

Deferral of the Effective Date of SFFAS 54, Leases

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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.

GSA Response: Yes, we agree with the proposed 2-year deferral. With a very significant volume of leases, especially for GSA's real property activities, automation is critical to our implementation of this standard. For real property alone, GSA manages approximately 8,000 active leases, as a lessee with private entities. As a lessor, we also lease or sublet properties, primarily to Federal agencies, but also to private entities, with over 22,000 leasing arrangements and agreements covering special services and leasehold improvements. Since the issuance of SFFAS 54, GSA has been actively pursuing the necessary systems improvements, both to our business systems and our core accounting system. With the complexity of this standard, considerable effort has been required to define systems requirements and specifications, and negotiate with our commercial off-the-shelf software (COTS) vendors to obtain the necessary systems improvements. Despite the concerted efforts, the implementation timeline for these improvements will extend well beyond the date prescribed by the initial SFFAS 54, and we

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expect to need the whole two-year deferral period to test, configure, and implement the new functionalities.

There also continues to be many issues where we await implementation guidance from the FASAB or AAPC, to clarify the practical implementation of the standard to specific circumstances. The clarity needed for some of these issues are also necessary to complete the aforementioned systems requirements. We consider it critical that the issuance of implementation guidance be provided as soon as possible. Of similar urgency, the interrelated US Standard General Ledger guidance being developed by the Department of Treasury is also vital for configuring systems and related processes.

Given the timeline circulated to the team supporting development of the FASAB implementation guidance, we are concerned that the planned timeframe of the 4th quarter of 2021 for final issuance of the guidance (and potentially new FASAB interpretations or technical bulletins) poses additional risks of delays in our systems implementation schedule. Until we receive those final documents, it will remain unclear as to the potential need to develop and implement additional systems requirements, or change the functionalities we are currently working to develop. We are also concerned with potential additional costs we may incur and delays we may face to address items in those final documents. We plan to move forward with task orders for systems development in the near future in order to implement the SFFAS 54 requirements by the beginning of FY 2023. Subsequent changes to the specifications could easily cause re-work and add workload that could result in implementation delays.

Lastly, some of the elements of SFFAS 54 for intragovernmental leases will lead to changes in accounting treatment that will require more regular and increased communication amongst Federal agencies to ensure proper matching of outstanding reciprocal balances. Development of communications processes and procedures are also dependent upon the FASAB implementation guidance and Treasury's SGL guidance.

Considering these issues described above, for GSA, efforts to implement SFFAS 54 by the original effective date would likely not be successful, and due to the very material magnitude of dollar amounts involved, would likely result in financial reporting that would not provide GSA with a favorable audit opinion. Accordingly, we adamantly support the Board's proposal to defer the effective date of SFFAS 54 for an additional two years.