

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.

Yes, DHS generally agrees with the proposed Technical Bulletin as a whole. This Technical Bulletin clarifies the asset recognition for leasehold improvements resulting from intragovernmental reimbursable work agreements.

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 number(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.

No, DHS does not disagree with any specific aspects of the proposed Technical Bulletin.

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.

FASAB should define the term "intragovernmental reimbursable work asset"

In paragraph 12, does "underlying asset" refer to an asset which is being leased in an intragovernmental lease? Could examples be provided?

Paragraph 13 refers the reader to paragraphs 23 and 24 of the Technical Guidance. However, since the term "intragovernmental reimbursable work asset" is not defined, paragraph 24 is unclear. DHS reads paragraph 13 such that the provider-lessor recognizes the leasehold improvement asset. Based on the provider-lessor recognizing the asset, wouldn't the customer-lessee have a prepaid expense asset since intragovernmental leases are expensed, rather than a reimbursable work asset? Additionally, "for the amount payable" is ambiguous. What would a customer-lessee record/recognize if the intragovernmental work agreement was paid in full? Similarly, paragraph 31 uses "amount receivable," what would be recognized by the provider-lessor if the intragovernmental work agreement was paid in full?

In paragraph 14, it states that "the nature of the reimbursable work" could be used to determine the predominant beneficiary. Can FASAB provide examples of the nature of work that would influence this determination?

Paragraphs 25 and 31 discuss the amortization of the intragovernmental reimbursable work asset and recognition of the intragovernmental reimbursable work revenue over the shorter of a) the remainder of the least term or b) the useful life of the underlying asset acquired/constructed or improvements/alterations. Could useful life of improvements/alterations be presented as "c)"? Also, is it possible to have a useful life of the improvements/alternation extend beyond the useful life of the underlying assets? For example, could the provider-lessor have new leasehold improvements to an asset (for example, a 51-year-old building) that is in service beyond its useful life? Based on reading paragraph 31, DHS would recognize all the revenue when the work was completed since there is no useful life remaining on the underlying asset. Is this what was intended? Please clarify that the recognition of the intragovernmental reimbursable work asset or the intragovernmental unearned reimbursable work revenue liability would not apply to construction in progress prior to the commencement of the lease period.

Is there expectation that Treasury will create new standard general ledger accounts for intragovernmental reimbursable work asset and intragovernmental unearned reimbursable work revenue?

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

No.

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.

DHS agrees that entities should establish, document, and consistently follow policies for recognizing leasehold improvement assets between reporting entities and reach agreement on such recognition. DHS believes that this needs to be coordinated across the Federal government. Specifics of this coordination may be beyond the scope of this Technical Bulletin. Also, should the predominant beneficiary of the work be a required element of the reimbursable work agreement? If the beneficiary is established in the agreement, then the risk of both entities recognizing the asset as a component of PP&E should be significantly reduced. Again, this requirement might be beyond the scope of this Technical Bulletin.

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.

Paragraph 28 a) and Paragraph 34 a) state "a general description of significant reimbursable work agreement activities." Should "leasehold" be inserted so that there is no confusion that paragraphs 28 and 34 apply to anything beyond intragovernmental leasehold reimbursable work agreements?