CoStar REAL ESTATE MANAGER™

Enterprise Lease Accounting
Lessons Learned

Project Management, Accounting Policy and Software Product insights gained from hundreds of successful lease accounting compliance projects

Real Estate
Equipment
Leased Assets

Executive Summary

The first-hand experience and insights from hundreds of successful new ASC 842 and IFRS 16 lease accounting adoption projects with CoStar's Lease Accounting Software are presented in these pages. CoStar's implemented customers experienced a 100% success rate with their compliance implementations and avoided many of the challenges encountered by other organizations.

This white paper is a must-read, particularly among project managers, for two primary groups:

- Large private companies and late-reporting public companies that have yet to complete the new lease accounting standard transition, and
- Enterprise organizations that experienced project failure and must now pivot to a successful implementation

The lessons learned are organized into three primary categories:

- Project Management
- Accounting Policy
- Software Product Essentials

Ultimately, this guidance is intended to not only aid in a successful compliance project, but also to realize the full potential of exceptional software functionality.

Project Management

Big 4 Accounting Firm industry experts have estimated that the failure rate among new lease accounting compliance projects is an astonishing 25 percent, based on preliminary feedback from public companies and early adopters. The sunk costs associated with failed implementation efforts are irreversible; however, project managers and key decision-makers can learn from the experience of public companies' and early adopters' compliance projects and software product selection.

Multiple complex processes must be managed during a successful lease accounting compliance project. At a high level, companies must collect lease data, communicate with a diverse group of stakeholders, select a software solution for reporting and ensure resources are available for the success of the project and ongoing compliance. It is important to remember lease accounting compliance is not a one-time event. It is ongoing, and the decisions being made at the outset will impact companies for years to come.

Project Management and the Project Manager

While it is obvious that every successful project needs an assigned project manager, the individual owner of the project must be clear from the outset and given the authority needed to successfully deliver the project. Because lease accounting is a new category of software, some companies have not been clear on whether the project should be owned by IT, accounting, a system integrator partner or a software provider. Start your project with clear project management ownership.

Project managers are taking on two categories of projects:

- Private and later reporting public companies initiating a new lease accounting solutions in 2019
- Public companies pivoting to a proven solution after a failed software implementation

Without question, both types of projects benefit from lessons learned about lease accounting compliance. Over the past two years, too many decisions were made based on a confident demo and unproven project plans. Today, there is significantly more valuable insight and experience on the scope of lease accounting initiatives. For example, it is now clear that project leaders should be empowered with the resources and decision-making authority necessary for thorough due diligence and a successful project implementation. For a lease accounting compliance project to be successful, multiple complex processes must be managed.

Industry experts estimate a project failure rate at a whopping 25 percent. Compared to a year ago, a lot more information is available regarding projects and products. Project managers can learn from the mistakes and best practices of their predecessors.

Data Collection

Data collection for current leases has proven to be the biggest challenge for most organizations. The amount of data needed to support the calculations for transferring nearly every lease to the balance sheet is voluminous. Companies must create an accurate and comprehensive list of all leases and pull the data values required for lease accounting calculations. Since the new standard requires new data, certain data can be missing even with lease management systems in place (for example, real estate renewal options).

Potential sources of lease data may include, but aren't limited to:

- Legacy real estate system
- SharePoint sites or other repositories of scanned agreements
- Fixed asset records (for existing capital leases)
- Surveys sent out to the field asking for units to identify leases under their control
- Lease footnote and disclosure work papers from previous years
- File cabinets and desks (many companies have a portion of leases in paper form)
- Lessor vendor software (some vendors have online tools available for tracking leases)
- P&L (locating lease expenses in the financial statements and tracing them back to the source may be the best way to identify some leases)

Industry experts continue to stress the importance of pushing ahead on lease accounting compliance projects as soon as possible, as implementing new software with integrations to existing systems can take four to six months or more. Other challenges that can impact an implementation timeline include the absence of key personnel during holidays and vacations, year-end close efforts, internal control related compliance freezes, code freezes when IT departments restrict the implementation of new technology in addition to other unexpected delays.

