Chapter 15

ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

CHAPTER 15

Accounting for Property, Plant and Equipment

15-1. General. This chapter defines USACE accounting policies and requirements for property, plant and equipment (PP&E) funded by civil works or military appropriations. This chapter should be used in conjunction with the following references:

a. Statement of Federal Financial Accounting Standards (SFFAS) No. 6: Accounting for Property, Plant and Equipment.

b. DoD Financial Management Regulation 7000.14-R, Volume 4, Chapter 6, Property, Plant, and Equipment.

c. ER 37-1-29, Financial Management of Capital Investments.

d. ER 37-1-30, Chapter 14, Accounting Treatment for Multiple-Purpose Projects.

e. ER 37-1-30, Chapter 16, Revolving Fund Asset Accounting.

f. Memorandum of Agreement dated 9 Jun 2004, Support for Recorded Book Cost of General Property, Plant and Equipment Assets, U.S. Army Corps of Engineers, Civil Works.

15-2. Asset Criteria.

a. Capital assets are tangible and intangible resources used directly or indirectly in the execution of USACE mission requirements. Assets must have an expected useful life of two or more years and an acquisition cost that meets or exceeds the capitalization thresholds in Appendix A. Assets are acquired or constructed with the intention of being used or available for use in executing USACE missions and are not intended for sale in the ordinary course of operations.

b. Two categories of PP&E are defined for accounting and reporting purposes in USACE:

(1) General PP&E. This category includes land (other than stewardship land), land rights, buildings and other structures, leasehold improvements, equipment, internal use

software, assets under capital lease, property in possession of others, and construction in progress (CIP).

(2) Stewardship PP&E. Stewardship PP&E consists of heritage assets and stewardship land.

(a) Heritage Assets. Heritage assets are unique PP&E of historical, natural, cultural, educational, artistic or architectural significance and are expected to be preserved indefinitely. The cost of acquiring heritage assets is typically expensed in the period incurred. However, when a heritage asset serves both a heritage function and a government operations function, the asset shall be classified as a multi-use heritage asset. The cost to acquire, renovate, improve or reconstruct multi-use assets to facilitate government operations is included in general PP&E.

(b) Stewardship Land. Land and land rights not acquired for, or in connection with, general PP&E is classified as stewardship land and expensed in the period incurred.

c. Bulk purchases of assets are capitalized when the cost of an individual item meets the capitalization threshold. If the per item cost does not meet the capitalization threshold, the cost is expensed in the period incurred, unless the items are components of a larger asset.

d. Additions and betterments are improvements and upgrades that increase the size, capacity or operating efficiency of an existing asset or extend the service life of the asset. Additions and betterments are capitalized if the cost is equal to or greater than the applicable capitalization threshold.

e. Maintenance and repair costs are not capital improvements and are expensed in the period incurred, regardless of whether the cost equals or exceeds the capitalization threshold. Maintenance is the work required to preserve and maintain the asset to be effectively used for its designated function. However, when repairing an asset, the components of the asset may be repaired by replacement; replacement may involve upgrades to current standards and codes. The determination as to whether a replacement is a repair or an improvement is based on the purpose of the replacement. The replacement is expensed if the asset has failed, is in initial stages of failure, or is no longer performing the functions for which it was acquired. Replacement undertaken to improve or expand the efficiency of an asset that was in good working order is considered an improvement. Repair by replacement does not include rebuilding entire structures within the same physical footprint.

f. Costs incurred that do not contribute to the creation of an asset are expensed. The following activities are always expensed:

(1) Late payment interest penalties;

(2) Operation and maintenance costs;

(3) Research and development costs, reconnaissance studies, and feasibility studies that do not result in creation of an asset;

(4) Construction activities that do not result in the creation of an asset, including excavation and dredging of channels, harbors or ports in existing waterways; removal of trees, brush, snags, drift, debris, and aquatic growth; engineering and design, supervision and administration and other support costs related to expense type activities; Section 202 nonstructural projects and special project reports;

(5) Construction projects financed partially by a local entity are expensed when USACE will not ultimately hold title to the asset;

(6) Bank stabilization structures, including revetments, linings, training dikes and bulkheads for stabilization of banks and watercourse to prevent erosion, sloughing, or meandering which are not considered part of the initial costs of a larger asset;

(7) Periodic payments for land rights;

(8) Beach nourishment costs;

(9) Fish and wildlife mitigation studies; however, capitalization guidance issued by the Bonneville Power Administration (BPA) will be followed for projects under BPA authority;

(10) Cultural resource costs not associated with creation of a new asset.

(11) Military construction activities that do not result in creation of an asset owned by the United States

government are expensed, to include related costs for Planning and Design (P&D), and Supervision and Administration (S&A).

