



Bulletin: OCFO 25-01

Date: May 27, 2025

To: All Agencies and Staff Offices

Subject: Lease Accounting

PURPOSE

The purpose of this bulletin is to update guidance to ensure agencies and staff offices fully and consistently comply with Statement of Federal Financial Accounting Standards 54: Leases ([SFFAS 54](#)) and related amendments.

DEFINITIONS

Lease – A lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of Property, Plant, & Equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

Short-Term Lease – A short-term lease is a non-intragovernmental lease with a lease term of 24 months or less.

Intragovernmental Lease – An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47, Reporting Entity.

BACKGROUND

The Office of Inspector General found that USDA did not fully implement SFFAS 54 in FY 2024. This occurred because USDA did not sufficiently identify, analyze, and respond to the significant change resulting from the newly effective accounting standard and related amendments.

RESPONSIBILITIES

Agencies and staff offices will develop and maintain standard operating procedures to fully comply with SFFAS 54, as amended and the policies prescribed in this bulletin.

OCFO will maintain the Contract Lease Management (CLM) module within the Financial Management Modernization Initiative (FMMI), distribute overseas housing pool and dedicated lease activity and balances from the Department of State, and monitor agency and staff office compliance.

POLICY

Contracts or agreements with a lease asset or unearned revenue valued less than \$25,000 at the commencement date may be excluded from the provisions of SFFAS 54.

Agencies and staff offices will use CLM for real property and personal property leases as lessee. Real property leases will be interfaced from the Corporate Property Automated Information System (CPAIS), and personal property leases will be entered directly to CLM. CLM will not be used for lessor activity due to the variable nature of revenue recognition.

The discount rate used to calculate the lease liability and lease asset would be the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate should be based on marketable Treasury securities with similar maturity to the end of the lease term. When selecting a marketable [Treasury rate](#), round down to the nearest maturity term.

USDA elected the transitional accommodation provided for embedded leases. For contracts or agreements meeting the embedded lease criteria, USDA accounts for such contracts or agreements, including the lease component(s), as nonlease contracts or agreements in their entirety. This election applies to contracts or agreements existing as of October 1, 2023, and/or those subsequently entered into or modified on or prior to September 30, 2026 (end of the accommodation period).

Agencies and staff offices will reconcile and record overseas housing pool and dedicated lease activity and balances from the Department of State.

Agencies and staff offices will submit a lease schedule supporting amounts disclosed in the financial statements as of June 30 and September 30.

INQUIRIES

Direct any questions concerning this bulletin to APCRD@USDA.GOV.

EFFECTIVE DATE

This bulletin supersedes OCFO Bulletin 18-03, Leases Financial Statements Disclosure, dated October 23, 2018; and OCFO Bulletin 21-01, Implementation of SFFAS 54, Leases, dated October 22, 2021, and is effective immediately.

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