FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Memorandum

Omnibus TR

April 29, 2024

To: Members of the Committee
From: Ricky A. Perry, Jr., Assistant Director; Josh R. Williams, Senior Analyst
Thru: Monica R. Valentine, Executive Director / AAPC Chair
Subject: **Omnibus TR Amendments – Exposure Draft Comments** (Topic A)

INTRODUCTION

On February 15, 2024, the AAPC released for public comment an exposure draft of the proposed Technical Release (TR) titled, *Omnibus Technical Release Amendments 202X: Conforming Amendments to Technical Releases 10, 16, 20, and 21*.

For the May 2024 meeting, members will discuss the exposure draft comment letters along with staff analysis and recommendations.

REQUEST FOR FEEDBACK BY MAY 7

Prior to the Committee's May meeting, please review the attached material and respond to the ensuing questions by May 7, 2024. Please submit feedback to Messrs. Perry and Williams (PerryRA@fasab.gov and WilliamsJR@fasab.gov), with a cc to Ms. Valentine (ValentineM@fasab.gov).

NEXT STEPS

Pending Committee member feedback, staff intends to distribute ballots and a ballot copy of the proposed TR. Pending AAPC approval, the proposed TR would then be submitted to the Board for review in accordance with the rules of procedure and the AAPC charter.

ATTACHMENTS

A.1 Pre-ballot draft *Omnibus Technical Release Amendments 202X: Conforming Amendments to Technical Releases 10, 16, 20, and 21*.

A.2 QFR responses, with staff analysis and notes

REFERENCE MATERIAL

1. Compendium of comment letters

CONTEXT

On February 15, 2024, the AAPC released for public comment an exposure draft (ED) of the proposed TR titled*, Omnibus Technical Release Amendments 202X: Conforming Amendments to Technical Releases 10, 16, 20, and 21*.

As of April 26, 2024, the AAPC received 17 comment letters in response to the ED from the following sources.

	FEDERAL	NON-FEDERAL	TOTAL
Associations		3	**3**
Auditors/Accounting Firms	1	1	**2**
Preparers and financial managers	12		**11**
Individuals			
Others			
Total	**13**	**4**	**17**

Staff requests that members read the comment letters prior to reviewing the staff analysis and recommendations. Late comment letter submissions, if any, will be posted to the FASAB website and AAPC members will be notified regarding such postings. Comment letters are posted at https://fasab.gov/omnibus-tr-amendments-2024/.

SUMMARY OF RECOMMENDATIONS AND ANALYSES

Staff recommends finalizing edits and additional language in the basis for conclusions to the draft TR, as summarized below. Staff does not recommend any changes to the proposed omnibus amendments based on the public feedback.

RECOMMENDATION 1

In items 1.1-1.4 below, staff recommends finalizing changes that are cross-referenced to and presented as tracked changes in attachment A.1.

ANALYSIS

Respondents were generally supportive of the proposed amendments to TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* and TR 16, *Implementation Guidance For Internal Use Software* (and the corresponding changes to TR 21, *Omnibus Technical Release Amendments 2022: Conforming Amendments* and TR 20, *Implementation Guidance for Leases*, respectively). Accordingly, staff does not recommend any changes to the proposed omnibus amendments.

Staff's review of comments and finalizing changes are summarized as follows:

1.1. Conventional changes for converting exposure drafts to resolution-phase draft pronouncements

The updates to pages 1-8 of attachment A.1 reflect numerous changes when converting exposure drafts to resolution-phase draft pronouncements in accordance with FASAB staff procedures.

Staff revised the headers and footers of the draft Technical Guidance section (p. 9-10 of attachment A.1) by striking the term "proposed."

Staff revised the basis for conclusions by removing conditional tense in paragraphs A1-A6 (p. 11-12 of attachment A.1).

1.2. Summary section

Staff removed contextual information about the Board's software technology project from the final paragraph of the summary section (p. 5). This information was intended for the ED-phase executive summary to facilitate informed responses.

Staff recommends removing the information in the final TR because the information pertains to a point in time and would become outdated as the Board progresses through the software technology project. The basis for conclusions documents that the AAPC was aware of the Board's software technology project while developing this TR proposal and decided to only restore previous TR 16 guidance on perpetual software licenses while the Board deliberates further updates to internal use software guidance.

1.3. Draft technical guidance

As previously noted, respondents generally supported the draft pronouncement. Accordingly, staff does not recommend any changes to paragraphs 1-8 of the draft Technical Guidance section (p. 9-10 of attachment A.1).

a. Sixteen of 17 respondents expressed support for paragraph 4 of the proposed TR.

Some respondents questioned the reference to leasehold improvements in the proposed conforming amendment to footnote 5A of TR 10. These respondents appeared to misinterpret that the amendment could require federal entities to recognize asbestos cleanup cost liabilities not attributable to them. The purpose of the amendment is simply to address the *potential* applicability of TR 10 to federal lessees' leasehold improvements in the event that such improvements may contain asbestos.

The conforming amendment aligns with SFFAS 6, *Accounting for Property, Plant, and Equipment*, SFFAS 54, *Leases*, and the original TR 10, which also referenced leasehold improvements in the version of the footnote prior to TR 21 amendments. See staff analysis in attachment A.2, QFR 1 and QFR 3 tabs.

b. Sixteen of 17 respondents expressed general support for paragraphs 5-7 of the proposed TR. One respondent did not express whether they agreed or disagreed with the proposal.

Some respondents requested that the proposed TR provide additional guidance for software licenses including, definitions, accounting guidance for development costs, additional clarity around maintenance and technical support costs, and accounting for term-based software licenses. As stated in paragraphs A3-A4, the proposed TR only restores prior guidance from TR 16 on perpetual software licenses that is based on SFFAS 10, *Accounting for Internal Use Software*. The Committee had concluded it was prudent to restore this guidance in TR 16 so the gap in software license guidance is not greater than it needs to be while the Board deliberates software guidance updates.