(12) For PRIP assets, costs of concept exploration and definition, basic research or study, exploratory development, and establishment of feasibility and practicality of proposed solutions are expensed.

15-3. Supporting Documentation. Asset general ledger accounts shall be supported by source documents that reflect all transactions related to the activity's investment in PP&E. This requirement applies to all assets, regardless of funding source. A file containing documentation to support the placed-in-service date, the useful life, ownership rights, and the acquisition cost, to include installation and other related costs and improvements, shall be maintained for each capital asset. A sheet will be placed in the front of each file that summarizes the book costs of the asset in a way that allows a reviewer to trace the costs of individual components or asset unique identifiers to source documents in the file.

a. Files containing original documents and/or hard and electronic copies of original documentation shall be maintained centrally in a readily available location during the retention period to permit validation of asset information. Alternative forms of supporting documentation for costs prior to implementation of the Corps of Engineers Financial Management System (CEFMS) may be used only as described in reference 15-1.f.

b. Documentation supporting personal property assets will be maintained for a minimum of six years and three months after retirement or disposal of the asset. Records disposal guidance is available at the following website: www.archives.gov/records-mgmt/ardor/grs03.html

c. Real property asset managers will maintain all applicable documentation for ten years after disposal. Records disposal guidance is found at the link shown above.

d. Marine Design Center (MDC) will maintain supporting documentation for assets constructed or acquired by MDC. Owning activities will request copies of the documentation, as needed, to support audit requirements; documentation will be provided in a timely manner.

e. For any asset not fully supported, a memorandum identifying missing documentation and explaining the reason the documentation is not available shall be signed by Resource

Management personnel and maintained in the asset file. The information presented shall reconcile to the total acquisition cost recorded in the financial management system and asset history information included in the file.

f. When required to use the fair value of an asset in an accounting transaction, a copy of the fair value assessment and description of the methodology used, signed by the determining activity, will be placed in the asset file.

g. Documentation Required for Land.

(1) Land placed in service prior to 1 Oct 1998 shall be supported by the COEMIS/CEFMS conversion spreadsheet, which reconciles to the COEMIS general ledgers or actual real estate records.

(2) Land placed in service on or after 1 Oct 1998 shall be supported by the following:

(a) A copy of the contract with invoices or final ENG Form 93 signed by the contractor, project manager and contracting officer representative (COR);

(b) Credit card statements with highlighted cost or actual vendor receipts;

(c) Detail cost ledger for in-house costs and travel costs;

(d) Labor cost detail report;

(e) A copy of each government order and acceptance and a copy of all billings, a list of billings, or Intra-Governmental Payment and Collection (IPAC) transactions.

h. Documentation Required for Buildings and Structures.

(1) Buildings, structures and facilities placed in service after 1 Oct 1998 will be supported by the following documentation:

(a) A copy of the contract with invoices or final ENG Form 93 signed by the contractor, project manager and COR;

(b) Credit card statements with highlighted cost or actual vendor receipts;

(c) Detail cost ledger for in-house costs and travel costs;

(d) Labor cost detail report;

(e) A copy of each government order and the acceptance and a copy of all billings, a list of billings, or IPAC transactions;

(f) If any of the above is not available, the asset will be supported by a CEFMS cost ledger and an internal engineer attestation and explanation as to why the support is unavailable.

(2) Assets placed in service prior to implementation of CEFMS will be supported by a COEMIS/CEFMS conversion spreadsheet that reconciles to the COEMIS general ledger.

(3) Assets placed in service after CEFMS conversion but prior to 1 Oct 1998 will be supported by documentation in paragraph (2) above for the pre-CEFMS portion of the asset value and documentation in paragraph (1) for the post-CEFMS portion.

(4) The date of completion shown on ENG Form 3013 shall correspond with the placed-in-service date in the financial management system; the date may be supported by any of the following:

(a) Invoices, shipping documents, and receiving reports;

(b) Date of COEMIS/CEFMS conversion spreadsheet.

i. Documentation Required for Equipment/Personal Property.

(1) For equipment (also known as personal property) placed in service after 30 September 2002, the asset file shall include the following:

(a) Copy of each procurement contract and invoices or ENG Form 93;

(b) Detailed cost ledger for in-house costs and travel costs;

(c) Labor cost detail report;

(d) Government orders and a copy of all billings, a list of billings or IPAC transactions.

