



Bulletin: OCFO 21-01
Date: October 22, 2021
To: USDA Agencies
Subject: Implementation of SFFAS 54, Leases (“SFFAS 54”)

PURPOSE

This bulletin is intended for communication of the following matters to all USDA Agencies:

- i. Commencement of Agency-wide Statement of Federal Financial Accounting Standards No. 54, Leases (“SFFAS 54”) implementation and expected timeline for the end-to-end effort.
- ii. Overall methodology to be followed by the USDA Agencies as it relates to various technical areas of implementation; and,
- iii. Near-term participation expected from all USDA Agencies.

Further details and training sessions will be provided to all USDA Agencies in near future to facilitate compliance with the implementation methodology communicated herein.

BACKGROUND

Effective **October 1, 2023**, SFFAS 54 will pervasively change the definition of a lease as well as the classification model, accounting, reporting, and disclosure requirements applicable to such leases. Changes introduced will not be paralleled by the OMB such that budgetary scoring and reporting of the leases will remain consistent with what is currently outlined in *OMB A11 - Appendix B - Budgetary Treatment of Lease-purchases and Leases of Capital Assets*.

Transition to SFFAS 54 will have a material impact on the USDA consolidated financial statements as will bring probable future cash flows associated with **all** Leases¹ on to balance sheet (i.e., lease asset and lease liabilities for USDA’s lessee positions), with subsequent impact on statement of net cost (amortization and interest expense on USDA’s lessee positions). Operationalization of this standard will require a significant volume of lease data abstraction, use of technology for sophisticated calculations, development of new accounting policies, design/implementation of new reporting processes, and internal controls around such processes.

Collaboration by the USDA Agencies and various stakeholders (OCFO, IT/Systems, procurement, real estate, personal property and fleet, audit readiness/controls) will be key to timely and effective completion of these efforts.

¹ “Leases” represents all contracts or contract components that meet the definition of a lease as defined in SFFAS 54, **except** Contracts/Agreements that Transfer Ownership, Intragovernmental Leases, and Short-term Leases

