United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

60220000
1.3.11

VIA ELECTRONIC MAIL ONLY

Memorandum

To: Federal Accounting Standards Advisory Board (FASAB)

From: Tonya R. Johnson-Simmons
Deputy Chief Financial Officer (Deputy CFO)
U.S. Department of the Interior

TONYA JOHNSON-SIMMONS Digitally signed by TONYA JOHNSON-SIMMONS Date: 2026.07.28 11:44:49 -04'00'

Subject: Comments on Exposure Draft – *Embedded Leases Practical Expedient*

The Department of the Interior (DOI) appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board's Exposure Draft titled **Embedded Leases Practical Expedient**. We commend the Board for continued efforts to refine federal lease accounting requirements to ensure clarity, reduce unnecessary burden, and promote high quality financial reporting.

DOI strongly supports the proposed practical expedient and related amendments. Our responses to the Questions for Respondents (QFR) and Specific Matter for Comment (SMC) are provided below.

QFR1 – Proposed Practical Expedient (Paragraphs 77A–77F)

DOI **agrees** with the proposed practical expedient.

We support embedding the transitional relief of SFFAS 62 permanently into SFFAS 54 because it meaningfully reduces the cost and administrative burden associated with identifying embedded leases without diminishing reporting quality. This aligns with operational realities experienced by DOI bureaus.

We concur that allowing election at both the contract level and across reasonably similar groups increases administrative efficiency and supports scalability for bureaus with large contract portfolios.

QFR2 – Conforming Amendments to Paragraphs 73, 74, 76, and 79 of SFFAS 54

DOI **agrees** with the proposed conforming amendments.

The amendments appropriately align the existing SFFAS 54 guidance with the insertion of the new practical expedient. DOI supports the amendments and believes they enhance clarity without introducing new or unintended burden.

QFR3 – Rescission of SFFAS 62 (Paragraphs 96A–96E) and Proposed Effective Date

DOI **agrees** with the rescission of SFFAS 62 and supports the effective date.

SFFAS 62 transitional relief expires September 30, 2026. Replacing this transitional relief with a permanent practical expedient beginning with reporting periods after that date is a logical and beneficial progression.

The permanent expedient provides the needed continuity for DOI, ensuring that contracts previously reviewed under SFFAS 62 do not require reevaluation. This continuity eliminates unnecessary administrative rework and allows DOI bureaus to prioritize reviews for contracts not yet evaluated prior to FY 2027.

SMC1 – Guidance in Proposed Paragraph 77C (Contract Modifications Changing Primary Purpose)

DOI **agrees** with the Board's proposal and offers supportive comments.

We concur that modifications altering the **primary purpose** of a contract from non-lease to lease should trigger lease accounting on a prospective basis. DOI agrees with the Board's expectation that such modifications will be rare. Internal DOI experience confirms that contract modifications typically refine service components rather than shift fundamental purpose.

cc:

Jaime Rullan, Associate CFO, Financial Reporting and Accounting Systems
Naznin Rahman, Associate CFO, Audit and Internal Control
G. Peyton Hardaway, Chief of Staff, Office of Financial Management