(2) For personal property placed in service on or prior to 30 September 2002, the asset file shall include the documentation specified above or an internal equipment valuation form. The valuation form shall identify the rationale or method used to support the value of the asset and shall be maintained. Suggested methods include:

(a) Comparison to cost of like assets;

(b) Comparison to industry price lists;

(c) Documentation in budgetary guidance or Plant Replacement and Improvement Program requests;

(d) Internal engineering cost estimates, with rationale;

(e) COEMIS/CEFMS conversion spreadsheet, supported by COEMIS general ledgers.

(3) The placed-in-service date entered in the financial management system may be supported using any of the following:

(a) The receiving report for the asset;

(b) An internal memorandum supporting the actual date the asset was available for its intended use;

(c) For assets placed in service on or prior to 30 September 2002 for which either of the above documents is not available, the internal valuation form may be used to support the placed-in-service date.

j. The following documentation will be added to the asset file upon disposal, as appropriate:

(1) Declaration of excess or report of survey documentation and approvals;

(2) Document showing the disposal start date;

(3) Legal instruments, such as the transfer of deed or sales contract;

(4) Physical transfer documents for the asset;

(5) Completed ENG Form 3013 authorizing retirement and disposal of the asset.

15-4. Accounting Policy for General PP&E.

a. Capitalization Basis.

(1) Assets are recorded at full cost. Full cost includes all costs incurred to bring the asset to a form and location suitable for its intended use. Full cost includes amounts paid to vendors, contractors, and/or former landowners, transportation charges to the point of initial use; shipping and/or delivery charges; handling and storage costs; labor and other direct or indirect costs; engineering, architectural, and other outside services for designs, plans, specifications, and surveys; acquisition and preparation costs of buildings and other facilities; equipment and facilities used in construction; fixed equipment and related installation costs required for activities in a building or facility; direct costs of inspection, supervision, and administration of construction contracts and construction work; legal and recording fees and damage claims; fair value of land, facilities and equipment donated to the government.

(2) Assets are recognized for accounting and reporting in USACE financial statements when the asset is delivered to the entity or an agent of the entity. For tangible assets, delivery or constructive delivery is based on the terms of the contract regarding shipping and/or delivery. Assets acquired under the terms of "Free On Board (FOB) Destination" are recognized upon delivery to the ordering entity. Assets acquired under the terms of "FOB Shipping Point" are recognized upon constructive delivery to the shipping agent.

(3) If documentation to support the asset's cost is not available, an engineering estimate shall be made based on the cost of similar assets at the time of acquisition or the current cost of similar assets discounted for inflation since the time of acquisition. Documentation of the estimate and the rationale used will be maintained in the asset file.

b. Land.

(1) All land is capitalized regardless of cost. The capitalized cost of land includes the purchase price, broker's commissions, fees for examining and recording the title and surveying, and any razing or removal costs (less salvage proceeds) of structures on the land. The cost of land also includes leveling or otherwise permanently changing the contour of the land. Land is regarded for accounting purposes as a non-wasting asset and is not subject to depreciation.

(2) Donated land tracts are recorded at fair market value.

(3) The cost to construct reservoirs and relocate roads, railroads, bridges and utilities is classified and accounted for as land.

(4) The cost of cultural resource surveys associated with site preparation for construction of buildings or structures is capitalized and accounted for as land for non-hydropower projects, and as a land improvement for hydropower projects.

c. Land Rights.

(1) Land rights of unlimited duration acquired for or in connection with general PP&E are recorded in the Land account.

(2) Land rights of limited duration associated with general operations are recorded as Improvements to Land and amortized over the useful life of the asset. Limited term land rights are removed from the asset account upon expiration.

d. Buildings, Other Structures, and Facilities.

(1) The capitalized cost of buildings includes all costs to purchase or construct the building and the cost of placing the asset in the form intended for use. Structures and facilities are defined as improvements to land not otherwise classified as buildings. Examples include, but are not limited to, fences, roads, bridges, utilities, rail lines, and fuel storage facilities.

(2) Improvements to buildings, structures, and facilities are capitalized when such costs meet or exceed the applicable capitalization threshold and other addition and betterment capitalization criteria are met.

(3) The cost of channels and canals related to a lock or dam is capitalized as part of the lock or dam structures. Stand alone (concrete laden) channels and canals are capitalized separately.

