-	3
Auditors/Accounting Firms	1	-
Preparers and financial managers	14	-
Individuals	-	-

[Comments are posted on FASAB.gov](#). Please read these letters in their entirety (Reference Material item 1) before reviewing the staff analysis and recommendations. On the comment letters page, respondents are listed in the order that their letters were received.

Staff thanks the leases implementation task force for their continued assistance.

#### SUMMARY OF RECOMMENDATIONS AND ANALYSES

A majority of respondents (15 of 18) indicated support of the proposed TB. Two respondents indicated disagreement, and one respondent did not specify. Certain respondents cited reasons for their support, such as improved clarity and helpful supplemental guidance, consistency with existing GAAP, and improved consistency among intragovernmental trading partners. Respondents that disagreed cited their concerns, such as materiality and interacting effects of intragovernmental lease terms on cost allocations across reporting periods.

Numerous respondents provided insightful comments and suggestions to improve the clarity of the proposal. Staff agreed with several of those comments and suggestions, and recommends revisions to improve the draft TB, as discussed below and reflected in Attachments 2 and 3. Other respondents provided suggested alternatives for the Board to consider, such as expense recognition in lieu of capitalization and amending SFFAS 54 to permit entities to revise lease term expected end dates if they determine that the cancellation of an agreement is probable.

To facilitate discussions, items discussed and summarized in this memo are lettered **A-K**. Staff recommendations are numbered 1-7.

## ANALYSIS

### Analysis of Responses to Question for Respondents #1:

**QFR 1.** *Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.*

As noted above, 15 of 18 of respondents indicated support for the proposal.

The proposal originally provided to the Board reflected a compromise among the working group that members found viable, accurate, consistent with existing GAAP, and responsive to the related accounting issues. Although the Board made a few minor modifications to the version developed by staff in consultation with the working group, the changes made were not substantive or of a nature that diverged from the working group's consensus compromise.

It is important to note that a majority of the respondent preparers that engage in intragovernmental leasehold reimbursable work agreements at their respective reporting entities, several of which were not involved with the original working group, agreed with the proposals and found them to be helpful in clarifying existing Statements. The General Services Administration, which serves as the predominant provider-lessor in the federal government, generally supported the proposal as well.

### Recommendation #1

**A. Structural Clarity** – *Staff proposes modifications to the headers throughout the document to enhance structural clarity and improve the navigability of the document.*

In response to QFR 1, one respondent (**17**) expressed a preference for a more structured format to the proposal and an elimination of the Q&A format. These concerns are somewhat similar to feedback raised by another respondent (**12**) that expressed concerns about an “unnecessarily complex” structure in their response to QFR 4.

Staff does not recommend removing the Q&A format. Staff previously shared similar feedback and proposed non-Q&A format in earlier presentations to the Board. However, staff found that a

majority of respondents generally understood the proposal's Q&A format. Additionally, as discussed previously with the Board, Technical Bulletins are generally done in this format.<sup>1</sup>

Although there are some perceived benefits to structuring the document similar to an SFFAS, given the absence of similar feedback among other respondents and the preferences previously expressed by Board members, staff recommends keeping the Q&A format.

To address the structural concerns of the respondents, staff recommends modifications to the headers throughout the document to enhance structural clarity as follows:

**Header 1:** Scope [and Applicability](#)

**Sub-headers:** (1) [Scope](#) (2) [Applicability of Paragraphs 23-34](#)

**Header 2:** Definitions (*no change*)

**Header 3:** Intragovernmental Leasehold Reimbursable Work Agreements - [Accounting and Disclosures](#)

**Sub-headers:** (1) [Customer-lessee](#) (2) [Provider-lessor](#)

**Header 4:** Implementation (*no change*)

**Header 5:** Effective Date (*no change*)

These proposed header and sub-header changes are tracked in Attachment 3.

#### Questions for the Board #1-2:

1. Do Board members have any questions or concerns with staff's analysis and [recommendation 1](#), to improve structural clarity within the TB?
2. Do Board members have any other comments or suggestions to help improve the TB's structural clarity?

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<sup>1</sup>Technical Bulletin 2000-1, par. 12.

Analysis of Responses to Questions for Respondents #2-4:

**QFR 2.** *Are there specific aspects of the proposed Technical Bulletin that you disagree with? If so, please explain the reasons for your positions, the paragraph numbers(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.*

**QFR 3.** *Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.*

**QFR 4.** *Are there specific aspects of this proposal that you otherwise wish to provide comments on?*

The issues identified by respondents for which staff recommends revisions are discussed first (recommendations [2-5](#), items **B-E**), followed by issues for which staff recommends no changes, subject to Board discussion and agreement (items **F-I**).

**QFR 2-4 items for which staff recommends revisions**Recommendation #2

**B. Scope and applicability section, paragraphs 12-13** – *Staff proposes clarifying edits to these paragraphs to improve the structural clarity of the guidance surrounding the scope and applicability of paragraphs 22-33. Staff also proposes a technical edit related to the cross-reference to paragraph 66 of SFFAS 54. See Attachment 3 par. 12-13.*

One respondent (**17**) requested that paragraph 12 be broken into sub-paragraphs to delineate the customer-lessee and provider-lessor criteria. Staff concurs with the suggestion. Staff also recommends implementing similar edits to paragraph 13. Staff believes that these revisions significantly enhance the structural clarity of this section (which addresses similar feedback discussed under [Recommendation 1](#) above).

One respondent (**12**) noted that the relationship to SFFAS 54, paragraph 66, was not clear because the paragraph does appear to apply to intragovernmental leases. Staff proposes a clarifying revision to this cross-reference in response to this technical comment.

Recommendation #3

**C. Predominant beneficiary guidance, paragraph 14** – *Staff recommends clarifying edits to facilitate consistent and comparable practitioner assessments. See Attachment 3, par. 14.*

Several respondents (**10, 11, 12, 14**) requested that the Board *define* “more-than-insignificant” and/or “predominant beneficiary” under paragraphs 12-13 of the proposal. Staff does not recommend defining the terms because their inherent relationship to the concept of materiality. Under Statement of Federal Financial Accounting Concepts (SFFAC) 9, the

Board decided not to provide detailed guidance on materiality for similar reasons. Staff believes that an emphasis on the importance of evaluating the significance of residual economic benefits, without providing a specific definition, would allow reporting entities broader flexibility to exercise professional judgment in coordination with their intragovernmental trading partners.

One respondent (18) asked that the Board consider providing examples of relevant factors to assess when determining predominant beneficiary. Staff recommends expanding paragraph 14 to clarify relevant factors to consider when assessing whether the customer-lessee is expected to be the predominant beneficiary. The proposed edits to the paragraph would facilitate more consistent and comparable practitioner assessments. These edits would also be responsive to the other respondents' comments requesting clarity in this area without defining the terms (for reasons stated above).

#### Recommendation #4

**D. Paragraph 20 discussion of pricing policy – Staff proposes deleting paragraph 20 and renumbering subsequent paragraphs. See Attachment 3 par. 20.**

One respondent (17) rightly predicted that paragraph 20 of the ED may cause confusion among practitioners and was not necessary to the guidance. Staff concurs. Although the paragraph was intended to provide helpful context, when analyzing respondent feedback staff observed a few examples of respondent confusion that may have stemmed from this paragraph.

#### Recommendation #5

**E. Paragraphs 25, 31 – Staff proposes expanding paragraph references to par. 108-113 (rather than 108-109). Staff also proposes a minor revision to paragraph 31. See Attachment 3 par. 25, 31.**

One respondent (15) requested that the Board provide sufficient support for the footnote references to paragraphs 108-109 of SFFAS 4, *Managerial Cost Accounting Standards and Concepts*. Staff agreed with the respondent and, upon further review, found that the citation could be further supported. Staff recommends including paragraphs 110-113 in the citation. These four additional paragraphs “*should be read in conjunction with*” paragraphs 108-109 to “*provide a complete understanding of the implementation of the standard on inter-entity costing due to different recognition requirements for certain types of activities.*”<sup>2</sup>

The cross-reference is not establishing a new requirement. Notwithstanding, under the Rules of Procedure, Technical Bulletins may provide guidance to address areas not covered directly by existing Statements provided that TB 2000-1, paragraph 5 criteria are met.<sup>3</sup>

<sup>2</sup>See footnote 31A of SFFAS 4, par. 108-109.

<sup>3</sup>Technical Bulletin 2000-1, par. 3-5.

Staff also proposes a minor revision to paragraph 31 to reflect the relevant perspective (that of the provider-lessor) under the paragraph.

**QFR 2-4 items for which staff recommends no revisions:**

- F.** A few respondents (14, 15, 17) asked that the Board consider providing flowcharts to facilitate implementation of paragraphs 11-15.

Staff does not recommend this action for the following reasons:

- a. A decision flowchart would not effectively depict the authoritative criteria unless it matched the criteria exactly. Any modifications to the authoritative criteria in the chart would create inconsistencies, thereby increasing the risk of application errors and/or creating inconsistencies within the document.
- b. Decision flowcharts generally depict step-by-step scenarios and procedures. The criteria under paragraphs 11-15 do not have a sufficient number of steps, complexities, or procedural activities that warrant use of a flowchart.

Staff believes that the clarifying revisions to paragraphs 12-14 ([Recommendations 2-3](#) above) will provide sufficient clarity and serve the same purpose; particularly the above recommendation to break paragraphs 12 and 13 into sub-paragraphs.

**Staff requests and welcomes Board discussion on this matter and staff's basis for not recommending the inclusion of a non-authoritative flowchart.**

- G.** One respondent (12) recommended that *"the Board consider whether the Financial Accounting Standards Board's (FASB) recent decision on leasehold improvements associated with leases between entities under common control is a preferable approach." Subject to public comment, FASB decided that for all entities with leases between entities under common control, the lessee should amortize the leasehold improvements over their economic life as long as the lessee continues to use the underlying asset. If the lessee ceases using the underlying asset (e.g., the lease is not renewed), the remaining leasehold improvement would be transferred to the lessor and accounted for as a transfer between entities under common control. FASB's approach appears simpler than that proposed in the TB and is likely more cost beneficial as it avoids issues with determining predominant beneficiary, establishing a new type of lessee asset, and related intergovernmental issues."*

Staff does not recommend the FASB approach for the following reasons:

- a. The tentative FASB decision would not clarify existing FASAB Statements. Under SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles*, paragraph 6, reporting entities should follow the accounting treatment specified by the accounting principle from the highest category (such as Statements over TBs). This TB should ultimately be consistent with existing Board Statements. The proposed TB and related accounting model follows the appropriate rules of procedure and clarifies the application of existing Board Statements.



- b. FASB's tentative decision would further diverge FASB's approach from that of the FASAB because of the common control concept. This concept is not suitable for the federal government environment, nor does it appear in existing Board Statements or its conceptual framework / reporting model.

In the federal government, administrative assignments to component reporting entities are typically made in laws and policy documents,<sup>4</sup> such as those providing authority to provider-lessors to perform reimbursable work on behalf of requesting customer-lessees. Intragovernmental assets, liabilities, costs, and revenues should be recognized in a manner consistent with these administrative assignments.

SFFAC 1, paragraphs 9-10, provide that clearly defining the boundaries of the reporting entity provides the users with a clear understanding of what the reporting entity encompasses and helps establish what information is relevant to the financial statements. FASB reporting entities under common control do not require the same financial information for evaluating performance, responsibilities, compliance, and control based on such administrative assignments. FASB common control transactions are typically accounted for by the receiving entity, whereas both the customer-lessee and provider-lessor should be accountable for their respective administrative assignments in the federal environment.

In the context of Occupancy Agreement-Reimbursable Work Authorization agreement combinations, staff believes that leasehold improvement assets should be recognized in a manner consistent with existing Board Statements, as provided under paragraphs 11-15 of the proposal. Again, these criteria are consistent with underlying Board Statements and Concepts and the respective component reporting entities' administrative assignments and responsibilities under the agreement combination. Moreover, the model is consistent with applicable SFFAS 4 criteria for inter-entity costing for business-type activities.

**Staff requests and welcomes Board discussion on this matter and staff's basis for not recommending this action.**

- H. One respondent (17) expressed concern that "paragraph 31 would often produce poor matching of revenues to expenses recognition on the Statement of Net Cost for lessors." (see Attachment 3, QFR 4 worksheet)

*"Normally we observe lease terms to be significantly less than the useful life of underlying assets and the improvements discussed in this draft Technical Bulletin. We foresee instances where a remaining lease term could be very short (though anticipated to be extended or renewed in the future) and the asset has 10 or more years of useful life remaining. It would theoretically provide better matching if the lessor were to earn the revenues from these reimbursable agreements over the period the costs would be depreciated. As an extreme example, there are instances where a lease is in a holdover status or similar to an "evergreen" lease, that would result in immediate revenue*

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<sup>4</sup> SFFAS 47, par. 58.

*recognition by a lessor, though the asset benefit period and depreciation would be over many years. We also expect that changing the lessor's period of amortization to match its asset depreciation period would likely create complexities from the perspective of intragovernmental reporting and the elimination of reciprocal balances reported by the lessee and lessor. We request the Board consider these points in making final determinations of the amortization requirements and request additional mention in the Basis for Conclusions section regarding the approach used to reach its decision on this issue."*

Staff agrees with the respondent's recommendation to include a basis for conclusion discussion on the matter; however, staff does not recommend omnibus actions or other changes in response to this feedback, based on the following:

- a. Under SFFAS 60, the Board concluded that paragraph 19.a of SFFAS 54 should remain unamended. The Board noted that revising the paragraph would likely result in undue costs and preparer burdens.
- b. The Board also noted that reporting entities and their counterparties often have sufficient disincentives that deter them from prevalently engaging in significant off-balance-sheet financing through use of cancelable periods. Staff also believes that there are considerable economic incentives under the agreement combination for customer-lessees to protect their capital investments through timely negotiations of lease terms tied to underlying assets with significant reimbursable work.
- c. Staff will monitor implementation concerns regarding paragraph 19.a of SFFAS 54—particularly intragovernmental implementation issues, which might lack the level of disincentives that are present in transactions with the public. Staff respectfully requests reporting entities to monitor and communicate implementation issues like this and the significance of their effect on the financial statements. Staff will perform periodic outreach to monitor this area post-implementation.

#### **Staff requests and welcomes Board discussion on this matter.**

- I. One respondent (17) expressed appreciation for the Board's focus on reimbursable agreements for building alterations, which has been a longstanding issue for the respondent. The respondent encouraged the Board to consider if any other arrangements and asset types should follow the proposed guidance. The respondent suggested that the Technical Bulletin could be expanded to include coverage of similar arrangements.

Staff does not recommend the actions suggested by the respondent for the following reasons:

- a. Staff has not received any requests from the respondent previously, nor has staff received similar requests from other reporting entities. As a result, staff does not have sufficient, appropriate evidence to bring forward a potential project or scope expansion for Board consideration.

- b. Similar underlying asset types (such as vehicles and other equipment, as cited by the respondent as an example) would be subject to the Technical Bulletin, if they meet the scope and applicability criteria of the proposed Technical Bulletin. The Technical Bulletin is not limited to building alterations as implied by the examples provided in the comment letter.

**Staff requests and welcomes Board discussion on this matter and staff's basis for not recommending this action.**

#### Questions for the Board #3-6:

3. Do Board members have any questions or concerns as it relates to the responses received to QFR #2-4?
4. Do Board members agree with staff's analysis and [recommendations 2-5](#) under items **B-E**?
5. Do Board members agree with staff's analysis and recommendations not to revise under items **F-I**?
6. Do members wish to discuss and/or deliberate any of the QFR 2-4 items for which staff recommends taking no action at this time?

#### Analysis of Responses to Specific Matters for Comment #1 and #2:

**SMC 1:** *Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.*

Several respondents *agreed* with the proposal, noting that the inclusion of paragraph 15 would facilitate consistent implementation and coordination of the intragovernmental requirements.

