

MS 711 ACCOUNTING FOR PROPERTY, PLANT, AND EQUIPMENT

New Manual Section
Responsible Office: OCFO
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Issuance Memo
Attachments

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Attachment A Examples of Description of Services/Articles and Their Interaction with SGL Accounts and Object Class Codes
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1.0 AUTHORITIES

Accountability of Tax Dollars Act (ATDA) of 2002 (PL 107-289, November 7, 2002); Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as revised; OMB Memorandum, Requirements of the Accountability of Tax Dollars Act, December 6, 2002; Statement of

Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment, June 1996; SFFAS No.10, Accounting for Internal Use Software, June 1998.

Peace Corps Authorities: MS 511, Property Management; MS 527, Vehicle Acquisition, Disposal, and Management; Peace Corps Property Management Handbook; Peace Corps Vehicle Fleet Management Guide; Peace Corps Fiscal Coding Handbook.

2.0 PURPOSE

This manual section sets out the policies and responsibilities governing the recording, documenting, controlling, certifying and reporting of Peace Corps' capitalized property, plants and equipment (PP&E). This manual section supplements, but does not replace, the property and vehicle management requirements contained in MS 511, Property Management; MS 527, Vehicle Acquisition, Disposal, and Management; Peace Corps' Property Management Handbook, Peace Corps' Vehicle Fleet Management Guide and Peace Corps' Fiscal Coding Handbook.

3.0 DEFINITIONS

3.1 The term *Aggregate Purchase* means the purchase of multiple items to satisfy a single objective. Examples are the purchase of furniture and furnishings for a residence or office or the initial purchase and/or refreshing of Information Technology (IT) hardware for a post or domestic office. These items will be capitalized if their aggregate value for a single site exceeds the aggregate capitalization threshold.

3.2 The term *Asset Category* (also referred to as PP&E category), means the classification grouping of assets (and their associated depreciation/amortization) recorded in the accounting records. Peace Corps categories include vehicles, information technology (IT) hardware (including telecommunication equipment), software, leasehold improvements, assets under capital lease, and other PP&E (e.g., office equipment and furniture, residential equipment and furniture, generators).

3.3 The term *Asset Manager* means the HQ office (Offices of Management (OM) and Chief Information Officer (OCIO)) assigned to manage and oversee an asset category.

3.4 The term *Capital Lease* means a lease that transfers substantially all the benefits and risks of ownership to the lessee. A lease should be funded and accounted for as a capital lease if it meets one or more of the following criteria at its inception: it transfers ownership of the property to the lessee by the end of the lease term; it contains an option to purchase the leased property at a bargain price; the lease term is at least 75% of the estimated life of the leased property; or the present value of rental payments is at least 90% of the fair value of the rental property.

3.5 The term *Capitalization* means the accounting recognition that the Peace Corps has acquired an asset with an estimated life of at least two years at a cost that exceeds the capitalization threshold for its category and is not intended for sale in the ordinary course of operations (true in all cases for the Peace Corps). Purchases that do not meet both the estimated life and capitalization threshold criteria will be recorded and reported as operating expenses.

3.6 The term *Capitalization Threshold* means the minimum value of a PP&E item or an aggregate purchase that qualifies an item for capitalization.

3.7 The term *Capitalization Value* means the cost incurred to bring the PP&E to a condition and location suitable for its intended use. For PP&E acquired by the Peace Corps, it includes not only its purchase price, but also any transportation charges, handling and storage costs and installation costs, to include travel costs.

3.8 The term Depreciation (or Amortization) means the expensing of the capitalized asset over its estimated useful life (i.e., economic life);

3.9 The term Economic Life means the estimated useful life of a PP&E item;

3.10 The term Net Book Value means the recorded value of a capitalized asset less its accumulated depreciation;

3.11 The term Property, Plant and Equipment (PP&E) means tangible assets that have estimated useful lives of at least two years, exceed the applicable capitalization threshold, were not acquired for the purpose of resale, and were acquired with the intention of being used by the Peace Corps. If applicable, PP&E also includes leasehold improvements, assets acquired through capital leases, and property owned by the Peace Corps in the hands of others (e.g., contractor, other agency).