(4) Buildings and other structures provided to non-Federal entities under non-monetary or nominal lease agreements shall be appropriately valued and accounted for as either an operating outlease or donation. Typically, these assets are leased for use as a public park, recreation area, and/or fish and wildlife management area. Lease agreements will include a

listing of transferred assets and terms of transfer. Resource Management personnel shall review the terms of such agreements in order to determine the appropriate accounting treatment for the assets. Each asset is tested on an individual basis:

(a) An asset leased for 75% or more of its estimated economic life is accounted for as a donation and removed from the asset account; this requirement does not apply if the beginning of the lease term falls within the last 25% of the total estimated economic life of the property;

(b) An asset leased for less than 75% of its useful life is classified as an operating lease and remains in the asset accounts until fully depreciated;

(c) Land provided under lease agreements does not require an adjusting entry as described above, as land is not depreciated.

e. Assets Acquired Under Capital Lease. The cost of an asset acquired under a capital lease agreement is the present value of the rental property or lease payments over the lease term, excluding payments for insurance, maintenance and taxes paid to the lessor. If the present value exceeds the fair value of the leased property at the inception of the lease, the amount recorded shall be the fair value.

f. Leasehold Improvements. Leasehold improvements are improvements to leased property which exceed the applicable capitalization threshold. Leasehold improvements are capitalized and amortized for the remainder of the lease period or 20 years, whichever is less.

g. Internal Use Software. ER 37-1-29, Appendix G, contains USACE policy on investments in internal use software.

(1) Internal use software includes software purchased from commercial off-the-shelf (COTS) vendors for use with little or no change; software developed or modified for use by USACE employees; software developed by contractors paid to design, program, install, and implement new or existing software; and software to support business related systems, such as acquisition, finance, logistics, or human resource applications.

(2) Internal use software is capitalized if it has a useful life of two years or more and meets or exceeds the applicable capitalization thresholds for general PP&E.

(3) The cost basis for capitalized internal use software is determined as follows:

(a) COTS Software. The capitalized cost of COTS software shall be the actual purchase price plus any costs incurred for implementation.

(b) Contractor Developed Software. The capitalized basis of contractor-developed software includes the amount paid to the contractor to design, program, install, and implement new software or to modify existing or COTS software, plus any costs incurred for implementation.

(c) Internally Developed Software. The capitalized basis includes all direct and indirect costs incurred during the software development phase, including preparation of technical documentation and manuals and training development. Costs incurred during the preliminary design phase and the post-implementation or operational phases are expensed. Costs of the program management office incurred during each phase of software development or acquisition are expensed or capitalized depending on (1) their materiality to the overall cost of individual software development projects and (2) the phase in which the costs were incurred.

(d) Software Developed By One Activity and Used by Others. Such costs will be capitalized by the developing activity, provided it meets capitalization criteria. The cost of the software shall not be allocated to using activities.

(4) Data Conversion Costs. All data conversion costs incurred for internally developed, contractor developed, or COTS software shall be expensed as incurred, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Conversion costs include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new or additional data.

(5) Costs Incurred After Final Acceptance Testing. Costs incurred after final acceptance testing has been successfully completed are expensed. Acceptance testing is testing conducted to verify that the software meets specifications.

(6) Integrated (Embedded) Software. Software that is embedded and necessary to operate equipment rather than perform an application shall be considered part of the equipment. The

aggregate cost of the hardware and software is used to determine whether to capitalize the asset.

(7) Enhancements. An enhancement is capitalized when both the useful life and capitalization threshold criteria are met and the enhancement provides a significant increase in functionality that is visible to the user. Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications as well. An upgrade is not necessarily a capital improvement. If the upgrade modernizes an operating system, it is normally expensed as the user does not see a significant increase in functionality. Costs for routine or minor changes or modernization are expensed in the period incurred, as well as costs to repair a design flaw or perform minor upgrades that may extend the useful life of the software without adding new capabilities. The cost to acquire enhanced versions of software for a nominal charge is also expensed.

h. Construction in Progress (CIP).

(1) The cost to construct or acquire an asset shall be recorded in the Construction in Progress (CIP) general ledger until the asset is completed and available for use, whether or not actually placed in use at that time. When complete and available for use, as signified by the completion date on the approved ENG Form 3013, balances in the CIP account are transferred to the appropriate PP&E general ledger. Transfers of constructed assets from CIP to other DoD components or Federal agencies are addressed in paragraph 15-14.

(2) If during the acquisition/construction phase it is determined that the cost will not exceed the capitalization threshold and the item is not a separable element of a larger asset, the costs will be expensed in the period the determination is made.

(3) Project Management personnel are responsible for verifying the cost in the CIP account and are required to process ENG Form 3013 promptly upon physical completion in order to initiate transfers to asset general ledger accounts. All assets must be placed in service within 90 days of the completion date on the approved ENG Form 3013.

(4) CIP files shall be maintained to document and support the value of every CIP project. Each file shall be reviewed and updated on no less than a bi-annual basis to ensure readiness for audit.

(5) Project Level CIP Review.

