



Federal Accounting Standards Advisory Board

DEFERRAL OF THE EFFECTIVE
DATE OF SFFAS 54, *LEASES*

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by January 31, 2020

December 18, 2019

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

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Federal Accounting Standards Advisory Board

December 18, 2019

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) requests your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, titled *Deferral of the Effective Date of SFFAS 54, Leases*. A question for your consideration appears on page 4, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your responses will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose. Responses are requested by January 31, 2020.

All comments received by FASAB are considered public information. Those comments may be posted to [FASAB's website](#) and will be included in the project's public record.

Postal mail delivery is delayed by screening procedures. Please provide your comments by email to fasab@fasab.gov. If you are unable to email your responses, we encourage you to fax comments to (202) 512-7366. Alternatively, you may mail your comments to:

Monica R. Valentine, Executive Director
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We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at (202) 512-7350 to determine if your comments were received.

FASAB's rules of procedure provide that the Board may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The Board is proposing to defer the effective date for Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, for two years. Under this proposal, the requirements of SFFAS 54 would become effective for reporting periods beginning after September 30, 2022. Early adoption would not be permitted, which is an existing stipulation under SFFAS 54 that would remain unchanged under this proposal.

Under this proposal, federal reporting entities would continue their current lease accounting practices until SFFAS 54 becomes effective; they would not follow the Financial Accounting Standards Board's (FASB) new lease standards (Accounting Standards Codification – *Leases - Topic 842*) nor would they follow the Governmental Accounting Standards Board's (GASB) new lease standards (GASB Statement No. 87, *Leases*).¹ Rather, reporting entities would continue to follow the current FASAB guidance that addresses lease transactions. This comprises paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6. These paragraphs are not rescinded by SFFAS 54 until SFFAS 54 becomes effective.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

On the basis of feedback obtained from outreach with stakeholders and monitoring of implementation, the Board has gained an understanding of the implementation challenges encountered by federal reporting entities in their efforts to implement the requirements of SFFAS 54. The challenges are significant for reporting entities with large lease portfolios.

The following factors (not all-inclusive) are examples of significant challenges encountered when implementing SFFAS 54:

- The need to develop and acquire information technology, data elements, core systems requirements, and internal controls at the government-wide and component reporting entity levels
- Resource limitations, coupled with extensive preparation activities necessary for implementation
- The need for the federal financial accounting and reporting community to receive, understand, and apply forthcoming implementation guidance due to the extensive complexity and breadth of implementation issues identified by the leases implementation guidance task force

In response to these challenges, the Board is proposing a two-year deferral of the effective date of SFFAS 54. The deferral will provide the Board, the Accounting and Auditing Policy Committee, and FASAB staff the time necessary to develop and issue implementation

¹Except for a limited number of reporting entities permitted to follow FASB generally accepted accounting principles (see SFFAS 34, par. 9-12). Those entities would adopt any new lease accounting standards promulgated by FASB as appropriate.

guidance. It would also provide federal reporting entities an appropriate amount of time to complete ongoing implementation activities and consider such guidance.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the question below. In addition to the question below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding this proposal.

The question below is available in a Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
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All responses are requested by January 31, 2020.

- Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*? The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFR), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
2. This Statement amends SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, to defer the effective date of implementation by two years.
3. This Statement also amends SFFAS 57, *Omnibus Amendments 2019*, to defer the effective date of certain conforming amendments contained therein related to SFFAS 54.

AMENDMENT TO SFFAS 54

4. Paragraph 98 of SFFAS 54 is amended as follows:
 98. The requirements of this Statement are effective for reporting periods beginning after September 30, ~~2020~~2022. Early adoption is not permitted.

AMENDMENT TO SFFAS 57

5. Paragraph 15 of SFFAS 57 is amended as follows:
 15. Paragraphs 3 through 8, 11, and 12 of this Statement are effective for reporting periods beginning after September 30, ~~2020~~2022. Early adoption is not permitted.

EFFECTIVE DATE

6. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

- A1. In April 2018, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 54. SFFAS 54 provides a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity’s GPFFR and include appropriate disclosures. Such standards were set to go into effect for reporting periods beginning after September 30, 2020.
- A2. Since the issuance of SFFAS 54, the Accounting and Auditing Policy Committee (AAPC) initiated a project to develop implementation guidance for the federal financial accounting and reporting community on applying the requirements of SFFAS 54.² As part of this effort, the Board and AAPC engaged a task force to obtain feedback from stakeholders and constituents and monitor implementation efforts across the federal government.

SUMMARY OF OUTREACH AND CONCLUSIONS FOR PROPOSED DEFERRAL

- A3. The Board believes that SFFAS 54 offers appropriate guidance for the accounting and financial reporting of leases for federal entities and maintains the views expressed in the basis for conclusions to SFFAS 54 regarding costs and benefits. Implementation of SFFAS 54 will ensure that GPFFR users receive useful information regarding the resources and obligations that support federal programs and activities and can monitor federal investments in property, plant, and equipment, and lease financing activities.
- A4. Notwithstanding such benefits, the Board believes this proposed deferral would be a prudent response commensurate to the identified implementation challenges, costs, and constraints and allow reporting entities to reliably implement SFFAS 54.
- A5. The Board reviewed and discussed implementation issues in August and October of 2019 by reviewing Board and task force briefing materials and receiving feedback and status reports from task force panelists and technical staff.

²The AAPC is a permanent committee established by the Board to assist the federal government in improving financial reporting by timely identifying, discussing, and recommending solutions to accounting issues within the framework of existing authoritative literature. The AAPC works under the general oversight of the Board.

- A6. Through these efforts, the Board gained an understanding of the nature and magnitude of implementation challenges encountered by federal reporting entities. The Board found that challenges were significant for reporting entities with large lease portfolios.
- A7. The following factors (not all-inclusive) are examples of significant challenges encountered when implementing SFFAS 54:
- a. The need to develop and acquire information technology, data elements, core systems requirements, and internal controls at the government-wide and component reporting entity levels
 - b. Resource limitations, coupled with extensive preparation activities necessary for implementation
 - c. The need for the federal financial accounting and reporting community to receive, understand, and apply forthcoming implementation guidance due to the extensive complexity and breadth of implementation issues identified by the leases implementation guidance task force
- A8. In response to these challenges, the Board is proposing a two-year deferral of the effective date of SFFAS 54. The deferral would provide the Board, the AAPC, and FASAB staff the time necessary to develop and issue implementation guidance to assist federal reporting entities. It also provides preparers with additional time to complete implementation activities and consider implementation guidance issued in advance of the deferred effective date.
- A9. The Board expects the AAPC to issue implementation guidance during fiscal year 2021.
- A10. Based on the feedback obtained by the Board and its implementation monitoring activities, Board members agreed that a one-year deferral would not provide sufficient time for the Board, AAPC, technical staff, and federal reporting entities to complete implementation preparation and readiness activities. Therefore, the Board agreed that proposing a two-year deferral was appropriate.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFR	Consolidated Financial Report of the U.S. Government
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
SFFAS	Statement of Federal Financial Accounting Standards

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