Staff will refer to the respondent requests for additional software license guidance for the Board's ongoing software technology project. See staff analysis in attachment A.2, QFR 2 tab.

1.4. Basis for conclusions

Staff added paragraphs A7-A11 to the draft basis for conclusions. These proposed paragraphs are contingent upon AAPC concurrence with staff's analysis of issues and related discussions at the May meeting. Staff will further revise these paragraphs to reflect AAPC discussion and feedback.

a. Paragraphs A7-A8 address FASAB staff policies for documenting exposure draft comment periods and resulting letters. Paragraph A8 discusses the level of support for paragraphs 4-7 of the proposed TR (see attachment A.2, QFR 1 and QFR 2 tabs, answer columns).

b. Paragraph A9 addresses staff's analysis of comments on leasehold improvements (see attachment A.2, QFR 3 tab, respondents 1, 3, 11, 13, and 16). Although a majority of respondents correctly interpreted the intended purpose of paragraph 4, staff recommends addressing the matter in the basis for conclusions to provide additional clarity for users of the TR.

c. Paragraphs A10-A11 address staff's analysis of the comments summarized in paragraph 1.3.b above (see attachment A.2, QFR 2, respondents 1, 2, 4, 5, 11, 13, and 16). The proposed language reiterates that the TR only restores prior TR 16 guidance on perpetual software licenses and explains why the proposal does not update or add new guidance for software licenses.

d. Paragraph A12 will be updated in accordance with FASAB staff policies for documenting AAPC and Board approvals of final TRs, pending AAPC deliberations and Board review. AAPC review of this paragraph is not necessary prior to balloting.

Question for the Committee #1:

1. Does the Committee agree with staff recommendation 1, items 1.1-1.4, and the related tracked changes presented in attachment A.1? Do members have any questions, edits, or feedback related to these recommendations?

RECOMMENDATION 2

Pending AAPC discussions and finalizing changes in response to question 1 above, staff recommends proceeding to ballot and submit the TR proposal to the Board for its review at the June 2024 meeting. Timely issuance of these amendments would be particularly helpful to practitioners affected by the associated paragraphs in fiscal year 2024.

Question for the Committee #2:

2. Does the Committee agree with staff recommendation #2? Do members have any questions or feedback related to this recommendation?

NEXT STEPS

Pending Committee feedback, staff plans to proceed with balloting the proposed TR for approval. Upon approval, staff would distribute a review copy to the Board prior to its June 2024 meeting.

If the Committee provides feedback resulting in considerable post-meeting edits to the draft TR, staff—in consultation with the AAPC chair—may recommend additional resolution or finalization-phase procedures, such as an additional meeting or electronic distribution of a pre-ballot copy prior to balloting.

If the Committee provides feedback resulting in minimal post-meeting edits, staff recommends proceeding with electronic balloting after the meeting. The AAPC charter and operating procedures do not require pre-balloting, although staff generally prefers to pre-ballot if circumstances warrant additional AAPC reviews prior to balloting.

FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

OMNIBUS TECHNICAL RELEASE AMENDMENTS 202X~~:~~

CONFORMING AMENDMENTS TO TECHNICAL RELEASES 10, 16, 20, AND 21

Federal Financial Accounting Technical Release

~~Exposure~~Pre-ballot Draft

~~Written comments are requested by April 15, 2024~~

~~February 15~~Month XX, 2024

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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

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

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

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

Copyright Information

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

The Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget, the Government Accountability Office, the Chief Financial Officers Council, and the Council of the Inspectors General on Integrity and Efficiency as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by FASAB. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation that are not specifically or fully discussed in federal accounting standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from FASAB’s website.

~~February 15, 2024~~

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

~~Your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release, Omnibus Technical Release Amendments 202X, are requested. Specific questions for your consideration appear on page seven, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific proposals, your responses will be most helpful to the Committee and the Board if you explain the reasons for your positions, the paragraph number(s) and/or topic areas of the proposals that are related to your positions, and any alternatives you propose.~~

~~Responses are requested by April 15, 2024.~~

~~All comments received are considered public information. Those comments will be posted to the Accounting and Auditing Policy Committee's website and included in the projects' public record.~~

~~Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at (202) 512-7350 or fasab@fasab.gov to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.~~

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

~~Sincerely,~~

~~Monica R. Valentine~~

~~Monica R. Valentine~~

~~Executive Director, AAPC Chair~~

~~EXECUTIVE~~ SUMMARY

This Technical Release (TR) ~~proposal would~~ amends ~~Technical Release (~~TR~~)~~ 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*; and TR 21, *Omnibus Technical Release Amendments 2022*.

The ~~proposed~~ amendment to footnote 5A in TR 10 ~~would~~ aligns the footnote with the guidance provided under paragraph 18 of Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*. This ~~proposal would~~amendment also supersedes and replaces relevant portions of a previous amendment to this footnote under TR 21.

The ~~proposed~~ amendments to TR 16 ~~would~~ restore portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10, *Accounting for Internal Use Software*. ~~This proposal would~~These amendments also supersede previous amendments in TR 20 that rescinded portions of this guidance. ~~Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project.~~

MATERIALITY

The provisions of this Technical Release need not to be applied to information if the effect of applying the provision(s) is immaterial.[1] 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 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.

[1] 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.

