Exposure Draft Questions for Respondents (QFR) Due: April 15, 2024

Omnibus Technical Release Amendments:
Conforming Amendments to Technical Releases 10, 16, 20, and 21

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."

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Please provide your name.

Name: Ashley Jenkins

Please identify your organization, if applicable.

Organization: U.S. Department of Housing and Urban Development

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 Technical Release (TR) 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*; and TR 21, *Omnibus Technical Release Amendments 2022*.

QFR 1 Do you generally support the proposed amendments to TR 10 under paragraph 3 of this proposed TR? This amendment is intended to align the guidance in footnote 5A of TR 10 with that of Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, paragraph 18, as amended by SFFAS 60, *Omnibus Amendments 2021*. It would also supersede and replace relevant portions of a previous amendment to this footnote under TR 21. Please explain the reasons for your position.

HUD's Accounting Office generally agrees with the proposed amendment. The amendments align the guidance in footnote 5a of TR 10 with that of SFFAS 5 updating or replacing the "real property acquired through leases, including" phrase with "leasehold improvements". This would provide more clarity and consistency with the aforementioned guidance. HUD's Accounting Office believes leasehold improvements should be excluded because it should be the responsibility of the lessor to cover such costs related to asbestos cleanup.

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HUD's Federal Housing Administration (FHA) Accounting Office generally supports the proposed amendments to TR 10 and TR 16 with limited exposure for FHA regarding the impact of executing these specific amendments.

QFR 2 Do you generally support the proposed amendments to TR 16 under paragraphs 4-7 of this proposed TR? Paragraphs 5-6 would restore portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10, *Accounting for Internal Use Software*. The amendments would also supersede previous amendments in TR 20 that rescinded portions of this guidance. Paragraph 4 removes reference to SFFAS 5, *Accounting for Liabilities of the Federal Government*, under scope paragraph 8 of TR 16, as TR 16 no longer clarifies SFFAS 5 after the earlier conforming amendments provided under TR 20. Paragraph 7 is a technical correction and conforming amendment to paragraph 32 of TR 16. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project. Please explain the reasons for your position.

HUD's Accounting Office generally agrees with the proposed amendments on TR 16. HUD's Accounting Office considers it to be reasonable for a perpetual software license with upfront cost to be applied to the reporting entity's existing policy for capitalization thresholds to determine if the license should be capitalized or expensed. For paragraph 6, HUD's Accounting Office agrees that the entity that develops and owns the cloud computing software, platform, or infrastructure would account for the software development pursuant to SFFAS 10, Internal Use software. It also provides more specifics about the accounting treatment of IUS as it has evolved in today's reporting environment which is always helpful to the federal financial community when implementing FASAB guidance.

GNMA's Accounting Office generally agrees with the Board's proposed amendments to TR 16 under paragraphs 4-7 of this proposed Technical Release. GNMA's Accounting Office believes that restoring portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10, Accounting for Internal Use Software, would be prudent in identifying treatment of these licenses separately from lease guidance. GNMA's Accounting Office would suggest a clear definition for "perpetual" and "entire lifetime [of the software]" and "license term" to avoid any ambiguity as to when this guidance should be applied.

QFR 3 Should paragraph 8B, footnote 5A, of TR 10 retain the reference to "leasehold improvements?" The proposed change to TR 10 would retain reference to "leasehold improvements" as an item within footnote 5A. The wording, in conjunction with the rest of TR 10, suggests that the federal government could be obligated to pay asbestos clean-up costs on leasehold improvements to leased facilities and installed equipment. The AAPC would like to better understand if any reporting entities have (or have had) leasehold improvements that require (or required) asbestos cleanup for which the federal government is (or was) responsible.

HUD's Accounting Office agrees that paragraph 8B, footnote 5A, of the TR 10 should retain the reference "leasehold" as discussed in our QFR #1 The federal government should not be responsible for paying asbestos clean-up costs on a leased facility or installed equipment. The lessor owner should be responsible for such costs to keep its tenants safe within a property they are leasing to that tenant. HUD's Accounting Office would like to note that based on available information, HUD does not have leasehold improvements that require asbestos cleanup for which the federal government is responsible.

The FHA Accounting Office provided the following comments for consideration:

- Impact on Financial Statements**:** Implementation of each of the TR may result in changes to the recognition, measurement, and disclosure of specific costs associated with the TR subject matter (Asbestos cleanup, software, etc.). These changes could affect various financial statement elements, such as assets, liabilities, expenses, and disclosures related to these specific areas.
- Resource Allocation**:** Depending on the complexity and volume of activity within FHA (HUD) facilities, implementing the TR may require additional resources in terms of staff time, expertise, and systems for tracking and reporting costs. The FHA (HUD) may need to allocate resources to ensure proper implementation of the guidance without compromising other financial reporting priorities.
- Training and Education: The implementation of TR may necessitate training and education initiatives within the FHA (HUD) to familiarize staff with the new guidance and ensure compliance. Training programs may cover topics such as the proper accounting treatment and reporting requirements. Investing in staff training can facilitate smooth adoption of the new guidance and minimize errors in financial reporting.
- Stakeholder Communication**:** Effective communication with stakeholders is crucial when implementing significant changes to financial reporting practices. The FHA Accounting Office (HUD) may need to communicate with internal stakeholders, such as finance and accounting teams, as well as external stakeholders, including auditors and the public to provide clarity on how the implementation of TR will impact financial reporting processes and outcomes.