Financial Policy

Volume V

Assets

Chapter 9

General Property, Plant, and Equipment

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0901 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policy and procedures for general property, plant, and equipment (PP&E) owned or leased by VA, to include depreciation or amortization, deferred maintenance and repairs, non-recurring maintenance, and major and minor construction projects. VA has a vast holding of diverse assets consisting of hospitals, clinics, cemeteries, office buildings, and medical and non-medical equipment, VA-owned and leased. For the purposes of this chapter, heritage assets, internal use software (IUS), stewardship property, and hazardous cleanup (e.g., asbestos or other hazardous waste removal) are not included. Refer to Office of Financial Policy (OFP) Volume III, Miscellaneous Accounting Topics, Chapter 6, Heritage Assets, Chapter 10, Accounting for Internal Use Software, Chapter 7, Required Supplementary Stewardship Information: Non-Federal Physical Property, and Volume VI, Liabilities, Chapter 8, Environmental and Disposal Liabilities, for additional VA policy specific to these topics.

VA’s overall governance, oversight and policies for current and future assets are guided by rules and requirements of various laws and regulations, such as the Statement of Federal Financial Accounting Standards (SFFAS), Government Performance and Results Act (GPRA), Federal Financial Management Improvement Act of 1996, and Office of Management and Budget (OMB) circulars. Each of these has distinct requirements, and VA has incorporated them into policies for acquiring and managing capital assets. Refer to Appendix A, Guidance on Managing VA Assets, for additional information.

0902 POLICIES

090201 PROPERTY, PLANT, AND EQUIPMENT

090201.01 PP&E DETERMINATION. VA will follow SFFAS 6: Accounting for Property, Plant, and Equipment, and other related standards for PP&E and related accounting transactions.

A. To properly determine, record, and report PP&E, VA must first determine that the item is considered PP&E. PP&E is defined as tangible assets that:

- Have an estimated useful life of 2 years or more;¹

- Have been acquired or constructed with the intention of being used or being available for use by VA; and

- Are not intended for sale in the ordinary course of VA operations.

¹ Used as an accounting basis, the normal operating life of an asset in terms of usefulness to the owner. Refer to section 090206 Depreciation/Amortization Expense.
PP&E does not include items held in anticipation of physical consumption, such as operating materials and supplies, and items in which VA has a reversionary interest.\(^2\)

B. PP&E Characteristics. PP&E typically is used:

- To produce goods or services or to support the mission of the agency, but could be used for alternative purposes (e.g., by other Federal programs, state or local governments or non-governmental entities);
- For business-type activities;\(^3\) or
- For entity activities whose costs may be compared to other entities performing similar activities, e.g., VA medical hospitals compared with other hospitals.

C. PP&E is further classified as either real or personal property.

1. Real property consists of Federal facilities and installed equipment, to include real property acquired through capital leases and leasehold improvements,\(^4\) and real property owned by VA, but held by others. Real property may include:

- Land, buildings, other structures,\(^5\) and improvements to land, to include water and sewage systems, roads, sidewalks, and other improvements,
- Leased real property, whether owned commercially or by the General Services Administration (GSA), or
- Building service equipment, which is an integral part of the real property for the purpose of rendering the building or structure usable or habitable and permanently affixed. For example, heating/air-conditioning systems, lighting fixtures, elevators, vaults, fire alarm systems, and other items normally required for the functional use of buildings and structures.

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\(^2\) The Federal government sometimes retains an interest in PP&E acquired with grant money. In the event that the grant recipient no longer uses the PP&E in the activity for which the grant was originally provided, the PP&E reverts to the Federal Government.

\(^3\) Business-type activity is defined as a significantly self-sustaining activity which finances its continuing cycle of operations through the collection of revenue as defined in SFFAS 7: Accounting for Revenue and Other Financing Sources.

\(^4\) Leasehold improvements include improvements made to PP&E acquired through either a capital or operating lease.

\(^5\) Other structure is an asset not classified as another real property category (e.g., parking garages, open-sided sheds, water towers, generators, solar panels, and windmills). The asset may be a structure or system serving more than one building or structure as one asset and is not building service equipment. The asset is carried as one asset in the subsidiary records. Other structures (or other real property) is generally classified as BOC 3240 or 3241 titled, Other Structures (or Facilities).
2. Personal property consists of all property other than real property, property on Federal compounds that is disposed of as trash, and personal heritage assets, such as items of historic significance (e.g., Civil War era military uniforms and furniture in historic VA chapels). Items in the personal property category are further classified as expendable or non-expendable. The classification of property into these categories provides the basis for: (1) the segregation of equipment assets from operating supplies and (2) the data collection effort to support a planned maintenance and replacement program.

a. Additional information on the classification of personal property is available in VA Handbook 7002, Logistics Management Procedures. In addition to the considerations listed below for classifying personal property, the item should first be compared to the Integrated Supply Management System (ISMS) or available listing. Non-expendable property will have a category stock number (CSN) and a useful life (life expectancy); expendable items (supplies) have a national stock number (NSN), but do not have a life expectancy even though they may be durable in nature.

To properly classify personal property, the following will be considered:

(1) Expendable property:

- Generally has a life expectancy when put to use of less than two years (includes supplies and materials consumed in normal business operations, such as tools and medical or pharmaceutical supplies not of an accountable or sensitive nature);

- Becomes an integral part of another item, when put to use, thereby losing its individual identity;

- Is purchased for permanent release to beneficiaries (Prosthetics and Sensory Aids Service usually orders items for beneficiaries); or

(2) Non-expendable property:

- Has a life expectancy of two years or more;

- Is of a sensitive nature which requires accountability/control regardless of cost, life expectancy, or maintenance requirements; or

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7 Refer to OFP Volume III, Chapter 6, *Heritage Assets*.
8 To request access to ISMS, users should contact the Operations Analysis Division (OAD) at the VA National Acquisition Center (NAC). A VHA SharePoint text file containing the CSN (or NSN), associated life expectancy, and description is currently maintained by the VHA CFO Office of Financial Oversight and used in updates for various systems.
• Normally has, but is not limited to, an acquisition cost of $300 or more. An item classified as non-expendable may cost less than $300, e.g., refrigerators, microwave, printers, digital cameras, and items of a sensitive nature that require accountability controls.

b. For property not listed in ISMS, a request should be emailed to the Operations Analysis Division (OAD), located at VA’s National Acquisition Center (NAC), which is responsible for assigning a CSN to new non-expendable items. VA Form 0886, Request for Catalog Change, will be used by field activities when requesting to change an item from non-expendable to expendable.

090201.02 PP&E COSTS. After a determination has been made that an asset is considered PPE, as defined above, the cost of the asset must be determined to properly record the item. Recording PP&E costs accurately begins with identifying purchases that meet generally accepted accounting principles for included costs and those that do not. In accordance with SFFAS 6, cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use.

As applicable, PP&E costs may include, but are not limited to:

• Amounts paid to vendors.

• Transportation charges to the point of initial use.

• Handling and storage.

• Labor (including purchase and hire), materials, supplies and other direct or indirect production costs (for assets produced or constructed).

• Engineering and architectural services for designs, plans, specifications and surveys.

