

*Omnibus Amendments: Technical Clarifications Addressing Lessee and Lessor Discount Rates and Sale-leasebacks*

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This proposed Statement would address certain ongoing areas of concern related to leases implementation that were not addressed in SFFAS 60, *Omnibus Amendments 2021*, including:

- clarifying the Board's original intent for discounting lease liabilities and receivables, which should result in a more consistent and comparable application of SFFAS 54, *Leases*, requirements; and
- clarifying the applicability of paragraphs 89-92 of SFFAS 54 to intragovernmental sale-leasebacks and the disclosure requirements applicable to them

**QFR 1** Do you agree or disagree with the proposed amendments to address discounting lease liabilities and receivables, as reflected in paragraphs 3-7 (amending par. 42, 47-48, and 59 of SFFAS 54), and the Board's basis for such proposals? Please provide the rationale for your answer.

**VA concurs with the proposed amendments, but with requests further clarification. VA would like clarification on selection of an appropriate discount rate when an interest rate is not stated in the lease contract. The standards state that the interest rate should be based on marketable Treasury securities, but do not specify a standard Treasury rate table to use. In addition, VA would request FASAB to consider other calculations or industry benchmarks for leases that**

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**may be more appropriate for non-federal leases, since the lessors would likely not be able to borrow at posted Treasury rates.**

**QFR 2** Do you agree or disagree with the proposed amendments to clarify the applicability of paragraphs 89-92 of SFFAS 54 to intragovernmental sale-leasebacks and the disclosure requirements applicable to them, as reflected in paragraphs 8-9, and the Board's basis for such proposals? Please provide the rationale for your answer.

**VA concurs with the proposed amendments.**

**Additional VA Comments**

**VA performed an analysis of its lease population and has identified well over 1,000 contracts that would qualify as leases under SFFAS 54 and related guidance. To identify review, track, account for, and report all of these leases, VA will have to stand up a new centralized team to ensure compliance with these reporting standards. This would be a significant increase in resources dedicated to leases over what VA has currently allocated to lease transactions.**

**VA's current financial accounting system does not have the capability to account for lease transaction in compliance with SFFAS 54. It appears there will be system updates rolling out in the future to bring the system in compliance with SFFAS 54, but it does not appear they will be ready for the implementation date. VA has also been pursuing external and internal interim and permanent system solutions to track and account for leases. Most solutions we have identified are not currently compliant with SFFAS 54 and would require system changes.**

**While looking at developing an internal system solution to track leases VA noted this would take a significant amount of time and effort and would likely lack the controls necessary to pass muster of a financial audit. VA also identified a significant need for employees to create and maintain this system.**

**Based on our discussions with other agencies it does not appear VA is alone in experiencing these challenges. We request FASAB to take these challenges into consideration as we continue down the road to implementation on October 1, 2023.**