



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

November 3, 2022

Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

Dear Ms. Valentine:

The Department of Defense (DoD) is pleased to submit the enclosed comments in response to the questions for respondents on Federal Accounting Standards Advisory Board exposure draft of the proposed Technical Bulletin, "Intragovernmental Leasehold Reimbursable Work Agreements." The DoD generally agrees with the proposed Technical Bulletin with a few suggested edits.

Thank you for considering the DoD's input. My point of contact on this matter is Ms. Rebecca Evertsz, at 703-695-9338 or rebecca.z.evertsz.civ@mail.mil.

Sincerely,

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Kim R. Laurance
Assistant Deputy Chief Financial Officer

Enclosure:
As stated

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

Due: November 4, 2022

Intragovernmental Leasehold Reimbursable Work Agreements

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 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: Kim R. Laurance, Assistant Deputy Chief Financial Officer,
Office of the Under Secretary of Defense (Comptroller)

Please identify your organization, if applicable.

Organization: Department of Defense (DoD)

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 agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.

DoD Response: DoD generally agrees with the proposed Technical Bulletin as it further explains and addresses areas not covered directly under SFFAS 54 related to intragovernmental leasehold reimbursable work agreements.

We interpret our Occupancy Agreements where we use office spaces in buildings that are predominantly managed by General Services Administration (GSA) as intragovernmental reimbursable leasehold work agreements. We had concerns on when and how DoD should report these types of arrangements as being the customer-lessee. This guidance addresses recognition of leasehold improvement or lessor improvement assets (Property, Plant, and Equipment (PP&E)) and considerations when determining which reporting entity should account for the PP&E.

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

DoD Response: *We do not disagree with a specific aspect of the proposed Technical Bulletin; however, we do have some suggestions for clarification purposes. Refer to our response to QFR 3.*

QFR 3 Do any ambiguous areas remain that could lead to challenges with implementing the requirements? If so, please provide examples of the issues, references to applicable guidance, and any potential solutions you propose.

DoD Response: *We would like to make the following suggestions for clarification purposes:*

- *The third paragraph of the Executive Summary states, in part: "This proposal would require customer-lessees to recognize an intragovernmental reimbursable work asset for reimbursable acquisition, construction, improvement, and/or alteration costs (unless the leasehold improvement asset is recognized by the customer-lessee)." We believe this sentence should state (emphasis added): "This proposal would require customer-lessees to recognize an intragovernmental reimbursable work asset for reimbursable acquisition, construction, improvement, and/or alteration costs (unless the leasehold improvement asset is recognized by the provider-lessor)."*
- *Users might not read the whole Technical Bulletin and might refer directly to a specific question/paragraph. Paragraphs 8-13 of the proposed Technical Bulletin address the applicability of paragraphs 23-34. For clarity and to avoid confusion, within the section of paragraphs 23-34, we recommend to do a cross-reference to those paragraphs (i.e., paragraphs 8-13) that address the applicability of paragraphs 23-34 or to specify the two criteria of the applicability of paragraphs 23-34 within this particular section.*
- *The guidance in the proposed Technical Bulletin only uses the terminology "leasehold improvement asset," which refers to the PP&E. However, in the basis of conclusion differentiation is made between the terminologies "leasehold improvement" and "lessor improvement" assets (i.e., paragraphs A9-A10). Suggest using these two terminologies as well in the guidance to distinguish which reporting entity should account for the PP&E.*
- *Paragraph A10 states: "paragraphs 11-12 of SFFAS 54 provide definitions related to improvements of leased property. Paragraph 11 provides that leasehold improvements are paid for (financed) by lessees, while paragraph 12 provides that lessor improvements are paid for (financed) by lessors." We believe that paragraph 12 addresses leasehold improvements that are paid for (financed) by lessees, while paragraph 13 provides that lessor improvements are paid for (financed)*

by lessors. Recommend to correct the cross-references in Paragraph A10 to avoid confusion.

- *Suggest adding an appendix and providing examples/scenarios to further clarify and define paragraphs 11-15 and 23-34 of the proposed Technical Bulletin, in order to help lessees and lessors determine who should report the leasehold improvement asset and the respective accounting treatments.*

QFR 4 Are there specific aspects of this proposal that you otherwise wish to provide comments on?

DoD Response: *Refer to QFR 3.*

SMC 1 Paragraph 15 of the proposed Technical Bulletin provides that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. Please provide feedback on the extent to which you believe this would (or would not) facilitate consistent implementation of the intragovernmental accounting requirements. Also, please provide feedback on the inclusion of paragraph 15 as a proposed requirement in a Technical Bulletin and any potential implementation challenges. Please describe any alternative views or approaches, suggestions for improvement, and the reasons for your views.

DoD Response: *The proposed requirement in the subject Technical Bulletin will encourage Federal entities to establish, document, and to consistently adhere to policies and reaching agreement on the treatment of intragovernmental leasehold reimbursable work transactions. Given the nature of the inter-entity balances and transactions that should be eliminated, this requirement could circumvent inconsistent accounting, significant intragovernmental differences, and dispute resolutions.*

SMC 2 Paragraphs 28 and 34 provide proposed disclosure requirements. Please provide feedback on the extent to which these proposed disclosure requirements are appropriate. For example, is such information necessary to make the financial statements informative and relevant to users in assessing accountability? Please describe your views, the costs and benefits of including these proposed disclosures, and other reasons for your views. Also, please provide feedback on the inclusion of these paragraphs as proposed requirements in a Technical Bulletin and any potential implementation challenges.

DoD Response: *We believe that the proposed disclosure requirements in paragraphs 28 and 34 are appropriate, as these will provide relevant and informative financial information to users. The disclosure requirements provide equivalent disclosure requirements that is comparable to the disclosure requirements of paragraphs 54.b and 67.b of SFFAS 54. These will also require DoD to have a better understanding and accountability of its significant reimbursable work agreement activities and the respective amounts of intragovernmental reimbursable work assets.*