• Acquisition and preparation costs of land, buildings, and other structures or facilities. Preparation costs of land may include such items as initial clearing, grading, or other permanent land developments.\[11\]

• Fixed equipment and related installation costs required for activities in a building or facility.

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\[11\] Land developments may be included in the cost of land, buildings, or other structures as appropriate. Land developments are not recorded as a separate asset.
- Site preparation costs directly related to equipment.\textsuperscript{12}

- Direct costs of inspection, supervision, and administration of construction contracts and construction work, such as Corps of Engineers surcharges.

- Administration of contracting costs for equipment purchases, such as Solutions for Enterprise-Wide Procurement (SEWP) fees, Corps of Engineers, etc.

- Legal and recording fees, and damage claims.

PP&E costs should not include:

NAC surcharge (or other surcharges or fees within VA) associated with the acquisition and/or construction of PP&E.

- Feasibility studies. Feasibility studies are not the same service described in engineering and architectural services described above.

- Training costs, such as materials or travel for class, which are not associated with IUS. \textsuperscript{13} Post-implementation training costs or costs identified or reasonably estimated in the PP&E contract price will be expensed; training costs that cannot be easily extrapolated from a contract may be capitalized with the PP&E.

- Costs related to continuing operations will not be a cost of the asset, for example, the cost of renting a Computerized Tomography (CAT) Scan trailer during construction or the cost of operating supplies.

- Cost for asbestos and hazardous material clean-up (See 090202.05 Asbestos and Hazardous Material Clean-Up Costs).

090201.03 RECORDING PP&E. Each VA Administration and Staff Office will maintain records of both owned and leased assets and agreements to serve their organizational needs. Electronic or hardcopy documentation will be maintained for both capitalized assets and expensed non-capitalized assets. Basic documentation will be maintained

\textsuperscript{12} Where a site preparation project is only related to the installation of a specific equipment asset, the cost of the project should be included in the capitalized value of that equipment asset and the evaluation of the capitalization threshold will apply to the total cost (i.e. site prep plus equipment cost). Where a project contains site preparation costs, but is larger in scope than site preparation for a specific piece of equipment (e.g. total renovation of a wing or facility), the project will be treated as a betterment to the building asset and evaluated independently of the equipment asset.

Asbestos and other hazardous material removal are not part of the site preparation cost. Refer to Volume VI, \textit{Liabilities}, Chapter 8, Environmental and Disposal Liabilities, for additional information.

\textsuperscript{13} Refer to OFP Volume III, Chapter 10, \textit{Accounting for IUS}, for cost information related to IUS.
for the life of the asset and for three years after disposal or transfer of the asset, as required by VA's Records Management Directives and Handbooks (6300 series) and the applicable National Archives and Records Administration General Records Schedules. Documentation should support the cost of each asset, the date the asset was placed into service, the useful life of the asset, and any subsequent acquisition, disposal, or transfer impacting the recorded value of the item.

A. VA will enter accounting data, general information and supporting documentation for all VA equipment leases in the Equipment Lease Management Service (ELMS) in order to track equipment leases. ELMS users will be able to add new leases, edit, archive leases, as well as, search and generate reports.

B. VA will record PP&E obligations as capitalized or non-capitalized, object classes 31.0 and 32.0. The chief of the finance activity will make the final decision in accordance with policy as to whether an obligation represents a future capital expenditure. Refer to OFP Volume XIII, Chapter 2, Budget Object Codes. For capitalized PP&E other than land, VA will accumulate and record depreciation expense in a contra asset account - accumulated depreciation. Refer to section 090206 Depreciation/Amortization Expense for additional policy guidance.

1. For personal property, VA will record the asset within the fiscal month, but no later than the next fiscal month, from the earlier of either the date when the title passes to VA, or when the asset is delivered and accepted by VA. The specific contract terms may dictate when VA will take title.

2. For acquired real property (e.g., land, buildings) VA will record the asset within the fiscal month, but no later than the next fiscal month, after the property is placed in service.  

3. For constructed real property, VA will record the asset as “construction work in process” until it is placed in service. The asset will be recorded within 90 days of being placed in service. The placed in service date is the date the asset is placed in service or ready and available for its intended use, and is also referred to as the date of acquisition.

C. VA will record all acquired PP&E at either the cost, including transfers from other Federal agencies, or at the fair value for fixed assets exchanges and donations from other sources.

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14 For acquired real property, placed in service is the date VA assumes liability and the warranties begin on the asset. For land, the date of delivery or deed execution represents the acceptance date.

15 For constructed real property, placed in service is the date the asset is ready and available for its intended use. Even if the property is not being used, it is in service when it is ready and available for its intended use and VA assumes liability and the warranties begin on the asset. Placed in service date may not coincide with the completion of financial actions (e.g., payments).
1. VA will record PP&E acquired through donation, devise\(^{16}\), or judicial process, excluding forfeiture, at the fair value at the time acquired.

2. VA will record PP&E acquired by exchange or transfer from another Federal agency at the cost recorded by the transferring entity less any accumulated depreciation (net book value). If the receiving station within VA cannot reasonably ascertain the net book value, the cost will be the fair value at the time acquired.

3. VA will record PP&E acquired through exchange at the fair value of the PP&E surrendered at the time of exchange. If the fair value of the PP&E acquired is more readily determinable than that of the PP&E surrendered, the cost shall be the fair value of PP&E acquired. If neither the surrendered or acquired fair value can be determined, the cost of the PP&E will be the cost recorded less any accumulated depreciation or amortization.

   a. In the event that cash consideration is included in the exchange, the cost of general PP&E acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received.\(^ {17}\)

   b. Any difference between the net recorded amount of the PP&E surrendered and the cost of the PP&E acquired will be recognized as a gain or loss.

4. VA will record PP&E acquired through forfeiture in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*. Refer to Volume V, Chapter 8, *Inventories*, for additional guidance.

D. VA will record the cost of PP&E net of purchase discounts. VA will recognize purchase discounts lost and late payment penalties as an operating expense in the period incurred.

E. VA will record expenditures incurred to maintain PP&E in a satisfactory operating condition as an operating expense, refer to 090202, *Capitalization* and 090202.03, *Maintenance and Repairs*. Some examples of expenditures may be preventive maintenance, repainting, normal maintenance and repair, and costs incurred under the terms of a service contract.

F. VA will record non-expendable equipment in the Fixed Assets Package (FAP) Subsystem\(^ {18}\) through an interface with the Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS). AEMS/MERS serves as the inventory record for accountable equipment, which may be either capitalized or non-

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\(^{16}\) Devise is a will or clause of a will disposing of property.

\(^{17}\) Example: Equipment purchased for $1,300,000 plus trade-in valued at $100,000, will be recorded with a cost of $1,400,000 (1,300,000 + $100,000)

\(^{18}\) The FAP Subsystem is VA's subsidiary ledger that supports many types of assets such as land, buildings and nonexpendable equipment.
capitalized assets. FAP documents the original and subsequent value of assets and interfaces with other VA Financial Management System (FMS) subsystems to support fiscal and risk management as well as standard reporting. Refer to Appendix C, Fixed Asset Package (FAP) Subsystem Procedures, for additional information.

1. All non-expendable equipment within AEMS/MERS is assigned a standardized Equipment Inventory List (EIL) number.

2. An EIL number identifies the department within the facility to which the equipment belongs and is to be used when entering equipment in the AEMS/MERS system and conducting physical inventories.

