



GASB's deferral of Statement No. 87 has given organizations the gift of time but be sure to use it wisely.

The Governmental Accounting Standards Board (GASB) issued an 18-month deferral¹ on the GASB Statement No. 87, Leases (GASB 87) effective date. The deferral should not mean that organizations pause implementation efforts, as it can take as many months to effectively implement the standard.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective dates of various standards including GASB 87, which is now effective for fiscal years beginning after June 15, 2021. For organizations with year-ends between June 16, 2020, and December 15, 2020, this change effectively results in just a 12-month extension of time to implement the standard. The amount of time and specialized knowledge required to adequately implement the new lease accounting standard and perform audit readiness activities is often underestimated. Given the complexities involved with collaboration across departments, functions, funds of an organization, the possibility of leases embedded in service contracts, and significant effort to extract required information from lease documents, pausing implementation efforts could jeopardize an organization's ability to implement on a timely basis. The cost of pausing implementation because of the deferral could outweigh the benefits. This article will focus on specific implementation considerations and what organizations should be focusing on over the next 12 to 18 months to continue momentum.



¹ Based on the change, the earliest GASB 87 transition date will be July 1, 2021 for an organization with a June 30 year end who present comparative financial statements and does not adopt the standard early. Early adoption is still permissible.

How to stay on track with GASB 87 implementation

Implementing the new GASB 87 lease standard can seem like a daunting task. Experience has demonstrated that implementing new lease accounting standards can take **up to 18 months** when done properly. Focused efforts can help your organization implement more quickly and efficiently. To stay on track and meet implementation deadlines, organizations should focus their efforts on people, processes, and technology.

People



Implementing GASB 87 may require significant coordination between many departments and stakeholders from various levels of your organization outside of the CFO/Comptroller Office (e.g., real estate, procurement, supply management, information technology (IT)). Misalignment between stakeholders or lack of ongoing communication is a common reason for extended project timelines and deficient implementation. Now is the time for organizations to establish a roadmap to implementation. A project plan with milestones and key stakeholders can assist organizations with estimating how long implementation will likely take, as well as hold stakeholders accountable.

Establishing a GASB 87 Project Management Office (PMO) that is responsible for overarching governance (including change management) and implementation oversight across your organization may assist with keeping various departments in sync and accountable. Time spent mapping out a plan today may help reduce

costly re-work and time overruns on the back-end of your implementation.

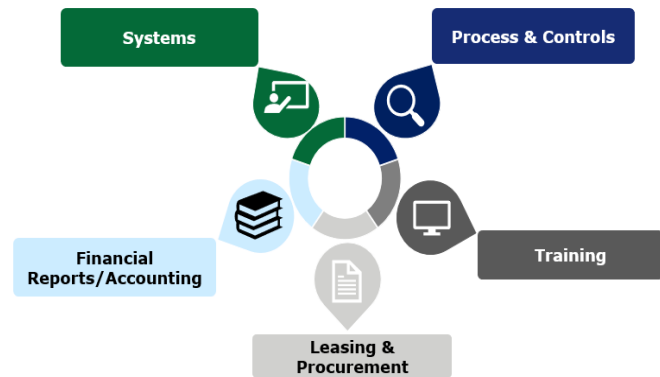
There is no doubt that organizations are dealing with issues from the unprecedented effects of the COVID-19 pandemic. Prioritizing your human capital is more important than ever. Building your project plan can help organizations identify human capital needs early. This is critical because experience with lease implementation in the private sector has demonstrated that outsourced resources will likely be tougher to find and more costly to obtain if they are not onboarded early in the implementation process.

Processes

Changes in processes, internal controls, and systems may be required to identify a complete lease population (including embedded leases), extract required lease data from leases, and set up calculations and sound reporting functionalities (including disclosures) that can withstand audit scrutiny. This may require a significant level of collaboration across your organization, including but not limited to the office of the CFO/Comptroller.

Your GASB 87 roadmap and project plan should incorporate key activities such as:

- ✓ Identifying, inventorying, and classifying all leases and contracts
- ✓ Analyzing service contracts for embedded leases
- ✓ Developing end-to-end accounting policy for life cycle of leases
- ✓ Performing data gap analysis and standardizing data
- ✓ Establishing key controls and transforming processes and systems
- ✓ Extracting critical data elements from leases
- ✓ Drafting restated comparative period statements and disclosures
- ✓ Performing adequate level of audit readiness activities and testing prior to go-live



Technology

GASB 87 creates the need for extensive and accurate lease data, sophisticated and intelligent calculation functionality that can facilitate reliable and timely recognition, measurement, and disclosure of leases (particularly in the case of modifications, reassessments, etc.). Organizations should create a comprehensive technology roadmap with considerations for change

management, user needs, and transition requirements for their lease accounting solution. Technology is an integral element of GASB 87 implementation and audit readiness, and it is also key for establishing a sustainable and efficient future GASB 87 reporting process. Organizations should select their technology early in the planning process, as it has ripple effects on multiple aspects of GASB 87 implementation.

As you review your current lease technology capabilities, the following functional requirements should be considered:



Abstraction technology to support efficient data gathering for large volumes of leases.



Reporting capabilities to perform necessary calculations and create required disclosures.



Storage of electronic lease documents and related data fields.



Operational considerations including key event notifications, “what if” analyses, workflow management, and data analytics.

Deloitte has deep knowledge and experience when it comes to implementing lease technology, including our proprietary lease accounting software, **LeaseController™**, as well as other point solutions, enterprise solutions, and integrated lease management software. We understand that every organization has different needs; we can help you assess your options and figure out which solution may work best for you.

With more than eight years of experience implementing new lease accounting standards for hundreds of clients, Deloitte has insight into common pitfalls of new lease standard implementation. Using our experience, we have established a demonstrated implementation approach to assist our clients with efficiently and effectively implementing the new lease standards. Let us help you map out your organization’s path to success. Please contact us for more information and to gain insights into lease standard implementation.

Key considerations when selecting a lease software solution

- Vendor system capabilities
- Ease of integration with current system(s)
- User-friendliness
- Scalable for future compliance with GASB 87
- Anticipated release of needed functionality
- Ability to customize the solution
- Implementation timeline
- Price



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