

Leases Implementation Guidance Updates: Amendments to Technical Release 20

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Please provide your name.

Name: Kwame Opoku-Mensah

Please identify your organization, if applicable.

Organization: USAID - OCFO

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.

This proposal would amend Federal Financial Accounting Technical Release (TR) 20, *Implementation Guidance for Leases*, by:

- incorporating minor conforming amendments related to Statement of Federal Financial Accounting Standards (SFFAS) 61, *Omnibus Amendments 2023*,
- inserting additional leases implementation guidance questions and answers within the related topic areas, and
- providing clarifying amendments / technical corrections on certain existing questions and answers under TR 20.

QFR 1 Do you generally support the proposed conforming amendment in paragraph 5? Please explain the reasons for your position. Please also explain any alternatives or additional candidates that you propose and the authoritative basis for such alternatives.

USAID Response - USAID generally agrees with the guidance provided and appreciates the clarification in guidance.

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QFR 2 Do you generally support the proposed updates (that is, new questions and answers) in paragraphs 6-10? Please explain the reasons for your positions, the paragraph number(s), and/or topic areas of the proposals that are related to your positions. Please also explain any alternatives you propose and the authoritative basis for such alternatives.

USAID Response – USAID generally agrees with the guidance provided and appreciates the clarification in guidance.

QFR 3 Do you generally support the clarifying amendments / technical corrections in paragraph 11-13? Please explain the reasons for your positions, the paragraph number(s), and/or topic areas of the proposals that are related to your positions. Please explain any alternatives or additional clarifying amendments / technical correction candidates that you propose and the authoritative basis for such alternatives and/or candidates.

USAID Response – USAID has concerns with the proposed approach in paragraph 13.

Background. USAID wants to ensure that FASAB has a clear understanding of the principle guidance for the International Cooperative Administrative Support Services (ICASS) program, which was referenced in the scenario presented in Question 91, paragraph 13. ICASS is the mechanism agencies use to manage and pay for shared administrative services at U.S. embassies and consulates abroad.

The Department of State (DOS) is designated as the single real property manager (SRPM) responsible for managing all aspects of the post housing program abroad, which is governed by 15 FAM 211, "Housing Abroad Policy." U.S. citizen employees assigned to a U.S. mission abroad under the chief-of-mission (COM) authority, may receive housing in the U.S. Government (USG) owned/leased property. The USG pools all its leased housing for assignment at a given mission location for full-time direct hires assigned to post. The allocation of USG leased residential space is guided by 15 Fam 261, "Allocating U.S. Government-Owned and -Leased Residential Space." All agencies requesting leasing for their personnel under COM authority must sign an ICASS Memorandum of Understanding (MOU) and a subscription of services (SOS) agreement on an annual basis, in accordance with 6 FAH-5 H-200, "ICASS Governance." The DOS uses its Working Capital Fund authorities as outlined in Section 13 of the State Department Basic Authorities Act, (22 USC 2684), to manage the operation of its ICASS services.

The scenario detailed in Question 91 reflects how the ICASS program works. For example, the DOS represents Agency ABC, since they signed the lease agreement on behalf of the USG and places the leased property in the housing pool for use by multiple agencies assigned to posts. The occupying agencies represent Agency XYZ, and they are subject to a MOU and SOS signed on an annual basis to participate in the housing pool. The annual MOU and SOS gives the occupying agency the right to use the leased property for that given year.

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The authority to enter lease agreements lies with the DOS, and they are responsible for the lease liability or amending lease agreements. The occupying agencies have no authority to enter into lease agreements or amend lease agreements. In addition, many of the lease agreements contain a “funds availability clause” related to the funding of the lease agreements. The funds availability clause applies to each occupying agency to ensure that funding is available to cover rental payments. If a leased property is not occupied for a certain period, the ICASS Working Capital Fund assumes the liability and makes the rental payments.

Concern. The current Question 91 revision requires the occupying agency to record the lease liability, and USAID believes that recording a lease liability for the entire term of the lease may be misleading and potentially overstate its liabilities and related expenses since USAID may only occupy the lease property for a portion of the lease term. For example, multiple agencies may occupy the leased property during a 10-year lease term; therefore, having one agency record the entire lease liability at any time during the lease term would be misleading and not in compliance with established accounting standards. The ICASS program is unique since one agency signs the lease agreement, yet multiple agencies could fund and pay for the leased property. USAID suggests that additional accounting methodology options be considered to accurately reflect the nature of the program and preserve the cost savings recognized from the shared services concept. USAID recommends that the ICASS program be further evaluated to ensure that no agency’s standalone reports include overstated liabilities and related lease expenses. USAID suggests that perhaps the ICASS Working Capital Fund discloses the overall lease liabilities within its footnotes, and the occupying agencies disclose rental expenses for the yearly rental costs separately from the ICASS related costs. Even though the DOS signs lease agreements within the ICASS program for multiple years, these leases are ultimately based on an occupying agency signing annual MOU and SOS agreements, as well as certifying that funds are available to cover rental costs for that given year.

USAID appreciates the opportunity to review and provide comments on the FASAB exposure draft of the Amendments to Technical Release 20. USAID’s comments are intended to highlight the uniqueness of the ICASS program and unusual method for funding rental expenses within the program. Therefore, USAID is suggesting more focus on the accounting methodology at the ICASS program level versus the occupying agency level. Of course, the intent is to comply with the SFFAS 54 regulations but also allows the USG to still achieve the cost saving from the shared services concept.