G. VA will use historical cost, when available, to record PP&E assets that are not recorded or not recorded correctly. However, when historical cost is not readily available, VA may reasonably estimate the historical cost.\(^{19}\)

1. VA may use historical cost estimates based on any of the following:

   a. The cost of similar assets at the time of acquisition;

   b. The current cost of similar assets discounted for inflation since the time of acquisition (i.e., deflating current costs to costs at the time of acquisition by general price index);

   c. Information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expensed;

   d. The current replacement costs of similar items and deflating those costs; or

   e. Other reasonable auditable methods.

2. VA Administrations and Staff Offices’ financial activities are responsible for maintaining adequate documentation to support the historical cost data and the methodology.

Refer to section 090501A, Reconstructing or Correcting PP&E Records.

090202 CAPITALIZATION.

**Purpose of Capitalization and Depreciation:**
Capitalization recognizes the cost of acquiring a tangible resource as an asset, on the balance sheet, for more than one operating cycle. The purpose of depreciation is to match the cost of a productive asset (that has a useful life of two years or more) to the revenues earned from using the asset. Since it is hard to see a direct link to revenues,\(^{19}\)

\(^{19}\) Per SFFAS 35 as it amended SFFAS 6, *Accounting for Property, Plant, and Equipment.*
the asset's cost is usually allocated to (assigned to, spread over) the years in which the asset is used. Depreciation systematically allocates or moves the asset's cost from the balance sheet to expense on the income statement over the asset's useful life. In other words, depreciation is an allocation process in order to achieve the matching principle; it is not a technique for determining the fair market value of the asset. See 090206, Depreciation/Amortization Expense.

A. Capitalization Criteria:

1. VA will capitalize land, regardless of cost.\(^{20}\)

2. VA will capitalize PP&E when it:

   - Has an estimated useful life of 2 years or more;
   - Has been acquired or constructed with the intention of being used or being available for use by VA;\(^{21}\)
   - Has met the VA minimum acquisition cost or fair market value (FMV) threshold, as applicable of (See 090201.03 and refer to Appendix D: Examples of Capitalization versus Expense):
     - $100,000, prior to October 1, 2013;
     - $1,000,000, on or after October 1, 2013; and
   - Is not intended for sale in the ordinary course of VA operations.

B. VA will capitalize PP&E in the FAP Subsystem. Refer to Appendix C: Fixed Asset Package Subsystem Procedures, for additional guidance.

C. For personal property, VA will capitalize the asset within the fiscal month, but no later than the next fiscal month, from the earlier of either the date when the title passes to VA or when the asset is delivered and accepted by VA. The specific contract terms may dictate when VA will take title.

D. For acquired real property (e.g., land, buildings), VA will capitalize the asset within the fiscal month, but no later than the next fiscal month, after the property is placed in service.\(^{22}\)

\(^{20}\) Land is not depreciated. The cost may include permanent land development such as clearing, leveling, and other related costs that are considered permanent. Land development costs that are attributed to constructing a building or other structure are generally applied to the cost of that asset.

\(^{21}\) See sections 090202.02 subsequent expenditures and 090203.02 for maintenance and repair which are not capitalized even though they may meet the capitalization criteria.

\(^{22}\) Land is capitalized, regardless of cost, and is not depreciated.
E. For constructed real property, VA will record construction work in process until it is placed in service.\(^{23}\) When placed into service, the balance will be transferred to PP&E and the asset will be capitalized within 90 days of the placed in service date. The date the asset is placed in service is also the date of acquisition. Refer to the section 090203, Construction WIP.

F. For PP&E that is acquired or constructed by a central VA organization, VA will transfer the assets to the responsible organization when the asset is placed in service. Refer to section 090502C and Appendix E, Procedures for Transferring Assets within VA. The procedures provided in the appendix are general guidance and may be altered to accomplish a similar transfer as circumstances dictate. The purchasing or transfer-out finance activity and receiving finance activity will coordinate actions to ensure that PP&E is properly transferred and is not duplicated in FMS.

G. VA will capitalize its share of PP&E acquired in joint ownership projects with another entity when VA’s portion of ownership meets the capitalization criteria.

090202.01 PERSONAL PROPERTY COMPONENTS. VA will capitalize personal property components that make up a system, e.g., a larger piece of equipment, or an asset, when the combined cost of the system meets VA’s capitalization criteria and when either title passes to VA or when it is delivered and accepted by VA.

A. VA will record a (personal property) system serving more than one building or structure as one asset in the subsidiary records. The system cost will not be distributed to an associated asset, e.g., a building or structure.

B. When the planned system purchased meets the capitalization threshold, but is installed in phases, VA will capitalize each component, regardless of the individual cost, when either the title passes to or when it is delivered and accepted by VA. Refer to 090202, Capitalization. The system is recorded as one asset.

C. When the planned system purchased is expensed, VA will expense any subsequent components purchased.

090202.02 SUBSEQUENT EXPENDITURES - ADDITIONS OR IMPROVEMENTS (a.k.a., BETTERMENTS\(^ {24}\)).

According to SFFAS No. 6, costs which either extend the useful life of existing general PP&E, or enlarge or improve its capacity shall be capitalized and depreciated/amortized over the remaining useful life of the associated general PP&E.

\(^{23}\) For constructed real property, placed in service is the date the asset is ready and available for its intended use. Even if the property is not being used, it is in service when it is ready and available for its intended use and VA assumes liability and the warranties begin on the asset. Placed in service date may not coincide with the completion of financial actions (e.g., payments).

\(^{24}\) For accounting purposes, an improvement is also referred to as betterment.
VA will capitalize additions and improvements (subsequent to the acquisition or construction of a capitalized asset) if a project meets the VA capitalization acquisition cost or FMV threshold as applicable:

- $100,000, prior to October 1, 2013;
- $1,000,000, on or after October 1, 2013;

and if it, meets one of the following criteria, otherwise will be expensed:

- Has extended the useful life of an associated asset (as opposed to maintaining its normal operating life); or
- Has enlarged or improved the capacity or function of the associated asset; or
- The quantity of services or units produced from the associated asset is increased.

For additional information on projects that may be considered subsequent projects, refer to sections 090202.04, Severely Damaged or Destroyed Assets, as applicable to these items and to Appendix D: Examples of Capitalization versus Expense including Capitalization Worksheet. Refer to section 090206E, Subsequent Projects, for additional information on depreciation/amortization.

090202.03 MAINTENANCE AND REPAIRS. Under normal conditions, maintenance and repairs are expensed because they are used to keep assets in an acceptable working condition. They may include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset for it to continue to provide acceptable services and achieve the expected life.

The intent behind the replacement of an asset or part of asset is crucial to the determination of whether a replacement is a repair or an improvement. When repairing a real property facility, the components of the facility may be repaired by replacement, and the replacement may involve upgrading to current building standards and codes and generally would be expensed. In certain conditions, a maintenance or repair project may become larger than anticipated and be deemed an improvement to the asset and may be capitalized.

If a replacement is undertaken to improve or expand the efficiency of an asset that was in good working order, then the replacement is an improvement. Repair by replacement does not include rebuilding entire structures within the same physical area (footprint).

