

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Staff Expose Technical Bulletin, *Intragovernmental Leasehold Reimbursable Work Agreements*, For Public Comment

The executive director of the Federal Accounting Standards Advisory Board (FASAB), Monica R. Valentine, announced today that FASAB staff released an exposure draft (ED) Technical Bulletin, *Intragovernmental Leasehold Reimbursable Work Agreements*. The proposed Technical Bulletin is intended to further explain and address accounting issues not directly covered under Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, and other relevant Statements.

Under intragovernmental leasehold reimbursable work agreements, one reporting entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee) and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. These reimbursable costs are beyond what may be included in the tenant improvement allowances of the lease agreement for the related underlying asset.

“Staff received numerous technical inquiries and requests for Board action to clarify aspects of intragovernmental leases-related reimbursable work agreements” according to Ms. Valentine. “This proposal was developed by staff based on extensive walkthroughs and consultations with affected parties, including the Department of the Treasury and the General Services Administration. Staff encourages affected reporting entities and other interested parties to submit comments for consideration.”

The 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). Provider-lessors would recognize an intragovernmental unearned reimbursable work revenue liability for reimbursable acquisitions, construction, improvements, and/or alterations provided to the customer-lessee on a reimbursable basis (unless the leasehold improvement is recognized by the customer-lessee).

Accounting for the substance of these agreements inherently involves professional judgment in determining which reporting entity should report the leasehold improvement asset (or PP&E)—

particularly in situations when both parties are expected to derive economic benefits and services from the reimbursable work over the useful life of the resulting PP&E. The proposal would assist reporting entities with recognizing the appropriate types of assets and liabilities embodied under these intragovernmental agreements in a similar manner.

The Board requests comments on the ED **by November 4, 2022**. Respondents are encouraged to provide the reasons for their positions. The ED (in PDF format) and the specific questions raised (in Word format) are available on the [FASAB website](#).

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the memorandum of understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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