TABLE OF CONTENTS

~~QUESTIONS FOR RESPONDENTS~~

~~The Accounting and Auditing Policy Committee (AAPC or "the Committee") encourages you to become familiar with the proposed Federal Financial Accounting Technical Release (TR) before responding to the questions for respondents (QFR) in this section.~~

~~In addition to the questions below, the Committee also welcomes your comments on other aspects of the proposed TR. Because these proposals may be further modified before a final TR is issued, it is important that you comment on aspects that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.~~

~~All responses are requested by April 15, 2024.~~

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

~~To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe the Board and/or the Committee should consider. Please include references to the related paragraph numbers in your responses.~~

~~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. If you are unable to submit your comment letter via email, please contact 202-512-7350.~~

~~**QFR 1.** Do you generally support the proposed amendments to TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, under paragraph 3 of this proposed TR? This amendment is intended to align the guidance in footnote 5A of TR 10 with that of Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, paragraph 18, as amended by SFFAS 60, *Omnibus Amendments 2021*. It would also supersede and replace relevant portions of a previous amendment to this footnote under TR 21, *Omnibus Technical Release Amendments 2022*. Please explain the reasons for your position.~~

~~**QFR 2.** Do you generally support the proposed amendments to TR 16, *Implementation Guidance for Internal Use Software*, under paragraphs 4-7 of this proposed TR? Paragraphs 5-6 would restore portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10, *Accounting for Internal Use Software*. The amendments would also supersede previous amendments in TR 20, *Implementation Guidance for Leases*, that rescinded portions of this guidance. Paragraph 4 removes reference to SFFAS 5, *Accounting for Liabilities of the Federal Government*, under scope paragraph 8 of TR 16, as TR 16 no longer clarifies SFFAS 5 after the earlier conforming amendments provided under TR 20. Paragraph 7 is a technical correction and conforming amendment to paragraph 32 of TR 16. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project. Please explain the reasons for your position.~~

~~**QFR 3.** Should paragraph 8B, footnote 5A, of TR 10 retain the reference to "leasehold improvements?" The proposed change to TR 10 would retain reference to "leasehold improvements" as an item within footnote 5A. The wording, in conjunction with the rest of TR 10, suggests that the federal government could be obligated to pay asbestos clean-up costs on leasehold improvements to leased facilities and installed equipment. The AAPC would like to better understand if any reporting entities have (or have had) leasehold improvements that require (or required) asbestos cleanup for which the federal government is (or was) responsible.~~

~~PROPOSED~~ TECHNICAL GUIDANCE

SCOPE OF TECHNICAL GUIDANCE

1. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in 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*. This TR supplements the relevant accounting standards but does not substitute for or take precedence over the standards.

2. This TR updates TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*; and TR 21, *Omnibus Technical Release Amendments 2022*.

~~PROPOSED~~ AMENDMENTS TO TR 10 AND TR 21

3. Paragraph 8B, footnote 5A, of TR 10 is amended as follows (TR 21, par. 4, amendments to this footnote are superseded and replaced):

[5A] For the purpose of this document, real property is defined as federal facilities and installed equipment within general PP&E, heritage, and stewardship categories. It includes 1) ~~real property acquired through leases, including~~ leasehold improvements,~~ and~~ 2) real property owned by the reporting entity in the hands of <u>or leased to</u> others (for example, state and local governments, colleges and universities, or federal contractors)<u>, and 3) real property acquired through contracts or agreements that transfer ownership (see SFFAS 6, par. 18)</u>. Installed equipment “fixture” is defined in GAO-08-978SP, Volume III, Third Edition of the Principles of Appropriation Law (13-199) as those equipment items that are (1) permanently attached to the realty, or (2) if not permanently attached, (a) it is necessary and indispensable to the completion and operation of the building, or (b) the structure was designed and built for the purpose of housing the equipment.

~~PROPOSED~~ AMENDMENTS TO TR 16 AND TR 20

4. Paragraph 8 of TR 16 is amended as follows:

8. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in 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*. This TR supplements the relevant accounting standards, but it is not a substitute for and does not take precedence over the standards. This TR clarifies but does not change guidance in SFFAS 4,~~ 5,~~ 6 (as amended), and 10.

5. Paragraphs 26A and 27A are added to TR 16 as follows (TR 20, par. 101, is superseded):

<u>26A. **Perpetual Software License:** If a software license is perpetual with an upfront cost[9A] to use the software for its entire lifetime, then the entity is purchasing IUS and should apply</u>

its existing policy for capitalization thresholds to determine if the license should be capitalized or expensed.

[9A]The cost could be charged as a one-time payment or financed over a set period of time.

27A. A license agreement may include costs for maintenance and technical support. Agency judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus maintenance or technical support costs.

6. Paragraph 29 of TR 16 is amended as follows (TR 20, par. 102, is superseded):

   29. If a cloud computing arrangement includes a perpetual software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses as discussed in paragraph 26A of this TR. SFFAS 10 is not applicable to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The entity that develops and owns the software, platform, or infrastructure that is used in the cloud computing arrangement would account for the software development in accordance with SFFAS 10. If the funding to develop cloud computing is shared among entities without clear ownership, the service provider entity that receives funding and is responsible for maintaining the software, platform, or infrastructure should account for the software in accordance with SFFAS 10 and the full cost/inter-entity cost requirements of SFFAS 4.

7. Paragraph 32 of TR 16 is amended as follows:

   32. If the shared service arrangement includes a perpetual software license, the customer should account for the software license element of the arrangement consistent with the acquisition of their other software licenses, as discussed in paragraph 26A ~~24~~ of this TR. SFFAS 10 is not applicable to a shared service arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license.

EFFECTIVE DATE

8. This TR is effective for reporting periods beginning after September 30, 2023.

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

APPENDIX A: BASIS FOR CONCLUSIONS

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

This Technical Release 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 Release. Within the text of the Technical Releases, 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

A1. The Accounting and Auditing Policy Committee (AAPC or "the Committee") identified conforming amendments to footnote 5A of Technical Release (TR) 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*. These amendments conform the footnote with relevant portions of SFFAS 6, *Accounting for Property, Plant, and Equipment*, paragraph 18, as amended by SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics*, paragraph 35. SFFAS 60 amendments to SFFAS 6 are effective for reporting periods beginning after September 30, 2023.