A. Any maintenance that does not meet the capitalization criteria will be expensed. (For example, tuck pointing the façade of a building or repair of small portions of a roof.)

B. VA will capitalize a maintenance or repair project that goes beyond the scope of maintenance and improves or enlarges the asset, meets the capitalization criteria.
outlined in 090202.02, Subsequent Expenditures- Additions and Improvements, for subsequent projects.

Refer to section 090206E, Subsequent Projects, for additional information on depreciation/amortization of maintenance or repair projects that meet the capitalization criteria. Refer to Appendix D: Examples of Capitalization versus Expense.

090202.04 SEVERELY DAMAGED OR DESTROYED ASSETS. VA will expense or capitalize the cost to replace or restore severely damaged or destroyed assets, to include property considered damaged by acts of God, such as hurricanes, earthquakes, and floods, according to the following criteria.

A. VA will expense the cost of restoration or partial replacement of an existing asset that brings the asset to its original state of usefulness and does not meet the capitalization criteria defined in section 090202, Capitalization.

B. VA will capitalize the cost incurred to restore severely damaged property or to replace destroyed assets when the restoration or replacement meets the capitalization criteria (section 090202, Capitalization). Refer to section 090207 DISPOSITION OF PP&E, for guidance on removing, retiring, or disposing of severely damaged or destroyed PP&E.

090202.05 ASBESTOS AND HAZARDOUS MATERIAL CLEAN-UP COSTS. VA will expense the cost of asbestos removal or other hazardous material removal, regardless of dollar amount. Refer to OFP Volume VI Chapter 8, Environmental and Disposal Liabilities (EDL), for additional information on recording, disclosing, and reporting on EDL.

090203 CONSTRUCTION WORK IN PROCESS (WIP).

A. VA will fund ongoing construction projects from available construction appropriations. Major construction projects may be supplemented at times with funds derived from the Major Construction Working Reserve accounts. Refer to Volume II, Chapter 2I, Major Construction Working Reserve Accounts, for additional information.

B. VA will fund construction project costs incurred during the design and development phases from applicable VA construction appropriations and record the costs in the appropriate WIP accounts. Following are examples of costs that may be included:

- All materials, supplies and services applicable to the project;
- All items of installed capital equipment;
- Transportation costs applicable to materials, supplies, any installed capital-type equipment and any Government-owned equipment;
The additional overhead or support costs that would not have been incurred were it not for the project;

Travel and per diem related to applicable labor; and,

The costs applicable to the operation and maintenance of Government-owned equipment. (Refer to section 090201.02, PP&E Costs.)

C. VA will maintain separate appropriated fund accounts, as authorized, for major and minor construction and non-recurring maintenance projects, and supporting documentation for the construction WIP on each project.

1. VA will carry forward available fund balances from year to year in its construction multi-year and no-year funds as appropriate.

2. VA will keep track of and manage carryover balances remaining after construction projects are completed to ensure unexpended fund balances are available for other construction project needs.

3. VA will not acquire or improve a real property facility (major construction projects) through a series of minor construction projects in lieu of a single major construction project, since incremental-type construction violates the intent of Congressional appropriations.

D. VA will notify and submit information on the status of construction projects to Congress as required. VA will submit its entire major construction project plans for medical facilities to Congress for approval, as required by 38 U.S.C. 8104(a) (2), prior to receiving appropriated funds.

E. VA will record constructed real property as construction WIP until it is placed in service.\(^{25}\) The asset will be transferred to either capitalized or non-capitalized PP&E, as appropriate, within 90 days of being placed in service. The date the asset is placed in service is also the date of acquisition. Refer to section 090202, Capitalization, for additional information.

1. VA will record a construction project completed in multiple phases as “construction WIP” until the project phase is placed in service.

\(^{25}\) For constructed real property, “placed in service” is the date the asset is ready and available for its intended use. Even if the property is not being used, it is in service when it is ready and available for its intended use. Placed in service date may not coincide with the completion of financial actions (e.g., payments).
2. Each project may be comprised of multiple assets. Each asset, e.g., building, land improvement, other structure, will be recorded as a separate asset when it meets the capitalization criteria as identified in section 090202, Capitalization.

3. Personal property and equipment not capitalized and installed as part of a construction project should be recorded in the appropriate personal property records.

090204 LEASES. Leases include capital leases, lease purchases, or operating leases.

A. Capital Lease. VA may acquire PP&E under a capital lease arrangement; a capital lease may be for real or personal property. VA will ensure that a proposed capital lease meets the capitalization criteria (section 090202, Capitalization) and any one of the following criteria\(^\text{26}\):

- The lease transfers ownership of the property to VA at the end of the lease term;
- The lease contains an option for VA to purchase the leased property at a bargain price;
- The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property; or
- The present value of rental and other minimum lease payments, excluding the portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased property.

1. VA will capitalize the asset (leased property or equipment) in an amount equal to the liability for the capital lease at its inception, i.e., the net present value of the capital lease asset’s minimum lease payments during the lease term (base and any amortized build-out) excluding executory costs (insurance, maintenance, and taxes for leased property whether paid by lessee or lessor). Refer to Volume VI, Chapter 18, Capital Lease Liability, for additional guidance on recording the liability and subsequent payments.

a. If the determined amount exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the liability should be the fair value.

b. If the portion of the minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated.

\(^{26}\) The last two bullets are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.
2. VA will ensure the total costs of a capital lease are properly obligated in the year the lease agreement is made. A special appropriation is required for capital leases to enable payments over the life of the lease.

3. VA will ensure proposals to lease capital assets in the budget submission package meet the requirements in OMB Circular A–94.

B. Lease Purchase. 27 VA may acquire PP&E under a lease purchase arrangement. A lease purchase has the same basic criteria for a capital lease, but does not meet the capitalization dollar threshold of $100,000 prior to October 1, 2013, or $1,000,000 on or after October 1, 2013.

1. VA will record a lease purchase in the same manner as capital lease in section 090204 A.1. above, i.e., the asset (leased property or equipment) is recorded in an amount equal to the liability for the lease purchase at its inception. If the lease purchase meets the capitalization criteria (section 090202, Capitalization), the PP&E will be recorded as a capitalized asset. Refer to Volume VI Chapter 18, Capital Lease Liability, for additional guidance. Chapter 18, Appendix A, Budget Object Codes and Accounting Transactions, discusses the BOCs and VA Proforma entries.

2. Prior to purchasing PP&E under this method, VA should ensure that the lease purchase is in the best interest of VA and does not exceed the cost benefit of direct purchase or operating lease.

3. This process does not apply to similar purchases made through the Office of Acquisition and Logistics (OAL) Equipment Installment Purchase Program. Refer to the OAL Finance Program website, http://www.va.gov/oal/government/finance/equipmentInstallmentPurchase.asp, for additional information and requirements.

C. Operating Lease.

1. To distinguish between a capital lease or lease purchase agreement and an operating lease, the following criteria will be used for defining an operating lease:

   • Ownership and risk of ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease period.

   • The lease does not contain a bargain-price purchase option.

27 Lease purchases result in VA receiving ownership of the property; however, the cost does not meet the minimum dollar capitalization threshold. Refer also to the definition, section 090634 Land Improvements.
The lease term does not exceed 75 percent of the estimated economic lifetime of the asset.