Several respondents *disagreed* with the proposal. Some expressed concerns that the requirement seemed out of scope for this document inasmuch as they believed paragraph 15 provides internal control and procedural guidance rather than accounting guidance. Some respondents expressed concerns that failure to reach agreement between trading partners may

raise questions about failures to comply with GAAP. A few respondents expressed similar concerns about paragraphs 25 and 31.

#### Recommendation #6

**J. Paragraph 15** – *Staff recommends keeping paragraph 15 in the authoritative section, with clarifying points added in the basis for conclusions, based on the following:*

- Paragraphs 15, 26, and 31 do not require reporting entities to reach agreement with their intragovernmental trading partners. They require reporting entities to coordinate and establish, document, and consistently follow policies for reaching agreement. This distinction, and the inherent constraints associated with these criteria can be explained in the basis for conclusions to mitigate auditing challenges that might otherwise crop up.
- There is precedent for including accounting policy criteria in Technical Bulletins for intragovernmental transactions and balances. Technical Bulletin 2017-2, *Assigning Assets to Component Reporting Entities*, paragraph 8, includes criteria stating the following: “There should be a process in place to ensure all assets within a reporting entity are assigned.” The paragraph requires reporting entities to establish, document, and consistently follow a policy for assigning assets to component reporting entities.
- Inclusion of this criterion may further assist the Bureau of Fiscal Service in resolving longstanding and ongoing intragovernmental elimination differences and facilitating dispute resolutions in this area moving forward. Fiscal Service and certain reporting entities have expended considerable time, effort, and research trying to resolve certain RWA-related disputes.
- Staff has observed a general unwillingness and a general lack of incentive for reporting entities to coordinate with their intragovernmental trading partners and reach agreement in this area due to an absence of authoritative GAAP requirements and/or administrative directives requiring them to do so. This, in turn, impedes Fiscal Service’s ability to resolve intragovernmental elimination differences in this area during the consolidation process. Fiscal Service must then seek reporting entity concurrence, from either the customer-lessee or the provider-lessor, for making adjusting journal entries to clear the difference. Parties on both sides of the transaction have historically been unwilling to approve such adjusting entries due to an absence of clarifying criteria. While the Technical Bulletin accounting criteria will likely prevent a majority of elimination differences, staff believes that paragraphs 15, 26, and 31 are complementary criteria that support federal financial reporting objectives (see next bullet) and facilitate compliance with existing Statements.
- SFFAC 1, *Objectives of Federal Financial Reporting*, paragraph 146, provides that federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that transactions are recorded in accordance with federal accounting standards. Staff believes that paragraphs 15, 26, and 31 contribute to the

Board's systems and control federal financial reporting objective and address ongoing challenges in implementing federal accounting standards by employing appropriate criteria that supports this objective and compliance with existing Board Statements.

While staff recommends keeping the paragraph, staff believes that there are acceptable alternatives, including removing the paragraph and discussing the importance of coordination between intragovernmental trading partners under the basis for conclusions, as suggested by respondents **5** and **12**.

**Staff requests and welcomes Board discussion on this matter.**

**Question for the Board #7:**

7. Do members agree with staff's analysis and [recommendation 6](#) to keep paragraph 15 in the authoritative section, with clarifying points added to the basis for conclusions? Please provide feedback on the recommendation.

**SMC 2:** Paragraphs 28 and 34 provide proposed disclosure requirements. Please provide feedback on the extent to which these proposed disclosure requirements are appropriate. For example, is such information necessary to make the financial statements informative and relevant to users in assessing accountability? Please describe your views, the costs and benefits of including these proposed disclosures, and other reasons for your views. Also, please provide feedback on the inclusion of these paragraphs as proposed requirements in a Technical Bulletin and any potential implementation challenges.

A majority of respondents (11 of 18) agreed with the proposed disclosure requirements. Several found that the disclosures could make the financial statements more informative and relevant information to users for assessing accountability. Some respondents (**6, 17**) noted that the information may not be necessary for assessing accountability based on materiality considerations. Respondent 17 stated, *"While we would be able to provide the information requested for disclosure, we do not think it's warranted for this activity. GSA likely has the largest balances for these intragovernmental agreements, but it is not material for our financial statements. As such, from a cost vs benefit perspective, we do not recommend including these disclosure requirements."*

Recommendation #7

**K.** *Staff recommends keeping the disclosure requirements under paragraphs 28.a and 34.a, while removing the disclosure requirements under paragraphs 28.b and 34.b,<sup>5</sup> based on the following. See Attachment 3 par. 27, 33.*

- Paragraphs 28.a and 34.a *clarify* the applicability (after considering significance) of paragraphs 37.a and 38.a of SFFAS 54 in the context of intragovernmental leases that include reimbursable work. The SFFAS 54 disclosure requirement has a significance threshold, as reflected in the proposal.
- While staff found theoretical merit to exposing the paragraph 28.b and 34.b disclosures for public comment, staff did not find compelling benefits in the feedback provided by respondents. Furthermore, these paragraphs *analogize* disclosure requirements of SFFAS 54 that are otherwise only applicable to leases with the public (par. 54.b and 67.b). SFFAS 1, *Accounting for Selected Assets and Liabilities*, do not include analogous requirements for advances and prepayments.

**Staff requests and welcomes Board discussion on this matter.**

**Question for the Board #8:**

8. Do members agree with staff's analysis and recommendation to keep paragraphs 28.a and 34.a and remove paragraphs 28.b and 34.b (see Attachment 3, par. 27 and 33)? Please provide feedback on the staff recommendation.

Summary of updates to the summary and basis for conclusions sections:

- Staff removed the final paragraph of the ED summary. Staff included the paragraph in the ED as helpful context for potential respondents evaluating the proposal. Such language is not necessary for a final TB, nor is it included in other TB summaries.
- Added paragraphs A19-A20, which summarize outreach and resolution methodology.
- Added paragraphs A20.a-A21, which summarize preliminary Board actions based on the ED respondent feedback, including those discussed under [recommendations 1-3](#) and [recommendation 7](#) above.
- Staff does not believe the changes resulting from [recommendations 4-5](#) above are significant enough to warrant basis for conclusions discussion.
- Added paragraph A22, which discusses item **G** above. Staff does not believe that items **F**, **H-I** above are significant enough to warrant basis for conclusions discussion.
- Paragraph A23 discusses [recommendation 6](#) above.
- Paragraph A24 is pending. The paragraph is consistent with staff policy manual guidance and templates.

<sup>5</sup>Originally, paragraphs 27 and 33 in Attachment 3 were paragraphs 28 and 34 in the ED.

Paragraphs A20.a-A23 are subject to change and drafted based on the assumption that members will agree with staff's analysis and recommendations above. Staff will further revise these paragraphs based on Board decisions, edits, and deliberations at the December meeting.

**Question for the Board #9:**

9. Do members have any edits or comments on the summary or basis for conclusions as updated? If so, please provide edits and/or feedback in advance of the meeting to facilitate staff preparation.

Resp. No.	Organization
1	Department of Labor (DOL)
2	Health and Human Services (HHS)
3	Department of Defense (DOD)
4	Environmental Protection Agency (EPA)
5	Greater Washington Society of CPAs, Federal Issues and Standards Committee (GWSCPA - FISC)
6	Social Security Administration (SSA)
7	Department of Housing and Urban Development (HUD)
8	Department of the Treasury (Treasury)
9	National Aeronautics and Space Administration (NASA)
10	Virginia Society of CPAs, Accounting and Auditing Advisory Committee (VSCPA - AAAC)
11	Department of State (State)
12	Government Accountability Office (GAO)
13	AGA, Financial Management Standards Board (AGA-FMSB)
14	Department of Justice (DOJ)
15	Department of Commerce (DOC)
16	Department of the Interior, Bureau of Indian Affairs (DOI-BIA)
17	General Services Administration (GSA)
18	Department of Homeland Security (DHS)



QFR 1: Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.			
Ref. No.	Agreement type	Response	Preliminary Staff Notes
1	Agree	The Department of Labor reviewed the Exposure Draft and we do not have any comments.	N/A
2	Agree	Generally agree. Exposure draft provides clarity on lessor/lessee baseline requirements associated with the recognition of leasehold improvement transactions.	N/A
3	Agree	DoD generally agrees with the proposed Technical Bulletin as it further explains and addresses areas not covered directly under SFFAS 54 related to intragovernmental leasehold reimbursable work agreements. We interpret our Occupancy Agreements where we use office spaces in buildings that are predominantly managed by General Services Administration (GSA) as intragovernmental reimbursable leasehold work agreements. We had concerns on when and how DoD should report these types of arrangements as being the customer-lessee. This guidance addresses recognition of leasehold improvement or lessor improvement assets (Property, Plant, and Equipment (PP&E)) and considerations when determining which reporting entity should account for the PP&E.	N/A
4	None provided		N/A
5	Agree	The FISC generally agrees with the Board's proposed Technical Bulletin as a whole for the reasons stated by the Board.	N/A
6	Disagree	We generally disagree with the proposed Technical Bulletin. SSA has a number of concerns. <i>[Staff note: Concerns provided by the respondent are included in the QFR 2 worksheet.]</i>	See QFR 2 worksheet.
7	Agree	Yes, HUD CFO's Office of Accounting agrees with the proposed Technical Bulletin as a whole as it is in accordance with GAAP.	N/A
8	Agree	Agree, while the technical release does not have a material effect on our agency, providing guidance for recording intragovernmental leasehold improvements consistently by all agencies makes financial reporting more useful to the taxpayers.	N/A
9	Agree	The proposed Technical Bulletin will provide greater consistency in the application of the standard.	N/A
10	Agree	<p>Generally agree - The TB generally provides appropriate supplemental guidance for implementing paragraphs 72-79 and 26-38 of SFFAS 54 consistently with SFFAS 4, once a determination is reached that the provider-lessor is expected to derive a "more-than-insignificant level of residual economic benefit." There are three areas in which clarification or additional guidance might be helpful for implementation:</p> <p><i>1. the definition of significant residual economic benefits, and</i></p> <p><i>Given the potential level of subjectivity involved in these transactions, it might be prudent to adopt a more prescriptive definition to achieve the level of consistency envisioned by the TB (paragraph 4 of the Executive Summary). This is similar to the issues raised in A17 and A18 of Appendix A: Basis for Conclusions. However, the response to require entities to develop, document, and follow consistent policies does not seem sufficiently helpful.</i></p> <p><i>2. the application of paragraph 15, as discussed under SMC 1 below,</i></p> <p><i>3. the cost/benefit of the implementation of the TB and applicable disclosures.</i></p> <p><i>It is difficult to assess the cost benefit of implementation of the TB. See further discussion under SMC 2 below.</i></p>	See QFR 3, SMC 1, and SMC 2 worksheets.

QFR 1: Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.			
Ref. No.	Agreement type	Response	Preliminary Staff Notes
11	Disagree	<p>The Department of State (DOS) appreciates the opportunity to review and provide comments on FASAB’s exposure draft of a proposed Technical Bulletin related to Intragovernmental Leasehold Reimbursable Work Agreements. We also appreciate the FASAB in allowing DOS to put forth our position related to these agreements and including us in development of the draft.</p> <p>DOS agrees that additional guidance is needed to address existing gaps in current accounting guidance and the unique scenarios that arise from intragovernmental lease arrangements. Specifically, accounting for intragovernmental leasehold improvements and other reimbursable agreements that give rise to lease relationships between federal agencies. We also agree that this guidance should be consistent and in conjunction with Statement of Federal Financial Accounting Standards (SFFAS) SFFAS 54 - Leases.</p>	
		<p>DOS does not agree with the proposed approach in the Technical Bulletin. The Technical Bulletin requires agencies to report, by way of amortized assets and liabilities, a reciprocal relationship for certain type of lease arrangements. However, we find this inconsistent with the approach for intragovernmental leasing arrangements under SFFAS 54.</p> <p>Under SFFAS 54, intragovernmental leases are required to be disclosed in the notes to the financial statements but are not reported on the face of the financial statements. The result of this requirement allows the Government-Wide Statements to only report the actual carrying costs of agency owned buildings and leases as a whole. DOS believes that Intragovernmental Reimbursable Work Agreements should be treated in a consistent manner, whereby the lessor records the underlying asset and any other reciprocal relationship resulting from the overall agreement would be disclosed.</p>	<p>The proposed Technical Bulletin is consistent with paragraphs 72-79 and 26-38 of SFFAS 54. Although SFFAS 54 exempts intragovernmental leases from lease liability and lease asset reporting requirements under par. 39-54, SFFAS 54 requires intragovernmental assets and liabilities to be reported for intragovernmental leases under paragraphs 27-28. The proposal also further explains issues unique to RWAs that are not directly explained under paragraphs 11-12 and 34-35 of SFFAS 54.</p>
		<p>Overall DOS recommends the following:</p> <ol style="list-style-type: none"><li>1. Modify the guidance to clearly define which agency should report an asset under the two outlined scenarios (leasehold improvement vs intragovernmental leasehold reimbursables)</li><li>2. Remove the reciprocal accounting requirements for Intragovernmental Reimbursable Work Assets and Liabilities</li><li>3. Clearly specify that the assets obtained through intragovernmental leasehold reimbursables should be treated similarly to intragovernmental leases in accordance with SFFAS 54, and the relationship and attributable costs be disclosed only</li></ol>	<p>N/A</p>
		<p>Further, DOS has concerns over the implementation timeline of the proposed Technical Bulletin. While we understand that the guidance is associated with SFFAS 54, requiring additional changes to agency reporting less than a year before implementation is problematic.</p> <p>To implement the proposed guidance successfully:</p> <ul style="list-style-type: none"><li>- new general ledger accounts will need to be established by Treasury and then integrated in agency financial systems,</li><li>- agencies will need to incorporate the required treatment into their business processes and financial policy, and</li><li>- agencies will also need to collaborate with each other in the creation of agreed upon policies and accounting treatment/judgements to ensure intragovernmental reporting differences do not arise.</li></ul> <p>Given the proposed Technical Bulletin is still in draft as of November 2022, DOS considers the October 2023 implementation date unreasonable and recommends that FASAB consider moving the implementation date to October 2024.</p> <p>In addition to these recommendations, we have provided our comments on the draft Technical Bulletin to highlight areas that need clarification or further considerations by the board for DOS to implement the Technical Bulletin as written.</p>	<p>N/A</p>

QFR 1: Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.			
Ref. No.	Agreement type	Response	Preliminary Staff Notes
12	Agree	We generally agree with the intent of the proposed technical bulletin (TB). If approved, the TB would improve the recording of certain intragovernmental leasehold improvements whose expected useful life extends beyond the lease term and for which the lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the improvements. However, see our comments on the questions that follow.	N/A
13	Agree	We generally agree with the proposed Technical Bulletin. There is a need for clarity in accounting for these specific types of transactions and a need for symmetry in accounting for intragovernmental activity so as to allow for consolidated reporting.	N/A
14	Agree	The DOJ agrees with the proposed Technical Bulletin as a whole. The Technical Bulletin clarifies when a lessee should account for a leasehold improvement asset or when a lessee should account for an intragovernmental work agreement asset. The DOJ doesn't have any provider-lessor entities, so our feedback is based on the perspective of the customer-lessee.	N/A
15	Agree	<p>Yes, the Department generally agrees with the proposed Technical Bulletin as a whole. The Department respectfully believes that the following aspects of this guidance should or could be further addressed or revised.</p> <p>The Department has incorporated comments on each of the below items into the responses for specific questions:</p> <p>QFR 2:</p> <ul style="list-style-type: none"><li>• Paragraphs 26 and 32 regarding requirement to coordinate with partner entities.</li><li>• Paragraph 15 regarding policies for coordinating with partner entities.</li><li>• Paragraph 20 regarding reduction in lease rental amounts.</li></ul> <p>QFR 3:</p> <ul style="list-style-type: none"><li>• Paragraph 24 regarding initial accounting by customer-lessee.</li><li>• Paragraph 30 regarding initial accounting by provider-lessor.</li><li>• Paragraphs 13 and 14 regarding lease term.</li><li>• Paragraph 33 regarding requested correction of text.</li></ul> <p>QFR 4:</p> <ul style="list-style-type: none"><li>• Recommended consideration of the addition of decision flow chart(s) regarding paragraphs 11-15 (QFR 4).</li></ul>	See QFR 2, QFR 3, and QFR 4 worksheets.
16	Agree	Agree. BIA is current.	N/A

