



Department of Veterans Affairs

Financial Policy

Volume V

Assets

Chapter 12

Accounting for Enhanced Use Leases

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1201 Overview

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for accounting for Enhanced Use Leases (EUL), where VA is the lessor. The Secretary of VA, or designee, has authority to lease unused or underutilized real property for terms of up to 75 years, in exchange for monetary and/or in-kind consideration used to support VA's mission and activities. Congress initially authorized multiple purposes for EULs, but now they are restricted to supportive housing for homeless and at risk Veterans and their families. An EUL is a negotiated arrangement between the Department and another entity for the use of VA-controlled property.

Key points covered in this chapter:

- VA will receive fair consideration consisting of monetary payments, free or discounted use of capital assets or services for VA programs, and /or other "in-kind" goods and services which constitute fair consideration;
- The Facilities Manager, or designated Project Leader (PL) will coordinate with the local fiscal service to request assignment of Account Classification Codes (ACC) and Revenue Source Codes (RSC) from Office of Asset Enterprise Management;
- Congress provides VA authority to keep proceeds from an EUL, including proceeds from a disposal of EUL property;
- Under Public Law 114-497, reimbursements for prior year expenses will be available for use in the year received;
- All proceeds remaining after reimbursements of expenses will be deposited to the appropriate Medical Care Collections Fund (MCCF);
- The interest of the United States in any property subject to an EUL is not subject to state and local taxes, except sales taxes connected to construction, repairs, or other improvements, per 38 U.S.C. § 8167;
- VA may transfer to the lessee all rights, title, and interest of the United States in an EUL; and
- Funds received by the Department from the disposal of a leased property will be deposited in either designated major or minor construction accounts.

For information on transactions where VA is the lessee, see Volume V, Chapter 11, Accounting for Real Property Leases. The sharing of building space, employees, or other resources between Federal agencies, known as enhanced use sharing, is not addressed in this policy chapter.

1202 Revisions

Section	Revision	Office	Reason for Change	Effective Date
1205 Policies	Added sentence to 120501 to address OMB approval requirement.	APS (047GA)	Compliance with legal requirements.	August 2019
Various	Reformatted to new policy format and completed 5-year review. Changed Volume and Chapter from Volume II, Chapter 2G to Volume V, Chapter 12.	APS (047GA)	Reorganized chapter layout To categorize the chapter with other asset chapters	January 2018
Various	Changed title from Enhanced Use Funds to Accounting for Enhanced Use Leases	APS (047GA)	To better reflect chapter content	January 2018
1203 Definitions	Added, removed, and modified definitions previously included.	APS (047GA)	To add clarity	January 2018
1204 Roles and Responsibilities	Added, removed, and modified roles and responsibilities previously included	APS (047GA)	To add clarity	January 2018
Appendices	Removed prior appendices and inserted detail in policy where appropriate.	APS (047GA)	To remove procedural level detail and consolidate EUL policy within the policy section	January 2018

1203 Definitions

Accounting Classification Code (ACC) – A data attribute in VA’s financial management system which serves as the funds control data element. Every lease must have a unique ACC assigned by Office of Asset Enterprise Management (OAEM).

Capital Asset Inventory (CAI) – VA’s enterprise-wide repository of information on the Department’s real property assets, including leases, agreements, buildings, Facility

Condition Assessments data, and historical asset information for the portfolio. Information in CAI is used by OAEM and other staff offices to track all existing lease agreements.

Capital Asset Management System (CAMS) – The system used to develop, manage, and track EULs through the lifecycle of the project.

Capital Contribution – Funds VA contributes to a project as part of the overall financing of an EUL.

Enhanced Use Lease (EUL) – An agreement to lease underutilized and vacant property to an entity to finance, develop, operate, and maintain supportive housing as defined in 38 U.S.C. § 8162.

Lessee – The entity that enters a contract to obtain the right to use an underlying asset for a period of time in exchange for consideration. Lessee is also known as the renter.

Lessor – An entity that enters a contract to provide the right to use an underlying asset for a period of time in exchange for consideration. Lessor is also known as the landlord.