(a) Project Management and Resource Management personnel will jointly review the balance of each CIP project to verify that the cost is part of an active, on-going project and is not a part of any asset previously placed in service. The purpose of the review is also to verify that the work item hierarchy is properly established and that expense type costs are not incorrectly classified as CIP. Issues involving impairment of assets will also be identified. Corrections or adjustments required as a result of the review will be processed in the current accounting period.

(b) Projects with a scheduled completion date in the current fiscal year or next fiscal year will be reviewed on a quarterly basis. Projects with a scheduled completion date beyond this timeframe will be reviewed on an annual basis. A Memorandum for Record (MFR) will be maintained to document the review; requirements are shown in paragraph 15-18.

i. Found on Works. Assets found on works shall be recorded based upon an engineering determination of the estimated value in the present condition. The placed-in-service date shall be the date found and the service life shall be established based upon the estimated remaining useful life. Depreciation charges will begin in the next accounting month.

j. Trade-Ins/Exchanged PP&E. The cost to be recorded for a General PP&E asset acquired from a nonfederal entity when trading in another General PP&E asset shall be equal to the sum of the fair value of the asset traded plus any cash paid or liabilities incurred for the new asset. Any difference between the net recorded amount of the PP&E surrendered and the PP&E acquired shall be recognized as a gain or loss. Assets exchanged with another DoD Component or federal agency shall be accounted for as a transfer.

k. Donated Property. The cost to be recorded for General PP&E acquired through donation, execution of a will or judicial process, excluding forfeitures, shall be its estimated fair value at the time acquired.

15-5. Transfers to Plant in Service.

a. A completed asset shall be transferred from the CIP general ledger to the asset general ledger within 90 days of the completion date on the approved ENG Form 3013. Assets shall be placed in service regardless of whether all contracts associated with the asset/project have been closed out or final payment processed.

b. For construction projects completed in multiple phases, the cost of each phase is transferred from the CIP account to the real property asset at the time the phase is placed in service if the phase is fully operational and meeting its intended purpose.

c. Additional cost incurred after the placed-in-service date shall be transferred from CIP to the asset account within 90 days of completion. The acquisition cost of the asset shall be adjusted and the revised amount depreciated or amortized over the remaining useful life of the asset.

15-6. Depreciation. Depreciation is the systematic and rational allocation of the cost of a physical asset, less any salvage value, over its useful life.

a. PP&E is depreciated using the straight-line method of depreciation, with the exception of land and land rights of unlimited duration which are not depreciated. Land rights acquired for a specified period of time shall be amortized over that time period.

b. Depreciation is charged on a monthly basis. Depreciation will begin to accrue from the first day of the month nearest the date of acquisition or completion of construction of structures or operating equipment.

c. Costs which either extend the useful life of an existing asset or enlarge or improve its capacity shall be capitalized and depreciated over the remaining useful life of the asset.

d. Changes in estimated useful life or salvage value shall be treated prospectively. No adjustments shall be made to previously recorded depreciation or amortization.

15-7. Establishment of Service Lives.

a. Specific recovery periods are prescribed for purposes of computing depreciation on General PP&E assets. Maximum recovery periods for Corps-unique assets are shown in Appendix B. All remaining assets will use the standard DoD recovery periods in DoDFMR Volume 4, Chapter 6.

b. The service life of an asset may be reduced based upon a determination that the asset will not be serviceable for the established useful life. Conditions supporting a change in the useful life include, but are not limited to, obsolescence, technological advances, or replacement prior to full utilization of current useful life. An assessment of the conditions and rationale for reducing the service life shall be included in the asset file.

c. If the asset remains in use longer than its estimated useful life, it shall be retained in the property accountability and the accounting records, reflecting both its recorded cost and accumulated depreciation until disposal of the asset.

15-8. Placed-in-Service Dates. The event that triggers the calculation of depreciation is the completion date on the approved ENG Form 3013.

a. Personal property assets shall be placed in service within 90 days of actual or constructive receipt.

b. Real property assets shall be placed in service within 90 days after a determination is made that the asset meets its intended purpose.

c. ENG Form 3013 (Work Order/Completion Report) is used to support the date an asset is complete and available for use and for transferring costs from CIP to the asset general ledger account. The completion date on ENG Form 3013 will represent the date an asset is available for service and will correspond with the official placed-in-service date recorded in the financial management system.

15-9. Salvage Value. Salvage value is the residual or scrap value expected to be obtained from selling the asset at the end of its useful life. For purposes of computing depreciation, real property assets (buildings, structures, and facilities) shall use a salvage value of zero. Salvage values for other types of assets may be established when such proceeds are permitted to be retained by USACE and the salvage value is expected to exceed ten percent of the cost of the asset. Salvage values shall not be established for assets owned by the Revolving Fund (ER 37-1-29).