A2. ~~This proposal also~~The AAPC agreed to amend~~s~~ TR 16, *Implementation Guidance for Internal Use Software,* to remove reference to SFFAS 5, *Accounting for Liabilities of the Federal Government*, when describing the scope of TR 16. After TR 20, *Implementation Guidance for Leases*, removed all software license guidance that relied on capital lease guidance, TR 16 no longer clarifies SFFAS 5 guidance.

A3. Due to the issuance of SFFAS 54, *Leases*, TR 20 amended TR 16 to remove software license guidance that applied to the now rescinded capital lease guidance in SFFAS 5 and SFFAS 6, creating a gap in software license guidance. However, TR 20 also removed guidance for perpetual software licenses that was based on SFFAS 10, *Accounting for Internal Use Software*. The AAPC agreed that this aspect of the rescinded guidance did not rely on the rescinded capital leases guidance.

A4. The ~~proposed~~ AAPC agreed to amend~~ments to~~ TR 16 to restore prior guidance on perpetual software licenses, including perpetual software licenses that are part of cloud-computing arrangements and shared services, that TR 20 rescinded. These~~is~~ ~~proposal~~ amendments do~~es~~ not update or add any new guidance for software licenses beyond what previously existed in TR 16.

A5. The AAPC ~~is~~ expressed its awareness of and reminded exposure draft (ED) respondents that the Board has an ongoing project that may affect guidance on information technology topics including, but not necessarily limited to, software licenses, cloud computing, and shared services~~ as part of the software technology project~~. The Committee ~~believes~~

concluded it would be ~~is~~ prudent to restore prior perpetual software license guidance in TR 16 in the meantime so that the gap in software license guidance is not greater than it needs to be.

A6. The AAPC agreed ~~that this proposal should be~~that these amendments should be effective for reporting periods beginning after September 30, 2023, to allow the effective date ~~of these amendments~~ to coincide with the effective reporting period of SFFAS 54 ~~and its related effects on these amended Technical Releases. The proposed amendments to TR 16 would provide guidance on the specific application of SFFAS 10 for perpetual software licenses~~.

SUMMARY OF OUTREACH AND RESPONSES

A7. The AAPC released an ED proposal on February 15, 2024, with public comments requested by April 15, 2024. 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.

A8. Seventeen comment letters were received in response to the ED. Respondents were generally supportive of the proposed amendments to TR 10 and TR 16 (and the corresponding changes to TR 21 and TR 20, respectively).

A9. Some respondents questioned the reference to leasehold improvements in the conforming amendment to footnote 5A of TR 10. The conforming amendment does not create a new requirement, nor does it require federal lessees to recognize a liability for asbestos cleanup in non-applicable circumstances. Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). Accordingly, TR 10 could apply to lessees that have implemented leasehold improvements that contained asbestos. In response to the AAPC's request for comment, one respondent cited a known example. Accordingly, the AAPC concluded that the conforming amendment should include reference to leasehold improvements, as proposed in the ED.

A10. Some respondents requested additional guidance in TR 16 to define various software license terms, address development costs, and provide clarity around maintenance and technical support costs associated with software licenses. This TR only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider these and other issues as part of the software technology project.

A11. A few respondents requested additional guidance in TR 16 addressing how to account for term-based software licenses. Due to the issuance of SFFAS 54, the capital lease guidance from SFFAS 5 and 6 no longer exists and therefore is not applicable to term-based software licenses that TR 16 previously referenced. Furthermore, SFFAS 54 scopes out software licenses. Therefore, level-A lease guidance no longer provides for accounting for term-based software licenses. Accordingly, the AAPC is unable to provide guidance on term-based software licenses at this time. The Board will consider these and other issues as part of the software technology project.

AAPC AND BOARD APPROVAL

A12. Pending

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
FASAB	Federal Accounting Standards Advisory Board
IUS	Internal Use Software
QFR	Questions for Respondents
SFFAS	Statement of Federal Financial Accounting Standards
TR	Federal Financial Accounting Technical Release

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

Resp. No.	Organization
1	Department of Housing and Urban Development
2	AGA Financial Management Standards Board
3	Social Security Administration
4	Department of Commerce
5	Ernst & Young LLP
6	Department of Homeland Security
7	Greater Washington Society of CPAs, Federal Issues and Standards Committee
8	Virginia Society of CPAs
9	National Science Foundation - Office of Inspector General
10	Department of the Treasury
11	Department of Defense
12	Department of the Interior
13	General Services Administration, OCFO
14	Environmental Protection Agency, OCFO, Office of Controller
15	National Aeronautics and Space Administration
16	Department of Veterans Affairs
17	Department of Energy