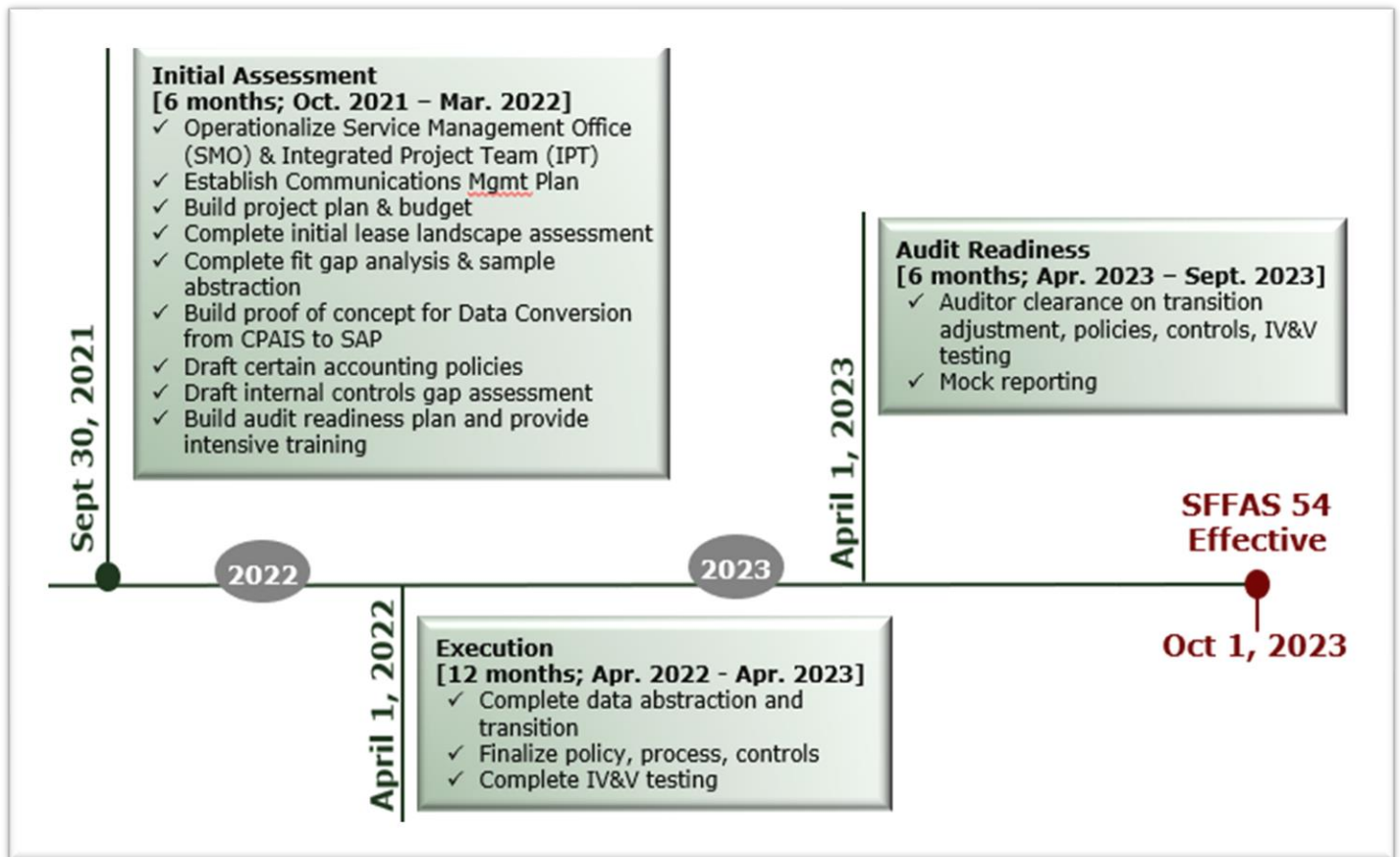
METHODOLOGY & TIMELINE

Transition Model

SFFAS 54 will be implemented prospectively² whereby all leases in effect as of transition date (October 1, 2023) will be measured in compliance with SFFAS 54, using facts and circumstances in effect as of such date. Resulting adjustments will be recorded to the “*Net Position Beginning of the Period*” line item within USDA’s consolidated statement of changes in net position. Prior period financials presented for comparative purposes will be presented as previously reported (i.e., no adjustments to historical results).

Timeline & Methodology

USDA will adopt an agile methodology to operationalize SFFAS 54 reporting based on the following timeline and activities:



² In accordance with paragraph 13 of SFFAS 21, Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources

Contractor Support

Deloitte has been engaged to support the initial assessment phase activities outlined above. Any question intended for contractors should be directed to Burju Cobb at bucobb@deloitte.com or (571)317-9074.

Technology

The *natively integrated SAP Leasing Solution (SAP EXX & S/4HANA Finance)* will be deployed by all USDA Agencies to facilitate compliance with SFFAS 54 reporting requirements. Note however, further instructions will be provided to the USDA Agencies pertaining to data abstraction guidelines prior to deployment of this module.

NEXT STEPS

Sponsorship and leadership of the Agency CFOs is expected for end-to-end implementation of SFFAS 54. Roles and responsibilities of the CFOs will include, but not be limited to, oversight of and/or participation in the following initial assessment phase activities to be completed in the near term:

Activity	Purpose
<ul style="list-style-type: none">• Identification and assignment of key stakeholders and team members from various departments of the agency.	Operationalize Service Management Office <ul style="list-style-type: none">• Formation of SMO for change and risk management (e.g., oversight of key decisions such as types of manual processes to be developed in respect of functional SFFAS 54 gaps within SAP).• Formation of IPT for completion of required tasks.
<ul style="list-style-type: none">• Completion of lease surveys, data calls, interviews, training sessions and workshops.• Contribution of reliable and complete responses to surveys/questionnaires.	Complete Initial Lease Landscape Assessment <ul style="list-style-type: none">• Development of initial lease landscape assessment.• Completion of embedded lease search.• Identification of user needs to assess gaps in SAP functionality and design supplemental processes.• Scaling of remaining efforts for each Agency.
<ul style="list-style-type: none">• Timely and complete input for identification of lease related data residing in various systems.	Fit Gap Analysis and Sample Abstraction <ul style="list-style-type: none">• Validation of existing lease data, completion of SFFAS 54 data fit-gap assessment, planning for data abstraction efforts to close gaps identified.• Buildup of data conversion plan for leveraging legacy data within SAP.
<ul style="list-style-type: none">• Input for areas of management estimate and judgments.• Review and approvals of all assessment developed by contractors (Deloitte).	Draft Accounting Policies <ul style="list-style-type: none">• Development of initial SFFAS 54 policy positions and data abstraction guidelines on a centralized basis.

In performing such responsibilities, the USDA Agency CFOs will be equipped with training, centralized guidance, policies, tools, accelerators, and other necessary support (i.e., supplementary resources needed for substantive procedures). Examples of guidance to be provided will include the following:

- Draft SFFAS 54 implementation methodology memos detailing initial materiality assessment, scoping assessment, search for embedded leases, and other areas of significant management estimates and judgments will be documented and distributed for commentary.
- Complete list of SFFAS 54 key fields and recommended abstraction guidelines for each field.
- Sample of embedded lease assessments on select service types (to be determined in collaboration with Agency CFOs) with supporting memos.
- Sample of lease abstraction output.

Initial reach-out phase will commence in **November 2021** with timelines for specific activities to be determined upon further discussions with the Agency CFOs and other key stakeholders.

INQUIRIES

Any question concerning this bulletin should be directed to Kevin Close at Kevin.Close@usda.gov or (202)720-0990.

APPROVED BY

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