



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Valentine:

The Department of Commerce has reviewed the proposed Technical Bulletin – *Intragovernmental Leasehold Reimbursable Work Agreements* dated September 19, 2022.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-2715 or ksalzer@doc.gov.

Sincerely,

KRISTIN SALZER

Digitally signed by KRISTIN
SALZER
Date: 2022.11.07 08:27:34 -05'00'

Kristin Salzer
Director of Financial Reporting and Policy

Enclosure

cc: Julie Tao
Bruce Henshel
Christine Pham

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

QFR 1 Do you generally agree or disagree with the proposed Technical Bulletin as a whole? Please provide reasons for your views.

Department of Commerce Response:

Yes, the Department generally agrees with the proposed Technical Bulletin as a whole. The Department respectfully believes that the following aspects of this guidance should or could be further addressed or revised.

The Department has incorporated comments on each of the below items into the responses for specific questions:

QFR 2:

- Paragraphs 26 and 32 regarding requirement to coordinate with partner entities.
- Paragraph 15 regarding policies for coordinating with partner entities.
- Paragraph 20 regarding reduction in lease rental amounts.

QFR 3:

- Paragraph 24 regarding initial accounting by customer-lessee.
- Paragraph 30 regarding initial accounting by provider-lessor.
- Paragraphs 13 and 14 regarding lease term.
- Paragraph 33 regarding requested correction of text.

QFR 4:

- Recommended consideration of the addition of decision flow chart(s) regarding paragraphs 11-15 (QFR 4).

Provider-lessors should recognize the intragovernmental reimbursable work revenue in a systematic and rational manner over the shorter of (a) the remainder of the lease term or (b) the useful life of the underlying asset acquired/constructed or improvements/alterations thereto associated with the reimbursable work.

32. Revenue recognition should commence when the customer-lessee has access to the economic benefits and services resulting from the reimbursable work. Revenue recognition should be determined in a coordinated manner with the customer-lessee to facilitate the elimination of inter-entity balances and earned revenues in accordance with paragraphs 108-109 of SFFAS 4.4

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.

Department of Commerce Response:

Paragraphs 26 and 32:

The Department respectfully disagrees that the footnote references to paragraphs 108-109 of SFFAS 4 sufficiently translate to or provide sufficient support for FASAB *requiring* in this proposed Technical Bulletin that partner entities coordination recognitions. Therefore, it appears to the Department that this Technical Bulletin is effectively establishing a new FASAB standard for requiring coordination between partner entities. The Department respectfully request, unless there is other sufficient FASAB standards support that can be cited, that the Technical Bulletin omit such a requirement in these paragraphs.

Paragraph 15:

Paragraph 15 states “Customer-lessees and provider-lessors should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reaching agreement on such recognition in a manner consistent with this guidance.”

The Department believes that the above required policy text for reaching agreement on recognitions between partner entities implies a *requirement* for the partner federal entities to reach agreement on recognitions.

Similar to the previous comment regarding paragraphs 26 and 32, the Department believes that the paragraph 15 text that we are referencing does not appear to be sufficiently supported by the FASAB standards for such a *requirement* in this proposed Technical Bulletin that partner entities coordination recognitions. The Department therefore believes that it appears that this Technical Bulletin is establishing a new FASAB standard for requiring coordination between partner entities and the Department requests, unless there is other sufficient FASAB standards support that can be cited, that the Technical Bulletin omit such a requirement in this paragraph.

Paragraph 20:

The Department disagrees with the statement as currently written

“Intragovernmental leasehold reimbursable work agreements give rise to a reduction in the lease rental amounts that would otherwise be incurred by the provider-lessor and subsequently charged to the customer-lessee.”

The Department believes that such a blanket statement may not be applicable in all situations.

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.

Department of Commerce Response:

Paragraph 24:

The Department recommends breaking paragraph 24 into three paragraphs (along the lines of the below suggested content) for better completeness and clarity of guidance for what we believe are three primary situations for accounting by the customer-lessee (excluding accounting for amortization which is addressed in paragraph 25). Paragraph 24 currently only addresses where there is a payable.

- A first paragraph to address the initial recognition of a payment made in advance of reimbursable work that will be performed by the provider-lessor:

Customer-lessees should initially recognize an intragovernmental reimbursable work asset for a payment made to the provider-lessor in advance of the reimbursable work that will be performed for acquisition, construction, improvement, and/or alteration costs (in a manner congruous with par. 27 of SFFAS 54 requirements for recognizing prepaid rent assets).