Companies are consistently surprised to find how many leases they have. In many cases, the list grows as the project continues. This is why it's most effective to start compiling early and get to a complete list as soon as possible.

Companies are consistently surprised to find how many leases they have. Experts continue to stress the importance of pushing ahead as soon as possible.

The agreements most often overlooked are embedded leases, which is when a lease is included as a part of a larger agreement. Examples include leased sound equipment as a part of a music streaming service, leased alarm hardware as a part of monitoring service, or leased IT equipment as a part of a larger contract for hosting or other services.

The agreements most often overlooked are embedded leases, which are included in larger contracts. For example, leased alarm equipment as part of a security monitoring service.

Cross-functional Stakeholders

Meeting early with a cross-functional group of stakeholders is another key component of a successful lease accounting compliance project. Typically, a company's leasing practices impact a diverse group of stakeholders across the organization. Departments often use leases with very little impact or involvement with other internal groups. Because legacy accounting rules do not require the majority of leases to be capitalized, a large portion of leases are approved based on expense budgets in a decentralized process. However, under the new accounting rules, companies need to adopt a more centralized process of collecting, testing and recording leases for real estate and non-real estate assets.

In general, leases can be grouped into two categories:

Real estate management is usually a centralized function, the data is typically higher quality, but there are data gaps related to compliance. Centralized lease management makes it easier to close these gaps.

Non-real estate leases are often less material financially than real estate leases (although there are many exceptions based on industry segment), but often introduce tremendous complexity. Since equipment is historically decentralized in many companies, the leases, processes, lease data and lease structures are varied and are geographically diverse. Suppliers and master leases introduce further complexity. With the variety of equipment leases used by larger companies, total lease counts can easily be in the thousands, or even tens of thousands.

Because lease management has been decentralized, it will be important to obtain buy-in from various groups to ensure all data is captured and new procedures are followed. Departments that have traditionally maintained almost total control of lease data will need to be informed of process changes. It is also important to emphasize the new processes are being implemented due to changes in regulations, not to take away departmental control or autonomy. Stakeholders should take away an understanding that new processes and systems will provide an opportunity to strengthen everyone's ability to manage the business.

When creating a cross-functional team, emphasize the changes are being made due to regulations, not to take away departmental control or autonomy. This change presents opportunity to strengthen everyone's ability to better manage the business.

Consider including these groups in stakeholder meetings and communications

- Real Estate (retail, corporate buildings and land property management and lease administration)
- Maintenance (forklifts, pallet jacks, scissor lifts)
- Logistics (trucks, conveyor belts, trailers, rail cars)
- IT (servers, copiers, software, computers)
- Procurement (involvement with most leases)
- Legal (involvement with most leases)
- Financial Planning (budgeting and forecasting of lease cost)
- Accounting (financial reporting and lease accounting)
- Treasury (incremental borrowing rate and debt covenant impact)
- Tax (book tax differences)

Software Selection

Look for a proven solution

Proven software has been developed and is currently serving the needs of many large, complex, global organizations. Failed implementation efforts include companies attempting to customize existing software systems or relying on vendor promises of functionality yet to be developed. These routes are risky. A significant percentage of these projects have already failed and others may be left behind as the leading, already proven, products continue to evolve and improve. Today, companies should also consider a pilot, as mature software systems can accommodate a pilot at any scale at little to no cost or schedule impact, even for an enterprise.

During the review process, require vendors to provide software demos and implementation success stories. Even consider doing a pilot. You need a proven solution, not promises about future functionality that is otherwise available today.

The risks associated with a failed implementation of this magnitude are significant. To mitigate the risks associated with an unproven solution, a significant lesson learned is to select a software which has been fully developed and is already successfully serving the needs of many large, complex and global organizations. It is best to work with a vendor who has years of experience providing lease accounting compliance software to customers for both real estate and equipment leases under the legacy ASC 840 and IAS 17 guidance as well as proven success with ASC 842 and IFRS 16 guidance.

