

To: VA LCOs and Staff

Subject: OCFM ORP VA-Wide Leasing Policy Alert 2023-06: VA Specific Instructions for Annual Funding Lease Amendments for FY24 SFFAS 54 Compliance

Friday, September 29, 2023 10:54:00 AM

Date: [FY XX Annual Rent Breakout.pdf](#)

Attachments: [image001.png](#)

Good morning/afternoon,

Office of Construction and Facilities Management's Office of Real Property's VA-Wide Leasing Policy Alert 2023-06: VA Specific Instructions for Annual Funding Lease Amendments for FY24 SFFAS 54 Compliance

This policy alert is being issued to notify VA leasing professionals of a new Accounting Standard known as Statement of Federal Financial Accounting Standard (SFFAS) 54, which impacts how VA will record leases on financial statements beginning in **FY24**. As a result of the new standard, VA's lease documents require a detailed breakdown of rental components.

To meet this standard, leasing professionals must provide a clear breakout of rent per the attached and as shown below, on all **FY24** annual funding lease amendments. The rent breakouts shall include at a minimum, annual shell rent, estimated real estate tax adjustments, annual operating costs, and estimated CPI increase to operating costs but may also include breakouts for annual amortized tenant improvement costs, estimated annual insurance adjustments, estimated HVAC Overtime, or other rental components not included in the operating costs/shell rent. This will ensure VA can provide sufficient financial details for SFFAS 54 compliance and audit purposes.

Rent Components	Total Annual Amount	FMS Budget Object Class (BOC)	iFAMS Budget Object Class (BOC)
Shell Rent			
Annual Operating Costs			
Estimated Real Estate Tax Adjustment			
Estimated Operating Costs (CPI) Increase			
Annual Amortized Tenant Improvement Costs			
Estimated Annual Insurance Adjustment			
Estimated HVAC Overtime			
(Define "Other" Type Rent Here)			
(Define "Other" Type Rent Here)			
(Define "Other" Type Rent Here)			
Total Annual Rental Amount	\$ 0.00		

NOTE:

1. The shell rent, annual operating costs, estimated operating cost (CPI) increase, and estimated real estate tax adjustment data values must also be broken out and retained in VA's electronic contract and asset systems of record, currently eCMS and CAI via data fields.
2. eCMS and CAI require Base/Shell Rent. For the purposes of SFFAS 54, Shell Rent should be entered. Future updates to CAI and eCMS are planned to reflect these fields as Shell Rent.
3. Leases without rental components broken out should include the total annual rent as Shell. This should be the exception.
4. Annual Operating Costs refers to the current adjusted amount
5. Other refers to direct reimbursements or adjustments per the lease that do not fit any other category
6. Annual funding lease amendments are **internal, unilateral** lease amendments. These **SHOULD NOT** be transmitted to the Lessor for signature, or for their record keeping.

This policy alert is effective immediately and remains in effect until incorporated into the VA

Supplement to GSA's Leasing Desk Guide.

Thank you for your prompt attention to this new policy. Please ensure to attach the annual rent breakout to the lease amendment and upload into the eCMS briefcase.

Our office recognizes that LCOs and staff are currently working on FY24 lease amendments, therefore, we apologize for any inconvenience caused by the short notice.

VA Office of Finance is also issuing a FSC News Flash notifying fiscal staff of this change to ensure appropriate implementation and oversight with additional focus on leases with annual unserviced rent of \$3.613M or greater, which will be individually reported on our balance sheets. However, for consistency with GSA, VA leasing officials should implement this break out on all lease transactions, no matter the size, as the reporting requirements may change and this will ensure VA is prepared to report the breakout on smaller lease transactions, if requested.

Please submit overall questions or concerns related to this alert to VACO003C7APolicyandProgramsTeam@va.gov.

Additional information on SFFAS 54 may be found at [Statement of Federal Financial Accounting Standards \(SFFAS\) 54: Leases](#). Please submit any SFFAS 54 questions to vacosffas54team@va.gov.