3.12 The term Property Account Holder (PAH) means the head of the organization that has physical control of the property and is ultimately responsible (and accountable) for all Peace Corps property within his or her office (Country Director, Regional Manager, or headquarters office manager);

3.13 The term Salvage Value means the estimated value of the PP&E at the end of its estimated useful life;

3.14 The term Straight Line Depreciation (or Amortization) means the method of depreciation (or amortization) used by the Peace Corps. Depreciation under this method is calculated as: $(\text{Capitalization Value} - \text{Estimated Salvage Value}) / \text{Estimated Life} = \text{Annual Depreciation (or Amortization) Expense}$.

4.0 POLICIES AND GENERAL PROCEDURES

4.1 Financial Statements

The Accountability and Tax Dollars Act requires the Peace Corps to prepare and submit audited financial statements to the Congress and OMB. The OMB Memorandum, Requirements of the Accountability of Tax Dollars Act, reminds agencies that “a key tenet of the President’s Management Agenda initiative to improve financial performance is a clean audit opinion and that each agency should strive to achieve that goal as soon as practicable.” Determining complete, current, and accurate PP&E values are essential for producing reliable financial statements, which are a prerequisite for a clean audit opinion.

4.2 PP&E Categories

Although the financial statements reflect a consolidated value for PP&E, the accompanying footnote and the accounting records separate them into the following categories: vehicles, information technology (IT) hardware (including telecommunication equipment), software, leasehold improvements, assets under capital lease, and other PP&E examples (e.g., office equipment and furniture, residential equipment and furniture, and generators).

4.3 Capitalization Thresholds

Capitalization thresholds will be determined by the Chief Financial Officer (CFO) for each category based on their materiality. Thresholds by category currently are:

Category	Individual Item	Aggregate Purchase
Vehicles	\$10,000	Non-applicable (N/A)
IT Hardware	\$25,000	\$25,000
Purchased Software	\$25,000	\$25,000
Developed Software	\$25,000	N/A
Leasehold Improvements	\$25,000	N/A
Other PP&E	\$25,000	\$500,000

4.4 Identification of PP&E

A prerequisite for accurate and complete accounting records is the timely identification that a PP&E item is going to be acquired/purchased.

4.4.1 At Regional Recruiting Offices (RRO) and Peace Corps Headquarters (HQ), the initial identification that a PP&E item is going to be acquired/purchased should occur when a Procurement Request (PR) is initiated and should be reflected both in the description and the Standard General Ledger (SGL) Account and object class portions of the accounting segments (see Fiscal Coding Handbook Code Code List 8 and Code List 11B). When requesting an improvement to leased property or the acquisition of software or equipment that exceed the capitalization thresholds in section 4.3, the preparer should use the appropriate object class (30 series) and asset SGL account (17 or 18 series). Examples are provided in Attachment A. The approving official and the fund certifier (one of the OCFO Budget Analysts) should verify the accuracy of the description and the codes.

4.4.2 At Posts, this initial identification should occur when a commitment or obligation document is prepared and recorded. Posts do not have to be concerned with SGL accounts (they are posted by systemic interface), but the documents and entries should reflect an appropriate description and the appropriate object class (see Fiscal Coding Handbook Code Code List 11B). The fund certifier, normally the Administrative Officer, should verify the accuracy of the description and the codes.

4.4.3 The next opportunity to validate the asset account coding occurs when the resulting invoice is recorded in Peace Corps' financial management system. The resulting increases to the PP&E SGL accounts and charges exceeding \$10,000 to the Operating Expense SGL account are regularly examined by OCFO personnel. Finally, the quarterly reports of acquisitions submitted by the asset managers (OM and OCIO) are reconciled by OCFO personnel to the SGL transactions.

4.5 Economic Life

Estimated economic life will be determined by the CFO for each category in consultation with the asset manager for that category.

4.6 Salvage Values

Estimated salvage values will be determined by the CFO for each category in consultation with the asset manager for that category. Currently, vehicles are the only category for which salvage values have been estimated and applied.

5.0 RESPONSIBILITIES

5.1 General

While the primary responsibility for accounting for PP&E belongs to the OCFO, offices designated as asset managers (the HQ office assigned to manage and oversee an asset category), and/or property account holders (the activity/office having physical control of the asset) are critical participants in this effort. The Agency's asset managers are the OM and the OCIO. The Agency's property account holders are the RRO and posts, as well as the OM and OCIO.