QFR 1: Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.			
Ref. No.	Agreement type	Response	Preliminary Staff Notes
17	Agree	<p>We agree with the Technical Bulletin as a whole and appreciate the Board addressing this complex topic. We agree with the accounting concepts and treatment proposed. We feel strongly that this Technical Bulletin will provide much needed guidance that will improve consistency among reporting entities. However, we do recommend changes to the proposed wording to further improve the guidance and prevent misunderstanding. Those suggestions are provided in the following QFRs and SMCs.</p> <p>The question-and-answer format lacked an organized flow, and the document must be considered in its entirety to be properly understood. This caused misinterpretation, even for our subject matter experts. We recommend eliminating the Q&amp;A format to simplify the guidance. We would prefer a more structured format, similar to a Standard. We have provided some suggestions below that include reordering certain paragraphs for more clear interpretation and simplifying the language where possible.</p> <p>As this is a very complex subject, we also recommend creating a flowchart or table as an Appendix to facilitate greater understanding.</p>	<p>The Board may wish to eliminate the Q&amp;A format. Staff previously proposed non-Q&amp;A format in earlier presentations to the Board. However, staff found that other respondents generally understood the proposal under Q&amp;A format. Additionally, TBs are generally in this format (per TB 2000-1 par. 12). Although there are benefits to structuring the document similar to an SFFAS, given the absence of similar feedback among other respondents and the preferences previously expressed by Board members, staff now recommends keeping the Q&amp;A format. To address the structural concerns of the respondent, staff recommends modifications to the headers through the document to enhance clarity:</p> <p><b>Header 1:</b> <u>Scope and Applicability</u> <b>New sub-headers:</b> <b>(1)</b> Scope <b>(2)</b> Applicability of Paragraphs 23-34 <b>Header 2:</b> Definitions <b>Header 3:</b> <u>Intragovernmental Leasehold Reimbursable Work Agreements - Accounting and Disclosures</u> <b>New sub-headers:</b> <b>(1)</b> Customer-lessee <b>(2)</b> Provider-lessor <b>Header 4:</b> Implementation <b>Header 5:</b> Effective Date</p> <p>Staff also recommends other structural changes under Attachment 1 in response to this feedback, as well as structural feedback provided by respondent 12 under QFR 4 worksheet.</p>
18	Agree	Yes, DHS generally agrees with the proposed Technical Bulletin as a whole. This Technical Bulletin clarifies the asset recognition for leasehold improvements resulting from intragovernmental reimbursable work agreements.	N/A

QFR 2: Are there specific aspects of the proposed Technical Bulletin that you <i>disagree</i> with? If so, please explain the reasons for your positions, the paragraph numbers(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.			
Ref. No.	Answer	Response	Preliminary Staff Notes
1	None provided	HHS Response – Generally agree. Exposure draft provides clarity on lessor/lessee baseline requirements associated with the recognition of leasehold improvement transactions.	N/A
2	No	HHS Response – None.	N/A
3	No	We do not disagree with a specific aspect of the proposed Technical Bulletin; however, we do have some suggestions for clarification purposes. Refer to our response to QFR 3.	N/A
4	None provided	At this time, the EPA does not have any comments to offer on this Exposure Draft.	N/A
5	No	There are no particular aspects of the proposed Technical Bulletin that the FISC disagrees with.	N/A
6	Yes	<p>We generally disagree with the proposed Technical Bulletin. SSA has a number of concerns:</p> <p>1. We do not believe reimbursable work authorization (RWA) costs (or Intragovernmental Leasehold Reimbursable Agreements) that fail to meet our capitalization threshold to become Leasehold Improvement (LHI) assets are, in fact, assets to SSA. Essentially, if the RWA costs do not meet our LHI capitalization threshold, we have determined that the costs are immaterial and insignificant. Accordingly, SSA does not see a need to record any asset for immaterial or insignificant RWA costs. Since part of the goal is to amortize the costs over the period useful life of the project/lease term, we believe our LHI capitalization threshold is appropriate, as that is the basis for other assets we amortize. Furthermore, while we are willing to communicate with our lessor, we do not want to be forced to record an asset based on their capitalization threshold as that is not what is best for our financial statements. Requiring entities to record as “assets” immaterial or insignificant costs, in our opinion, runs contrary to other guidance concerning the ability of Federal entities to establish their own capitalization thresholds and make their own materiality determinations. We know we have a very different threshold than our lessor, and thus this Technical Bulletin (TB) creates requirements that will never eliminate intragovernmental differences in this area.</p>	<p>1) The proposed Technical Bulletin does not require the capitalization of leasehold improvements that do not meet a reporting entity's capitalization threshold.</p> <p>2) This Technical Bulletin does not change leasehold improvement accounting criteria under SFFAS 6, which already accomodates capitalization thresholds.</p> <p>3) The provisions of the proposed TB would not need to be applied to immaterial RWA items. SSA, however, has an RWA asset that, at one time, would have been capitalized at approximately \$500,000,000 according to records in the related Technical Inquiry and intragovernmental dispute resolution meeting files. That is not likely to be an immaterial amount at the financial statement line item level for SSA. And it appears that SSA capitalization thresholds support such an assumption, as their capitalization threshold for most PP&amp;E categories is \$100,000 for leasehold improvements and \$0 for buildings and other structures (see SSA 2022 AFR Financial Statement Notes 1 and 7).</p> <p>4) Although reporting entities make their own materiality decisions, their auditors will expect them to consider relevant qualitative factors such as the likelihood that elimination differences may contribute to the accumulation of material elimination differences at the consolidated level and, if necessary, resolve elimination disputes with their trading partners. SSA statements in this response imply a simple quantitative materiality assessment model that would be far more relaxed than the model applied by an auditor under AU-C 320 and inappropriate in the context of applying GAAP requirements explained under the Technical Bulletin.</p>



**QFR 2: Are there specific aspects of the proposed Technical Bulletin that you *disagree* with? If so, please explain the reasons for your positions, the paragraph numbers(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.**

Ref. No.	Answer	Response	Preliminary Staff Notes
6	Yes	2. We disagree with any references to prepayments of rent for future years. If cash is involved, which it would have to be if there's a "prepayment," we would have to record budgetary obligations and outlays. From an appropriations law perspective, funds from annual appropriations cannot pay for future years' budgetary obligations (which rental payments are) by using current year funds. We would thereby be "involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law." 31 U.S.C. §1341(a)(1)(B). This would be a violation of the Anti-Deficiency Act. In addition, when we entered into these type of RWAs for improvements or construction, we are buying a service associated with the improvements being made to the building. We are not paying future rental costs. This work today is not typically done with an advance payment. Since government agencies can pull funds as needed through Treasury's Intragovernmental Payment and Collection (IPAC) System, the need to use advances should be minimal for this type of work. As a Trust Fund agency, requiring this work to be performed as an advance would harm our Trust Fund by liquidating funds before work is performed, resulting in a loss of interest revenue. These RWA projects typically take years before work is finished. To require an advance would harm the Trust Funds without reason.	These are similar to prepayments in substance as several Board members noted prior to the release of the ED. GAAP definitional criteria for prepayments does not affect SSA's budgetary accounting nor would it affect the Trust Funds. G-Invoicing has officially replaced IPAC, and payments can only be made after collaboration and agreement between agencies. The need for advances will not be minimal, according to other task force members familiar with this area. Nevertheless, this proposal would only affect proprietary accounting. The proposed TB does not assert that RWA assets are paying for future rental costs nor does it require work to be done with an advance payment or for reporting entities to liquidate funds before work is performed.
		3. Unless our rental agreements explicitly indicate that we are receiving a rental concession as a result of an RWA, we do not agree that there should be an asset associated with this activity. We believe that when we enter into an RWA to improve a building we are renting that we should record a leasehold improvement asset if our agency will benefit from the improvement. If the lessor will benefit from the improvement, then we believe that it would be acceptable to simply record the RWA transaction as an expense. In our view, we are paying for the service of having the building improved. We are not paying our rent in advance or receiving a concession. From the start of this process, we have had trouble determining what this asset represents to our agency. The only explanation that we could make sense of was to amortize significant costs over the period of use, but not reflect this as a PP&E asset to avoid double counting on the governmentwide financial statements. We can kind of see that for significant amounts, but anything that would not meet our normal capitalization threshold would be expensed by us, as there would not be a need to amortize. Paragraph 25 discusses this topic of amortization, which would be based on the customer-lessee economic benefit. This to us represents the use of the improvement – not rent which we have a separate agreement and payment for.	Staff partially agreed with the views expressed. Generally customer-lessees are the predominant beneficiary of the leasehold improvement and will recognize a leasehold improvement asset for the reasons stated by the respondent and par. 23-34 of the proposed TB would not apply.  Staff reached consensus agreement on the model reflected under paragraphs 23-34 with the working group. Paragraph 21 states that these agreements establish 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 paid for through the reimbursable leasehold work agreement (hereinafter referred to as the intragovernmental leasehold reimbursable work asset). The proposed TB does not assert that RWA assets represent rent.
		4. While we could be open to recording this asset for material items (meeting our threshold), we also see a vision where an asset is not needed. As noted above - we are paying for the service of the construction or improvement, which if we do not control, nor will we benefit - this seems to fit the definition of something that should be expensed when service is provided - which would be when the construction or improvement occurs. SSA would be happy not recording this asset. However, if other concerns are met, we can work with this asset for larger dollar activity.	Bona fide need is a fiscal law requirement established in 31 U.S.C. § 1502 specifying that a time-limited appropriation can be obligated only to meet a legitimate need arising in (or in some cases arising before but continuing to exist in) the fiscal year for which the appropriation was made. In other words, an agency cannot use current year funds for a future year's need. If the customer needs the project, could use the project today, and can define the need for the project today, then the Bona Fide Needs rule has been satisfied. Staff does not believe that customer-lessees can enter into RWAs when an asset is not needed or when the customer-lessee will not benefit from the work.
7	No	No, HUD CFO's Office of Accounting has not found any areas of the proposed Technical Bulletin that requires disagreement.	N/A
8	No	No.	N/A
9	No	No. There are no specific aspects of the proposed Technical Bulletin that NASA disagrees with.	N/A
10	Yes	The main concern is how practicable the implementation of the requirements of paragraph 15 would be. See further discussion under SMC1. below.	See SMC 1 worksheet

**QFR 2: Are there specific aspects of the proposed Technical Bulletin that you *disagree* with? If so, please explain the reasons for your positions, the paragraph numbers(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.**

Ref. No.	Answer	Response	Preliminary Staff Notes
11	Yes	<p>Concerns over Lease-Terms for Intragovernmental Leases: DOS has identified potential implementation and recognition issues within the proposed Technical Bulletin for Leasehold Improvements and Intragovernmental Reimbursable Work Assets as it relates to the “lease term” which is defined by SFFAS 54. Specifically, we would like to highlight the following:</p> <p>Leasehold Improvements: Paragraph 12 of the proposed Technical Bulletin states that for intragovernmental reimbursable arrangements, where the lessee is considered the predominate beneficiary, agencies should account for the transaction as a leasehold improvement in accordance with SFFAS 6 and SFFAS 54. Paragraph 34 of SFFAS 54, provides that “leasehold improvements that are placed in service at or after the beginning of the lease term should be amortized over the useful life (the normal operating life in terms of utility to the lessee) of the leasehold improvement, but no longer than the expected lease term.”</p> <p>Lease-Terms are defined under SFFAS 54. In determining the lease term for both the lessee and lessor, specific provisions of paragraph 19 should be applied: paragraph 19a, states “Periods for which both the lessee and lessor (1) have an option to terminate the lease without permission from the other party or (2) have to agree to extend are cancelable periods and are excluded from the lease term.” For many intragovernmental lease arrangements, it is common for leases to have very short non-cancelable periods (typically under two years) and the options to terminate the lease without permission of the other party. Termination notice periods for example, can be as little as 4 months.</p> <p>If left as written, agencies that enter into reimbursable work agreements that are required to be accounted for as leasehold improvements under the Technical Bulletin (and in accordance with SFFAS 54), will amortize the leasehold improvement asset for a much shorter period than the overall life of the improvement and likely the overall time period in which the agency will occupy the lease. This in turn, creates a large misallocation between the costs associated with the underlying asset and the period in which they would be attributed.</p>	<p>Staff is not aware of examples of RWA-OA agreement combinations under which there are cancelable periods that meet the definition of paragraph 19.a. Under paragraph 19.a <i>both lessee and lessor</i> must have an option to terminate without permission. In the context of an RWA-OA agreement combination, the customer-lessee protects its economic interests associated with the reimbursable work in negotiating the RWA and OA. The GSA firm term standard is 10 years, but many RWAs will extend to 20 years depending on circumstances (as discussed during April 26 educational session). Staff recommends monitoring paragraph 19.a implementation issues, however. See Attachment 1 discussion.</p>
	<p>Intragovernmental Reimbursable Work Assets and Liabilities: Paragraphs 25 and 31 of the proposed Technical Bulletin provide those agreements that meet the definitions of Intragovernmental Reimbursable Work Assets and Liabilities, 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.”</p> <p>Again, as noted above, intragovernmental lease terms as promulgated by SFFAS 54 could cause a misallocation between the costs associated with the underlying asset and the period in which they would be attributed</p>		
	<p>DOS Recommendations to Mitigate concerns over Lease-Terms for Intragovernmental Leases: DOS recommends that SFFAS 54, paragraph 19 be amended, or a new paragraph be added to “Intragovernmental Leases” within SFFAS 54 to better address intragovernmental lease-terms. We recommend FASAB consider whether lease-terms for intragovernmental leases should include all stated/available periods for the underlying agreement, regardless of cancelation rights. If an agency determines that cancelation of the agreement is probable, the lease-term would be amended to reflect the expected end date.</p>		
12	None provided	Please see comments on QFR3, QFR4, and SMC1.	See staff notes under QFR 3, QFR 4, and SMC 1 worksheets.
13	No	No.	N/A
14	No	No, the DOJ does not disagree with any aspects of the proposed Technical Bulletin.	N/A

**QFR 2: Are there specific aspects of the proposed Technical Bulletin that you *disagree* with? If so, please explain the reasons for your positions, the paragraph numbers(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.**

