

Nov. 4, 2022

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

Submitted via email to fasab@fasab.gov

Dear Ms. Valentine:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the Exposure Draft (ED), *Intragovernmental Leasehold Reimbursable Work Agreements*, issued by the Federal Accounting Standards Advisory Board (FASAB). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 13,000 individual members who actively work in public accounting, private industry, government, and education.

We understand that FASAB has issued the ED in an effort to provide supplementary accounting and reporting guidance for intragovernmental leasehold reimbursable agreements whereby a reporting entity (the provider-lessor) acquires, constructs, improves and/or alters an underlying asset that is leased to another reporting entity (customer-lessee) and the customer-lessee agrees to reimburse the provider-lessor for the related costs.

In general, the Committee agrees with ED. There are three areas that might benefit from further clarification or guidance.

1. The definition of significant residual economic benefits:

Given the potential level of subjectivity involved in these transactions, it might be prudent to adopt a more prescriptive definition to achieve the level of consistency envisioned by the ED (paragraph 4 of the Executive Summary). This is similar to the issues raised in A17 and A18 of Appendix A: Basis for Conclusions. However, the response to require entities to develop, document, and follow consistent policies does not seem sufficiently helpful.

2. The application of paragraph 15:

As indicated in the Executive Summary of the ED (paragraph four), the accounting for the substance of these agreements inherently involves a good degree of professional judgement when both parties derive economic benefits. It is quite possible that both parties while operating in good faith might reach different conclusions.

Ostensibly, the materiality provisions of SFFAC 1, Chapter 7, would ameliorate some of these differences. However, what would be the remedy to resolve any differences that are

not immaterial and the accounting and auditing implications if each party reported the transactions in a different manner?

3. The cost/benefit of the implementation of the ED and applicable disclosures:

It is difficult to assess if the benefits exceed the costs for both the implementation and disclosure requirements of the ED. For example, what is the amount and frequency of agreements where the provider-lessor would derive a more-than-insignificant level of residual economic benefit? Also, would the recognition of the unearned reimbursable work liability and the subsequent recognition of the revenue over the useful life of the PP&E impact the decision making of the users of the financial statements within the context of Federal Government entities? It would be helpful to know if this EB is in response to specific requests from the entities or a solution in search of a problem?

These comments are included in the attached Exposure Draft Questions for Respondents (QFR) and Specific Matters for Comment (SMC).

Again, the Committee appreciates the opportunity to respond to this ED. Please direct any questions or concerns to VSCPA Vice President, Advocacy, Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

George Crowell, CPA
Chair, 2022-23
VSCPA Accounting & Auditing Advisory Committee

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