Choose a software provider with an established track record for providing turn-key, or assistance with, implementations, customer support and ongoing data management. A vendor should also be a large, financially stable company to assure long-term data management and operations. Start-ups and venture-financed small companies represent unnecessary long-term risk when cost effective proven solutions are available from viable suppliers.

Integration

Ensure new software can integrate with existing supplier, lease management, ERP, reconciliation and IWMS systems. Integration is the name of the game in today's interconnected technology ecosystem. Much of the essential lease data needed for reporting will be hosted by one or more management systems, including third-party vendors such as real estate service providers or equipment supplier databases such as fleet leasing companies. To be considered, a software provider must have the ability to connect data sources and integrate with existing systems to generate the calculations required for accurate reporting. Even if integrations are schedule for a future phase, you need to select a provider with a proven track record of delivering and maintaining integrations.

Integration is the name of the game in today's interconnected technology ecosystem. If a solution can't integrate with existing systems, cross it off the list.

Pricing Structure and Costs

When selecting a solution, be aware of hidden costs, including upgrade fees and maintenance costs. On-premise software solutions may have competitive pricing, but can also have many hidden costs that include buying additional servers, hiring additional IT maintenance staff and paying expensive fees for software upgrades, implementations, or additional users. On the other hand, cloud-based or SaaS solutions can feature unlimited user models no software upgrade fees, and all customers on a single application version which always proves to be a better value in the long run.

Software Implementation: Mid-size to Enterprise

Proven solutions can be implemented for the largest, most complex companies. The same solutions offer robust, but simpler pre-configured options for smaller companies. Mid-size companies ought not make trade-offs of functionality for implementation time and cost. Since 2018, that is no longer necessary.

Leading software vendors can provide full service enterprise class features, project support and implementation including the following expertise:

- A design team available for company specific configuration
- Assistance with organizational or lease complexity including nuances of equipment and real estate leases and multiple business units and/or legal entities
- Collection of lease data from many lease sources (the best providers also offer turn-key lease abstraction)
- Expertise on local currency > functional currency > reporting currency
- Lease administration system replacement
- Enterprise integrations for ERP and other enterprise applications

For a large, complex organization with integrations, an enterprise class solution is absolutely the best choice for project success and ongoing effectiveness. Implementation requires adequate time (4 – 6 months) and budget, and is usually best for large, diverse portfolios with 500+ leases.

For companies with simpler needs, or under pressure for faster implementation, a preconfigured enterprise solution has emerged that allows companies with smaller, less diverse portfolios to leverage the success of the large companies that have already implemented a solution. This is a more agile enterprise solution, which includes all of the functionality of an enterprise solution, preconfigured and rapidly deployed (8 – 12 weeks) at a lower cost. For this alternative, integrations are often deferred for the sake of rapid compliance. Sample characteristics of an agile enterprise project include:

- A pre-configured application using best practices from 100's of successful projects
- Lower portfolio and organizational complexity
- Customer collected lease data
- No foreign currency considerations
- Lease accounting scope only (import/abstract data); defer lease administration scope
- Deferred integrations (standard GL output, others available later)
- Rapid compliance with standard templates

As project managers and their teams consider which approach to utilize and how to structure the lease accounting compliance project, lean on the knowledge and experience of experienced experts. Ask the most notable accounting firms which lease accounting software providers they recommend, and ask questions of peers at other corporations. Think long-term and choose a comprehensive application and viable company for the long run, even if your needs are much simpler, that makes sense from a cost, approach and implementation perspective.

HR Impact and Training

From the start, project managers should secure the proper human resources required for an effort of this magnitude. This includes proactively taking steps to evaluate the overall HR impact and estimating the necessary adjustments to staffing/training plans. Many companies with large lease portfolios have a dedicated lease accounting expert who has been intently following the lease accounting changes. In contrast, companies with less of an ongoing focus on lease management have assigned lease accounting to an associate in the accounting department who also juggles other responsibilities. With increased compliance demands and scrutiny, companies need to re-evaluate whether existing accounting staff is sufficient or if additional investments are necessary.