QFR 1: Do you generally support the proposed amendments to TR 10 under paragraph 3 of this proposed TR? This amendment is intended to align the guidance in footnote 5A of TR 10 with that of SFFAS 6, paragraph 18, as amended by SFFAS 60. It would also supersede and replace relevant portions of a previous amendment to this footnote under TR 21. Please explain the reasons for your position.			
Ref. No.	**Agreement type**	**Response**	**Preliminary Staff Notes**
1	Yes	HUD's Accounting Office generally agrees with the proposed amendment. The amendments align the guidance in footnote 5a of TR 10 with that of SFFAS 5 updating or replacing the "real property acquired through leases, including" phrase with "leasehold improvements". This would provide more clarity and consistency with the aforementioned guidance. HUD's Accounting Office believes leasehold improvements should be excluded because it should be the responsibility of the lessor to cover such costs related to asbestos cleanup. HUD's Federal Housing Administration (FHA) Accounting Office generally supports the proposed amendments to TR 10 and TR 16 with limited exposure for FHA regarding the impact of executing these specific amendments.	Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). The lessor would not necessarily be responsible for cleaning up lessee-owned and lessee-financed leasehold improvements that may contain asbestos in certain rare situations.
2	Yes	Yes, we support the proposed amendments.	No comment.
3	Yes	SSA Response: We support the proposed amendments as they align guidance in TR 10 with updated guidance in SFFAS 60 concerning the definition of PP&E in SFFAS 6.	No comment.
4	Yes	The Department agrees with the proposed amendments to TR 10 which align the definition of real property for purposes of TR 10 to the related definition of Property, Plant, and Equipment included in SFFAS 6, paragraph 18.	No comment.
5	Yes	Yes, we support the proposed amendments referenced in this QFR.	No comment.
6	Yes	DHS generally supports the proposed amendments. This amendment provides clearer alignment with changes to lease related guidance.	No comment.
7	Yes	The FISC generally supports the proposed amendments to TR 10 under paragraph 3 of this proposed TR for the reasons stated in the ED.	No comment.
8	Yes	Yes. The proposed changes sufficiently align the existing guidance of TR 10, SFFAS 6, and TR21.	No comment.
9	Yes	We generally support the proposed amendments to TR 10 under paragraph 3 of this proposed TR. The amendment succeeds in aligning the guidance in footnote 5A with the most current version of SFFAS 6.	No comment.
10	Yes	The Department of the Treasury agrees with the proposed amendments due to the impact of SFFAS 54, as amended. The modifications clarify the new definition of real property and equipment by removing references to leases (as previously defined under SFFAS 5 and 6) and incorporating when ownership of the equipment transfers.	No comment.
11	Yes	The majority of DoD respondent components concurred with the proposed amendments and agreed that the amendments align TR 10 with SFFAS 6. One DoD component questioned if leasehold improvements should be included in the updated language (see response to question #3).	No comment.
12	Yes	The DOI supports the proposed amendments to TR10 outlined in par. 3 of this exposure draft. The amendment provides necessary clarity and updates for preparers of the financial statements.	No comment.
13	Yes	GSA generally supports the proposed amendments. However we suggest changing the priority order of footnote 5A to begin with "real property acquired through contracts or agreements…" before moving to "real property owned by the reporting entity in the hands or leased to others."	The ordering of the items listed under paragraph 18 of SFFAS 6 is not based on priority, nor is this footnote, which mirrors the ordering of the three items under SFFAS 6. No change recommended.

QFR 1: Do you generally support the proposed amendments to TR 10 under paragraph 3 of this proposed TR? This amendment is intended to align the guidance in footnote 5A of TR 10 with that of SFFAS 6, paragraph 18, as amended by SFFAS 60. It would also supersede and replace relevant portions of a previous amendment to this footnote under TR 21. Please explain the reasons for your position.			
Ref. No.	**Agreement type**	**Response**	**Preliminary Staff Notes**
14	Yes	We generally support the proposed amendments to TR10 under paragraph 3 of the proposed TR. Reasons: They will have little to no impact on EPA's owned or leased properties, now and in the future. Additionally, the proposed amendments also provide more clarity in the definition.	No comment.
15	Yes	NASA agrees that the proposed changes would better harmonize the indicated guidance.	No comment.
16	No	VA recommends removal of the sentence, "It includes 1) real property acquired through leases, including leasehold improvements, and 2) real property owned by the reporting entity in the hands of or leased to others (for example, state and local governments, colleges and universities, or federal contractors), and 3) real property acquired through contracts or agreements that transfer ownership (see SFFAS 6, par. 18)." Instead, the footnote should direct readers to current guidance in SFFAS 6 paragraph 18 and SFFAS 60 paragraph 35, rewritten as, "For the purpose of this document, real property is defined as federal facilities and installed equipment within general PP&E, heritage, and stewardship categories. For additional information on what is included in real property, refer to SFFAS 6 paragraph 18 and SFFAS 60 paragraph 35. (Retain GAO guidance.)"	Although this is a viable and acceptable alternative presentation of equivalent information, staff recommends keeping the footnote consistent with the ED proposal. One item under paragraph 18 is not applicable in the context of this TR (land rights that do not meet the definition of a lease).
17	Yes	DOE supports the proposed amendment to Technical Release 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities, and Installed Equipment.	No comment.

