Deferral of the Effective Date of SFFAS 54, Leases

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

- Accounting Firm ☐
- Federal Entity (user) ☐
- Federal Entity (preparer) ☐
- Federal Entity (auditor) ☒
- Federal Entity (other) If other, please specify:
- Association/Industry Organization ☐
- Nonprofit organization/Foundation ☐
- Other ☐ If other, please specify:
- Individual ☐

Please provide your name.

Name: Beverly J.C. O’Neill, Financial Management Division Director

Please identify your organization, if applicable.

Organization: U.S. Department of State, Office of Inspector General, Office of Audits

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

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

Response:

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

---

Deferral of the Effective Date of SFFAS 54, Leases

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

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