Consulting firms have lease accounting professionals available for engagements to support existing staff with the skills needed to manage a successful lease accounting project. When vetting external resources, it is important to ask specific questions about lease accounting expertise and qualifications. Lease accounting is a specialized and nuanced area, and only consultants with deep experience in lease accounting should warrant consideration.

Training should also be a central part of any plan for technical accounting, accounting process and solution implementation. Top accounting firms have online resources that are updated frequently and can be a great source of knowledge. For more formalized, classroom style training, check with local CPA societies for CPE (Continuing Professional Education) events on the topic of lease accounting. The best software providers also have in house CPAs and lease accounting experts. As you consider software solutions, ask the vendor about the qualifications of their lease accounting staff and their availability for in house or online training sessions.

Project Manager Check List

Ensure your lease accounting compliance project stays on track

1. **Facilitate integrated project teams & steering committee -** Ensure work is not performed in silos but is fully integrated between Finance, Accounting, IT and Compliance at both the project and steering committee levels.
2. **Identify regional champions -** Due to resource constraints or local priorities, regional offices can have longer response times in a decentralized company. Appoint local leads to monitor project tasks.
3. **Communication is key –** Communicate with stakeholders and affected users when identifying key changes and new functionality. Effective communication and collaboration throughout the project will save time in the long run
4. **Reliable enterprise-wide lease inventory –** Early in the process, determine how all leases deployed across the organization will be identified on a timely basis and aggregated to create a complete and accurate lease inventory.
5. **Consider tools to accelerate data gathering -** Consider selecting and implementing a suitable technology solution to accelerate the lease data gathering process.

6. **Look for embedded leases -** If the organization enters into an arrangement that identifies and grants to an entity a right to use PP&E, it constitutes a lease. Look for such arrangements embedded in service arrangements.

7. **Be mindful of expected changes in the business -** Assess whether changes are expected to take place in the business that may materially impact the project or lease counts (e.g., acquisitions).

8. **Include time for organizational change enablement -** Updated policies, processes, systems and data are Organizational Change components which will require control changes to realign with business operations and reporting and should be included in the project plan.

9. **Consider comprehensive software selection criteria -** Look beyond basic functionality when selecting the lease accounting solution. Consider the vendor's maturity in the space, viability, proven credentials and R&D investment.

10. **Engage external auditors early -** Engage with external auditors early in the process and communicate periodically throughout the project to avoid surprises, delays and rework. Ensure the selected application has the controls and reporting necessary to support audit functions.

11. **Perform a solution design -** Utilize a proven solution design approach to consider unique business / regional features (e.g. parallel currency setup, approval workflows by region, handling non-lease payments, CPI requirements). If you have time, complete a comprehensive design. If not, complete an agile design with a look to the future.

12. **Align project scope with time available to implement -** Ensure there is enough time to design and implement an end-to-end process to meet your needs. If time is of the essence, streamline the initial project scope to fit compliance needs only. Consider customizations and "nice-to-have" integrations in a subsequent phase, and use a vendor that already offers the desired features.

13. **Identify and secure IT resources -** IT involvement encompasses areas such as platform / infrastructure compatibility, functional ERP / Finance functionality and integration development. Ensure that appropriate IT resources will be available for the project when needed.

14. **Design for the end-to-end lease process. Don't over engineer -** Consider all phases, including what happens within and outside the lease system, to ensure reporting, ERP impact, processes, etc. are addressed. If not properly managed, the system will not accommodate changes and additions in the lease portfolio.

15. **Knowledge share -** Document your project along the way. Include knowledge transfer sessions, quick reference guides, key roles and responsibilities and step by step procedures. Creating this documentation will eliminate confusion later in the process.

16. **Consider a pilot:** Today, companies can easily execute a pilot, as mature software systems can accommodate a pilot even at enterprise scale, at little to no cost or schedule impact.

Accounting Policy

Recording virtually every lease on the balance sheet is a complex task. There are many factors to consider, and companies should ensure the appropriate lease accounting expertise is available. The lease accounting subject matter expert (or team) should have an extensive understanding of the new standards and possess a deep knowledge of company-specific lease data. Areas that have proven challenging for companies involve the nuances of transition accounting, the complexity of ongoing compliance and the impact of foreign currency.