The present value of the minimum lease payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the inception of the lease.

The asset is a general purpose asset rather than being for a special purpose of the Government and is not built to unique specification for the Government as lessee.

There is a private-sector market for the asset.

2. VA will record an operating lease as an expense equal to the amount of the rental payments not to exceed 12 months unless the fund is available for a longer period.

090205 LEASEHOLD IMPROVEMENTS. VA will capitalize a leasehold improvement that meets VA’s capitalization criteria. Refer to section 090202, Capitalization, for the criteria, and 090206F for the amortization requirements.

A. Leasehold improvements may include improvements made to either a capital or operating lease.

B. Leasehold improvements to an operating lease are only capitalized if the operating lease renewals are determined to be “reasonably assured.”

090206 DEPRECIATION/AMORTIZATION EXPENSE.

A. VA will record depreciation expense on PP&E, except land and land rights of unlimited duration, in a contra asset account - accumulated depreciation. The depreciation expense will be recorded monthly using the straight-line method of depreciation with salvage value set at zero and will be reflected on capital assets in the financial statements as prescribed by SFFAS No. 6 and OMB Circular A-136. Refer to sections 090201.01C1 (Real Property) and 090201.01C2 (Personal Property) for additional information.

1. The finance activity will work in conjunction with the engineering staffs or program managers to assign the useful life for real property, and with the OAD for personal property. The estimated useful life of certain real property is provided in Appendix B, VA Real Property Estimated Useful Life Guide, or it may be derived from a recognized source used by an administration or staff office. Engineering staffs or program managers will use the tables in Appendix B only as a guide in determining the useful life.

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28 To assume a moderately sufficient extent or degree of certainty that an action will come to fruition or pass, to include as designated in the contract renewal periods.

29 Examples may be IRS tables or developed from historical items.
of real property. Any deviation from the useful life in the Appendix B tables will be supported and provided to the finance activity for recording the transaction.

- The assigned useful life will reflect the primary element of the property for which costs may be determined.

- For projects containing component elements, the useful life assigned will reflect the component part which best represents the project as a whole.

2. The finance activity will validate the calculation of depreciation generated from the FAP subsystem and ensure depreciation has been recorded monthly for all capital assets.

B. VA will consider factors such as physical wear and tear and technological change (e.g., obsolescence) when determining estimated useful life and depreciation.

C. VA will record depreciation while the asset remains in service. The initial depreciation amount will represent all depreciation accrued from the date when the asset was accepted or placed into service.

D. VA will reflect any changes in the estimated useful life or salvage/residual value prospectively, i.e., in the period of change and future periods. No adjustments will be made to previously recorded depreciation or amortization.

E. Subsequent Projects. VA will depreciate the cost of an addition or improvement that meets the capitalization criteria as identified in section 090202.02, Subsequent Expenditures - Additions and Improvements, and 090202.04, Severely Damaged or Destroyed Assets. The depreciation expense recorded is determined based upon the useful life of the associated asset as outlined below.

1. If the addition or improvement useful life is comparable to the useful life of the associated asset, the addition or improvement is depreciated over the remaining useful life of the associated asset.

2. The following is for fully depreciated assets where an addition or improvement is made that meets the capitalization criteria. The useful life of the addition or improvement must be determined. The useful life will be used to depreciate the cost of the addition and improvement for that time period.

3. If the addition or improvement extends the useful life of the associated asset and the asset is not fully depreciated, the depreciation of the asset, to include the addition or

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30 For accounting purposes, an improvement is also referred to as betterment.
31 Associated Asset refers to the original capitalized building or personal property.
improvement cost, is computed using the revised remaining useful life of the associated asset.

4. If the addition or improvement meets the capitalization criteria, but does not extend the useful life of the associated asset, and the asset is not fully depreciated, the depreciation of the asset, to include the addition or improvement cost, is computed over the remaining original useful life of the associated asset.

F. VA will record amortization expense in a contra asset account - accumulated amortization, on PP&E assets such as capital leases, leasehold improvements, and software. The finance activity will validate the recording and calculation of amortization on a monthly basis.

1. Capital Leases: VA will amortize capital leases over the estimated useful life of the capital lease.

2. Leasehold Improvements.³² VA will amortize leasehold improvements meeting the capitalization criteria:
   • Over the remaining useful life of the associated lease or the remaining estimated economic life of the improvements, whichever is less; and
   • For not more than 40 years, even if the useful life of the asset is greater than 40 years.

3. VA will amortize capitalized software systematically over the estimated useful life of the software. Refer to OFP Volume III, Chapter 10, Accounting for Internal Use Software, for additional information.

090207 DISPOSITION OF PP&E. VA will properly dispose of PP&E assets when determined they are no longer needed, and the removal, retirement, or disposal (removal) is permanent.³³

A. VA management will first determine whether the PP&E removal from service is permanent or temporary.

1. Temporary removal from service is evidenced by activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted. When the removal from service is determined to be temporary, there is no change in PP&E reported value, and depreciation continues. Any clean-up cost expense associated with a temporary removal will continue to accumulate.

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³² Leasehold improvements may include improvements made to either a capital or operating lease.
³³ Refer to FASAB TR #14, Implementation Guidance on the Accounting or the Disposal of General Property, Plant, and Equipment
2. For permanent removal, management must determine: (1) the asset’s use is terminated and (2) there is evidence supporting the decision to permanently remove, retire, and/or dispose of the asset.

B. For permanent removal, to include severely damaged or destroyed PP&E, VA will remove the asset’s acquisition cost and associated accumulated depreciation/amortization from the facility or station’s PP&E account and record the asset at its net realizable value. VA will transfer permanently removed PP&E to the United States Standard General Ledger (USSGL) Account 1995, General PP&E Permanently Removed but Not Yet Disposed.34

1. No additional depreciation/amortization will be taken once assets are removed from PP&E accounts.

2. Any difference between the book value and the expected net realizable value will be recognized as a gain or loss.

3. Any unallocated/unamortized portion of the total cleanup cost estimate associated with the disposal, closure, and/or shutdown of the PP&E should be recognized in full.

4. When an asset, depreciated as part of a group, is permanently removed from service and no other assets within the group are permanently removed, no gain or loss is recognized. The asset is removed from PP&E at the original cost, and the associated accumulated depreciation is debited less any salvage value for the asset.

5. If during disposal, the asset or system is disassembled and sub-components are salvaged to be used for other purposes, VA will record these sub-components or spare parts as new assets.

6. Upon completion of the disposal, the PP&E asset will be written off from the financial records. Any difference in the asset’s expected net realizable value previously recorded and the actual realized disposition35 will be recognized as a gain or loss.