Ref. No.	Answer	Response	Preliminary Staff Notes
15	Yes	Paragraphs 26 and 32: The Department respectfully disagrees that the footnote references to paragraphs 108-109 of SFFAS 4 sufficiently translate to or provide sufficient support for FASAB requiring in this proposed Technical Bulletin that partner entities coordination recognitions. Therefore, it appears to the Department that this Technical Bulletin is effectively establishing a new FASAB standard for requiring coordination between partner entities. The Department respectfully request, unless there is other sufficient FASAB standards support that can be cited, that the Technical Bulletin omit such a requirement in these paragraphs.	Upon further review of the footnote reference, staff partially agrees that the matter could be further supported. Staff recommends expanding the paragraph reference to paragraphs 108-113 of SFFAS 4 (see staff Attachment 1 recommendation). Staff does not agree that the Technical Bulletin is establishing a new requirement. Notwithstanding, under the Rules of Procedure Technical Bulletins may provide guidance to address areas not covered directly by existing Statements provided that TB 2000-1 par. 5 criteria are all met. This is a distinguishing characteristic of Technical Bulletins compared to Technical Releases.
		Paragraph 15: Paragraph 15 states “Customer-lessees and provider-lessors should 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.”  The Department believes that the above required policy text for reaching agreement on recognitions between partner entities implies a requirement for the partner federal entities to reach agreement on recognitions. Similar to the previous comment regarding paragraphs 26 and 32, the Department believes that the paragraph 15 text that we are referencing does not appear to be sufficiently supported by the FASAB standards for such a requirement in this proposed Technical Bulletin that partner entities coordination recognitions. The Department therefore believes that it appears that this Technical Bulletin is establishing a new FASAB standard for requiring coordination between partner entities and the Department requests, unless there is other sufficient FASAB standards support that can be cited, that the Technical Bulletin omit such a requirement in this paragraph.	
		The Department disagrees with the statement as currently written “Intragovernmental leasehold reimbursable 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.” The Department believes that such a blanket statement may not be applicable in all situations.	Staff recommends deleting paragraph 20 for reasons provided by respondent 17 under the QFR 3 worksheet.
16	Yes	BIA does not have any disagreements with this proposed Technical Bulletin.	N/A
17	Yes	We disagree with including paragraph 15 in the Technical Bulletin. Our specific concerns with including this paragraph are detailed in SMC 1.  For the same reasons discussed in SMC 1, we disagree with the inclusion of paragraph 11 and the last sentences in paragraphs 26 and 32 and suggest edits as shown below. We would not object if the Board alternatively includes a discussion of intragovernmental arrangements and the consistency needed in the Basis for Conclusions or the Executive Summary.  Paragraph 26: The amortization of the intragovernmental leasehold asset should commence when the customer-lessee obtains access to the economic benefits of the underlying asset. <del>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.</del>  Paragraph 32: Revenue recognition should commence when the <del>customer-lessee</del> <u>provider-lessor</u> has grants access to the economic benefits of the underlying asset and services resulting from the reimbursable work. <del>Revenue recognition should be determined in a coordinated manner with the customer-lessee to facilitate the elimination of inter-entity balances and earned revenues in accordance with paragraphs 108-109 of SFFAS 4.</del>	Staff concurs with and recommends one of the edits provided by the respondent under par. 32. Please note that there are tracking errors in the respondents tracked changes, but staff ultimately agrees with the resulting change. See Attachment 1 regarding staff’s recommendation with respect to the second part of these two paragraphs. Also see staff response under SMC 1 worksheet.
18	No	No, DHS does not disagree with any specific aspects of the proposed Technical Bulletin.	N/A



QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
1	0 provided	The Department of Labor reviewed the Exposure Draft and we do not have any comments.	N/A
2	1 provided	HHS Response – Paragraph 14 – In regards to recognizing whether the lessor or lessee is the ‘predominant beneficiary,’ is there guidance or criteria to be used (in addition to SFFAS 54 par. 14-21) to enable consistent application of this term across federal entities (objective is to prevent similar contractual scenarios where lessors/lessees apply this term differently depending on how federal entities may apply or interpret this definition differently)?	Staff will recommend expanding paragraph 14 guidance.
3	5 provided	DoD Response: We would like to make the following suggestions for clarification purposes:  • The third paragraph of the Executive Summary states, in part: "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). " We believe this sentence should state ( <u>emphasis added</u> ): "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 <u>provider-lessor</u> )."  • Users might not read the whole Technical Bulletin and might refer directly to a specific question/paragraph. Paragraphs 8-13 of the proposed Technical Bulletin address the applicability of paragraphs 23-34. For clarity and to avoid confusion, within the section of paragraphs 23-34, we recommend to do a cross-reference to those paragraphs (i. e., paragraphs 8-13) that address the applicability of paragraphs 23-34 or to specify the two criteria of the applicability of paragraphs 23-34 within this particular section.	The executive summary is correct. No change needed.  Staff will implement other edits to enhance the structural clarity of the proposal.
		• The guidance in the proposed Technical Bulletin only uses the terminology "leasehold improvement asset," which refers to the PP&E. However, in the basis of conclusion differentiation is made between the terminologies "leasehold improvement" and "lessor improvement" assets (i. e., paragraphs A9-A10). Suggest using these two terminologies as well in the guidance to distinguish which reporting entity should account for the PP&E.  • Paragraph A 10 states: "paragraphs 11-12 of SFFAS 54 provide definitions related to improvements of leased property. Paragraph 11 provides that leasehold improvements are paid for (financed) by lessees, while paragraph 12 provides that lessor improvements are paid for (financed) by lessors." We believe that paragraph 12 addresses leasehold improvements that are paid for (financed) by lessees, while paragraph 13 provides that lessor improvements are paid for (financed) by lessors. Recommend to correct the cross-references in Paragraph A10 to avoid confusion.	The approach taken with respect to use of "leasehold improvement" in the proposed TB is intended to provide consistency with terminology in SFFAS 6. Other aspects of the proposal clarify this matter. An executive summary would not typically discuss the differentiation between the terminologies in such detail. Staff made one minor edit to the third paragraph of the executive summary in response to this comment.  The paragraph references in paragraph A10 are to SFFAS 54, as noted. Although this is not the typical FASAB style, staff recommends repeating the SFFAS reference given the coincidental proximity of interrelated paragraphs across the two documents. Staff will implement a clarifying edit, as suggested by the respondent.
		Suggest adding an appendix and providing examples/scenarios to further clarify and define paragraphs 11-15 and 23-34 of the proposed Technical Bulletin, in order to help lessees and lessors determine who should report the leasehold improvement asset and the respective accounting treatments.	Suggestion noted. Staff is averse to the use of non-authoritative appendices and will make every effort to clarify aspects of these paragraph based on feedback provided. Although staff is unlikely to recommend an appendix, the Board may consider doing so during its deliberations. Staff will also propose expanding paragraph 14 guidance.

QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
4	0 provided	At this time, the EPA does not have any comments to offer on this Exposure Draft.	N/A
5	0 provided	The FISC does not believe any ambiguous areas remain that could impact implementation.	N/A
6	1 provided	In certain paragraphs that mention “the remaining lease term” (13, 25, and 31), we believe it would clarify matters to mention SFFAS 54, paragraphs 14-21 to make it clear that lease renewal periods should be factored in.	Staff agrees that the reference is helpful, but notes that the cross-reference to these paragraphs was provided in par. 14 of the proposed TB. Staff believes that par. 14 is the most helpful and appropriate location to include the cross-reference.
7	0 provided	HUD CFO’s Office of Accounting does not believe that there are any challenges or ambiguous areas for implementation.	N/A
8	0 provided	No.	N/A
9	0 provided	NASA noted no ambiguous areas that coluld lead to challenges with implementing the requirements.	N/A
10	3 provided	<p>There are three areas that might benefit from further clarification or guidance.</p> <p>1. The definition of significant residual economic benefits: Given the potential level of subjectivity involved in these transactions, it might be prudent to adopt a more prescriptive definition to achieve the level of consistency envisioned by the ED (paragraph 4 of the Executive Summary). This is similar to the issues raised in A17 and A18 of Appendix A: Basis for Conclusions. However, the response to require entities to develop,document, and follow consistent policies does not seem sufficiently helpful.</p> <p>2. [See SMC 1 worksheet]</p> <p>3. [See SMC 2 worksheet]</p>	For reasons somewhat similar to those described in SFFAC 9 par. A24 (when the Board concluded not to provide detailed guidance on materiality), staff believes that an emphasis on the importance of evaluating the significance of residual economic benefits, without providing specifics, would allow reporting entities broader flexibility in exercising professional judgments in coordination with their intragovernmental counterparties. The Board may, however, wish to consider providing examples of factors to consider in assessing the significance of residual economic benefits without use of a prescriptive definition. Such guidance could also be provided under the project to update Technical Release 20. Staff would recommend this option. Staff will propose expanding paragraph 14 guidance.

**QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.**

Ref. No.	Answer	Response	Preliminary Staff Notes
11	2 provided	<p>Determining which agency benefits more from an agreement: Paragraph 12 of the proposed Technical Bulletin states that for intragovernmental reimbursable assets/liabilities recognition to apply, that the lessee would not be considered the “primary beneficiary”. Further paragraph 13 states “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.”</p> <p>The Technical Bulletin does not define what “more-than-insignificant level of residual economic benefits” means for the reader, or what types of considerations should be made when applying this judgment. For example, if an improvement is completed close to the end of a lease term, where the lessor could in effect benefit from the improvement for more than ½ of the estimated useful life, would that be more-than-insignificant level of residual economic benefits?</p> <p>Further, the proposed guidance asserts that to meet the criteria for reporting Reimbursable Work Assets and Liabilities, that the useful life of the asset must extend beyond the remaining lease term. However, if the acquisition/construction of a new asset is funded by a lessee, will be owned by the lessor, and the occupancy exceeds the expected useful life, doesn’t the lessor still have a more-than-insignificant level of residual economic benefits? DOS would assert that in all instances, regardless of useful life or lease terms, where the lessor has obtained a new asset through a reimbursable work authorization, and whereby the lessor has the right to sell the underlying asset and retain proceeds from sale, that the lessor has more-than-insignificant level of residual economic benefits.</p>	<p>For reasons somewhat similar to those described in SFFAC 9 par. A24 (when the Board concluded not to provide detailed guidance on materiality), staff believes that an emphasis on the importance of evaluating the significance of residual economic benefits, without providing specifics, would allow reporting entities broader flexibility in exercising professional judgments in coordination with their intragovernmental counterparties. The Board may, however, wish to consider providing examples of factors to consider in assessing the significance of residual economic benefits without use of a prescriptive definition. Such guidance could also be provided under the project to update Technical Release 20. Staff would recommend this option. Staff will recommend expanding paragraph 14 guidance.</p>
		<p>DOS Recommendations over determining agency benefits: DOS understands that accounting judgments are determined by agency management, but given the reciprocal nature of these agreements, two agencies must establish accounting judgements/treatment and then agree. To assist agencies in defining and collaborating on these judgements, we recommend that FASAB consider providing additional guidance (i.e.: examples or bright-line tests) for how these judgments should be made.</p> <p>Further, we recommend that FASAB consider whether the established criteria around lease terms and useful life is the best indication of whether an agency benefits from an improvement. An alternative would be for FASAB to outline, within the guidance, the specific types of improvements likely to fall under the Reimbursable Work Assets and Liabilities treatment or general leasehold improvement treatment.</p>	<p>See staff note in row above.</p>
		<p>Rent Reduction Considerations: It is not clear whether a rent reduction would be required to trigger recognizable assets and liabilities for reimbursable leasehold work agreements based on the Technical Bulletin.</p> <p>Paragraph 19 of the Technical Bulletin provides clarity as to what types of rights and obligations are established under reimbursable leasehold work agreements that might give rise to recognizable assets and liabilities. In the following paragraph, paragraph 20, the following is stated “Intragovernmental leasehold reimbursable 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 is beyond (or “above-standard” for) what is included in the tenant improvement allowances of the lease agreement for the related underlying asset.”</p> <p>The guidance does not explicitly state that in-order for paragraphs 24-26 (asset recognition) and 30-32 (liability recognition) to apply, that rent reductions are required.</p>	<p>Customer-lessees pay GSA for the costs of the leasehold improvement under the RWA. Accordingly, the Occupany Agreement (OA) rent is reduced by the amount that would otherwise be included in the OA had the Federal Buildings Fund (FBF) acquired the underlying asset and included shell in the rent price calculation. The proposed TB makes this clear. Statements that require a rental reduction to be in place would likely confuse customer-lessee users of the TB. The rent reduction is based on hypothetical shell costs to the FBF, which might not always be apparent to practitioners implementing GAAP. Thus, the proposal takes great care to explain the nuances of the agreement combination. Furthermore, the amounts recognized under paragraphs 24-26 and 30-32 are not based on the rent reduction amounts--they are based on the amount payable for reimbursable work acquisition, construction, improvement, and/or alteration costs.</p>
		<p>DOS Recommendations Rent Reduction Considerations: DOS recommends that FASAB update the draft Technical Bulletin to directly state that for paragraphs 24-26 and 30-32 to apply, that the transaction must result in the reduction of the lease rental amount in addition to stating that it is “reimbursable work that is beyond (or “above-standard” for) what is included in the tenant improvement allowances of the lease agreement for the related underlying asset.”</p>	<p>Notwithstanding, staff recommends removing paragraph 20 based on feedback provided by respondents 15 (QFR 2 worksheet) and 17 (below). Such removal will partially address the comments provided by respondent 11 here.</p>

QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
12	2 provided	<p>We believe that the proposed TB has certain ambiguous areas and other areas that warrant further Federal Accounting Standards Advisory Board (FASAB) consideration.</p> <p>Per paragraph 13 of the proposed TB, the provider lessor is the predominant beneficiary if the “provider-lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the reimbursable work.” We believe that the “more-than-insignificant” threshold is unclear, which may lead to challenges and inconsistencies in implementation of the requirements. We believe this needs clarification.</p> <p>Certain paragraphs of the proposed TB refer to paragraphs 72–79 of Statement of Federal Financial Accounting Standards (SFFAS) 54. It is not clear how these paragraphs are relevant to intragovernmental leasehold reimbursable work agreements. In addition, paragraph 12 of the proposed TB refers to paragraph 66 of SFFAS 54. However, it is not clear how paragraph 66 relates to the proposed TB because it does not appear to apply to intragovernmental leases.</p>	<p>For reasons somewhat similar to those described in SFFAC 9 par. A24 (when the Board concluded not to provide detailed guidance on materiality), staff believes that an emphasis on the importance of evaluating the significance of residual economic benefits, without providing specifics, would allow reporting entities broader flexibility in exercising professional judgments in coordination with their intragovernmental counterparties. The Board may, however, wish to consider providing examples of factors to consider in assessing the significance of residual economic benefits without use of a prescriptive definition. Such guidance could also be provided under the project to update Technical Release 20. Staff would recommend this option.</p> <p>Under SFFAC 9, the Board noted that the concept of materiality should be considered in applying accounting standards (par. 164g). It is staff's preliminary view that it is not the role of the Board to define significance or other terms with an inherent relationship to materiality; these are accounting policies set by management.</p> <p>In the context of defining "more-than-insignificant" for intragovernmental-related items, these accounting policy determinations are best made through the Treasury Financial Manual through consultations with GSA and affected component entities. The specific guidance that is needed, in the view of staff, is that the customer-lessees should accomodate the determinations made by provider-lessors and engage in reciprocal accounting accordingly. Provider-lessors are in the best position to determine the relative level of residual economic benefits and services that they expect to derive based on the specific facts and circumstances of each OA-RWA agreement combination and their institutional knowledge in carrying out OAs and RWAs with other reporting entities under the reimbursable services program. In almost all cases, staff expects that customer-lessees and provider-lessors will reach agreement without controversy based on the criteria provided under the proposed TB.</p>
13	1 provided	<p>Paragraph 12 and 24 appear to both require the customer-lessee to recognize an asset. We were uncertain why the customer-lessee would recognize an asset in the event that they were not the predominant beneficiary, or how to interpret these two paragraphs together. Perhaps more clarity in paragraph 24 about the nature or reason for the asset in this circumstance might resolve this ambiguity.</p>	<p>Paragraphs 11-13 and 21, along with A12-A14, provide this information. Staff will consider opportunities to further clarify this model, but staff generally believes that the model is sufficiently and appropriately explained.</p>

QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
14	3 provided	<ul style="list-style-type: none"><li>• The language in the exposure draft is hard to interpret due to the need to alternate through which sections apply or do not apply. We suggest the creation of a decision tree or flowchart that would show the two options that should be reported and what should be reported by the customer-lessee and provider-lessor.</li><li>• The DOJ would like guidance on Paragraph 13 which states, "...provider-lessor is expected to derive a what is more-than-insignificant level of residual economic benefits and services from the reimbursable work". Is this based on each provider's level of materiality, the value of the asset itself, or a dollar threshold (PP&amp;E capitalization threshold)? What is the baseline when considering more-than-insignificant levels of residual economic benefits and services?</li><li>• Could you address ICASS agreements for space in foreign countries? Is the provider-lessor the State Department in that scenario?</li></ul>	<p>Staff will consider potential methods of clarifying the guidance.</p> <p>For reasons somewhat similar to those described in SFFAC 9 par. A24 (when the Board concluded not to provide detailed guidance on materiality), staff believes that an emphasis on the importance of evaluating the significance of residual economic benefits, without providing specifics, would allow reporting entities broader flexibility in exercising professional judgments in coordination with their intragovernmental counterparties. The Board may, however, wish to consider providing examples of factors to consider in assessing the significance of residual economic benefits without use of a prescriptive definition. Such guidance could also be provided under the project to update Technical Release 20. Staff would recommend this option. Staff will also recommend expanding paragraph 14 guidance.</p> <p>ICASS agreements could conceivably be part of an intragovernmental Occupany Agreement (OA)-RWA agreement combination related to an international lease, provided that the agreements meet the definition of a lease (SFFAS 54 par. 2) and the intragovernmental leasehold reimbursable work agreement meets the definition under par. 16 of the proposed TB. This is already inherently addressed in the guidance as written.</p> <p>See also: staff response to respondent 15 in QFR 4 worksheet.</p>
15	4 provided	<p>Paragraph 24: The Department recommends breaking paragraph 24 into three paragraphs (along the lines of the below suggested content) for better completeness and clarity of guidance for what we believe are three primary situations for accounting by the customer-lessee (excluding accounting for amortization which is addressed in paragraph 25). Paragraph 24 currently only addresses where there is a payable.</p> <ul style="list-style-type: none"><li>• A first paragraph to address the initial recognition of a payment made in advance of reimbursable work that will be performed by the provider-lessor: Customer-lessees should initially recognize an intragovernmental reimbursable work asset for a payment made to the provider-lessor in advance of the reimbursable work that will be performed for acquisition, construction, improvement, and/or alteration costs (in a manner congruous with par. 27 of SFFAS 54 requirements for recognizing prepaid rent assets).</li><li>• A second paragraph to address the initial recognition of a payment made for reimbursable work that has been performed by the provider-lessor: Customer-lessees should initially recognize an intragovernmental reimbursable work asset for a payment made to the provider-lessor for reimbursable work that has been performed for acquisition, construction, improvement, and/or alteration costs.</li><li>• A third paragraph to address the initial recognition for a payable for reimbursable work that has been performed by the provider-lessor: Customer-lessees should initially recognize an intragovernmental reimbursable work asset for the amount payable to the provider-lessor for reimbursable work that has been performed for acquisition, construction, improvement, and/or alteration costs.</li></ul>	<p>Paragraphs 24 and 30 of the proposed ED are technically accurate and clear as written.</p>



**QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.**

Ref. No.	Answer	Response	Preliminary Staff Notes
15	4 provided	<p>Paragraph 30: The Department recommends breaking paragraph 30 into three paragraphs (along the lines of the below suggested content) for better completeness and clarity of guidance for what we believe are three primary situations for accounting by the provider-lessor. Paragraph 30 currently only addresses where there is a receivable.</p> <ul style="list-style-type: none"><li>• A first paragraph to address the initial recognition of a collection from the customer-lessee in advance of reimbursable work that will be performed: Provider-lessors should initially recognize an intragovernmental reimbursable work unearned revenue liability for a collection from the customer-lessee in advance of reimbursable work that will be performed for acquisition, construction, improvement, and/or alteration costs (in a manner congruous with par. 28 of SFFAS 54 requirements for recognizing a liability for a collection of an advance payment).</li><li>• A second paragraph to address the initial recognition of a collection from the customer-lessee for reimbursable work that has been performed: Customer-lessees should initially recognize an intragovernmental reimbursable work unearned revenue liability for a collection from the customer-lessee for reimbursable work that has been performed for acquisition, construction, improvement, and/or alteration costs.</li><li>• A third paragraph to address the initial recognition of an intragovernmental reimbursable work receivable for work performed by the provider-lessor: Customer-lessees should initially recognize an intragovernmental reimbursable work receivable and an intragovernmental reimbursable work unearned revenue liability for reimbursable work performed by the provider-lessor for acquisition, construction, improvement, and/or alteration costs performed.</li></ul>	Paragraphs 24 and 30 of the proposed ED are technically accurate and clear as written.
		<p>Paragraphs 13 and 14: Please provide clarifications in paragraphs 13 and 14 about application of the “lease term” along the lines of the following:</p> <ul style="list-style-type: none"><li>• The Department has a suggested revision for paragraph 13, with the Department’s assumption that the suggested revision is consistent with the intent of the proposed guidance: “For acquisitions, construction, improvements, and/or alterations with an expected useful life beyond the remaining lease term <u>(per paragraphs 14-21 of SFFAS 54)</u> 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&amp;E) asset should be recognized by the provider-lessor, and the customer-lessee and provider-lessor should follow the guidance under paragraphs 23-34 (rather than par. 12).”</li><li>• The Department also has suggested revisions for paragraph 14, again with the Department’s assumption that the suggested revisions are consistent with the intent of the proposed guidance: “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 <u>(per par. 14-21 of SFFAS 54)</u>, the nature of the reimbursable work, and the expected residual economic benefits and services at the end of the lease term <u>to the customer-lessee and to the provider-lessor.</u>”</li></ul>	The paragraph 14 cross-reference to SFFAS 54 par. 14-21 is sufficient.
		<p>Paragraph 33: The Department has a requested correction to paragraph 33: “What should provider-lessors disclose in the notes regarding intragovernmental reimbursable work unearned revenue liability assets and how do such disclosures relate to SFFAS 54 (par. 38) disclosure requirements?”</p>	Staff concurs with and recommends the correction provided by the respondent.
16	0 provided	BIA has a very small population of capitalizable reimbursable work agreements. No implementation issues are detected at from this Technical Bulletin.	N/A

QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
17	Numerous	<p>We recommend restructuring the document as follows: Par. 1-7, (delete 8-9), 16, (delete 17-18), 19, (delete 20), 21-22, 10, (delete 11), 14, (delete 15), 12-13, 23-37. We suggest removing the Q&amp;A format and replacing the questions with a topic heading for the associated paragraphs.</p> <p>We appreciate the focus on reimbursable agreements for building alterations, which has been a longstanding issue for GSA. We would also encourage the Board to consider if any other arrangements should follow this same guidance. We suggest that the Technical Bulletin be expanded to include coverage of similar arrangements (transfers of funding as opposed to reimbursable, etc.) and asset types (such as vehicles or other equipment) where funding for portions of the asset costs may be separate from an associated lease. Such similar arrangements would likely call for comparable accounting treatment.</p>	<p>Staff has not received this request from the respondent previously, nor has staff received similar requests from other reporting entities. Accordingly, staff does not recommend expanding the scope of the proposed TB.</p> <p>See staff responses below regarding specific restructuring comments.</p>
		<p>Paragraph 7: This Technical Bulletin does not apply to <del>reimbursable leasehold work</del> <u>lease</u> agreements with non-federal entities. <del>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.</del></p>	<p>Disagree. No basis provided and the original language is more helpful and clear.</p>
		<p>We recommend eliminating paragraphs 8-9 as they are sufficiently covered in paragraph 12.</p>	<p>These paragraphs provide reinforcing clarification regarding the structure of the proposal. Deletion of them would further compromise the structural clarity, which is something that respondents, including respondent 12, requested to be enhanced (see QFR 1 worksheet). Staff disagrees with the notion that these terms are defined under par. 12</p>
		<p>Paragraph 16: Intragovernmental leasehold reimbursable <del>work</del> agreement – An agreement, <del>separate from the underlying intragovernmental lease</del>, 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 <del>for the acquisition, construction, improvement, and/or alteration</del>. The reimbursement of such acquisitions, construction, improvements, and/or alterations are beyond what <del>may be</del> <u>is</u> included in the rent or tenant improvement allowances provided for in a lease agreement for the related underlying asset.</p>	<p>The edits provided to not substantively change the definition. Staff prefers to keep the original definition, as all other respondents found it understandable. The definition was developed with due care with input from the working group</p>
		<p>We recommend removing the customer-lessee and provider-lessor definitions (deleting paragraphs 17-18) as the meaning of the terms are already indicated in paragraph 16. We are concerned with creating new definitions in this FASAB guidance that have very narrow application, specific to this Technical Bulletin.</p>	<p>Staff agrees that these paragraphs are not needed, but staff sees no harm in providing clarity regarding the respective roles of the two parties--especially since these two terms have not been used in previous Board pronouncements. Deletion of them would further compromise the clarity, which is something that other respondents requested to be enhanced (see QFR 1 worksheet). Notably, there were no respondents that disagreed with the proposed definitions.</p>

QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.

Ref. No.	Answer	Response	Preliminary Staff Notes
17	Numerous	We recommend deleting paragraph 20 because the discussion on pricing policy could create confusion and is not necessary in this guidance.	Staff concurs with the basis provided by the respondent; especially in light of comments provided by certain respondents that essentially are confirming that some users are confused by the discussion.
		Paragraph 21: <del>These</del> <u>Intragovernmental leasehold reimbursable</u> agreements establish a right for the customer-lessee to derive economic benefits <del>and services from the goods and services provided</del> and the subsequent use of the underlying asset and improvements thereto. <del>The costs paid for incurred by the customer-lessee under such agreements are through the reimbursable leasehold work agreement.</del> (hereinafter referred to as <u>an</u> <del>the</del> <u>intragovernmental leasehold reimbursable work asset, a form of intangible asset.</u>	<p>In light of the paragraph 20 deletion, staff agrees with the first edit under paragraph 21.</p> <p>Staff disagrees with the first strike because this establishes linkage to SFFAS 54 and the Board's conceptual framework.</p> <p>Staff disagrees with the second strike because the proposed TB phrasing provides linkage to par. 11-12 of SFFAS 54.</p> <p>Staff disagrees with the proposed use of the term "intangible asset," as this would likely conflict and/or create unnecessary future omnibus candidates with the ongoing project.</p> <p>Staff recommends keeping the original term "intragovernmental leasehold reimbursable work agreement." Although lengthy, it is the most precise and clear term. The term was developed with thorough study and input.</p>
		Paragraph 22: These agreements also establish <del>an obligation requirement</del> <u>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 unearned reimbursable work revenue).</u>	Staff disagrees with the edits with remove linkage to the Board's existing conceptual framework and seem to obfuscate the criteria.
		In paragraph 14, we recommend clarifying that in this case the primary beneficiary of the improvement is what drives asset/liability recognition as opposed to who pays for it (as described in SFFAS 54, par. 11-12). We recommend adding a sentence or two at the beginning of paragraph 14 of the Technical Bulletin to state this explicitly. The reference to SFFAS 54 could be done as a footnote if preferred.	Staff appreciates the suggestion to highlight this distinction. Although staff does not recommend the revisions as suggested, staff believes that the proposed revisions to paragraphs 12-14 will enhance clarity in a similar manner. See staff analysis and recommendations. Some aspects of the proposed edits are technically flawed and cannot be implemented.
		Paragraph 14: <u>Although the customer-lessee financed the improvements, the predominant beneficiary must be considered to determine appropriate asset recognition. These considerations impact the application of SFFAS 54, par. 11-12. The determination of whether or not the customer-lessee or provider-lessor 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.</u>	



QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
17	Numerous	<p>We recommend breaking paragraph 12 into sub-paragraphs to more clearly delineate the customer-lessee and provider-lessor responsibilities. We have provided suggestions for how to do this below.</p> <p>Paragraph 12: For intragovernmental reimbursable leasehold <del>work</del>-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.</p> <p>Paragraph 12A: For these types of agreements, <del>the a</del> leasehold improvement—which is a type of PP&amp;E asset under paragraph 18 of SFFAS 6, Accounting for Property, Plant, and Equipment—should be recognized by the customer-lessee <u>in accordance with SFFAS 6 (and par. 34 of SFFAS 54)</u>. <del>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) continues to be recognized by the provider lessor, in accordance with paragraph 66 of SFFAS 54.</del></p> <p><u>Paragraph 12B: Comparatively, for intragovernmental reimbursable leasehold agreements where the provider-lessor would not be expected to derive significant residual economic benefits, the cost of leasehold improvements is expensed by the provider-lessor. Likewise, the amounts received as reimbursement are recognized as revenue by the provider-lessor, consistent with SFFAS 7.</u> The underlying asset (other than the leasehold improvement recognized by the customer-lessee) continues to be recognized by the provider-lessor, in accordance with paragraph 66 of SFFAS 54.</p>	Staff generally concurs with and recommends the clarifying edits provided by the respondent.
		<p>Paragraph 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 <del>and services</del> from the reimbursable work, the customer-lessee would not be considered the predominant beneficiary. In such cases, the <del>leasehold improvement (or PP&amp;E) asset</del> <u>cost funded by the intragovernmental leasehold reimbursable agreement</u> should be recognized by the provider-lessor <u>in accordance with SFFAS 6</u>, and the customer-lessee and provider-lessor should follow the guidance under paragraphs 23-34 (rather than par. 12).</p>	The edits suggested are generally consistent with the original paragraph. The proposed edits are geared towards the perspective of the provider-lessor. Staff recommends the original language, which would facilitate both customer-lessee understanding without compromising understandability for provider-lessors.
17	Numerous	<p>In paragraphs 23-36, we recommend removing the word “work” from intragovernmental leasehold reimbursable work agreements, intragovernmental reimbursable work assets, and intragovernmental unearned reimbursable work revenue liability. We also recommend removing “and services” from economic benefits and services.</p>	See staff responses above.