15-10. Mothball Status. Assets temporarily removed from service, with the expectation that such assets will eventually be returned to service, shall continue to be depreciated during the period of non-use. USACE policy regarding discontinuance of depreciation and plant increment for mothballed plant acquired under the PRIP program is in ER 37-1-30, Chapter 16; HQUSACE approval is required.

15-11. Physical Inventories. Physical inventories of assets shall be conducted to ensure that PP&E is at the location identified in the property accountability system, is as described and in the condition described in the property records. Physical inventories shall be performed by individuals who are not custodians of the assets. Results of the physical inventories shall be reconciled to asset financial records. Adjustments will be processed for any unrecorded physical changes such as removals, additions, or modification of the PP&E not previously recorded. Adjustments will also be recorded based upon a determination that the asset is impaired, unused, abandoned or replaced. All adjustments will be processed within 30 days following the date of physical inventory.

a. General PP&E personal property shall be inventoried at least annually.

b. General PP&E real property, to include land, shall be inventoried at least every three years.

15-12. Impairment. Impairment is the condition that exists when the net book value of a long-lived asset (or asset group) exceeds its fair value. An impairment loss is only recognized when the carrying amount of the impaired asset (or asset group) is not recoverable. Impairment results in an adjustment to the book value of the asset, rather than to the useful life of the asset; however, the asset life should be evaluated in the process of determining an impairment loss and may be changed for future periods if appropriate. An impairment loss is recognized in the period that the asset is determined to be impaired. Requests for authority to recognize an impairment loss should be forwarded to CERM-F for approval. Documentation to support the fair value assessment will be maintained in the asset file. Examples of impairment are as follows:

a. Assets located at a recreation park or similar facility that is closed with no anticipated timetable for re-opening shall be retired from general PP&E.

b. Adjustments to buildings, structures, or other assets may be required if physical inventories or inspections result in a determination that the value of the asset is significantly overstated.

c. Conditions exist which indicate that a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of the previously estimated useful life.

d. Internal use software is no longer expected to provide substantive service and will be removed from service, or a significant reduction will occur in the capabilities, function, or uses of the software or a module thereof.

15-13. Transfers To or From Other USACE Appropriations or Activities.

a. Transfers of assets with reimbursement will be accounted for as sales. USACE policy on sales is contained in paragraph 15-16.

b. Revolving fund assets that are fully depreciated may be transferred to a civil works project or a military appropriation without reimbursement if the asset will benefit only that project/appropriation in the future.

c. Revolving fund assets that are not fully depreciated may be transferred to the Revolving Fund at another USACE activity without reimbursement or may be sold at book value to other civil works or military appropriations or other Federal agencies.

d. Civil works assets may be sold to the Revolving Fund when usage indicates that the asset provides service to multiple civil works projects or appropriations. PRIP funding is required if the book value of the asset meets or exceeds the PRIP investment threshold.

e. Military assets owned by USACE are retired in the financial management system and transferred to the Defense Reutilization and Marketing Service (DRMS) without reimbursement. DRMS is part of the Defense Logistics Agency and disposes of property received from the military services.

15-14. Transfers To or From Other DoD Components or Federal Agencies.

a. To establish proper PP&E accountability when acquiring general PP&E from another DoD Component or federal agency, the acquiring activity shall request the necessary source documentation to establish the location; original acquisition cost; cost of improvements; the date the asset was purchased, constructed, or acquired; the estimated useful life; the amount of accumulated depreciation; and the condition. If this information is not available, estimates may be documented.

b. Transfers of constructed assets from CIP to military customers shall be supported by DD Forms 1354 (Transfer and Acceptance of Military Real Property). The asset file supporting the balance in the CIP account, as stated in paragraph 15-3, will be provided to the customer. A hard copy or electronic copy of the file will be retained locally to support the amount transferred from the CIP account. Project managers are responsible for ensuring that all costs are captured in the CIP account and reflected on the DD Form 1354 provided to the customer. Interim transfers shall be processed based upon the beneficial occupancy date; a final CIP transfer is processed when the project is fiscally complete. The project manager shall provide the accounting office signed and accepted copies of all interim and final DD Forms 1354 to support the credit to the CIP account. Transfers from the CIP account shall be recorded within 90 days of the customer's acceptance of DD Form 1354. However, if the customer fails to sign DD Form 1354 within the time allowed, CIP shall be transferred without the customer's signature.