C. VA will recognize the final disposition date as of the date of transfer, sale, trade-in, abandonment, or demolition.36

090208 PROCEEDS FROM SALE OF PP&E.

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34 Per TFM USSGL guidance for FY2013.
35 As an example, the actual realized disposition may include cash received for scrap materials or fair value of items received in exchange for PP&E removed from service.
36 The final disposition date is the date title and/or legal interest in the asset is transferred and/or ceased. For example, the transfer, sale, or title document is signed and executed by the appropriate authority.
As a general rule, VA will not deposit any funds into its appropriations without statutory authority (31 U.S.C. 3302, Custodians of Money). Violation of this rule constitutes an illegal augmentation of the appropriation.\footnote{Refer to Volume II, Chapter 7D, Guidelines to Avoid Augmenting an Appropriation, for further explanation on such improper actions.}

090208.01 REAL PROPERTY PROCEEDS. As prescribed by 38 U.S.C. 8165, Use of Proceeds, VA may retain and use the proceeds from enhanced-use lease agreements executed prior to December 31, 2023, (the authority, to enter into enhanced-use leases, was recently amended by 38 U.S.C. 8169, Expiration) to include proceeds from a disposal of enhanced-use leased property. Refer to Volume II Chapter 2G, Enhanced-Use Funds, for additional guidance.

090208.02 PERSONAL PROPERTY PROCEEDS.

A. VA may exchange or sell similar items and may apply the exchange allowance or proceeds of sale in whole or in part payment for property acquired per 40 U.S.C. 503, Exchange or sale of similar items, in accordance with regulations prescribed by GSA, 41 C.F.R. 102-39, Replacement of Personal Property Pursuant to the Exchange/Sale Authority.\footnote{Refer to 41 C.F.R. 102-39.60, titled, What restrictions and prohibitions apply to the exchange/sale of personal property?, for proceeds that may not be retained unless a deviation is requested and approved or other specific authority exists, e.g., recycling revenue.}

B. VA may also retain proceeds from sale of scrap or excess personal property and other property as authorized in 41 C.F.R. 102-38.295, Sale of Personal Property, titled, \textit{May we retain proceeds?} As an example of this authority, recycling revenue may be retained. Refer to Volume II, Chapter 7E, Recycling Revenue, for additional policy and authority.

C. VA may deposit proceeds from the sale of personal property used to purchase similar replacement equipment in Clearing (Suspense) Account 36F3845, Proceeds of Sales - Personal Property.\footnote{Refer to Volume II, Chapter 2C, Clearing (Suspense) and Deposit Funds, for additional information.} The proceeds will be available to VA for the fiscal year of the sale and one fiscal year thereafter and may only be used to purchase like replacement equipment in accordance with the requirements of the Federal Management Regulation, 41 C.F.R. 102-39.80, titled, \textit{What are the accounting requirements for exchange allowances or proceeds of sales?}

1. Proceeds are available to the station/facility or another station/facility within VA operating under the same appropriation. Transferring proceeds between two different appropriations for a similar purchase is not authorized; the transfer would be considered an augmentation of funds for the receiving appropriation.
2. Proceeds from the sale of personal property originally purchased with Supply Fund resources that were not reimbursed will be returned to the Supply Fund if similar replacement equipment is not purchased.\footnote{In accordance with 38 U.S.C. 8121, Revolving Supply Fund.} Proceeds will be returned to the Treasury Miscellaneous Receipts Account 3220 if the Supply Fund resources were reimbursed for the purchase.

3. Proceeds from the sale of personal property deposited to Clearing Account 3845 or not returned to Supply Fund resources will be transferred to Miscellaneous Receipts Account 3220 if similar replacement equipment is not purchased within the allowed time.

4. Proceeds from the sale of equipment that is not expected to be replaced will be deposited to either the Miscellaneous Receipts Account 3220 or, if appropriate, the Supply Fund.

090209 DEFERRED MAINTENANCE AND REPAIRS.

A. At the beginning of the fiscal year, VA will record the estimated cumulative total of deferred maintenance and repair projects for capitalized PP&E. This estimate will be reviewed quarterly and adjusted as necessary. The review and decision will be documented and maintained, even if no adjustment is necessary. The costs will be recorded in the appropriate Assets and Miscellaneous Accounts Fund (AMAF) by major class of assets. If by the end of the fourth quarter (e.g., September 30, 20XX) the estimated cumulative total has changed from June 30, the finance activity will record the amount such that the September 30 balance shows the new cumulative total.

B. To maintain proper certification and provide a safe environment for Veterans, VA will ensure that deferred maintenance and repairs on medical equipment and critical facility equipment systems do not compromise their efficiency or effectiveness. Medical equipment and critical facility equipment systems will be maintained and managed in a safe and effective manner in accordance with Federal regulatory and legislative guidance, to include the Joint Commission on Accreditation of Healthcare Organizations.

C. The finance activity and engineering staffs or program managers must work together to ensure the estimate is calculated and recorded properly. VA, in general, uses the facility condition assessment (FCA) as the starting point for the deferred maintenance and repairs estimate although another condition assessment survey method may be used as long as it satisfies generally accepted government accounting standards for determining financial data reported for deferred maintenance and repairs. At a minimum, the FCA for a facility or station is conducted on a 3-year rotation.

For the FCA, the following will be presented for each major class of PP&E:
• Description of requirements or standards for acceptable operating condition, to include narrative information related to deferred maintenance and repairs activities;

• Changes in the condition requirements or standards;

• Asset condition\(^{41}\); and

• Range or a point estimate of the dollar amount of maintenance and repairs needed to return the assets to their acceptable operating condition.

Refer to Appendix F, Deferred Maintenance and Repairs Estimates and FCA Process, for additional information on preparing and recording the deferred maintenance estimates.

D. VA management may elect to present stratification of critical and non-critical amounts of maintenance needed to return each major class of asset to its acceptable operating condition. If management elects to make this disclosure, the disclosure will include management’s definition of critical and non-critical maintenance. For any critical maintenance disclosed, management will provide both high and low estimates, which are based on the materiality of the estimated cost of returning the asset to the acceptable condition versus the total value of the corresponding asset.

090210 REPORTING PP&E AND DEFERRED MAINTENANCE AND REPAIRS.

A. VA will report PP&E in the Consolidated Financial Statements in accordance with OMB Circular A-136, Financial Reporting Requirements, including note disclosures.

1. VA will provide the following minimum information:

a. The major classes of PP&E appropriate for VA reporting, to include, but not limited to:

• Land and Improvements, including leased and owned;

• Buildings, including leased and owned (not including operating leases for building and clinics);

• Equipment, including information technology (IT) hardware;

• Other structures and capital leases;

\(^{41}\) Some examples of condition information may be averages of standardized condition rating codes, percentage of assets above, at, or below acceptable condition, or narrative information.
• Construction work in process; and

• Internal use software, including capitalized and in development.

b. For each major class of PP&E:

• Costs, to include associated accumulated depreciation (as represented in the associated contra asset account for the period), and book value;

• Use and general basis of any estimates used;

• Estimated useful life;

• Method(s) of depreciation;

• Capitalization threshold(s), including any changes in threshold(s) during the period; and

• Restrictions on the use or convertibility of PP&E.

2. VA will maintain subsidiary records in accordance with VA’s Records Control Schedule (refer to section 090201.03, Recording PP&E). The subsidiary records will be reconciled monthly to the corresponding standard general ledger control account. Entries for both the general ledger and the subsidiary ledger will be made from the same source document and will be recorded in the same accounting month.

B. If a situation arises preventing VA financial systems from reporting the necessary opening balances as required by GAAP for financial statement reporting, the VA will rely on guidance established in SFFAS 50 to identify opening balances for general property, plant, and equipment.