Revenue Source Code (RSC) – A standard code which identifies and classifies the type of revenue and receipts defined by the user.

Supportive Housing – Housing for homeless and at risk Veterans and their families.

Unserviced Rent – The base rent including real estate taxes, insurance, and any amortized build-out and excludes all operating expenses.

1204 Roles and Responsibilities

Secretary of Veterans Affairs is responsible for approval to dispose of all EUL assets.

The Assistant Secretary for Management/Chief Financial Officer (VA CFO) oversees management of all financial and capital asset activities.

Under Secretaries, Assistant Secretaries, and Other Key Officials ensure compliance with the policies and procedures set forth in this chapter and are responsible for resource decisions and development of all matters pertaining to mission objectives, requirements and justification of their projects; the impact of non-departmental EUL activities conducted on VA-controlled property; project funding determination; and establishment of project priorities for their respective EUL projects.

Office of Asset Enterprise Management (OAEM) has oversight responsibility for the EUL program as well as management responsibility for those projects identified as

Departmental asset initiatives. Responsible for preparing information required to be included in the Department's Agency Financial Report.

Office of Financial Process Improvement and Audit Readiness (FPIAR) has the responsibility to compile and maintain EUL and trust accounts in compliance with generally accepted accounting principles and VA financial regulations.

EUL Project Leader (PL) is appointed by the Designated VA Representative and/or Designated Local VA Representative to manage the day-to-day progress of an EUL from concept paper approval through lease execution. This appointment lasts until up to three months after completion of the EUL improvements, unless revoked sooner in writing. For OAEM controlled projects, the project leader is the assigned portfolio manager.

Facilities Manager/Engineer, or designee, enters and maintains agreement data in the CAI database, completes the ACC and RSC request forms for each new or existing land use agreement entered with any non-VA entity, and coordinates with local finance to send the request to leaseac.codes@va.gov. They monitor sharing partner usage location, update the CAI database as the agreement information changes to ensure the agreement reflects the latest agreement and revenue, and ensure staff has adequate training concerning the CAI.

Local Finance/Billing Office supports the billing process and is the point of contact for billing training, ensures proper costing and accurate appropriation assignment, establishes a repository for agreements, and performs billing functions. Ensures ACC/RSC codes assigned by OAEM are set up in Integrated Funds Distribution Control Point Activity (IFCAP). Notifies the responsible service prior to the EUL expiration date and maintains complete documentation to support activities.

Local Fiscal Officer (LFO) is responsible for ensuring the complete and accurate processing of all financial transactions related to EUL projects in the financial system of record. The LFO compiles financial results at the facility level and provides information to OAEM for financial reporting purposes.

1205 Policies

120501 Entering into an EUL

- A. VA may lease real property under its control or jurisdiction to other entities on a long-term basis (up to 75 years).
 - 1. The term of the EUL will be no longer than necessary to maximize benefits to the Department.

2. VA will enter EUL lease arrangements for underutilized VA properties in accordance with OAEM EUL operational policy and procedures¹.
 3. VA will present EUL projects to Office of Management and Budget before the lease goes into effect to determine if the lease is in compliance with terms defined in 38 U.S.C. § 8162.
- B. VA will receive fair consideration consisting of monetary payments, free or discounted use of capital assets or services for VA programs, and/or other “in-kind” goods and services which constitute fair consideration (the provision of goods, facilities, construction, services or other activities that result in a demonstrable improvement of services to Veterans as all or part of the consideration for the EUL.
- C. VA may contribute up to \$20 million as a capital contribution to an EUL in accordance with its authority under 38 U.S.C. § 8162.
1. VA capital contributions will comply with existing Departmental internal controls and approvals for the use of minor construction funds, per Volume V, Chapter 9 – General Property, Plant, and Equipment. Capital contributions will be coordinated with the involved Administration and/or staff office.
 2. Capital contributions will be expensed².
- D. Some EUL projects are financed by the developer with public bonds. In these instances, a trust is created where the developer is the trustee and VA is the sole beneficiary. Any revenue and payment activity is made from, and recorded within, the trust, but the bonds are financed through the developer, per Statement of Federal Financial Accounting Standards (SFFAS) 27, Identifying and Reporting Earmarked Funds.
- E. EUL projects are subject to a reimbursement fee to be charged against the proceeds from the project. The fee will be sufficient to pay for any expenses related to the EUL, per 38 U.S.C. § 8165. This charge is designed to reimburse OAEM and the Office of General Counsel (OGC) for direct and indirect project-related expenses associated with planning, developing, executing, managing and providing legal advice and services for the respective EUL project, transactions, and lease. This fee is not to exceed reasonable VA expenses. Reimbursements within a VA appropriation will be accomplished by expenditure transfers, while reimbursements between VA appropriations will be accomplished by appropriation reimbursements, provided the receiving appropriation has reimbursement authority.