5.2 Office of the Chief Financial Officer

The OCFO is responsible for:

- (a) Establishing financial policies and procedures, which will result in accurate and complete reporting of PP&E;
- (b) Recording acquisitions and disposals of PP&E in the Odyssey financial management system in the fund account, which financed the acquisition;
- (c) Providing Post and OM (or OCIO) personnel with U.S. dollar equivalents of any Headquarters financed PP&E items acquired with local currency, e.g., bulk buy vehicles and locally financed PP&E items acquired with local currency, e.g., generators;
- (d) Calculating and recording depreciation (or amortization) at least quarterly;
- (e) Calculating and recording the gain or loss on PP&E items stolen, lost or disposed through sale, donation, transfer, or destruction;
- (f) Reconciling PP&E values recorded in the Odyssey general ledger to the detailed subsidiary asset records maintained by OCFO and to the quarterly reports of acquisitions and disposals submitted by the asset managers;
- (g) Providing semi-annual financial asset reports at the end of February and August to property account holders for their validation as inclusive in service assets. See Attachment B for asset report format;
- (h) Reviewing responses from the property account holders and recording any required adjustments;
- (i) Establishing internal control checklists for PP&E and performing periodic independent internal control testing of PP&E; and
- (j) Serving as the focal point for external audits of PP&E.

5.3 Office of Management

The Office of Management is responsible for:

- (a) Establishing property and records management policies and procedures, which will facilitate the accurate and complete reporting of PP&E and the availability of supporting documentation;

- (b) Maintaining property records and supporting documents (e.g., purchase orders, invoices, receiving reports, customs and registration forms) for all active domestic and overseas vehicles, leasehold improvements, and other PP&E;
- (c) Maintaining records and supporting documents (e.g., Personal Property Loss Report, certification of destruction, sales receipt) for all domestic and overseas vehicles; leasehold improvements; and other PP&E stolen, lost, destroyed, or disposed of by donation, transfer, or sale;
- (d) Providing OCFO quarterly certified reports of acquisitions and disposals by the third workday following the end of each calendar quarter. Separate reports will be provided for vehicles, leasehold improvements, and other PP&E. The certification and the required data elements for the reports are provided in Attachment C;

Validating the semi-annual financial asset reports for those assets for which an office within the Office of Management is the property account holder.

5.4 Office of Chief Information Officer

The OCIO is responsible for:

- (a) Establishing asset management procedures for information technology assets, which will facilitate the accurate and complete reporting of PP&E and the availability of supporting documentation;
- (b) Maintaining property records and supporting documents (e.g., purchase orders, invoices, receiving reports, timesheets) for all active domestic and overseas IT hardware, telecommunications equipment, commercial off the shelf (COTS) software, and internally and/or contractor developed software;
- (c) Maintaining records and supporting documents (e.g., Personal Property Loss Report, certification of destruction, sales receipt) for all domestic and overseas IT hardware; telecommunications equipment; and software stolen, lost, discarded, destroyed, or disposed of by donation, transfer, or sale;
- (d) Providing OCFO quarterly certified reports of acquisitions and disposals by the third workday following the end of each calendar quarter. Separate reports will be provided for IT hardware, telecommunications equipment, COTS software, and internally and/or contractor developed software. The certification and the required data elements for the reports are provided in Attachment C; and
- (e) Validating the semi-annual financial asset reports for those assets for which an office within the OCIO is the property account holder.

5.5 Posts

Posts are responsible for:

- (a) Maintaining documents to support all active and disposed PP&E assets for three years after their disposal;
- (b) Including PP&E assets in their property accounting records (see references in sections 1.6 and 1.8);
- (c) Adjusting property accounting records to agree with values provided by OCFO (see section 5.2.3.); and
- (d) Verifying the presence of the items included on the semi-annual financial asset reports provided by OCFO (see section 5.2.7.) and/or notify the OCFO of any disposals or additional acquisitions by completing the Certifier Comments column of the report.

5.6 Regional Recruiting Offices

Regional Recruiting Offices are responsible for:

- (a) Maintaining documents to support all active and disposed PP&E assets for three years after their disposal;
- (b) Including PP&E assets in their property accounting records (see Peace Corps Property Management Handbook); and
- (c) Verifying the presence of the items included on the semi-annual financial asset reports provided by OCFO (see section 5.2.7) and/or notify OCFO of any disposals or additional acquisitions by completing the Certifier Comments column of the report.

5.7 Procurement Request (PR) Initiators, Approving Officials, and Fund Certifiers

Procurement Request Initiators, Approving Officials, and Fund Certifiers are responsible for familiarizing themselves with the unique coding requirements for procuring PP&E assets.

6.0 EFFECTIVE DATE

The effective date is the date of issuance.