

*Leases Implementation Guidance Updates: Amendments to Technical Release 20*

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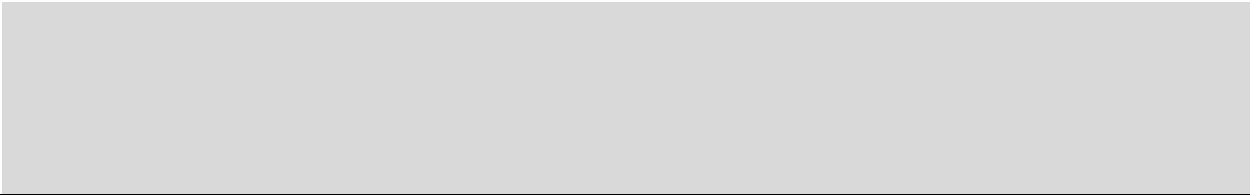
This proposal would amend Federal Financial Accounting Technical Release (TR) 20, *Implementation Guidance for Leases*, by:

- 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.

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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.



**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.

It is DHS's position that the language in TR-20, question 91 should revert to the original language (prior to the Exposure Draft) for the reason outlined below.

**Occupying agencies do not sign a legally binding lease with the overseas lessor.**

The lease is signed between the Department of State (DoS) and the lessor. While the occupying agencies sign an MOU that could be construed as a sublease, there is no legal agreement between the occupying agencies and the lessor. Additionally, DHS has no legal authority to enter into lease agreements with an overseas lessor. The MOUs between DHS and DoS are more appropriately reported as intragovernmental.

The leases are signed by the General Services Officer of the US Embassy (who is a DoS employee) under their authority. The lease designates the General Services Officer of the US Embassy as the "Tenant" and further down stipulates payment by the identified "Tenant". DHS or DHS Components are not identified in the lease agreement. The lease also stipulates that if the "Tenant" wishes to assign, transfer, or sublease their interest in the lease, it would have to be done via written notice. DoS has not provided any documentation that indicates that DHS or a DHS Component has been assigned, transferred, or subleased the properties.

Lastly, there is a risk of many of the leases going unrecorded. One lease can be funded by multiple agencies. Different agencies may occupy the lease two or three times before the original lease between the DoS and the lessor needs to be renewed. Most people are generally only assigned housing for only one or two years; therefore, these leases would be classified as short-term leases and expensed by the occupying agency. The lease that is signed by DoS can be transferred three or four times during its lifespan. Our position stands that we don't have any legal interest in the DoS lease actions. This would mean that the leases would not be recorded.

*Leases Implementation Guidance Updates: Amendments to Technical Release 20***Implementation Challenges**

DHS currently has a population of 400 right to use leases. If DoS claims that they are acting in the agent capacity as written in the current ED language, DHS right to use leases will increase to approximately 1,000 additional right to use leases. If DHS must report these DoS leases, DHS reporting and implementation risk would significantly increase. DHS may not be able to provide audit evidence to support the underlying leases (e.g. lease agreement between the Embassy and the local landlord/lessor) unless DoS makes it readily available. In addition, IPACs are not involved with this activity. DHS and DHS Components would rely on reporting data provided by DoS to report these leases in our financial information.