¹ For more information on the phases of the EUL process please visit the OAEM EUL Program Page and view the EUL Directive and Handbook.

² Per SFFAS 6, Accounting for Property, Plant, and Equipment, capital leases transfer substantially all benefits and risks of ownership to the lessee. Under this standard capital contributions will not be capitalized by VA because the benefit and risk of ownership in the EUL has been transferred to the lessee.

120502 Accounting for EULs

- A. The Facilities Manager/Engineer, or designated Project Leader (PL) will coordinate with the Local Finance/Billing Office to request assignment of Account Classification Codes (ACC) and Revenue Source Codes (RSC) from OAEM's Capital Asset Management Service (CAMS). The codes allow costs and revenue to be tracked by CAMS and in the financial system of record.
1. Prior to entering a new EUL, the Facilities Manager/Engineer or designee, will enter the agreement information into the CAI database.
 2. Once the EUL has been entered, the Engineer, or designee will coordinate with Local Finance/Billing Office to complete the ACC/RSC Agreement Request Form and email the fully completed form to leaseac.codes@va.gov.
 3. Upon receipt of a fully completed code request form, OAEM will assign a unique ACC and RSC to the Agreement record in CAI and establish codes in the financial system of record. OAEM notifies the Facilities Manager/Engineer, or designee once the ACC and/or RSC has been assigned.
- B. The Facilities Manager or Engineer will attach the signed EUL and associated agreements in CAMS within 10 business days of execution.
- C. VA will collect lease payments in accordance with provisions of the EUL agreement.
1. Gross proceeds received from an EUL activity may be initially deposited into a suspense account (Fund 036F3875E) and recorded in the accounting system with a station-specific RSC. For more information on suspense accounts please refer to Volume II, Chapter 2C – Clearing (Suspense) and Deposit Funds.
 - a. Gross proceeds will first be used to reimburse other VA appropriations, such as General Operating Expenses (GOE) for the OGC and/or OAEM for EUL project related expenses.
 - b. Reimbursements for prior year expenses will be available for use in the year received (Public Law 114-497).
 - c. All proceeds remaining after reimbursement of expenses will be deposited to the appropriate Medical Care Collections Fund (MCCF) fund 528710 (Enhanced Use Lease Proceeds), with a station specific RSC (38 U.S.C. § 8165).
 2. The interest of the United States in any property subject to an EUL is not subject to state and local taxes, except sales taxes connected to construction, repairs, or other improvements (38 U.S.C. § 8167).

- D. If the Secretary determines during the term of an EUL, or within 30 days of its expiration, the leased property is no longer needed by the Department, action may be taken to transfer interest in the property to the lessee in accordance with 38 U.S.C. § 8164. The Secretary is responsible for the final determination of whether disposal is in the Department's best interest.
- E. Funds received by the Department from the disposal of leased property will be deposited in the designated major or minor construction accounts in accordance with 38 U.S.C. 8165.