QFR 3: Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.			
Ref. No.	Answer	Response	Preliminary Staff Notes
18	7 provided	<p>FASAB should define the term "intragovernmental reimbursable work asset"</p> <p>In paragraph 12, does "underlying asset" refer to an asset which is being leased in an intragovernmental lease? Could examples be provided?</p> <p>Paragraph 13 refers the reader to paragraphs 23 and 24 of the Technical Guidance. However, since the term "intragovernmental reimbursable work asset" is not defined, paragraph 24 is unclear. DHS reads paragraph 13 such that the provider-lessor recognizes the leasehold improvement asset. Based on the provider-lessor recognizing the asset, wouldn't the customer-lessee have a prepaid expense asset since intragovernmental leases are expensed, rather than a reimbursable work asset? Additionally, "for the amount payable" is ambiguous. What would a customer-lessee record/recognize if the intragovernmental work agreement was paid in full? Similarly, paragraph 31 uses "amount receivable," what would be recognized by the provider-lessor if the intragovernmental work agreement was paid in full?</p> <p>In paragraph 14, it states that "the nature of the reimbursable work" could be used to determine the predominant beneficiary. Can FASAB provide examples of the nature of work that would influence this determination?</p>	<p>See par. 21</p> <p>Yes, see par. 16.</p> <p>Comment appears to be caused by an inadvertent misreading of par. 13 which references paragraphs 23-34. The comment also appears to be caused by the respondent's familiarity with SFFAS 1. In substance, the reimbursable work asset guidance is facilitating compliance with SFFAS 54 par. 27-28 and SFFAS 1 guidance for prepayments.</p> <p>Staff recommends expanding par. 14 in response to this comment.</p>
		<p>Paragraphs 25 and 31 discuss the amortization of the intragovernmental reimbursable work asset and recognition of the intragovernmental reimbursable work revenue over the shorter of a) the remainder of the least term or b) the useful life of the underlying asset acquired/constructed or improvements/alterations. Could useful life of improvements/alterations be presented as "c)"?</p> <p>Also, is it possible to have a useful life of the improvements/alternation extend beyond the useful life of the underlying assets? For example, could the provider-lessor have new leasehold improvements to an asset (for example, a 51-year-old building) that is in service beyond its useful life? Based on reading paragraph 31, DHS would recognize all the revenue when the work was completed since there is no useful life remaining on the underlying asset. Is this what was intended?</p> <p>Please clarify that the recognition of the intragovernmental reimbursable work asset or the intragovernmental unearned reimbursable work revenue liability would not apply to construction in progress prior to the commencement of the lease period.</p> <p>Is there expectation that Treasury will create new standard general ledger accounts for intragovernmental reimbursable work asset and intragovernmental unearned reimbursable work revenue?</p>	<p>This would likely compromise the accuracy of the criterion.</p> <p>The useful life of the underlying asset is not the same as the useful life of the improvement.</p> <p>Par. 25 (second sentence) and par. 32 (first sentence) clarify this matter for customer-lessees and provider-lessors, respectively.</p> <p>The final determination would be made by Treasury. This is a reasonably likely outcome in staff's opinion.</p>

QFR 4: Are there specific aspects of this proposal that you otherwise wish to provide comments on?			
Ref. No.	Answer	Response	Preliminary Staff Notes
1	No	The Department of Labor reviewed the Exposure Draft and we do not have any comments.	N/A
2	No	HHS Response – None.	N/A
3	No additional comments	DoD Response: Refer to QFR 3.	N/A
4	No	At this time, the EPA does not have any comments to offer on this Exposure Draft.	N/A
5	No	The FISC does not have comments on specific aspects of the proposal.	N/A
6	1 provided	<p>Paragraphs 24, 30, and A14: SSA has significant concerns with considering this activity a prepayment of rent. When we enter into an RWA for construction or for building improvement, we are entering into an obligation for a service not future rent. In addition, the prepayment of rent would seem to violate Appropriations Law, the time period. For prepaid rent, we would be using authority in the current year for future needs (rent). Appropriations Law does not allow the use of current funds for severable future needs. The only exception would be if a contract for severable services was entered into for a period not to exceed 12 months. This situation would likely exceed the 12 month time period.</p> <p>Here is an example from GAO’s Red Book on prepaid rent: Rent on property leased by the National Park Service from the National Park Foundation could be paid in advance, but the lease could not cross fiscal year lines. The proposal was for the lease to run from May 1 through April 30 and for the full annual rent to be paid in advance on May 1. However, appropriations available as of May 1 could not be used for the period from October 1 through April 30 since rent for these months constituted a need of the following fiscal year. B-207215, Mar. 1, 1983.</p>	See staff notes under QFR 2 worksheet, resp. 6, item 2.
7	No	HUD CFO’s Office of Accounting does not have any specific areas that it wishes to comment on at this time.	N/A
8	No	No.	N/A
9	No	No further comments.	N/A
10	No additional comments	There are none other than discussed above.	N/A

QFR 4: Are there specific aspects of this proposal that you otherwise wish to provide comments on?			
Ref. No.	Answer	Response	Preliminary Staff Notes
11	Yes	<p>Considerations of Ownership by the Lessor: In reviewing the proposed Technical Bulletin, DOS noted that there is no mention as to whether agencies should consider lessor ownership of the underlying asset in determining whether a transaction should be accounted for as a leasehold improvement or accounted for as a Reimbursable Work Asset/Liability. DOS asserts that the ownership of the underlying asset is an important consideration when determining which agency benefits from an improvement. For example, in cases where the lessor agency does not own the underlying asset, any improvements or alterations made to the property by the lessee through reimbursement work arrangements, is likely to only benefit the lessee agency. In this case, the lessor agency has no rights to the residual value of the improvement as the underlying asset is owned by a public entity.</p> <p>Alternatively, lessor ownership of the underlying asset, and therefore the rights to residual value of improvements should be used by agencies to help support accounting judgments around whether “a more-than-insignificant level of residual economic benefits “exists within an arrangement.</p> <p>DOS Recommendations on Ownership: DOS recommends that FASAB consider adding ownership considerations to the proposed Technical Bulletin to provide agencies clarity on how the “predominant beneficiary” of an arrangement should be determined.</p>	<p>Paragraph 14 provides principle-based criteria that enable reporting entities to consider relevant factors.</p> <p>Staff notes that the proposed TB only applies to intragovernmental leasehold reimbursable work agreements meeting the definition under paragraph 16 (see par. 4). Paragraph 16 defines these agreements as one 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).</p> <p>The lessor always owns the underlying asset under SFFAS 54. If there is a transfer of ownership, the agreement combination should be accounted for in accordance with par. 25 of SFFAS 54, as the agreement combination would not fall under the scope of the proposed TB.</p>
		<p>Considerations of Property Lease Types: In reviewing the proposed Technical Bulletin, DOS noted that there is no mention as to whether the guidance is explicitly confined to real property leases. While it may be uncommon for other property lease types (personal property for example) to have improvements, reimbursable work arrangements for improvements or betterments to personal property could exist.</p> <p>DOS Recommendations on Property Type: DOS recommends that FASAB explicitly state whether the proposed Technical Bulletin pertains to real property only or all property issued under intragovernmental leases. This could be added within the definitions or a footnote within the guidance.</p>	<p>Staff notes that the proposed TB applies to intragovernmental leasehold reimbursable work agreements meeting the definition under paragraph 16 (see par. 4). Paragraph 16 defines these agreements as one entity (the provider-lessor) acquires, constructs, improves, and/or alters <b>an underlying asset that is or will be leased</b> to another reporting entity (the customer-lessee).</p> <p>The proposed TB can clearly applies to any intragovernmental agreement combination, provided that the lease definition and par. 16 definition are met. No action needed.</p>

QFR 4: Are there specific aspects of this proposal that you otherwise wish to provide comments on?			
Ref. No.	Answer	Response	Preliminary Staff Notes
12	Yes	Paragraphs 35 and 36 of the proposed TB appear to require that existing intragovernmental leasehold reimbursable work agreements be reevaluated upon implementation. While we do not object to such treatment, we suggest that the TB document FASAB's consideration of the cost benefit of such reevaluations.	<p>The proposed TB is a clarification of existing Statements that were issued based on the Board's assessment of costs and benefits. Paragraphs 34 and 35 are based on paragraph 96-98 of SFFAS 54. The proposed TB is not expected to result in additional costs associated with SFFAS 54 implementation with two exceptions: those related to par. 15, and 28/34. The Board included SMC 1 and SMC 2 for purposes of obtaining feedback on those costs and benefits. The Board will discuss SMC 1 and SMC 2 responses in December 2022. Staff will also propose basis for conclusions language related to costs and benefits, which the Board will discuss in December 2022. The Board's deliberations in December 2022 may result in further modifications to the proposed TB and the basis for the conclusions therein.</p>
		Further, the structure of the TB appears to be unnecessarily complex; it should focus on the different accounting and reporting treatment for intragovernmental leasehold reimbursable work transactions where the provider lessor is deemed to be the predominant beneficiary. Also, certain paragraphs of the proposed TB may be unnecessary or may have redundant information.	<p>Reporting entities have not requested additional guidance on accounting for intragovernmental leasehold reimbursable work agreements where the provider-lessor is the predominant beneficiary other than that which is provided under par. 11-15 of the proposal. The accounting standards for leasehold improvements (PP&amp;E) are not changing.</p> <p>See staff responses to respondent 17 under QFR 1 worksheet.</p>
		In addition, FASAB should consider whether the Financial Accounting Standards Board's (FASB) recent decision on leasehold improvements associated with leases between entities under common control is a preferable approach. Subject to public comment, FASB decided that for all entities with leases between entities under common control, the lessee should amortize the leasehold improvements over their economic life as long as the lessee continues to use the underlying asset. If the lessee ceases using the underlying asset (e.g., the lease is not renewed), the remaining leasehold improvement would be transferred to the lessor and accounted for as a transfer between entities under common control. FASB's approach appears simpler than that proposed in the TB and is likely more cost beneficial as it avoids issues with determining predominant beneficiary, establishing a new type of lessee asset, and related intergovernmental issues.	<p>The FASB decision mentioned by the respondent is a tentative decision and has not yet been exposed for public comment in an exposure draft. The tentative decision would not serve to clarify existing FASAB Statements; it would conflict with them. Under SFFAS 34 par. 6, reporting entities should follow the accounting treatment specified by the accounting principle from the highest category (such as Statements over TBs). The TB must ultimately be consistent with existing Statements.</p> <p>A notable basis for the FASB's tentative decision, which further diverges FASB's approach from that of the GASB and FASAB, is the common control concept. This concept is not analogous to the federal government. In the federal government, administrative assignments to component reporting entities are typically made in laws and policy documents (SFFAS 47 par. 58), such as those providing authority to provider-lessors to perform reimbursable work on behalf of requesting customer-lessees. Intragovernmental assets, liabilities, costs, and revenues should be recognized in a manner consistent with these administrative assignments. SFFAC 1 par. 9-10 provides that clearly defining the boundaries of the reporting entity provides the users with a clear understanding of what the reporting entity encompasses and helps establish what information is relevant to the financial statements. FASB reporting entities under common control do not require the same financial information for evaluating performance, responsibilities, compliance, and control based on such administrative assignments. FASB common control transactions are typically accounted for by the receiving entity.</p> <p>In the context of OA-RWA agreement combinations, staff believes that leasehold improvement assets should be recognized in a manner consistent with existing Board Statements, as provided under par. 11-15 of the proposal. Again, this criteria is consistent with underlying Board Concepts and the respective component reporting entities' administrative assignments and responsibilities under the agreement combination.</p>

QFR 4: Are there specific aspects of this proposal that you otherwise wish to provide comments on?			
Ref. No.	Answer	Response	Preliminary Staff Notes
13	No	No, other than comments on SMC1 and 2 below.	N/A
14	No	No.	N/A
15	Yes	Department of Commerce Response: The Department recommends for FASAB’s consideration the adding of a decision flow chart(s) for paragraphs 11-15 (determining applicability of paragraphs 23-34).	Staff does not recommend a decision flowchart for two reasons: 1) A decision flowchart would not effectively depict the authoritative criteria unless it matched such criteria exactly; any modifications would create inconsistencies with par. 11-15, increasing the risk of user errors and inconsistencies within the document. 2) A decision flowchart depicts step-by-step scenarios or provides a general overview of procedural activities. The criteria under par. 11-15 does not have a sufficient number of steps, complexities, or procedural activities that warrant use of a flowchart. Additionally, the proposed TB is not intended to define accounting procedural activities or their sequences. It is only meant to provide criteria for setting accounting policies.  Staff proposes clarifying edits to paragraphs 12-14, which should help with this matter.
16	No	No additional comments at this time.	N/A
17	Yes	We are concerned that the requirement of paragraph 31 would often produce poor matching of revenues to expenses recognition on the Statement of Net Cost for lessors. Normally we observe lease terms to be significantly less than the useful life of underlying assets and the improvements discussed in this draft Technical Bulletin. We foresee instances where a remaining lease term could be very short (though anticipated to be extended or renewed in the future) and the asset has 10 or more years of useful life remaining. It would theoretically provide better matching if the lessor were to earn the revenues from these reimbursable agreements over the period the costs would be depreciated. As an extreme example, there are instances where a lease is in a holdover status or similar to an “evergreen” lease, that would result in immediate revenue recognition by a lessor, though the asset benefit period and depreciation would be over many years. We also expect that changing the lessor’s period of amortization to match its asset depreciation period would likely create complexities from the perspective of intragovernmental reporting and the elimination of reciprocal balances reported by the lessee and lessor. We request the Board consider these points in making final determinations of the amortization requirements and request additional mention in the Basis for Conclusions section regarding the approach used to reach its decision on this issue.	Under SFFAS 60, the Board concluded that paragraph 19.a should remain unamended despite potential theoretical consequences like this. The Board noted that revising the paragraph would likely result in undue costs and preparer burdens. The Board also noted that reporting entities and their counterparties often have sufficient disincentives that deter them from prevalently engaging in significant off-balance-sheet financial through use of cancelable periods. Staff will monitor implementation concerns regarding this paragraph--particular intragovernmental implementation issues, which might lack the level of disincentives that are present in transactions with the public. Staff respectfully requests reporting entities to monitor and communicate implementation issues like this and the significance of their effect on the financial statements. Staff will perform periodic outreach to monitor this area post-implementation.
18	No	No.	N/A



**SMC 1: Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.**

Ref. No.	Agreement Type	Response	Preliminary Staff Notes
1	None provided	None provided	N/A
2	Analysis only	HHS Response – Having policies and procedures in place in assessing leasehold improvement recognition would be beneficial between lessor/lessee. A key challenge will be establishing baseline policies and procedures that are consistent across all federal entities to prevent discrepancies in leasehold improvement recognition (i.e., lessee has different recognition requirements between different lessors or vice-versa). Depending on the nature of the leasehold improvement, some federal entities (whether as lessor or lessee) may assess the term 'predominant beneficiary' in a different manner based on the nature/extent of a federal entity's use of the asset and mission/operations.	Staff agrees but notes that the proposal mitigates <i>already existing</i> inconsistencies resulting in intragovernmental differences in this area.
3	Analysis only	DoD Response: The proposed requirement in the subject Technical Bulletin will encourage Federal entities to establish, document, and to consistently adhere to policies and reaching agreement on the treatment of intragovernmental leasehold reimbursable work transactions. Given the nature of the inter-entity balances and transactions that should be eliminated, this requirement could circumvent inconsistent accounting, significant intragovernmental differences, and dispute resolutions.	N/A
4	None provided		N/A
5	Disagree	The FISC recognizes the importance of establishing, documenting, and consistently following policies related to intragovernmental leasehold reimbursable work to facilitate consistent implementation of the proposed requirements; however, the inclusion of this requirement in the accounting literature raises the question of whether the absence of written policies would be a violation of Generally Accepted Accounting Principles. The FISC recommends that paragraph 15 be moved to an appendix and provided as guidance for agencies' consideration.	Respondent recommends moving to a non-authoritative appendix, such as basis for conclusions, for agencies to consider.
6	Disagree	<p>SSA disagrees - We do not have the same materiality rate as our lessor. We would not plan to record immaterial RWA assets as they are not relevant or valuable to our financial statements or users thereof. While we can coordinate - agreement will be difficult.</p> <p>If the RWA is significant, we would capitalize the costs as LHI assets, rendering this TB moot. While we would want to work with our lessor, we will not be recording these assets for low-dollar RWAs, which we have heard our lessor wants. This will result in continued/new intragovernmental differences.</p>	<p>Staff appreciates the feedback. The paragraph would require entities to <i>establish, document, and consistently follow policies for reaching agreement</i>. It was not intended to require entities to <i>reach</i> agreements in all circumstances. Staff acknowledges that this distinction may not have been sufficiently clear in the way SMC 1 was worded (the SMC did not precisely mirror par. 15 in its description).</p> <p>The respondent provides additional context in their response to SMC 2. Staff believes that the respondent is simply expressing that paragraphs 23-34 of the proposal would not apply to a majority of its intragovernmental leasehold RWA transactions.</p> <p>Staff notes that there are longstanding intragovernmental eliminations that have not made it through dispute resolution due to an unwillingness of counterparties to compromise. Such unwillingness is part of the basis for proposing that paragraph 15 be included in the authoritative section of the proposed TB.</p> <p>See also: staff notes under QFR 2 worksheet, resp. 6 item 3.</p>

**SMC 1: Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.**

Ref. No.	Agreement Type	Response	Preliminary Staff Notes
7	Agree	HUD CFO's Office of Accounting suggests that Paragraph 15 would be a great addition to assist in facilitating consistent implementation of the intragovernmental requirements. This paragraph should be included in the proposed technical Bulletin.	N/A
8	None provided	None.	N/A
9	Agree	Agree. Additional clarification in paragraph 15 would facilitate consistent implementation of the intragovernmental accounting requirements.	N/A
10	Analysis only	<p>2. The application of paragraph 15: As indicated in the Executive Summary of the ED (paragraph four), the accounting for the substance of these agreements inherently involves a good degree of professional judgement when both parties derive economic benefits. It is quite possible that both parties while operating in good faith might reach different conclusions.</p> <p>Ostensibly, the materiality provisions of SFFAC 1, Chapter 7, would ameliorate some of these differences. However, what would be the remedy to resolve any differences that are not immaterial and the accounting and auditing implications if each party reported the transactions in a different manner?</p>	Presumably the criteria in this Technical Bulletin would assist the Bureau of Fiscal Service in facilitating dispute resolutions whenever those do arise. Staff concurs with the respondent's assessment. Parties consulted in the development of this proposal agreed that the proposal would significantly reduce the frequency (but not eliminate all instances) of intragovernmental differences.
11	Agree (with additional suggestions)	<p>DOS agrees that agencies should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. However, because these policies, must consider not only an agency's accounting policy, but also affected programs within the agency, the likelihood of having full consistency across federal agencies is not likely.</p> <p>Further, well established polices and controls should be repeatable, easily understood and applied consistently across an organization. Therefore, creating polices that consider a specific relationship, such as those related other another agency's leasehold improvement reporting polices, would require policy "tailoring" to fit multiple organizations.</p> <p>We also believe inconsistent treatment is likely due to materiality thresholds and other accounting judgments across agencies.</p> <p>DOS understands that FASAB does not set management level policy for federal agencies and agrees with this practice. However, we would recommend that FASAB consider providing examples of arrangements in the guidance or "bright line tests" to provide more detailed guidelines for agencies use when establishing consistent policies across the government.</p>	For reasons somewhat similar to those described in SFFAC 9 par. A24 (when the Board concluded not to provide detailed guidance on materiality), staff believes that an emphasis on the importance of evaluating the significance of residual economic benefits, without providing specifics, would allow reporting entities broader flexibility in exercising professional judgments in coordination with their intragovernmental counterparties. The Board may, however, wish to consider providing examples of factors to consider in assessing the significance of residual economic benefits without use of a prescriptive definition. Such guidance could also be provided under the project to update Technical Release 20. Staff would recommend this option.