QFR 2: Do you generally support the proposed amendments to TR 16 under paragraphs 4-7 of this proposed TR? Paragraphs 5-6 would restore portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10. The amendments would also supersede previous amendments in TR 20 that rescinded portions of this guidance. Paragraph 4 removes reference to SFFAS 5, under scope paragraph 8 of TR 16, as TR 16 no longer clarifies SFFAS 5 after the earlier conforming amendments provided under TR 20. Paragraph 7 is a technical correction and conforming amendment to paragraph 32 of TR 16. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project. Please explain the reasons for your position.			
Ref. No.	**Answer**	**Response**	**Preliminary Staff Notes**
1	Yes	HUD's Accounting Office generally agrees with the proposed amendments on TR 16. HUD's Accounting Office considers it to be reasonable for a perpetual software license with upfront cost to be applied to the reporting entity's existing policy for capitalization thresholds to determine if the license should be capitalized or expensed. For paragraph 6, HUD's Accounting Office agrees that the entity that develops and owns the cloud computing software, platform, or infrastructure would account for the software development pursuant to SFFAS 10, Internal Use software. It also provides more specifics about the accounting treatment of IUS as it has evolved in today's reporting environment which is always helpful to the federal financial community when implementing FASAB guidance. GNMA's Accounting Office generally agrees with the Board's proposed amendments to TR 16 under paragraphs 4-7 of this proposed Technical Release. GNMA's Accounting Office believes that restoring portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10, Accounting for Internal Use Software, would be prudent in identifying treatment of these licenses separately from lease guidance. GNMA's Accounting Office would suggest a clear definition for "perpetual" and "entire lifetime [of the software]" and "license term" to avoid any ambiguity as to when this guidance should be applied. HUD's Federal Housing Administration (FHA) Accounting Office generally supports the proposed amendments to TR 10 and TR 16 with limited exposure for FHA regarding the impact of executing these specific amendments.	This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider additional guidance requests and other issues as part of the software technology project.
2	Yes	We support the proposed amendments, which provide appropriate guidance on perpetual software licenses. Paragraph 27A provides appropriate leeway to agencies to provide for their judgment on determining the portion of costs related to maintenance or technical support. To further enhance technical guidance, the Board may consider adding factors to consider when applying judgment. For example, the extent to which such costs are separate and distinguishable, the extent to which such costs are a significant portion of the license agreement, and the degree to which maintenance and support costs are expected to be utilized beyond the development phase.	This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider additional guidance requests and other issues as part of the software technology project.
3	Yes	SSA Response: We support the proposed amendments to TR 16 as they provide guidance on the recognition and accounting for perpetual software licenses including licenses within shared service arrangements.	No comment.
4	Yes	The Department agrees with the proposed amendments to TR 16 under paragraphs 4-7, including restoring previous guidance for perpetual software licenses that was based on SFFAS 10 and for which the Department agrees with. The Department respectfully requests that FASAB consider adding guidance related to development costs not native to the core product of hosted software.	This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider these requests and other issues as part of the software technology project..
5	Yes	We generally support the proposed amendments. As noted in our response to the Invitation to Comment in September 2023, today's guidance does not address the appropriate accounting for the software license element of a cloud computing arrangement. However, while we acknowledge there is a software technology project on the Board's agenda, we believe preparers and auditors would benefit from additional edits to the language in the proposed amendments. We believe the word "perpetual" should not be added throughout the amendments because it could result in the unintended removal of guidance on periodic or term licenses in the standard. Additionally, we believe it would be appropriate to retain more of the guidance that previously was in paragraph 26. The proposed paragraph 26A would retain only the last part of paragraph 26 and would exclude discussion of periodic or term licenses. While the previous guidance referenced the leases guidance in SFFAS 5 and 6 and lease classification, we believe it should be restored and modified slightly rather than excluded. Entities would likely need to apply their capitalization policies, including those for bulk purchases, to determine whether a license should be capitalized or expensed. We also note that SFFAS 10, paragraph 67 and footnote 15 refers to the application of lease accounting concepts, specifically in SFFAS 5 and 6. If this is consistent with the FASAB's view, for term licenses entities would also need to consider whether the license meets the definition of a lease (unless it meets a scope exception).	The removal of guidance for term-based licenses from TR 16 was intentional. Due to the issuance of SFFAS 54, the capital lease guidance from SFFAS 5 and 6 no longer exists and therefore is not applicable to term-based software licenses that TR 16 previously referenced. Furthermore, SFFAS 54 scopes out software licenses. Therefore, level-A lease guidance no longer provides for accounting for term-based software licenses. This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider additional guidance requests and other issues as part of the software technology project.

QFR 2: Do you generally support the proposed amendments to TR 16 under paragraphs 4-7 of this proposed TR? Paragraphs 5-6 would restore portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10. The amendments would also supersede previous amendments in TR 20 that rescinded portions of this guidance. Paragraph 4 removes reference to SFFAS 5, under scope paragraph 8 of TR 16, as TR 16 no longer clarifies SFFAS 5 after the earlier conforming amendments provided under TR 20. Paragraph 7 is a technical correction and conforming amendment to paragraph 32 of TR 16. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project. Please explain the reasons for your position.