Transition Accounting

Without a doubt, a key to successful lease accounting compliance is understanding the transition requirements. There are many factors specific to transition that need to be considered, including multiple practical expedients. One of the most common questions during implementation is, "Does the opening right of use (ROU) asset always equal the opening lease liability?" The answer is, "Not always."

Without a doubt, understanding transition requirements is key for successful compliance. Reconcile the ROU asset and opening lease availability.

In fact, for companies already compliant with ASC 840 and now transitioning to ASC 842, the opening ROU asset almost never equals the opening lease liability. This is due to the fact the lease liability is always based on the net present value of future payments. Per ASC 842, the ROU asset is based on that lease liability balance, but it needs to be adjusted for certain items. One of those items is the deferred rent balance on the books as of the end of ASC 840. Adjusting the opening ROU asset by that amount is actually the only way to make sure the straight-line or level lease cost remains unchanged when transitioning from ASC 840 to ASC 842. Otherwise, companies have to go back to lease inception and re-abstract years of data just to achieve compliance with the new standard. This is an unnecessary and expensive investment of time and resources allocated to the compliance effort. A mature lease accounting solution offers an automated process, which allows for seamless transition from ASC 840 to ASC 842 guidelines, without the requirement to re-abstract old data.

Similar considerations apply for transitioning from capital to finance leases under US GAAP and from operating or finance leases under IAS 17 to new IFRS 16 guidance. It is more efficient to abstract data going forward than to re-invent the wheel with years or even decades of old data.

Transition is not the only time that the opening ROU asset will not equal the opening lease liability. Other items that may cause this to occur going forward include:

- Direct costs such as commissions
- Lease incentives received at or before lease inception
- Impairment of the ROU asset
- Prepaid or Accrued lease payments

Ongoing Accounting Compliance

After transition to the new accounting standards, it is important to remember companies will need to continue accounting for leases under the new standards for years to come. So, the value associated with go-forward efficiency and compliance will quickly outweigh the one-time compliance event. Leading companies are setting accounting policies and investing in solutions that will empower their teams for success well into the future. Incomplete and often lower cost solutions often require permanent work-arounds that introduce time, cost and risk to your lease accounting process.

A lesson learned from the first companies to adopt the new lease accounting standards is companies should not underestimate the value of robust schedule re-measurement functionality. Re-measurement functionality is useful in a variety of situations including:

- Lease renewals
- Terminations
- Partial terminations
- Impairments
- Changing assessments of what is reasonably certain
- Index (CPI) driven increases (IFRS only)
- Data corrections
- Lease modifications

Many of these events require specific accounting treatment. For example, if the right of use asset for an operating lease is impaired, the pattern of asset depreciation changes to be similar to the depreciation under a finance lease. However, the lease is still an operating lease and the expense is still combined with interest and booked as one lease expense, so you can't just switch from an operating schedule to a finance schedule. The operating schedule needs to be adjusted as of the date of impairment, and then amortized using the revised method. Enterprise class lease accounting solutions offer easy to use re-measurement tools, which are already being used by large companies to address complex scenarios.

All of these re-measurement events should be accounted for in the period in which they occur. However, some companies have been surprised at the number of retrospective re-measurement events which need to be accounted. This common scenario happens when the accounting team receives information about lease events late, or after the impacted accounting period has closed. Accountants are familiar with booking true-up entries, which basically compare what should have been booked in prior period to what was actually booked and then "trues-up" the difference in the current open period. However this process can be manual and time consuming. CoStar has developed advanced re-measurement functionality, which includes retrospective re-measurements. This automates the true-up process when information is incomplete or late, thus solving one of the biggest headaches for lease accounting teams.

Currency Considerations

If you operate in multiple countries, or foresee the potential to expand in the future, it is very important to ensure the foundation is set for compliance, including currency considerations. For companies with international operations, currency re-measurement and translation can be a big concern. New lease accounting rules include specific requirements around currency.

