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November 4, 2022

Federal Accounting Standards Advisory Board
441 G Street NW, Suite 1155
Washington, DC 20548

RE: Comments on FASAB Exposure Draft – *Intragovernmental Leasehold Reimbursable Work Agreements*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's proposed standards. Our answers to the Board's questions are as follows:

QFR1. Do you generally agree or disagree with the proposed Technical Bulletin as a whole?

We generally agree with the proposed Technical Bulletin. There is a need for clarity in accounting for these specific types of transactions and a need for symmetry in accounting for intragovernmental activity so as to allow for consolidated reporting.

QFR2. Are there specific aspects of the proposed Technical Bulletin that you disagree with?

No.

QFR3. Do any ambiguous areas remain that could lead to challenges with implementing the requirements?

Paragraph 12 and 24 appear to both require the customer-lessee to recognize an asset. We were uncertain why the customer-lessee would recognize an asset in the event that they were not the predominant beneficiary, or how to interpret these two paragraphs together. Perhaps more clarity in paragraph 24 about the nature or reason for the asset in this circumstance might resolve this ambiguity.

QFR4. Are there specific aspects of this proposal that you otherwise wish to provide comments on?

No, other than comments on SMC1 and 2 below.

SMC1. Provide feedback on inclusion of paragraph 15 and the extent to which you believe it would facilitate consistent implementation of the intragovernmental accounting requirements.



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The exposure draft provides detailed accounting guidance for this common circumstance and provides for symmetry between lessee and lessor accounting. In this respect, we believe it will have a positive impact on consistency in accounting for intragovernmental leasehold reimbursable work agreements.

However, we found that paragraph 15 could be improved in this regard. Symmetry in accounting between lessee and lessor agencies will require both agencies to make the same judgment with regard to the predominant beneficiary as well as amounts. It would be helpful if paragraph 15 was more explicit in requiring agreement *between lessee and lessor* rather than with “policies.” For example:

Customer-lessees and provider-lessors should ~~establish, document, and consistently follow policies for~~ recognizing leasehold improvement assets consistently between reporting entities and ~~reaching~~ agreement on such recognition with each other in a manner consistent with this guidance

In practice, the best internal control to achieve the objective of the technical bulletin would be for parties to the lease to communicate with each other to confirm accounting conclusions – not having each agency establish some kind of policy to follow individually.

SMC2. Describe your views, the costs and benefits of including proposed disclosures in paragraph 28 and 34.

The disclosure requirements seemed in line with existing disclosures and therefore not burdensome, especially given that disclosures are limited to situations where reimbursable work agreements are significant. However, we did not have any views or insight at this time on whether or not such information might be necessary for users.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott DeViney', with a stylized flourish at the end.

Scott DeViney, CPA
Chair, Financial Management Standards Board



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AGA
Financial Management Standards Board

The FMSB is comprised of the following 22 members with accounting and auditing backgrounds in federal, state, and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The purpose of the FMSB is to advocate for the improvement of accounting and financial reporting standards at all levels of government and thus advance government accountability. The views of the FMSB do not necessarily represent those of AGA. Local AGA chapters and individual members are also encouraged to comment separately.

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