Ref. No.	Answer	Response	Preliminary Staff Notes
6	Yes	DHS generally supports the proposed amendments to TR 16. The restored language provides guidance for identifying and accounting for perpetual software license as IUS. The correction and conforming amendments to paragraph 32 of TR 16 are acknowledged.	No comment.
7	Yes	The FISC generally supports the proposed amendments to TR 16 under paragraphs 4-7 of this proposed TR for the reasons stated in the ED.	No comment.
8	Yes	Yes. The proposed changes sufficiently align the existing guidance of TR 16, TR 20, SFFAS 5, and SFFAS 10.	No comment.
9	Yes	We generally support the proposed amendments to TR 16 as we agree with the reasons presented above.	No comment.
10	Yes	The Department of the Treasury supports the proposed amendments due to the impact of SFFAS 54, as amended. The proposed amendments help provide guidance on the recognition of perpetual license software as an acquisition and that agency judgment should be used to determine capitalizable cost versus maintenance or technical support costs. In addition, providing guidance to the recognition of perpetual licenses when they are included in cloud computing provides more direction to agencies.	No comment.
11	Yes	The DoD generally concurs with the proposed amendments. The DoD recommends that guidance recognize the possibility that some maintenance cost may be capitalized. The DoD also recommends modifying the language further to explicitly say that software licenses that are 24 months or less should be expensed, and adding a clearer definition for "perpetual."	This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider additional guidance requests and other issues as part of the software technology project.
12	Yes	The DOI supports the proposed amendments to TR16 outlined in par. 4-7 of this exposure draft. The amendment provides necessary clarity and updates for perpetual software licenses and cloud computing arrangements.	No comment.
13		GSA suggests rewording 27A to make it more clear maintenance and support costs should not be capitalized. Our suggested language is "Professional judgment should be used to determine the best estimate for capitalizable software costs when the costs are not easily distinguishable from maintenance and/or technical support costs."	Staff believes the suggested language could alter the intent of the original guidance. This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider additional guidance requests and other issues as part of the software technology project.
14	Yes	We generally support, with no objections, the proposed amendments to TR 16 under paragraphs 4-7 and paragraphs 5-6, which restores portions of prior guidance. Reasons: It provides clarity on the treatment of perpetual software licenses.	No comment.
15	Yes	NASA agrees with the changes.	No comment.
16	Partially Yes	Partially agree to the proposed amendments to TR 16 under paragraphs 4-7. The perpetual software license is an intangible asset. The perpetual license will allow the agency the right to use, even though it does not come with unlimited and perpetual updates and support. It would be helpful if FASAB could expand on the accounting treatment within TR 16. It would assist federal agencies with recognizing when to expense versus capitalize. VA suggests language in footnote 9A -be included in paragraph 26A. For example, paragraph 26A should read as, "If a software license is perpetual with an upfront cost (i.e., one-time payment) or financed over a set period of time to use the software for its entire lifetime, then the entity is purchasing software and should apply its existing policy for capitalization thresholds to determine if the license should be capitalized or expensed." This should be made very clear to the preparer and should be included in paragraph 26A rather than being a footnote. In addition, FASAB needs to remove SFFAS 5 from footnote 19 on page 21 in SFFAS 10. Prior to the updates to technical releases, it is very important that all SFFAS are up-to-date. The reference to SFFAS 5 in footnote 19 within SFFAS 10 on page 21 is not applicable due to SFFAS 54. VA recommends that this change is made as soon as possible to ensure preparers have relevant guidance and to avoid any confusion.	This TR proposal only restores portions of prior TR 16 guidance for perpetual software licenses based on Board requirements under SFFAS 10. The Board will consider additional guidance requests and other issues as part of the software technology project.
17	Yes	DOE supports the proposed amendment to Technical Release 16, Implementation Guidance for Internal Use Software.	No comment.

QFR 3: Should paragraph 8B, footnote 5A, of TR 10 retain the reference to “leasehold improvements?” The proposed change to TR 10 would retain reference to “leasehold improvements” as an item within footnote 5A. The wording, in conjunction with the rest of TR 10, suggests that the federal government could be obligated to pay asbestos clean-up costs on leasehold improvements to leased facilities and installed equipment. The AAPC would like to better understand if any reporting entities have (or have had) leasehold improvements that require (or required) asbestos cleanup for which the federal government is (or was) responsible.			
Ref. No.	**Answer**	**Response**	**Preliminary Staff Notes**
1		HUD’s Accounting Office agrees that paragraph 8B, footnote 5A, of the TR 10 should retain the reference “leasehold” as discussed in our QFR #1 The federal government should not be responsible for paying asbestos clean-up costs on a leased facility or installed equipment. The lessor owner should be responsible for such costs to keep its tenants safe within a property they are leasing to that tenant. HUD’s Accounting Office would like to note that based on available information, HUD does not have leasehold improvements that require asbestos cleanup for which the federal government is responsible.	Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). The lessor would not necessarily be responsible for cleaning up lessee-owned and lessee-financed leasehold improvements that may contain asbestos in certain rare situations.
2	Yes	We did not identify any concerns with retaining this reference. We would expect that leasehold improvements would be subject to reporting requirements for identifying and estimating clean-up costs associated with asbestos.	No comment.
3		We agree that the Federal Government in certain instances could be obligated to pay asbestos clean-up costs on government-owned facilities and installed equipment. However, we believe the matter of whether the Federal Government could be obligated to pay for the clean-up costs on leased facilities is a legal determination that is not within scope of an accounting standard.	Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). The lessor would not necessarily be responsible for cleaning up lessee-owned and lessee-financed leasehold improvements that may contain asbestos in certain rare situations.
4	Yes One example provided	The Department agrees with retaining the reference to “leasehold improvements” included in paragraph 8B, footnote 5A of TR 10 because it appears to the Department that the federal government may be subject to asbestos-related cleanup costs on certain leasehold improvements to leased facilities and installed equipment. The Department is readily aware of at least one Departmental leasehold improvement that the federal government is responsible for asbestos-related cleanup costs at least to some extent.	No comment.
5	Yes	We believe the reference to leasehold improvements should be retained in paragraph 8B, footnote 5A of TR 10. The guidance historically has included the reference, and without research into reporting by all agencies, we don’t believe it should be removed. Entities would need to consider if they are obligated to pay the clean-up costs in conjunction with relevant legal counsel. We believe preparers are better positioned to address the last question referencing actual transactions.	No comment.
6	Yes	Paragraph 8B, footnote 5A, of TR 10 should retain the reference to “leasehold improvements” because leasehold improvements are real property assets that could be subject to TR 10 guidance. Removing the reference does not remove the potential liability of the government, as leasehold improvements will still fall under the definition of real property.	No comment.
7	Yes	The FISC believes that paragraph 8B, footnote 5A of TR 10 should retain the reference to “leasehold improvements”.	No comment.
8		The Committee has no comments on this question given our limited exposure to this area.	No comment.
9	Yes	We are in favor of retaining the reference to “leasehold improvements” in paragraph 8B, footnote 5A of TR10. Footnote 5A defines real property. As mentioned in QFR1, the amendment is intended to align the guidance in footnote 5A with SFFAS 6. Removing the reference to “leasehold improvements” would no longer do so. NSF has not had, to our knowledge, leasehold improvements that have required asbestos cleanup for which the federal government was responsible.	No comment.
10	Yes	The Department of the Treasury is in favor of retaining “leasehold improvements” in the guidance. The guidance clearly identifies that the entity, if applicable, recognize the cost of asbestos clean up. The Department of the Treasury has had instances of when the removal of asbestos was included in the leasehold improvement agreements.	No comment.