The main concern related to currency is leases with a local currency that is different from the business unit or company's functional currency. This functional currency can also be different from the reporting currency. Several layers of conversion are sometimes required, and one gap that is almost never captured in any other place is the historical currency conversion rate from lease inception. This historical rate is needed for right of use asset related balances for the duration of the contract because they are considered to be non-monetary amounts. Lease liability and expense related items are typically converted at the month-end or spot rate and the period average rate, respectively.

For currency considerations, make sure your lease accounting system has full functionality and supports configurable ERP integration. ERP systems can be quite robust when it comes to currency calculations, however ERP systems rarely have functionality to efficiently capture the rate at lease inception required for ROU asset conversions. A mature product has built in functionality for functional currency and a comprehensive suite of standard reports including a Disclosure Report, Period End Accounting Summary, and a Forecast Report. Each of these reports should apply historic, spot, and average rates to appropriate accounts, thus enabling the financial reporting team to generate consolidated numbers even with multiple levels of currency conversion (local -> functional -> reporting).

Software Product Essentials

Lease accounting calculations have become more complex and nuanced under new lease accounting rules. That fact, combined with the certainty of enhanced auditor scrutiny on the horizon, has motivated leading companies to invest in a true enterprise class lease accounting solution. A broad range of product characteristics are essential for success, including those outlined below.

Stable Mature Company vs. Upstart Suppliers

The new lease accounting requirements have generated a wave of upstarts and other vendor activity in the lease accounting software industry. The newcomers and pivoting suppliers are easy to recognize. They are smaller, private, and either bootstrapped, venture funded, or recently venture-backed expanded. The vendor marketplace has many providers whose sales, marketing and content (investments) far exceed their product functionality and ability to execute and support. Software providers should have invested more in product development, support and on-going product innovation than in sales and marketing. There has already been some consolidations in the industry, and venture backed private companies will likely be seeking a liquidity event on the back of explosive lease accounting market. However, because lease accounting changes are here to stay and the exercise of lease accounting is an ongoing period by period effort, companies with successful implementations are finding that a product backed by a strong, financially stable corporation is the smart choice. A company with many years of proven track record of support and product enhancement is equally advisable.

Accounting Firm Endorsement

Among the benefits of selecting a lease accounting solution after the initial wave of large public company activity: Large accounting firms have already walked with clients on the path to compliance. In many cases, accounting firms have partnered with lease accounting products to assist with implementation. Open a dialogue with trusted advisors for an opinion regarding top software providers. Don't hesitate to ask straightforward questions about which features are available in one system versus another and which suppliers are expected to be viable many years into the future.

Battle Tested

Lease accounting is not new. In fact, many of the requirements under the new standards, including balance sheet treatment, have existed for Capital (ASC 840) and Finance (IAS 17) leases for decades. Don't consider a product that has not offered these capabilities for at least ten years. Depth of experience matters when it comes to a nuanced and complex area such as lease accounting. Also, remember to ask the vendors specific questions about their accounting staff's lease accounting and month end close experience and how many CPA's on staff have real world experience managing lease accounting at major corporations.

Ask vendors specific questions about their accounting staff's lease accounting and month end close experience, and how many CPA's on staff have real world experience managing lease accounting at major corporations.

Real Estate and Equipment Functionality

While real estate leases make up the bulk of the total financial impact, equipment leases are actually more difficult to work with in the data collection process. This is usually due to the fragmented nature of equipment leasing practices at many organizations. Equipment leases can also have more complex requirements than real estate on a go forward basis due to factors such as master lease agreements, month-to-month renewals, and automatic remittances to fleet vendors. Lease accounting solutions should include robust capability for Real Estate and Equipment.

Many companies are discovering equipment leases are most difficult to work with in the data collection process, due to the fragmented nature of equipment leasing practices.

