



# Auditing Implementation of SFFAS 54, *Leases*

2023 CIGIE / GAO Financial Statements Audit Conference  
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## Panelists

### Moderator

Joshua R. Williams  
Senior Analyst, FASAB

### Panelists

Robert F. Dacey  
Chief Accountant, GAO; FASAB Board member

Joseph P. O'Neill  
Assistant Director, GAO; AAPC member

Ricky A. Perry, Jr.  
Assistant Director, FASAB

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## Disclaimer

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- The thoughts expressed during this session are those of the speakers. The Federal Accounting Standards Advisory Board expresses its positions through official pronouncements after extensive due process and deliberations.

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## Learning Objectives

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- Understanding the forthcoming changes to lease accounting principles and the effects on the audited statements
- Learning about auditor responsibilities and strategies for achieving audit objectives and mitigating audit risk

## SFFAS 54

- Overview of the forthcoming changes in accounting principles
- The anticipated effects on the financial statements and notes
- Prospective implementation – year #1 considerations
- Technical agenda updates

## Effects on the Statements

- **Balance sheet**

Lease asset (49, 54)

Lease liability (40)

Lease receivable (56, 68)

Unearned lease revenue (64)

Underlying asset (66)

- **Statement of net cost**

Lease expense (23, 27, 37, 54)

Interest expense (43)

Lease revenue (24, 28, 65, 67)

Interest revenue (60)

- **Statement of changes in net position**

Change in accounting principle adjustment to cumulative  
 results of operations (96-97)\*

Red = lessee

Blue = lessor

(##) = SFFAS 54 paragraph

\* also see: SFFAS 21 par. 13, TR 20 par. 97-99



## Technical Agenda Updates

- SFFAS 61, *Omnibus Amendments 2023: Leases-Related Topics II* (issued April 2023)
- Technical Bulletin 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements* (issued March 2023)
- Updates to Technical Release 20, *Implementation Guidance for Leases* (due process ongoing: exposure draft release expected to be on May 30th)
- Transitional accommodations under research specific to embedded leases (due process ongoing: Board to discuss a staff paper, proposal next week)

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## Planning and Performing the Audit of Leases under SFFAS 54

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## Planning

- Understand SFFAS 54 and related guidance
- Understand nature of lease portfolio
  - Leverage information about leases identified in prior year audits
  - Consider significance of types of leases (e.g., intragovernmental, short-term, non-federal) and concentration of leases (e.g., do certain types of leases represent a substantial portion of lease costs)
  - Consider management's process for identifying leases

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## Planning

- Materiality
  - Capitalization thresholds
  - Quantitative and qualitative
- Identify relevant accounting applications, cycles and systems
- Identify risk factors

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## Internal Control and Testing

- Lease liability calculation
  - Determination of lease terms and related documentation
  - Key lease data elements
  - Discount rates
- Completeness of lease population, considering materiality
- Analysis of multi-component contracts
- Reconciliation of intragovernmental balances
- Presentation and disclosure

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## Audit Documentation

- Cycle memos
- SCE/LIRA
- PBC lists and related discussions
  - Documentation of management's considerations, including significance of leases to entity's financial statements, identification of leases, determination of lease terms, and discount rates

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## Final thoughts from panelists before audience Q&A?

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## Audience Q&A

- Ask away!

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## Thank you!

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For additional information, please visit [fasab.gov](https://fasab.gov) or contact Alan at [PerryRA@fasab.gov](mailto:PerryRA@fasab.gov)

Please direct FAM-related questions to [FAM@gao.gov](mailto:FAM@gao.gov)