



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

**MEMORANDUM FOR EXECUTIVE DIRECTOR, FEDERAL ACCOUNTING STANDARDS
ADVISORY BOARD**

SUBJECT: Proposed Exposure Draft Statement of Federal Financial Accounting Standards,
“Omnibus Amendments Technical Clarifications Addressing Lessee and Lessor
Discount Rates and Sale – Leasebacks”

We appreciate the opportunity to respond to the proposed Exposure Draft Statement of Federal Financial Accounting Standards, “Omnibus Amendments Technical Clarifications Addressing Lessee and Lessor Discount Rates and Sale – Leasebacks.” We have reviewed the document as requested, and our response to the “Questions for Respondents” is attached.

Should you have any questions or require additional assistance, please contact Ms. Coralie V. Rodriguez at Coralie.Rodriguez@dodig.mil or 703-604-8910.

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting.

Attachment: As stated.

Exposure Draft Questions for Respondents (QFR)

Due: July 8, 2022

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

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 type="checkbox"/>	
Federal Entity (auditor)	<input checked="" 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.

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.

DoD OIG AUD-FMR Response: We do not agree with the revisions made to paragraph 4 related to the discretionary use of round up, round down, or interpolation as well as the discount rate.

The discretionary use of round up, round down, or interpolation can lead to inconsistencies in values between DoD Components, commands, or directorates. Additionally the interpolation method will create variability, because it does not specify which of the two published rates should be chosen. Therefore, we recommend the

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Federal Accounting Standards Advisory Board (FASAB) revise the guidance and choose the specific method in order to create consistency.

Regarding the discount rate, this paragraph mentions that it "should be consistent from period to period." It is unclear if there is leeway for variability of method application from lease to lease or if the entity should consistently apply a chosen method to all their leases. We recommend revising this paragraph to include the intent of method application across leases.

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.

DoD OIG AUD-FMR Response: We agree with the proposed amendments to paragraphs 8 – 9 to reflect the applicability of paragraphs 89 – 92 of SFFAS 54. The guidance clearly illustrates intragovernmental sale-leasebacks and the disclosure requirements applicable to them.