C. VA will report deferred maintenance and repairs estimates in the Consolidated Financial Statements as Required Supplementary Information (RSI), for each major class of PP&E, in accordance with SFFAS No. 6 and No. 42 and OMB A-136. At a minimum, the RSI will include the following qualitative and quantitative information:

1. Qualitative Information.

• A summary of VA’s Maintenance and Repair policies and brief description of how they are applied; i.e., method of measuring;
• Policies for ranking and prioritizing M&R activities;\(^4^2\)

• Factors that VA considers in determining acceptable condition standards;

• Whether DM&R relates solely to capitalized general PP&E and noncapitalized stewardship PP&E or also to amounts relating to noncapitalized or fully depreciated general PP&E;

• Capitalized general PP&E and non-capitalized heritage assets and stewardship land for which management does not measure and/or report DM&R and the rationale for the exclusion;

• If applicable, explanation of any significant changes\(^4^3\) to (1) the policies and factors subject to the reporting requirements established in the bullets above and (2) DM&R amounts from the prior year.\(^4^4\)

2. Quantitative Information.

Estimates of the beginning and ending balances of DM&R for each major category of PP&E for which maintenance and repairs have been deferred.

C. VA will provide annual budget estimates for planned real property acquisitions in its budget submission and ensure any estimates for acquisitions under contract are consistent with obligations reported in Object Class 32.\(^4^5\)

0903 AUTHORITIES AND REFERENCES


090302 Government Performance and Results Act of 1993

090303 Federal Financial Management Improvement Act of 1996

090304 31 U.S.C. Subtitle II, Chapter 15, Appropriation Accounting

\(^4^2\) As an example, entities may report (1) how they will pursue reducing their DM&R backlog and how they will be impacted by budget or funding shortfalls or reductions, and (2) whether or not the entity has used Return on Investment analyses in its ranking and prioritizing of either M&R or DM&R.

\(^4^3\) The determination of whether an item is significant is a matter of professional judgment. This determination is separate and distinct from materiality considerations that include considering the likely influence that such information could have on judgments or decisions of financial statement users.

\(^4^4\) Once determined, condition standards and related assessment methods and reporting formats should be consistently applied.

\(^4^5\) Refer to OFP Volume XIII Chapter 2, Budget Object Codes.
090305  38 U.S.C. 8104, Congressional Approval of Certain Medical Facility Acquisitions

090306  38 U.S.C. 8118, Authority for Transfer of Real Property, Department of Veterans Affairs Capital Asset Fund

090307  38 U.S.C. 8165, Use of Proceeds, Enhanced-Use Leases of Real Property

090308  38 U.S.C. 8169, Expiration, Enhanced-Use Leases of Real Property


090311  Omnibus Budget Reconciliation Act of 1990 (OBRA)

090312  Federal Acquisition Regulation (FAR), Part 45, Government Property

090313  Federal Property Management Regulations, 41 C.F.R. Chapter 102, Part 102-38, Sale of Personal Property

090314  Executive Order No. 13327, Federal Real Property Asset Management, February 4, 2004 and as amended

090315  Statement of Federal Financial Accounting Standards (SFFAS) 6: Accounting for Property, Plant and Equipment

090316  SFFAS 14: Amendments to Deferred Maintenance Reporting: Amending SFFAS 6, Accounting for Property, Plant and Equipment, and SFFAS 8, Supplementary Stewardship Reporting


090318  SFFAS 35: Estimating the Historical Cost of General Property, Plant, and Equipment: Amending SFFAS 6, Accounting for Property, Plant, and Equipment, and SFFAS 23, Eliminating the Category National Defense Property, Plant, and Equipment

46 Section 102-38.295 is specific to retaining sales proceeds.
090319  SFFAS 40:  Definition Changes Related to Deferred Maintenance and Repairs: Amending SFFAS 6, Accounting for Property, Plant, and Equipment


090321  SFFAS 44:  Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use

090322  SFFAS 50:  Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35


090324  FASAB TR 14, Implementation Guidance on the Accounting or the Disposal of General Property, Plant, and Equipment

090325  Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget

090326  OMB Capital Programming Guide, Supplement to Part 7 of OMB Circular A-11

090327  OMB Circular A–94, Discount Rates to Be Used in Evaluating Time-Distributed Costs and Benefits

090328  OMB Circular A-130, Management of Federal Information Resources

090329  OMB Circular A-136, Financial Reporting Requirements

090330  United States Standard General Ledger (USSGL), Treasury Financial Manual (TFM)


090332  OFP Publications Library

090333  OALC Consulting Support Service, Facility Condition Assessment
0904 ROLES AND RESPONSIBILITIES

090401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department’s programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

090402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Finance Officers, Chiefs of Finance Activities, Fiscal Officials, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

090403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. The Management and Financial Reports Service within OFP is responsible for preparing various comprehensive financial reports, such as those required by the President and the executive branch, including OMB/Treasury reports from the Hyperion (MinX) software. OFP works with the Office of Inspector General’s independent contract auditors on VA’s annual Consolidated Financial Statements audit and prepares and reviews the Consolidated Financial Statements, Notes, and Required Supplementary Information, etc.

090404 The Office of Budget (Budget) provides guidance and support to the Department’s Administrations and Staff Offices on matters relating to budget formulation and execution. The ultimate objective of the formulation process is to ensure the timely, accurate and informed submission of VA’s budget request to OMB and the President’s budget request to Congress. Budget serves as the primary liaison with OMB and relevant congressional committees during the formulation process, defending and promoting VA’s program plans and budget estimates before examiners and committee staff. In addition, Budget monitors VA’s budget execution process, which starts with the apportionment process.

090405 The Office of Acquisition and Logistics (OAL) is responsible for the acquisition policy of all PP&E purchases (except major construction and real property) and supports VA’s vast array of diverse programs and functions, involving expenditures for supplies and services. It also has a Governmentwide role in the supply management of medical supplies and non-perishable subsistence. Because of its Departmentwide and Governmentwide mission, as well as its role in protecting the integrity of the procurement and supply system, OAL is organizationally independent of the activities it serves.
090406 The Office of Asset Enterprise Management (OAEM) provides oversight in the capital asset arena and ensures a consistent and cohesive Department approach to capital asset management. OAEM serves as the principal policy office and business advisor regarding the acquisition, management and disposal of all VA capital assets. OAEM works collaboratively with all areas of the Department to ensure capital investments are based on sound business practices and principles and, most importantly, meet our Veterans’ health care, benefits and burial needs.

090407 The Office of Construction and Facilities Management (CFM) provides design, major construction and lease project management, design and construction standards and historic preservation services. CFM acquires fee-simple or lessor (including easements, licenses, permits and leases) interest in real property; executes all VA major construction; is responsible for financial execution of major construction and lease projects and transfer of disbursement authority for minors; and reports to the Principal Executive Director, Office of Acquisition, Logistics, and Construction. CFM maintains a major construction working reserve account for each Administration, from which funds may be used to finance, in part, the construction, alteration, extension or improvement of any facility under the jurisdiction of VA or for any of the purposes set forth in various sections of title 38 of the United States Code.