15-15. Disposal.

a. Assets shall be removed from the general PP&E account if prior to disposal, retirement, or removal from service, the asset is no longer serving its intended purpose. ENG Form 3013 is used for all disposals.

b. The cost of the asset and the associated accumulated depreciation/amortization shall be transferred from the asset account to the disposal account within 90 days of the determination that the asset no longer serves its intended purpose. The start date of disposal is the date the asset no longer serves its intended purpose. Depreciation charges cease on the disposal start date.

c. Only the 'cost to sell' expenses will be charged to the disposal work item, including broker commissions, legal and title transfer fees, and closing costs that must be incurred before title can be transferred. All other expenses, such as costs to maintain the asset, utilities and similar costs, and costs to demolish the asset are accounted for as a current operating expense.

d. The difference between the net book value of the asset and any proceeds from sale or scrap is recognized as a gain or loss on disposal. The gain or loss shall be recorded in the financial management system within 90 days of the sale or final disposition of the asset.

15-16. Proceeds from Sales of Assets.

a. Receipts from sales of Revolving Fund assets, including land, are recorded as appropriation reimbursements to the Revolving Fund.

b. Receipts from the sale of land acquired for or in connection with a civil works project are credited to the Land and Water Conservation Fund, unless otherwise directed by Congress.

c. Property purchased or acquired for civil works projects, which is no longer needed or no longer serviceable, may be sold and the proceeds credited to the appropriation for the work for which it was purchased or acquired.

d. Military funded assets are transferred to Defense Reutilization and Marketing Service (DRMS) without reimbursement.

15-17. Scrap. Assets which are no longer useful and have no market value may be discarded or sold for scrap; sales of scrap are accounted for as disposals. Proceeds from the sale of civil works or Revolving Fund assets will be credited in accordance with paragraph 15-16.

15-18. Reconciliation and Analysis Requirements.

a. Project Level CIP Reviews. Reviews will be conducted on a quarterly or annual basis as required in paragraph 15-4.h.

(1) A Memorandum for Record will be maintained to indicate the date of the review, a list of attendees/reviewers, a list of completed assets ready to be placed in service, a list of required adjustments and their estimated completion dates, a list of any work items incorrectly classified as capital or expense cost, a list of any overdue items from the previous quarter's review and the rationale for why the items were not completed, other pertinent information discussed during the review, and signature of the Project Manager and Resource Management representative.

(2) Reports used during the review to analyze project activity will be attached to the MFR, as follows:

(a) Construction in Progress Project Status Report;

(b) Project management CIP Status Report;

(c) Project management Project Closeout Report.

(3) The MFR will be reviewed at the next quarterly meeting to verify that corrective actions are complete. Any actions not completed will be annotated on the current quarter's MFR and presented to the Commander for resolution. A copy of the MFR will be maintained and available for audit until the financial statement audit for that year has been provided to HQUSACE by the auditor.

b. Asset History Review. No later than the 15th day of the month, the Finance and Accounting Officer or a designated individual will perform an independent review of adjustment transactions affecting the history of an asset. A minimum of the twenty highest dollar value transactions will be selected for review. The purpose of the review is to ensure that transactions are properly documented and properly recorded in the financial management system. The review will include an assessment of assets placed in service or retired, as well as ENG Forms 1302 and similar transactions affecting the accounting history of the asset (i.e. transfers in/out, depreciation adjustments, changes in useful life, valuation, placed-in-service dates, or asset classification). A copy of the asset history report will be signed and dated as proof of the review. Issues or comments will be annotated for further action. The signed report will be retained until the audit report for that fiscal year is issued.

c. Managerial Accounting Analysis. Within ten business days after the end of each fiscal quarter, managerial accountants will review asset management reports and reconciliations in order to identify errors or inconsistencies in asset accounting records. Documentation of the reviewer's research and actions taken to resolve each identified issue will be annotated on the reconciliation. Each report will be signed and dated by the reviewer. The Finance and Accounting Officer or a senior managerial accountant will review each report or reconciliation and sign and date the report as indication of their review. Documentation of each review will be maintained for audit purposes. Examples of reports and reconciliations to be reviewed are as follows:

(1) Reconciliation of CIP subsidiary costs to general ledger accounts;

(2) Reconciliation of personal property asset records in the financial management system to the property system;

(3) Reconciliation of PP&E records to asset subsidiary costs records;

(4) Recorded and scheduled depreciation.

d. Real Estate Review. Within ten business days after the end of a fiscal quarter, the Real Property Officer or designated individual in the Real Estate office will analyze reports which reconcile the asset records in the financial management system to the real property management system. Each report will be reviewed and approved in the manner described above.

15-19. Procedures. Accounting procedures for property, plant and equipment are available on the CERM-F Share Point website and the CEFMS Asset Management Users Manual.