Audit Trail

A quality lease accounting system will provide comprehensive tracking of all lease accounting related activity. This is essential for control over financial data, and can prevent costly issues when auditors come to visit. The audit trail should be available for lease level transactions and re-measurements. It should also be available for system generated reports. For example, a disclosure report should have automatically generated supporting schedules to tie out consolidated disclosures to individual lease records. You should see an audit report to ensure the data is usable and consumable. Most vendors can track “clicks” but some audit information is so voluminous as to be unusable.

Free Upgrades

Companies are still learning and accounting firms continue to collaborate on interpretation and application of the new lease accounting rules. Consequently, lease accounting solutions that are cloud or SaaS (software as a service) based have a distinct advantage. Cloud based solutions can respond very quickly to new developments in lease accounting practice, and the best providers offer free upgrades, deployed first to a stage environment for a testing window before the live production environment is impacted. All of a vendor’s customers should be the same cloud version of the software.

SSAE SOC Audit and Security

SOC 1 and SOC 2 audits cover controls, processes and procedures related to information security, personnel, hosting and infrastructure, as well application development procedures and testing procedures related to the platform and the lease accounting solution. SOC stands for Statement of Controls. Lease accounting software vendors should affirm the processes and controls related to the development and testing of the software and calculations behind ASC 840, ASC 842 and similar IFRS classifications. Companies must ultimately rely on their own internal controls and their auditor to test and approve the accuracy of their respective accounting results, based on each customer’s requirements, policies and GAAP interpretation. However, the SOC audit provided by reputable lease accounting software vendors will satisfy many requirements and prevent costly re-testing of controls.

Companies should support industry-standard security requirements that are required for enterprises and their security teams. The provider ought to be familiar with the newest EU framework, the General Data Protection Regulation (GDPR) requirements. These requirements are important for compliance for any companies where they apply.

Integrations

Due to the high volume of data requirements associated with lease accounting compliance and the push to shorten month end close, integrations are essential for most large organizations. Many leading companies are taking advantage of every opportunity to move toward a system of “continuous accounting,” in which data flows seamlessly from one process to another, and ultimately into the financial statements, without manual intervention. In addition to mature product functionality, a provider should have deep experience with all major supplier, lease management, ERP and IWMS systems, proven enterprise class lease accounting solutions offer automated integration with equipment leasing or fleet vendors as well as account reconciliation and matching tools like Blackline.

Conclusion

The complexity of lease accounting compliance efforts is substantial – including project management, setting accounting policy and selecting a suitable software solution. Whether still assessing the impact of lease accounting changes or reworking a failed implementation, organizations can take full advantage of these best practices and lessons learned by companies which are now compliant.

The one thing every project manager is most likely to agree on: Starting sooner and getting more people involved makes things go much better. To leverage more knowledge and experience from the industry leader in lease accounting and management, contact the CoStar team today at **888.823.3209**, **connect@costarmanager.com** or **www.costarmanager.com.**

Contributing Author Profile:

Matt Waters, CPA, MBA, CGMA

Matt Waters has more than 15 years of experience managing accounting and finance. He has worked with both small organizations and large public companies including The Home Depot and American Tower. His expertise includes process improvements and software evaluation for the new lease accounting guidance issued in early 2016 by the FASB and the IASB.

While at The Home Depot, he led the project to consolidate data for real estate, equipment and other leased assets into a single department, which increased efficiency for the preparation of financial reports, 10K footnotes, budgets and forecasts. Organizing lease data in one area allowed the business to see patterns, eliminate waste and make more informed decisions. Ultimately, his project enabled company- wide quality control over leased assets that reduced over-payments and other costs, which added money back to the bottom line.

Mr. Waters has contributed to whitepapers and articles on the topic of lease accounting, and has been an invited participant at industry roundtables sponsored by leading accounting firms. He has also led CPE events focused on lease accounting. Since the new lease accounting standards were issued in 2016, Mr. Waters has focused his practice on helping clients prepare for the upcoming changes.

Talk to Us About Your Compliance Needs for

Lease Accounting

"With CoStar, you can drive business results and meet the new accounting requirements. It's clearly the best all-around choice."

Matt Waters, CPA
Former Lease Accounting Manager with the Nation's Largest Home Improvement Retailer

Real Estate Equipment Leased Assets