**SMC 1: Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.**

Ref. No.	Agreement Type	Response	Preliminary Staff Notes
12	Disagree	<p>We have significant concerns about including paragraph 15 as a requirement in the authoritative section of the proposed TB. If the parties do not come to an agreement, paragraph 15 of the proposed TB would appear to result in both parties not complying with generally accepted accounting principles. We suggest removing paragraph 15 and stressing elsewhere (perhaps in the basis for conclusions appendix) the importance of coordination between intragovernmental lessors and lessees in recording lease balances and activity to promote consistency and minimize the potential for intragovernmental differences.</p>	<p>Respondent recommends moving to a non-authoritative appendix, such as basis for conclusions, for agencies to consider. Staff appreciates the feedback.</p> <p>The paragraph would require entities <i>to establish, document, and consistently follow policies for reaching agreement</i>. It was not intended to require entities <i>to reach agreements</i> in all circumstances. Staff acknowledges that this distinction may not have been sufficiently clear in the way SMC 1 was worded (the SMC did not precisely mirror par. 15 in its description).</p>
13	Agree (with additional suggestions)	<p>The exposure draft provides detailed accounting guidance for this common circumstance and provides for symmetry between lessee and lessor accounting. In this respect, we believe it will have a positive impact on consistency in accounting for intragovernmental leasehold reimbursable work agreements.</p> <p>However, we found that paragraph 15 could be improved in this regard. Symmetry in accounting between lessee and lessor agencies will require both agencies to make the same judgment with regard to the predominant beneficiary as well as amounts. It would be helpful if paragraph 15 was more explicit in requiring agreement between lessee and lessor rather than with “policies.” For example:</p> <p>Customer-lessees and provider-lessors should <del>establish, document, and consistently follow policies for recognizing leasehold improvement assets</del> <u>consistently</u> between reporting entities and <del>reaching agreement on such recognition</del> <u>with each other</u> in a manner consistent with this guidance</p> <p>In practice, the best internal control to achieve the objective of the technical bulletin would be for parties to the lease to communicate with each other to confirm accounting conclusions – not having each agency establish some kind of policy to follow individually.</p>	<p>For reasons stated by other respondents, staff has concerns with including prescriptive policy criteria in GAAP. Staff recommends including the policy objective under GAAP, however. This nuanced consideration is reflected in the proposed language stating that reporting entities should <i>"establish, document, and consistently follow policies for... reaching agreement"</i>—rather than requiring agreements to actually be reached in every situation.</p> <p>Staff will propose to include the <u>"with each other"</u> insertion, should the Board elect to retain paragraph 15 moving forward.</p>
14	Agree	<p>The DOJ does not have any issues with the inclusion of paragraph 15 as a proposed requirement but would like additional guidance from GSA. All of the DOJ's RWAs are with GSA, so they would be the provider-lessor determining if they receive a more-than-insignificant benefit for a leasehold improvement. It will help promote consistency across the federal government if GSA issues guidelines to determine when GSA receives the "more than insignificant benefit" of the leasehold improvement.</p>	N/A
15	Analysis only	<p>The Department believes that the inclusion of paragraph 15 as to specifically the establishment of policies, excluding what the Department believes may be the implied required coordination of partner entities, will assist federal entities with consistently following policies for recognizing leasehold improvement assets or intragovernmental reimbursable work agreement assets and providers-lessors recognizing the corresponding accounting treatments.</p> <p>Please see the Department's previous comments (QFR 2 comments) of disagreements regarding the actual inclusion (paragraphs 26 and 32) or what the Department believes may be implied inclusion—paragraph 15) in the proposed guidance regarding required coordination between partner entities.</p>	<p>See staff notes under QFR 2 worksheet in response to the respondent's referenced comments.</p>

**SMC 1: Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.**

Ref. No.	Agreement Type	Response	Preliminary Staff Notes
16	Analysis only	BIA is a customer-lessee only based on the definition provided in the Technical Bulletin. BIA currently has a procedure for reviewing and monitoring reimbursable work agreements with other federal agencies. Further BIA has detailed procedures on monitoring assets under construction/ leasehold improvements. Amortization of completed assets is system automated.	N/A
17	Disagree	We recommend eliminating paragraph 15 from this Technical Bulletin as it seems to be out of scope for this document. The establishment of policies and procedures for implementing FASAB guidance should be left to the reporting entities as it has been for previous standards. Guidance on intragovernmental communication does not seem appropriate as a requirement in a Technical Bulletin. Such guidance is already a component of the Treasury Financial Manual and OMB A-136: Financial Reporting Requirements.	Staff will raise this matter for Board discussion. Staff notes that the current framework has not effectively mitigated ongoing intragovernmental differences and disputes in this area previously. Systems and controls are one of the four federal financial reporting objectives, one which, as staff recalls, <i>some</i> Board members have previously argued has not received enough attention.
18	Agree	DHS agrees that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. DHS believes that this needs to be coordinated across the Federal government. Specifics of this coordination may be beyond the scope of this Technical Bulletin. Also, should the predominant beneficiary of the work be a required element of the reimbursable work agreement? If the beneficiary is established in the agreement, then the risk of both entities recognizing the asset as a component of PP&E should be significantly reduced. Again, this requirement might be beyond the scope of this Technical Bulletin.	N/A

**SMC 2: Paragraphs 28 and 34 provide proposed disclosure requirements. Please provide feedback on the extent to which these proposed disclosure requirements are appropriate. For example, is such information necessary to make the financial statements informative and relevant to users in assessing accountability? Please describe your views, the costs and benefits of including these proposed disclosures, and other reasons for your views. Also, please provide feedback on the inclusion of these paragraphs as proposed requirements in a Technical Bulletin and any potential implementation challenges.**

Ref. No.	Agreement type	Response	Preliminary Staff Notes
1	None provided		N/A
2	None provided	HHS Response – No comments.	N/A
3	Agree	DoD Response: We believe that the proposed disclosure requirements in paragraphs 28 and 34 are appropriate, as these will provide relevant and informative financial information to users. The disclosure requirements provide equivalent disclosure requirements that is comparable to the disclosure requirements of paragraphs 54.b and 67.b of SFFAS 54. These will also require DoD to have a better understanding and accountability of its significant reimbursable work agreement activities and the respective amounts of intragovernmental reimbursable work assets.	N/A
4	None provided		N/A
5	Agree	The FISC generally agrees with the proposed disclosure requirements.	N/A
6	Partially agree	In general, the disclosure requirements appear reasonable. However, SSA will record significant RWA costs (i.e., those meeting our capitalization threshold) as Leasehold Improvement assets in accordance with SFFAS 54. We do not plan to capitalize insignificant RWA costs not meeting that threshold. Therefore, we do not anticipate this TB applying to much, if any, of our RWA activity. However, if things were to change in the future where we had a significant RWA that we did not derive the economic benefits from, and thus would not be a Leasehold Improvement to SSA, we would follow the disclosure requirements in this TB. The totality of SSA's RWA activity, both capitalized Leasehold Improvements and the insignificant RWA activity, is vastly immaterial quantitatively and qualitatively to our financial statements. Therefore, we do not believe the information is necessary to make the financial statements informative or relevant to users.	Based on the information available to staff, including dispute resolution papers and historical SSA financial statements, staff does not concur that RWA activity is immaterial to SSA's financial statements. Materiality benchmarks for non Trust Fund investment balances would not be comparable to materiality benchmarks for PP&E-related balances (see AU-C 320 and FAM 230.08 and .10). Staff is recommending, however, that paragraph 28.b and 34.b disclosures in the ED be dropped based on other factors.
7	Agree	HUD CFO's Office of Accounting believes the disclosure requirements in paragraphs 28 and 34 are appropriate and necessary to make the financial statements informative and relevant to the users. The recognition and disclosures in the proposed technical bulletin are consistent with generally accepted accounting principles.	N/A
8	None provided	None.	N/A
9	Agree	Agree. The Footnote disclosures will provide informative and relevant information to the users. Cost, benefits and additional feedback will become available in the later phases of NASA's SFFAS 54 implementation efforts.	N/A
10	Analysis only	3. The cost/benefit of the implementation of the ED and applicable disclosures: It is difficult to assess if the benefits exceed the costs for both the implementation and disclosure requirements of the ED. For example, what is the amount and frequency of agreements where the provider-lessor would derive a more-than-insignificant level of residual economic benefit? Also, would the recognition of the unearned reimbursable work liability and the subsequent recognition of the revenue over the useful life of the PP&E impact the decision making of the users of the financial statements within the context of Federal Government entities? It would be helpful to know if this EB [sic] is in response to specific requests from the entities or a solution in search of a problem?	The high degree of subjectivity and professional judgment associated with the situations described by the respondent are pre-existing conditions that are intended to be mitigated by the proposal. The proposal is not creating these challenges; rather, it is providing helpful guidance for consistently and comparably analyzing and addressing them. The ED is in response to specific requests from three entities with significant intragovernmental differences. It was developed in consultation with those entities.
11	Agree	Notwithstanding the ambiguity of the Technical Bulletin as previously discussed, DOS believes that the content of the disclosures for both Lessee and Lessor are appropriate.	N/A

SMC 2: Paragraphs 28 and 34 provide proposed disclosure requirements. Please provide feedback on the extent to which these proposed disclosure requirements are appropriate. For example, is such information necessary to make the financial statements informative and relevant to users in assessing accountability? Please describe your views, the costs and benefits of including these proposed disclosures, and other reasons for your views. Also, please provide feedback on the inclusion of these paragraphs as proposed requirements in a Technical Bulletin and any potential implementation challenges.			
Ref. No.	Agreement type	Response	Preliminary Staff Notes
12	Agree	The proposed disclosure requirements appear reasonable.	N/A
13	Agree	The disclosure requirements seemed in line with existing disclosures and therefore not burdensome, especially given that disclosures are limited to situations where reimbursable work agreements are significant. However, we did not have any views or insight at this time on whether or not such information might be necessary for users.	N/A
14	Agree	The DOJ does not have an issue with the proposed disclosure requirements in paragraphs 28 and 34. Readers of the financial statements will benefit from the proposed disclosure requirements as it will clarify significant reimbursable work agreement activities of the Federal Government. Costs associated with the proposed disclosure requirements would be minimal, mostly additional time to prepare in a financial statement footnote during the financial reporting period.	N/A
15	Agree	The Department believes that the proposed disclosures are reasonable and appropriate because they help in providing accurate accountability and transparency for intragovernmental reimbursable work agreements between customers-lessees and providers-lessors. Furthermore, the Department believes that the proposed disclosures will provide for more accurate balances in intragovernmental assets, liabilities, revenue, and costs. The proposed disclosures do not appear to the Department to be overly burdensome and/or cost inefficient.	N/A
16	Analysis only	BIA is a customer-lessee based on the definition provided in the Technical Bulletin. No additional comments at this time.	N/A
17	Disagree	While we would be able to provide the information requested for disclosure, we do not think it's warranted for this activity. GSA likely has the largest balances for these intragovernmental agreements, but it is not material for our financial statements. As such, from a cost vs benefit perspective, we do not recommend including these disclosure requirements.	Staff will raise this matter for Board discussion. A majority of respondents agreed with the proposed disclosures and their relevance to assessing accountability. Staff is proposing that the Board eliminate 28.b/34.b disclosures in the ED be dropped based on other factors.
18	Agree (with suggestions provided)	Paragraph 28 a) and Paragraph 34 a) state "a general description of significant reimbursable work agreement activities." Should "leasehold" be inserted so that there is no confusion that paragraphs 28 and 34 apply to anything beyond intragovernmental leasehold reimbursable work agreements?	Scope section clarifies this matter, but staff will consider making the clarifying edits to reinforce this.



# INTRAGOVERNMENTAL LEASEHOLD REIMBURSABLE WORK AGREEMENTS

**Technical Bulletin 202X-X**

**Pre-ballot draft**

**Month XX, 2022**

## 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](#)
- [FASAB newsletters](#)

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### Contact Us

Federal Accounting Standards Advisory Board  
441 G Street, NW  
Suite 1155  
Washington, D.C. 20548  
Telephone (202) 512-7350  
Fax (202) 512-7366  
[www.fasab.gov](http://www.fasab.gov)



## EXECUTIVE SUMMARY

### WHAT IS THE BOARD PROPOSING?

This Technical Bulletin ~~would~~ provides accounting and reporting requirements for intragovernmental leasehold reimbursable work agreements (often referred to in practice as reimbursable work authorizations). These agreements have features that require supplementary guidance for purposes of implementing paragraphs 72-79 and 26-38 of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts* and other existing Board Statements.

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 what may be included in the tenant improvement allowances of the lease agreement for the related underlying asset.

This ~~proposal would~~ Technical Bulletin requires 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~~ requires 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 or PP&E asset 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 property, plant, and equipment [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 Technical Bulletin would~~ assists reporting entities with recognizing the appropriate types of assets and liabilities embodied under these intragovernmental agreements in a similar manner.

~~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 Technical Bulletin would not need to be applied to information if the effect of applying the provision(s) is immaterial.<sup>1</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 influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of

<sup>1</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.

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.

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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 for respondents (QFR) and specific matters for comment (SMC) 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 contact (202) 512-7350 to make alternate arrangements.

All responses are requested by November 4, 2022.

**QFR1.** Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.

**QFR2.** 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.

**QFR3.** Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.

**QFR4.** Are there specific aspects of this proposal that you otherwise wish to provide comments on?

**SMC1.** Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.

**SMC2.** Paragraphs 28 and 34 provide proposed disclosure requirements. Please provide feedback on the extent to which these proposed disclosure requirements are appropriate. For example, is such information necessary to make the financial

statements informative and relevant to users in assessing accountability? Please describe your views, the costs and benefits of including these proposed disclosures, and other reasons for your views. Also, please provide feedback on the inclusion of these paragraphs as proposed requirements in a Technical Bulletin and any potential implementation challenges.

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## ~~PROPOSED~~ TECHNICAL GUIDANCE

### SCOPE AND APPLICABILITY

#### SCOPE

1. **Which 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 **intra-governmental leasehold reimbursable work agreements** (as defined under par. 16).<sup>2</sup>
5. These agreements have features that require supplementary accounting guidance for purposes of implementing paragraphs 72-79 and 26-38 of SFFAS 54, *Leases*, in a manner consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.
6. **What is excluded from this Technical Bulletin?**
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.