APPENDIX A

Capitalization Thresholds
For New Aquisitions

CRITERIA	BUILDINGS AND STRUCTURES	PERSONAL PROPERTY/ EQUIPMENT
Revolving Fund Owned PPE:		
<$25k	Expense	Expense
$25k and over but less than $250k	Capitalize	Capitalize
$250k and over (PRIP funded)	Capitalize	Capitalize
Civil Works Project Owned PPE:		
Non-Hydropower:		
<$25k	Expense	Expense
$25k and over	Capitalize	Capitalize
Hydropower Specific and Joint:		
All dollar values	Capitalize	
<$25k		Expense
$25k and over		Capitalize
Military Owned PPE:		
<20k	Expense	Expense
$20k and over but <$100k	Capitalize	Expense
$100k and over	Capitalize	Capitalize

The purchase cost of land or land rights is capitalized regardless of dollar value.

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Capitalization Thresholds
For Additions and Betterments

CRITERIA	**BUILDINGS AND STRUCTURES**	**PERSONAL PROPERTY/ EQUIPMENT**
Revolving Fund and Civil Works Non-Hydropower PP&E (See Note):**		
Original Asset Not Capitalized:		
A&B < $25k	Expense A&B	Expense A&B
A&B $25k and over	Capitalize A&B*	Capitalize A&B*
Original Asset Capitalized:		
A&B < $25k	Expense A&B	Expense A&B
A&B $25k and over	Capitalize A&B	Capitalize A&B
Civil Works Hydropower PP&E:		
Original Asset Not Capitalized:		
A&B < $25k	N/A	Expense
A&B $25k and over	N/A	Capitalize A&B*
Original Asset Capitalized:		
A&B < $25k	Capitalize A&B	Expense A&B
A&B $25k and over	Capitalize A&B	Capitalize A&B
Military PP&E:		
Original Asset Not Capitalized:		
A&B < $20k	Expense A&B	Expense A&B
A&B $20k and over but < $100k	Capitalize A&B*	Expense A&B
A&B $100k and over	Capitalize A&B*	Capitalize A&B*
Original Asset Capitalized:		
A&B < $20k	Expense A&B	Expense A&B
A&B $20k and over but < $100k	Capitalize A&B	Expense A&B
A&B $100k and over	Capitalize A&B	Capitalize A&B

Notes:

The purchase cost of land or land rights is capitalized regardless of dollar value.

*Capitalize only the Addition & Betterment as a new acquisition. The work item classification must be reflected as '1'.

**For Revolving Fund assets originally purchased with PRIP funding, all additions and betterments must also be financed with PRIP funds whether the $250,000 capitalization threshold is met or not. The reverse is also true; if the original acquisition was purchased with direct funding through the operating budget, the addition and betterment must also be financed with direct funds even if the $250,000 threshold is met or exceeded.

APPENDIX B

Useful Life Table for USACE Unique Assets

DESCRIPTION OF GENERAL PP&E ASSETS	MAXIMUM RECOVERY PERIOD
Dams, Spillways, Fish Ladders, Power Houses and (Reservoirs Hydropower Only)	100 Years
Trash Racks	75 Years
Locks, Concrete Tanks, Concrete Well Houses and Pump Houses, Cranes, Gate and Machinery, Compressed Air Systems, Seawalls and Breakwalls	50 Years
Power Plant and Plant Equipment (i.e. Turbines, Generators, Switchyards and Governors	50 Years
Dredges (Property Category 30): Hopper, Sidecaster, Special Purpose, Pipeline, Dustpan and Cutter Head	50 Years
Other Floating Plant (Property Category 40): Anchor Barge, Bank Grader, Bank Grading Plant, Buoy Barge, Crane Barge, Crane Dragline, Debris Boat, Deck Cargo Barge, Derrick Boat, Dry Dock Fuel Barge, Mat Sinking Plant, Mooring Barge, Other Items, Patrol Boat, Pontoons, Quarterboat, Service Barge, Shop Barge, Snagboat, Survey Boat, Swath Vessel, Tender, Towboat, Gate lifter, Deck Barge	40 Years
Aircraft	40 Years

DESCRIPTION OF GENERAL PP&E ASSETS (Continued)	MAXIMUM RECOVERY PERIOD
Floating Trash Boom	25 Years
Drill Rigs, Pumps, Welders, Laboratory Equipment, Marine Railway Equipment, Power Equipment (Saws, Lathes, Drill Presses), Printing and Reproduction Equipment, Printing Plant, Communication Backbone or Microwave System	20 Years

PP&E not listed in the USACE table will use the standard DoD recovery periods for depreciable General PP&E assets. See DoDFMR Volume 4, Chapter 6.