

Exposure Draft Questions for Respondents (QFR) and Specific Matters for Comment (SMC)

Due: February 5, 2021

Implementation Guidance for Leases & Omnibus Amendments to Leases-Related Topics

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	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Eric Yates

Please identify your organization, if applicable.

Organization: Dept of Veterans Affairs – Office of Financial Policy

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

QFR 1 Do you generally support the proposed Statement and TR proposals as a whole? Please provide reasons for your views.

Yes

QFR 2 Are there specific aspects of the proposed Statement and/or TR that you disagree with? If so, please explain the reasons for your positions, the paragraph number(s), and/or topic area(s) of the proposals that are related to your positions, and any alternatives you propose and the authoritative basis for such alternatives.

No.

QFR 3 Are you aware of any implementation issues that are not addressed in the proposed Statement and/or TR? Do any ambiguous areas remain that could lead to challenges with implementing SFFAS 54 requirements? If so, please provide examples of the issues and any references to applicable guidance, and/or topic area(s) related to the issues, and any potential solutions you propose.

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Yes. If a reporting entity has a contract with a commercial vendor for use of computer equipment based on the amount of storage the reporting entity uses, with a minimum amount of storage included in the contract, does it matter where the equipment is located and if the equipment is dedicated to the reporting entity? For instance, if the equipment is dedicated equipment for the reporting entity, and is located within the reporting entity's building, it clearly meets the lease definition. However, if the equipment is located down the street in the vendor's warehouse, does it meet the definition of a lease? Does it matter if the equipment is dedicated to the agency or shared among other agencies?

**QFR 4** Are there specific aspects of these proposals that you favor or otherwise wish to provide comments on?

Paragraph 34 discusses installation of equipment for energy efficiency, and the treatment of the agreement when the agency will own the equipment at the end (the agreement will be treated as a purchase, instead of a lease). Energy Savings Performance Contracts and Utility Energy Service Contracts are two examples of agreements that are commonly used among Federal agencies for this purpose. It may be worth mentioning these two types of agreements specifically in the example, in order to make it easier for agencies to easily find the relevant example.

**SMC 1** Is the proposed guidance under paragraph 4 of the proposed TR applicable to federal lease scenarios to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

Response: While the guidance appears relevant to federal lease scenarios, where lease rates could be provided to an agency at less than market value, the example is extreme (\$500,000 Market Value, vs. \$100 lease rate). Since this example is for leases of commercial space with a commercial vendor, the extreme difference in the values would probably give rise to some sort of irregularity in the procurement process. It is worth noting that a procurement department should be doing an independent government assessment of the market rate and trying to obtain a price that is as low as possible, even if the price received is less than the market rate. The advice for the receiving entity to determine if the difference should be recognized as a financing source based on the full cost to the lessor will be very difficult to implement as it will be difficult to obtain the cost information from the lessor. Additionally, the guidance should indicate whether this guidance would hold if the difference were less extreme. For example, if the agency were to secure a price of \$490,000 vs. the market rate of \$500,000. The scenario generates questions as to whether the agency would need to recognize a financing source for any amount under the independent government assessment of the market value.

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**SMC 2** Please provide feedback regarding the usefulness of the proposed guidance under paragraph 13 of the proposed TR and/or the extent to which you believe the proposed guidance addresses implementation issues related to federal oil and gas leases. Please describe any alternative views or suggestions for improvement.

Response: We agree that the arrangement meets the definition of a lease. However, if the example is from the reporting entity's point of view as the lessor, then should the guidance be referencing the value of the lease receivable under paragraphs 56 c. and 57 of SFFAS 54 instead of referencing a lease liability under paragraphs 40 c. and 41?

**SMC 3** Is the proposed guidance under paragraph 95 of the proposed TR potentially applicable to intragovernmental transactions that are like a sale-leaseback to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

Response: VA does not have any intragovernmental sale-leaseback agreements. However, the clarification appears relevant in the event VA enters into such an agreement.

**SMC 4** Is the proposed guidance under paragraph 98 of the proposed TR applicable to existing and/or potential intragovernmental lease-leaseback transactions to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

Response: VA does not have any intragovernmental lease-leaseback agreements. However, SFFAS 54 paragraph 93, and Paragraphs 98 and 99 under the proposed TR are not clear that intragovernmental and short-term leases should be recognized as net income or expense transactions under paragraphs 27 and 28 of SFFAS 54. It may be helpful to also reference paragraphs 27 and 28 of SFFAS 54 in the response to TR paragraphs 98 and 99.