#### SCOPE AND APPLICABILITY OF PARAGRAPHS 22-33

8. **What types of intragovernmental reimbursable leasehold work agreements are not subject to paragraphs 223-334 of this Technical Bulletin?**
9. Paragraphs 223-334 of this Technical Bulletin do not apply to intragovernmental reimbursable leasehold work agreements for which the associated leasehold improvement asset is recognized by the **customer-lessee**. Paragraphs 10-15 of this Technical Bulletin provide principles for determining which party (the customer-lessee or **provider-lessor**) should recognize the leasehold improvement asset (property, plant, and equipment [PP&E]).
10. **How should customer-lessees and provider-lessors determine the applicability of paragraphs 223-334 of this Technical Bulletin and recognize leasehold improvement assets accordingly?**

<sup>2</sup>Terms defined in the glossary are shown in **boldface** the first time they appear.

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 ~~223-334~~ 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 in accordance with SFFAS 6 (and par. 34 of SFFAS 54).
  - Comparatively, for these types of agreements, ~~The provider-lessee would not be expected to derive significant residual economic benefits or services from such reimbursable work. The costs incurred for the reimbursable work are expensed by the provider-lessee, and the amounts received as reimbursement are recognized as intragovernmental revenue. 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 in these types of agreements) continues to be recognized by the provider-lessee, in accordance with a manner consistent with paragraph 66 of SFFAS 54 and SFFAS 6.
- ~~12-13.~~ For acquisitions, construction, improvements, and/or alterations with an expected useful life beyond the remaining lease term and for which the provider-lessee 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, and paragraphs 22-33 would apply.
- ~~For these types of agreements,~~ In such cases, the leasehold improvement (or PP&E) asset should be recognized by the provider-lessee, and the customer-lessee and provider-lessee should follow the guidance under paragraphs 223-2734 (rather than par. 12-12.a above).
  - Comparatively, for these types of agreements, the provider-lessee should follow the guidance under paragraphs 28-33 (rather than par. 12, 12.b above). The underlying asset, including the leasehold improvement (or PP&E) asset, should also be accounted for by the provider-lessee in a manner consistent with paragraph 66 of SFFAS 54 and SFFAS 6.
- ~~13-14.~~ 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 and terms of the reimbursable work agreement, and the expected residual economic benefits and services at the end of the lease term, and the extent to which any residual economic benefits and services would likely be derived from the leasehold improvement (or PP&E) asset by the provider-lessee following the end of the lease term—either in future lease agreements or through other means.

- ~~14.15.~~ Customer-lessees and provider-lessors should 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

- 15.16. Intragovernmental leasehold reimbursable work agreement** – An agreement 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. The reimbursement of such acquisitions, construction, improvements, and/or alterations are beyond what may be included in the rent or tenant improvement allowances provided for in a lease agreement for the related underlying asset.
- 16.17. Customer-lessee** – The reporting entity paying for the acquisition/construction of, or improvements and/or alterations to, the underlying asset provided by the provider-lessor on a reimbursable basis.
- 17.18. Provider-lessor** – 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 – ACCOUNTING AND DISCLOSURES

- 18.19. What types of rights and obligations are established under reimbursable leasehold work agreements that might give rise to recognizable assets and liabilities?**

~~19.20. Intragovernmental lease rental amounts are generally based on provider-lessor pricing policies prescribed by legislation. 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 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 is beyond (or “above-standard” for) what is included in the tenant improvement allowances of the lease agreement for the related underlying asset. These agreements establish 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 paid for through the reimbursable leasehold work agreement (hereinafter referred to as the intragovernmental leasehold reimbursable work asset).~~

- 21.** These agreements also establish 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).



CUSTOMER-LESSEES**20-22. How should customer-lessees account for intragovernmental leasehold reimbursable work agreements?**

**21-23.** 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).

**22-24.** 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 commence when the customer-lessee has access to economic benefits and services resulting from the reimbursable work and be reported as amortization expense.

**23-25.** 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 108-11309 of SFFAS 4.<sup>3</sup>

**24-26. 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?**

**25.** Customer-lessees should disclose the following regarding intragovernmental reimbursable work assets a:

**26-27.** 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.

**a.** ~~The carrying amount of the asset and the amount of amortization expense for the reporting period.~~

PROVIDER-LESSORS**27-28. How should provider-lessors account for intragovernmental leasehold reimbursable work agreements?**

**28-29.** 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).

**29-30.** Provider-lessors should recognize the intragovernmental reimbursable work revenue in a systematic and rational manner over the shorter of (a) the remainder of the lease term or (b)

<sup>3</sup>Par. 108-11309 of SFFAS 4 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.

the useful life of the underlying asset acquired/constructed or improvements/alterations thereto associated with the reimbursable work. Revenue recognition should commence when the ~~customer-lessee has~~provider-lessor provides access to the economic benefits and services resulting from the reimbursable work.

~~30.31.~~ Revenue recognition should be determined in a coordinated manner with the customer-lessee to facilitate the elimination of inter-entity balances and earned revenues in accordance with paragraphs 108-1~~1309~~ of SFFAS 4.<sup>4</sup>

~~31.32.~~ **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?**

~~32.~~ Provider-lessors should disclose ~~the following regarding intragovernmental unearned reimbursable work revenue liabilities:~~

33. ~~A~~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.

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

## IMPLEMENTATION

34. 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.

35. Entities should report the effect of implementing this Technical Bulletin on existing intragovernmental leasehold reimbursable 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

36. The requirements of this Statement are effective for reporting periods beginning after September 30, 2023. Early adoption is not permitted.

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.

<sup>4</sup>Ibid.

## APPENDIX A: BASIS FOR CONCLUSIONS

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The Federal Accounting Standards Advisory Board (FASAB or “the Board”) 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 in reaching the conclusions in this Technical Bulletin. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the proposed technical guidance section—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 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 staff appreciate that intragovernmental leasehold reimbursable work agreements are complex and may, at times, have material effects on GPFFRs.
- 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~~ Technical Bulletin will comparatively reduce burden by more directly explaining the applicability of this guidance to intragovernmental leasehold reimbursable work authorizations.
- A8. This ~~proposal would~~ Technical Bulletin further explain reflects that intragovernmental leasehold work agreements and lease agreements represent an agreement combination under paragraphs 78-79 of SFFAS 54 and should be treated accordingly.
- A9. This proposal ~~would further explain and~~ addresses areas not covered directly under SFFAS 54, paragraphs 11-12 and 34-35, in the context of intragovernmental leasehold reimbursable work agreements. Specifically, the guidance addresses recognition of leasehold improvement or lessor improvement assets (PP&E) and considerations when determining which reporting entity should account for that PP&E.
- A10. Paragraphs 11-12 of SFFAS 54 provide definitions related to improvements of leased property. Paragraph 11 of SFFAS 54 provides that leasehold improvements are paid for (financed) by lessees, while paragraph 12 of SFFAS 54 provides that lessor improvements are paid for (financed) by lessors.
- A11. Paragraph 18 of SFFAS 6 provides that PP&E includes leasehold improvements and property owned by the reporting entity and leased to others.
- A12. Normally, the amounts paid by the customer-lessee on leasehold improvements to assets underlying intragovernmental leases are capitalized by the customer-lessee and depreciated over the shorter of the life of the improvements or lease term. Likewise, the amounts received are normally recognized as revenue by the provider-lessor.<sup>5</sup> In these situations, the cost of leasehold improvements are expensed by the provider-lessor. Generally, for leasehold improvements to assets underlying intragovernmental leases, there are no significant residual economic benefits or services expected to be derived from the improvements after the end of the lease term.
- A13. For certain intragovernmental leasehold reimbursable work agreements, however, the provider-lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the improvements after the end of the lease term. In such cases, the Board and staff believe that such improvements meeting these two conditions are, in substance, lessor improvements. In making this determination, the Board considered the following:

<sup>5</sup>Consistent with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

- a. The provider-lessor and the federal government as a whole receives residual economic benefits and services from the improvements after the end of the lease term.
  - b. Such treatment would allocate the cost of the improvements over the useful life of the asset, which extends beyond the lease term.
- A14. Assuming improvements meeting the two conditions above are recognized as lessor improvements, another consideration is how the customer-lessee's payment(s) should be recognized by each party. The Board believes that the payment(s), in substance, are an intragovernmental lessee prepaid rent for the customer-lessee and advance rent for the provider-lessor, consistent with paragraphs 27-28 of SFFAS 54. In making this determination, the Board considered the following points:
- a. Intragovernmental revenue and expenses would be more balanced.
  - b. Under this approach, the customer-lessee would recognize the costs of improvements over the periods in which the related benefits are derived.
  - c. Under this approach, the provider-lessor would recognize revenue from improvements over the periods in which they are earned.
- A15. The Board also agreed that the ~~proposal~~ Technical Bulletin should clearly articulate the scope of the guidance, which is intended solely for accounting and reporting related to reimbursable work agreements for acquisitions, construction, improvements, and/or alterations to underlying assets of *intragovernmental leases*. The ~~related proposals~~ guidance would not be applied in other circumstances (for example, other types of reimbursable work authorizations that are not intragovernmental leasehold reimbursable work agreements). For similar reasons, the Board and staff decided it best to avoid use of the term "reimbursable work authorizations" in the technical guidance 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.
- A16. 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.
- A17. 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, and other factors may result in high levels of subjectivity in professional judgment. Understanding this, the ~~proposal~~ Technical Bulletin 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 consistent and comparable treatment to facilitate elimination of intragovernmental balances and transactions.



- A18. Certain task force members suggested that the ~~proposed~~ guidance allow the 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 its 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 GPFFRs.

#### SUMMARY OF OUTREACH AND RESPONSES

- A19. The Board released an exposure draft (ED) proposal on September 19, 2022, for public comment, with comments requested by November 4, 2022. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. To encourage responses, a reminder notice was provided to FASAB's listserv near the comment deadline.
- A20. Eighteen comment letters were received in response to the ED. Respondents were generally supportive of the proposed Technical Bulletin. In response to the comment letters, the Board identified and agreed upon further changes to improve the structural and technical clarity of the proposal, including:
- a. Clarifying edits to improve the organization of the document, including revisions to section headers and the addition of sub-headers.
  - b. Additional edits to paragraphs 12-14 to further enhance the structural clarity of the guidance and further explain the scope and applicability provisions.
- A21. A few respondents requested that the Board define the terms "more-than-insignificant" and/or "predominant beneficiary" under paragraphs 12-13. The Board decided not to provide concrete definitions of these terms, given their inherent relationship to the concept of materiality. Instead, the Board elected to enhance the guidance under paragraph 14 and explain the factors to consider when assessing projected residual economic benefits. The Board believes that these enhancements will facilitate reasonably consistent and comparable practitioner assessments and agreements between customer-lessees and provider-lessors, while also allowing practitioners to exercise their professional judgments based on relevant factors, including materiality. Staff believes that practitioners should consider relevant qualitative factors when implementing the Technical Bulletin, such as the likelihood of elimination differences accumulating to material elimination differences at the consolidated level or other significant errors at the component reporting entity level (for either party).
- A22. One respondent recommended that the Board consider whether the Financial Accounting Standards Board (FASB) tentative decision on leasehold improvements associated with leases between entities under common control was a preferable approach. The Board does not believe that the common control concept is analogous to the federal government in this context.
- a. In the federal government, administrative assignments to component reporting entities are typically made in laws and policy documents, such as those providing



authority to provider-lessors to perform reimbursable work on behalf of requesting customer-lessees. Intragovernmental assets, liabilities, costs, and revenues should be recognized in a manner consistent with these administrative assignments.

- b. SFFAC 1, paragraphs 9-10, provide that clearly defining the boundaries of the reporting entity provides the users with a clear understanding of what the reporting entity encompasses and helps establish what information is relevant to the financial statements. FASB reporting entities under common control do not require the same financial information for evaluating performance, responsibilities, compliance, and control based on such administrative assignments. Customer-lessees and provider-lessors should be accountable for their respective administrative assignments under these agreements.
  - c. Leasehold improvement assets should be recognized in a manner consistent with existing Board Statements, as provided under paragraphs 11-15 of the proposal. Again, these criteria are consistent with underlying Board Statements and the respective component reporting entities' administrative assignments and responsibilities under the agreement combination. Moreover, the Technical Bulletin criteria are consistent with SFFAS 4, paragraphs 108-113, criteria for inter-entity costing for business-type activities.
- A23. Some respondents expressed concerns that paragraph 15 may raise audit-related questions concerning failure to comply with generally accepted accounting principles (GAAP) when customer-lessees and provider-lessors do not agree on the conclusions reached by the other party. This proposal requires reporting entities to *establish, document, and consistently follow policies for reaching agreement*. It *does not require* reporting entities to reach agreements in every situation, as such an expectation is unrealistic.
- a. Paragraph 15 of this Technical Bulletin contributes to the Board's systems and control federal financial reporting objective under Statement of Federal Financial Accounting Concepts (SFFAC) 1. Paragraph 146 of SFFAC 1 provides that federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that transactions are recorded in accordance with federal accounting standards. It provides criteria that complements the measurement and recognition criteria.
  - b. The Board believes reporting entities who *establish, document, and consistently follow policies* for reaching agreements with their intragovernmental trading partners in a manner consistent with the Technical Bulletin guidance, will often—but perhaps not always—reach agreement, thereby substantially reducing the costs and burdens associated with intragovernmental elimination difference resolutions.

#### BOARD REVIEW

- A24. The Board has reviewed this Technical Bulletin, and a majority of members do not object to its issuance.

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## APPENDIX B: ABBREVIATIONS

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AAPC	Accounting and Auditing Policy Committee
<u>ED</u>	<u>Exposure Draft</u>
FASAB	Federal Accounting Standards Advisory Board
<u>FASB</u>	<u>Financial Accounting Standards Board</u>
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
PP&E	Property, Plant, and Equipment
QFR	Question for Respondents
<u>SFFAC</u>	<u>Statement of Federal Financial Accounting Concepts</u>
SFFAS	Statement of Federal Financial Accounting Standards
SMC	Specific Matter for Comment

## APPENDIX C: GLOSSARY

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### Customer-lessee

The reporting entity paying for the acquisition/construction of, or improvements and/or alterations to, the underlying asset provided by the provider-lessor on a reimbursable basis.

### Intragovernmental leasehold reimbursable work agreement

An agreement 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. The reimbursement of such acquisitions, construction, improvements, and/or alterations are beyond what may be included in the rent or tenant improvement allowances provided for in a lease agreement for the related underlying asset.

### Provider-lessor

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.

### **FASAB Members**

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Patrick McNamee

Terry K. Patton

Raymond Vicks

### **FASAB Staff**

Monica R. Valentine, Executive Director

Ricky A. Perry, Jr., Senior Analyst

Brian D. Casto, Fellow

### **Federal Accounting Standards Advisory Board**

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone (202) 512-7350

Fax (202) 512-7366

[www.fasab.gov](http://www.fasab.gov)

## 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		Issuance TR 20 ISSUED Research	Issuance SFFAS 60 ISSUED Research Draft Exposure Period Finalize	Research Draft Exposure Period Finalize	Provide
FY 2023 Q1		Research	Finalize / Approve Issuance ( <i>original plan</i> )	Finalize / Approve (target)	Draft FY 23 content
FY 2023 Q2		Draft	Projected Issuance <i>Behind schedule</i>	Finalize / Approve (projected) Issuance ( <i>original plan</i> )	Provide
FY 2023 Q3		Draft Exposure Period		Target Issuance	Provide
FY 2023 Q4		Finalize / Approve Target / Projected Issuance		Projected Issuance <i>Behind schedule</i>	Provide
FY 2024 Q1	SFFAS 54 effective				

Last updated: November 2022.