120503 Monitoring

- A. The Local Finance/Billing Office is responsible for effective monitoring of EUL agreements to ensure the accuracy and timeliness of associated billing and collection activities.
- B. The Local Finance/Billing Office will perform quality assurance reviews to ensure billing accuracy and timely follow-up of open receivables. At a minimum, reviews will include:
 - 1. Ensure all EUL agreements have been billed.
 - 2. For those billed, validate correct billing amounts were utilized based on applicable agreement terms.
 - 3. Conduct a reconciliation to identify differences between billed amounts and received amounts.
 - 4. Document results.
 - 5. Develop a corrective action plan which allows for follow-up on items found during the review and assignments made to applicable offices.
- C. The Office of Financial Process Improvement and Audit Readiness will compile and maintain EUL trust accounts in compliance with generally accepted accounting principles and VA financial regulations.

120504 Financial Reporting

VA will prepare financial statement presentation of EULs in accordance with Office of Management and Budget Circular A-136, Financial Reporting Requirements. OAEM will provide the information presented in the financial statements, to include:

- Description of Lease Arrangements: Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms.
- Future Projected Receipts: Enter projected future lease revenues, by major asset category, for all capital and non-cancellable operating leases with terms longer than one year. Disclosure of future receipts for cancellable leases is optional. Agencies opting to disclose projected future receipts for cancellable leases should disclose them separately from projected future receipts for non-cancelable leases.

1206 Authorities and References

[38 U.S.C. § 8161, Enhanced-Use Leases of Real Property, as amended, Definitions](#)

[38 U.S.C. § 8162, Enhanced-Use Leases of Real Property, as amended, Enhanced-use Leases](#)

[38 U.S.C. § 8163, Enhanced-Use Leases of Real Property, as amended, Hearing and notice requirements regarding proposed leases](#)

[38 U.S.C. § 8164, Enhanced-Use Leases of Real Property, as amended, Authority for disposition of leased property](#)

[38 U.S.C. § 8165, Enhanced-Use Leases of Real Property, as amended, use of proceeds](#)

[38 U.S.C. § 8166, Enhanced-Use Leases of Real Property, as amended, Construction standards](#)

[38 U.S.C. § 8167, Enhanced-Use Leases of Real Property, as amended, Exemption from state and local taxes](#)

[Office of Management Budget \(OMB\) Circular A-123, Appendix A, Management's Responsibility for Internal Control](#)

[Public Law 114-497 Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2017](#)

[Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds](#)

[VA Directive 7415 Enhanced-Use Leasing Program](#)

[VA Handbook 7415 Enhanced-Use Leasing Program](#)

[VA Financial Policies and Procedures Volume V – Chapter 6 - Accounts and Interest Receivables](#)

[Accounts Receivable \(AR\) Financial-Administrative Section Version 4.5 - AR Manuals](#)

[38 U.S.C. § 8122 Authority to Procure and Dispose of Property and to Negotiate for Common Services](#)

[38 U.S.C. § 8153 - Sharing of Health-Care Resources](#)

[38 U.S.C § 8111 Sharing of Department of Veterans Affairs and Department of Defense](#)

[38 U.S.C. § 2412 Lease of Land and Buildings](#)

[VA Directive 7632 - Compliance with the Randolph Sheppard Act](#)

[VA Handbook 7454 - Enhanced-Use Leasing Post Transaction](#)

[VHA Handbook 1820.1 - Sharing Use of Space](#)

[VHA Handbook 1660.4 - VA-DOD Health Care Resources Sharing](#)

[VHA Office of Finance Processes and Procedures](#)

[IL-00CFM-11-01 - Office of Construction & Facilities Management Information Letter](#)

1207 Rescissions

VA Financial Policy Volume II, Appropriations, Funds and Related Information; Chapter 2G, Enhanced-Use Funds, January 2017

1208 Questions

Questions concerning these financial policies and procedures should be directed as follows:

VHA	<u>VHA CFO Accounting Policy (10A3A)</u>
VBA	<u>VAVBAWAS/CO/FINREP (Outlook)</u>
NCA	<u>NCA CAATS Finance Approvers (Outlook)</u>
All Others	<u>OFP Accounting Policy (Outlook)</u>