QFR 3: Should paragraph 8B, footnote 5A, of TR 10 retain the reference to “leasehold improvements?” The proposed change to TR 10 would retain reference to “leasehold improvements” as an item within footnote 5A. The wording, in conjunction with the rest of TR 10, suggests that the federal government could be obligated to pay asbestos clean-up costs on leasehold improvements to leased facilities and installed equipment. The AAPC would like to better understand if any reporting entities have (or have had) leasehold improvements that require (or required) asbestos cleanup for which the federal government is (or was) responsible.

Ref. No.	Answer	Response	Preliminary Staff Notes
11		Most DoD respondent components concurred with retaining the reference to “leasehold improvements.” However, one of the Military Departments (MilDep) recommended removing leasehold improvement reference for the best interest of the government. Although the MilDep had never encountered the situation where asbestos was uncovered in relation to a leasehold improvement, they believe the inclusion of the leasehold improvement reference could result in unnecessary costs and hardship to the government (preparer entity) for little benefit and accuracy in the disposal estimate. Their rationale is that the government may not know the history of the leased assets and if asbestos is present, and may not discover it until the leasehold improvement has already been conducted, making the reporting of the liability moot at that time.	Staff observes that the respondent did not express an internally consistent or unified position. Staff does not agree with the one military department recommending removal. Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). The lessor would not necessarily be responsible for cleaning up lessee-owned and lessee-financed leasehold improvements that may contain asbestos in certain rare situations. The TR does not introduce new accounting requirements; rather, it explains accounting requirements of existing Statements and Interpretations.
12		The reference to “leasehold improvements” in par. 8B, fn5a, has no major impact on the DOI.	No comment.
13	No	GSA recommends the removal of the “leasehold improvements” reference from this footnote. Asbestos cleanup costs are generally the responsibility of the Lessor. GSA policy requires leased space to be free of asbestos or remediated according to current industry standards; specifically OSHA, EPA, DOT and state and local regulations. While GSA typically does not pay for asbestos cleanup in leased space, asbestos related costs have been covered by GSA or our customers as part of due diligence in a renovation project. The limited instances where GSA or our tenants might pay for asbestos related costs in non-federally owned leased space emanate from: studies; inspection services; sampling and testing (for asbestos and/or air quality) services; and construction management and inspection services when we require an alteration. These costs would be expensed per SFFAS 54. Additionally asbestos related costs are uncommon, small dollars and would be immaterial to GSA.	Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). The lessor would not necessarily be responsible for cleaning up lessee-owned and lessee-financed leasehold improvements that may contain asbestos in certain rare situations.
14	Yes	We support paragraph 8B, footnote 5A, of TR 10 and agree that it should retain the reference to “leasehold improvements.” Reasons: We have no objections to keeping this language.	No comment.
15		NASA does not have (or have had) leasehold improvements that require (or required) asbestos cleanup for which the federal government is (or was) responsible.	No comment.
16		Refer to response provided in QFR #1 to direct readers directly to SFFAS 6 and SFFAS 60. GSA provides guidance to federal agencies on asbestos in leased facilities. VA does not lease space with known asbestos issues. If Asbestos-containing materials (ACM) are contained in a potential leased property, the lessor would be required to submit a management plan or operations and maintenance plan for the removal of the asbestos. VA includes provisions in its leases for asbestos abatement; specifically, if asbestos is found in a leased facility, the contractor would pay for abatement in accordance with the lease. See GSA’s Leasing Desk Guide, Chapter 18, Sustainability and Environmental Considerations (pg. 18-16 or 16/20 of pdf file) and Request for Lease Proposal and Lease form templates (refer to word documents, Global Request for Lease Proposal (RLP) Template R100 (Oct 2023) and Global Lease Template L100 (Oct 2023)).	Leasehold improvements are alterations to a leased property that are paid for (financed) by the lessee (par. 11 of SFFAS 54). The lessor would not necessarily be responsible for cleaning up lessee-owned and lessee-financed leasehold improvements that may contain asbestos in certain rare situations.
17	Yes	DOE believes that paragraph 8B, footnote 5A, of Technical Release 10, should retain the reference to “leasehold improvements”.	No comment.

Additional Comments			
Ref. No.	**Answer**	**Response**	**Preliminary Staff Notes**
1		The FHA Accounting Office provided the following comments for consideration: • Impact on Financial Statements: Implementation of each of the TR may result in changes to the recognition, measurement, and disclosure of specific costs associated with the TR subject matter (Asbestos cleanup, software, etc.). These changes could affect various financial statement elements, such as assets, liabilities, expenses, and disclosures related to these specific areas . • Resource Allocation: Depending on the complexity and volume of activity within FHA (HUD) facilities, implementing the TR may require additional resources in terms of staff time, expertise, and systems for tracking and reporting costs. The FHA (HUD) may need to allocate resources to ensure proper implementation of the guidance without compromising other financial reporting priorities. • Training and Education: The implementation of TR may necessitate training and education initiatives within the FHA (HUD) to familiarize staff with the new guidance and ensure compliance. Training programs may cover topics such as the proper accounting treatment and reporting requirements. Investing in staff training can facilitate smooth adoption of the new guidance and minimize errors in financial reporting. • Stakeholder Communication: Effective communication with stakeholders is crucial when implementing significant changes to financial reporting practices. The FHA Accounting Office (HUD) may need to communicate with internal stakeholders, such as finance and accounting teams, as well as external stakeholders, including auditors and the public to provide clarity on how the implementation of TR will impact financial reporting processes and outcomes.	The TR does not introduce any new requirements.