- A second paragraph to address the initial recognition of a payment made for reimbursable work that has been performed by the provider-lessor:

Customer-lessees should initially recognize an intragovernmental reimbursable work asset for a payment made to the provider-lessor for reimbursable work that has been performed for acquisition, construction, improvement, and/or alteration costs.

- A third paragraph to address the initial recognition for a payable for reimbursable work that has been performed by the provider-lessor:

Customer-lessees should initially recognize an intragovernmental reimbursable work asset for the amount payable to the provider-lessor for reimbursable work that has been performed for acquisition, construction, improvement, and/or alteration costs.

Paragraph 30:

The Department recommends breaking paragraph 30 into three paragraphs (along the lines of the below suggested content) for better completeness and clarity of guidance for what we believe are three primary situations for accounting by the provider-lessor. Paragraph 30 currently only addresses where there is a receivable.

- A first paragraph to address the initial recognition of a collection from the customer-lessee in advance of reimbursable work that will be performed:

Provider-lessors should initially recognize an intragovernmental reimbursable work unearned revenue liability for a collection from the customer-lessee in advance of reimbursable work that will be performed for acquisition, construction, improvement, and/or alteration costs (in a manner congruous with par. 28 of SFFAS 54 requirements for recognizing a liability for a collection of an advance payment).

- A second paragraph to address the initial recognition of a collection from the customer-lessee for reimbursable work that has been performed:

Customer-lessees should initially recognize an intragovernmental reimbursable work unearned revenue liability for a collection from the customer-lessee for reimbursable work that has been performed for acquisition, construction, improvement, and/or alteration costs.

- A third paragraph to address the initial recognition of an intragovernmental reimbursable work receivable for work performed by the provider-lessor:

Customer-lessees should initially recognize an intragovernmental reimbursable work receivable and an intragovernmental reimbursable work unearned revenue liability for reimbursable work performed by the provider-lessor for acquisition, construction, improvement, and/or alteration costs performed.

Paragraphs 13 and 14:

Please provide clarifications in paragraphs 13 and 14 about application of the “lease term” along the lines of the following:

- The Department has a suggested revision for paragraph 13, with the Department’s assumption that the suggested revision is consistent with the intent of the proposed guidance:

“For acquisitions, construction, improvements, and/or alterations with an expected useful life beyond the remaining lease term (per paragraphs 14-21 of SFFAS 54) and for which the provider-lessor is expected to derive a more-than-insignificant level of residual economic benefits and services from the reimbursable work, the customer-lessee would not be considered the predominant beneficiary. In such cases, the leasehold improvement (or PP&E) asset should be recognized by the provider-lessor, and the customer-lessee and provider-lessor should follow the guidance under paragraphs 23-34 (rather than par. 12).”

- The Department also has suggested revisions for paragraph 14, again with the Department’s assumption that the suggested revisions are consistent with the intent of the proposed guidance:

“The determination of whether or not the customer-lessee is expected to be the predominant beneficiary must be made in a manner that is consistent with the lease contract or agreement, its lease term (per par. 14-21 of SFFAS 54), the nature of the reimbursable work, and the expected residual economic benefits and services at the end of the lease term to the customer-lessee and to the provider-lessor.”

Paragraph 33:

The Department has a requested correction to paragraph 33:

“What should provider-lessors disclose in the notes regarding intragovernmental reimbursable work unearned revenue liability assets and how do such disclosures relate to SFFAS 54 (par. 38) disclosure requirements?”

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

Department of Commerce Response:

The Department recommends for FASAB's consideration the adding of a decision flow chart(s) for paragraphs 11-15 (determining applicability of paragraphs 23-34).

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.

Department of Commerce Response:

The Department believes that the inclusion of paragraph 15 as to specifically the establishment of policies, *excluding what the Department believes may be the implied required coordination of partner entities*, will assist federal entities with consistently following policies for recognizing leasehold improvement assets or intragovernmental reimbursable work agreement assets and providers-lessors recognizing the corresponding accounting treatments.

Please see the Department's previous comments (QFR 2 comments) of disagreements regarding the actual inclusion (paragraphs 26 and 32) or what the Department believes may be implied inclusion—paragraph 15) in the proposed guidance regarding required coordination between partner entities.

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.

Department of Commerce Response:

The Department believes that the proposed disclosures are reasonable and appropriate because they help in providing accurate accountability and transparency for intragovernmental reimbursable work agreements between customers-lessees and providers-lessors. Furthermore, the Department believes that the proposed disclosures will provide for more accurate balances in intragovernmental assets, liabilities, revenue, and costs. The proposed disclosures do not appear to the Department to be overly burdensome and/or cost inefficient.