

Issue Date: 06/01/2003

CAPITALIZATION AND INVENTORY OF PERSONAL PROPERTY

I. Purpose

This directive establishes the Department of Homeland Security (DHS) policy for capitalization and inventory of personal property.

II. Scope

This directive applies to all DHS organizational elements serviced by the DHS Office of the Chief Financial Officer. All organizational elements that receive financial management support from another Federal agency or that have existing programs, should continue to use those procedures until a DHS-wide system is developed and implemented.

III. Authorities

This directive is governed by numerous national policies, such as:

- A. Statement of Federal Financial Accounting Standards (SFFAS) #6
"Accounting for Property, Plant and Equipment (PP&E)."
- B. Statement of Federal Financial Accounting Standards (SFFAS) #8
"Supplementary Stewardship Reporting."
- C. Chief Financial Officers Act of 1990, as amended.
- D. Joint Federal Management Improvement Program (JFMIP) "Property Management Systems Requirements."
- E. Statement of Federal Financial Accounting Standards (SFFAS) #10
"Accounting for Internal Use Software."
- F. Statement of Federal Financial Accounting Standards (SFFAS) #11
"Amendments to Accounting for PP&E: Definitions (Amends SFFAS #6 and #8)."

IV. Definitions

- A. **Accountable Property**: The formal records of personal property which assign specific responsibility for control to an individual. Such records may control single items or aggregates of similar property.
- B. **Capitalization**: Recording and carrying forward any expenditure into one or more future periods. This results in expensing the cost of an asset over the remainder of its useful life by matching the benefits gained from that expenditure with the associated cost
- C. **Capitalization Threshold**: The threshold for capitalization of property and improvements.
- D. **Capitalized Personal Property**: Personal property with an initial acquisition cost at or above a specific threshold, which is recorded in the general ledger of the financial management accounts.
- E. **Department**: The Department of Homeland Security (DHS).
- F. **Depreciation**: The systematic and periodic accounting entries made in the financial records to reflect decreases in the value of property through age, wear, deterioration, or obsolescence over its estimated useful life.
- G. **Information Technology Equipment (IT)**: A generally accepted term to include all types of Computer Components. Other acronyms that have been used by agencies to reflect computer equipment include: ADPE (automated data processing equipment), AE (automation equipment), and AR (automation resources).
- H. **Property, Plant and Equipment (PP&E)**: Tangible assets that have estimated useful lives of 2 years or more, are not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used, or being available for use by the entity.

V. Responsibilities

- A. The **Under Secretary for Management** shall be responsible for all aspects of this directive.
- B. The **Chief Financial Officer** shall ensure that all acquired property that meets established capitalization and/or accountability thresholds is entered into the designated accountable property accounting system.

C. The **Director of Administration** shall:

1. ensure that all property acquisitions are promptly and accurately recorded in the accountable property management system;
2. establish internal control procedures to prevent losses, and if necessary conducts reports of survey when items are lost or damaged beyond normal wear and tear;
3. establish procedures to ensure that all accountable property is adequately safeguarded;
4. establish procedures for the physical inventory of accountable items;
5. ensure information concerning capitalized property is forwarded to the financial administration and the Chief Financial Officer;
6. provide custodial personnel to account for personal property; and
7. ensure that physical property inventories are conducted and reconciled regularly.

D. The **Property Officer** shall:

1. maintain an effective administration program for the property accountability and control system within his/her area of responsibility;
2. designate custodial areas and property custodians to manage the personal property within a specified area;
3. ensure all custodians are properly trained in the local processes and procedures;
4. provide custodians with current records for assets within their area;
5. ensure reports for lost, missing or damaged (beyond normal wear and tear) items are properly and promptly reported on a report of survey;
6. evaluate the local system performance and program effectiveness;
7. establish controls to ensure locally acquired assets meeting the accountable thresholds (mandatory tracking requirements) are met;
8. retain documentation of audit trail documents of acquisition, transfer, and disposition activity;

9. enter or designates personnel to enter property acquisitions, transfers and disposals into the designated fixed asset system; and
10. develop procedures for custodians to conduct annual physical inventories of accountable property meeting the criteria in Section VI.B of this directive and all discrepancies are reconciled.

VI. Policy & Procedures

A. Policy:

1. Capitalization:

a. all PP&E shall be recorded at original acquisition cost. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use, including payments to vendors, freight, handling and storage, design, construction, training, and installation;

b. all acquired DHS property meeting the following thresholds shall be capitalized in the accountable asset management system:

(1) Software & Software Projects: \$750,000 and over.

(2) Aircraft, Vessels, and Electronic Systems: \$200,000 and over.

(3) Other Personal Property: \$50,000 and over.

c. all capitalized DHS property shall be depreciated over its useful life using the straight-line method with no salvage value:

(1) Vessels above 65' in length: 30 years

(2) Aircraft: 20 years

(3) Electronics Systems: 8 years

(4) Software: 3 years

(5) Boats, Standard: 20 years

(6) Boats, Nonstandard: 5 years

(7) Vehicles:

(a) Construction Equipment : 15 years

(b) Buses: 8 years

(c) All Other Vehicles: 5 years

(8) All other personal property – 5 years

d. Improvements: Any improvements made to a capital asset that meets or exceeds the capital threshold and (1) extends the life of the original asset OR (2) significantly enhances the mission capability of the original asset shall be capitalized and depreciated, accordingly.

2. Accountable Personal Property & Physical Inventory: All DHS property which meets or exceeds the following thresholds shall be subject to annual physical inventory. (Weapons require daily counts, monthly reviews, as well as the annual physical inventory.):

a. Telephones and electronic equipment, including Blackberry devices and cell phones: \$1,000 and over.

b. Information Technology (IT) components having memory (including personal data assistants, often called palm pilots) and software licenses: any price.

c. Vehicles: any price.

d. Weapons: any price.

e. Other personal property: \$5,000 and over.

B. Procedures:

1. Original acquisition documentation shall be retained by the property officer of all capitalized assets acquired by the Office of the Secretary. Retention period shall be held for the life of the item plus 3 years beyond disposition. The documentation for capital assets should be retained by the financial management office (but may be held elsewhere).

2. Original acquisition documentation of noncapital assets shall be held for 3 years beyond the date of final payment. The documentation for noncapital assets should be retained by the acquisition office per the General Service Schedule records requirements.

C. **Questions or Concerns Regarding the Process**: Any questions or concerns regarding this directive should be addressed to the Office of the Under Secretary for Management.