

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 checked="" 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: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

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, we agree with and support the proposed statement on leases and the proposed technical release. The new lease standard will align federal government accounting practices with state and local government and private industry standards. The proposed standard also provides specific guidance on certain aspects of accounting for leases, such as short-term leases and sale-leaseback transactions, that were not previously included in standards.
- Two Specific examples are:
 - Paragraph 19: This is how a DOJ Component has been treating Non-Cancelable leases that cease to be non-cancelable after a certain time, and then can be canceled with four months' notice. We do not continue to calculate the lease liability after the non-cancelable period ends.
 - Paragraph 53: We agree with the idea that it is up to the reporting entity to determine whether the asset needs to be capitalized since each reporting entity will have different capitalization thresholds.

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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, there are no aspects of the proposed standard or technical release that we disagree with.

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.

- No, to my knowledge there are not any implementation issues that are not addressed in the proposed statement or technical release.

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

- The organization of the technical release is somewhat odd. While we believe it aims to match the flow of the SFFAS 54 release, this provides choppy and somewhat confusing guidance. We suggest that the technical release continue to organize by sections in the same way the standard is organized; however, each section should be reorganized to start with the basics (definitions of terms, explanations of criteria, etc.) and place specific examples of implementing the lease standards at the end of the section (such as those in paragraphs 5 and 6 in the section "Scope and Definition").

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.

- Yes, we agree with the definition of a lease under paragraph 4. We do not have experience with a lease far below market value rent as described in paragraph 4, however we agree with the proposed treatment of difference between the cost of the lease and the market rent value.
- One DOJ component currently has a scenario where we have been offered free land rights by another reporting entity. We have structures on this site that DOJ purchased but sits on this free land. We don't believe we currently capture this free land use and wonder if this applies to free land use between federal agencies.

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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.

- DOJ does not have any interest in oil, gas, or other natural resources other than the land. While we have not encountered a scenario like this, we think this scenario is an important example to include in the guidance, as it details the lease requirements from the perspective of the lessor (in this case, the government reporting entity is the lessor) rather than the lessee, as portrayed in most of the other examples.
- We agree with the proposed treatment noted under paragraph 13 of leases for the right to use a parcel of federal land to a company that engages in oil and gas exploration, development, and production.

SMC 3 Is the proposed guidance under paragraph 95 of the proposed TR potentially applicable to intragovernmental transactions that are similar to 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.

- We do not have personal knowledge or experience with scenarios like this, however, the guidance on sale-leaseback transactions is in-line with GAAP standards for these transactions; therefore, it is important to include this paragraph in the technical release as an explanation and clarification.
- We are not aware of any other intragovernmental transactions similar to a sale-leaseback transaction for which the proposed TR would be applicable. However, we agree with the treatment of intragovernmental sale-leaseback as borrowing by both the seller-lessee and the buyer-lessor.

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.

- We do not have personal knowledge or experience with scenarios like this, and therefore cannot comment on this specific guidance.
- We have not seen this type of scenario or transaction while working with Non-cancelable leases. However, we agree with the treatment of this transaction/scenario as described under paragraph 98.
- Additional Note:

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We do not believe it will cause a big issue for a DOJ component, but paragraph 52 will require us to update our calculation of Non-Cancelable leases as our lease liability calculation includes operating costs.