090408 The Office of Information and Technology (OIT) provides strategy and technical direction and guidance to ensure IT resources are acquired and managed for VA in a manner that implements various Federal laws and regulations, including the Clinger-Cohen Act and OMB Circular A-130. OIT is the steward of VA’s IT assets and resources and is responsible for ensuring the efficient and effective operation of VA’s IT Management System to meet mission requirements of the Secretary, Under Secretaries, Assistant Secretaries and other key officials. OIT directs its financial management, human capital management, IT asset management, procurement activities of IT resources, and links the budgeting process with IT programs. OIT manages VA’s IT appropriations to ensure sustainment and modernization of VA’s IT infrastructure.

090409 The Major Construction Working Reserve Board reviews and approves reprogramming requests to add funds to a project, increasing the amount originally appropriated. The Major Construction Working Reserve Board members\textsuperscript{47} review all reprogramming requests for major construction funds from Major Construction Project Reserves, the Major Construction Working Reserve Fund, and line item balances at the request of the Chairperson. The Chairperson transmits requests electronically to other Board members. After review, Board members will respond electronically to the Chairperson with their concurrence or non-concurrence. Recommendations of the Board will be forwarded to the Executive Director, CFM for approval.

\textsuperscript{47}For a list of members of the Board and additional information, refer to Volume II, Chapter 2I, Major Construction Working Reserve Accounts.
Engineering staffs or program managers. The engineering staffs or program managers are responsible overall for ensuring that VA real property is maintained in a proper and safe manner to provide services for the benefit of Veterans and VA employees. For purposes of this chapter, engineering staffs or program managers will provide Fiscal staff with the critical information necessary to complete the capitalization memo to include:

- Engineering POC for the project
- Provide/review purchase order numbers associated with the project
- Costs associated with the project that are not capital in nature (i.e. asbestos, feasibility, study costs, etc.)
- Useful life of the project. If the useful life deviates from the useful life in Appendix B, an explanation for the deviation will be provided on the capitalization memo.
- Breakdown of costs for projects that impact more than one asset
- Determination if the project is NRM
- Determination of what makes the project an improvement (if applicable)
- The percentage of the asset placed in service
- Actual date the asset was placed in service
- Signature
- Date

Engineering staff will also prepare and provide the deferred maintenance and repairs estimate with adjustments applicable to capitalized assets in accordance with the PP&E policy. The estimate will be provided to the finance activity, in either hard or soft copy, along with supporting documentation.

Local Fiscal staffs are responsible for the capitalization of PP&E, including obtaining appropriate documentation to support each capitalization. When necessary, Fiscal staff will escalate requests for capitalization documentation to managers and executives to ensure timely and accurate capitalization.

Local logistics staff, with cooperation from Contracting and Fiscal staffs, are responsible for adding general information and supporting documentation for all VA equipment leases in the Equipment Lease Management Service. Fiscal staff will verify accounting data entered for the leases.

**0905 PROCEDURES**

**090501 PP&E RECORDS.** Refer to section 090201, PP&E, for overall VA guidance on recording PP&E.

A. Reconstructing or Correcting PP&E Records. VA will take the following actions to reconstruct, correct, or complete asset records when they have been identified as not being recorded or recorded incorrectly. Refer to FASAB TR 13, Implementation Guide
for Estimating the Historical Cost of General Property, Plant, and Equipment, for additional guidance and examples.

1. Gather all supporting documentation, such as purchase orders, contracts, invoices, receiving reports, etc.

2. Determine what data, if any, is available in the systems, e.g., FAP, AEMS/MERS, and FMS. If the historical cost is available in the system, use this cost for reconstructing or correcting the PP&E records.

3. Analyze the data to determine what method should be used for estimating the historical cost. For example, is the budget, expenditure, or contract information available?

4. Apply the methodology to determine the historical cost and related depreciation/amortization of the asset.

5. Record, modify, or delete the PP&E and related depreciation/amortization in the appropriate systems. Refer to Appendix C, FAP Subsystem Procedures, for the appropriate transactions for deleting, correcting, or completing asset records.

6. Maintain all supporting documentation for the life of the asset and for three fiscal years after disposal or transfer of the asset, as required by VA’s Records Control Schedule.

B. Reporting Estimates Used in Calculating Historical Costs. VA will disclose the use and basis for any estimates used in historical costs.

090502  CAPITALIZATION.

A. VA will capitalize PP&E constructed or acquired through purchase, transfer, exchange or trade-in, donation, devise, or judicial process, excluding forfeiture, at the appropriate cost when the capitalization threshold is met as defined in sections 090201.03, Recording PP&E, and 090202, Capitalization, and subsections. Timely capitalization of the asset occurs in accordance with the following:

1. For personal property, VA will record the asset within the fiscal month, but no later than the next fiscal month, from the earlier of either the date when the title passes to VA or when the asset is delivered and accepted by VA. The specific contract terms may dictate when VA will take title.
2. For acquired real property (e.g., land, buildings) VA will record the asset within the fiscal month, but no later than the next fiscal month, after the property is placed in service.  

3. For constructed real property, VA will record the asset as construction work in process until it is placed in service. The asset will be recorded within the fiscal month, but no more than 90 days of being placed in service. The date of acquisition is the date the asset is placed in service.

B. Finance activities will coordinate with the Acquisition, logistics, engineering staffs, and or program managers to obtain the information needed to affect capitalization. (see paragraph 090410) Refer to Appendix G, NCA Capitalization Form or Appendix H, VHA Procedure Guide for Capitalization, which may be used to coordinate this information.

1. Acquisition, logistics, engineering staffs, and or program managers will provide monthly progress reports to the appropriate finance activity containing the project status, cost of each asset, the date the asset was placed in service, the useful life, and any subsequent acquisition (addition or improvement), disposal, or transfer impacting the recorded value of the item.

2. Acquisition, logistics, engineering staffs, and or program managers will review the cost components of WIP construction projects to determine the amounts to be capitalized or expensed.

3. Acquisition, logistics, engineering staffs, and or program managers will coordinate with the appropriate finance activity on a monthly basis to ensure proper oversight of completed construction projects is occurring and is recorded in a timely manner.

C. Refer to Appendix E, Procedures to Transfer PP&E within VA, for additional guidance when a station purchases PP&E for one or more other VA stations. The procedures listed in the appendix are general guidance and may be altered to accomplish a similar transfer as circumstances dictate. The purchasing and receiving finance activities will coordinate actions to ensure that PP&E is properly transferred and is not duplicated in FMS.

D. For donated real property, such as a Fisher House, the asset will be recorded in the GPF and immediately be transferred to AMAF. All costs associated with bringing the donated asset to a form suitable for its intended use will be capitalized.

48 For acquired real property, “placed in service” is the date VA assumes liability and the warranties begin on the asset. For land, the date of delivery or deed execution represents the acceptance date.

49 For constructed real property, “placed in service” is the date the asset is ready and available for its intended use. Even if the property is not being used, it is in service when it is ready and available for its intended use. Placed in service date may not coincide with the completion of financial actions (e.g., payments).
090503 CONSTRUCTION WIP. Finance activities will work closely with the various engineering staffs or program managers on construction projects to ensure project costs are being reported, as required, and to know when a project may be completed. In this way, finance activities will have an understanding of when the project costs likely will be capitalized and the underlying assets recorded as PP&E. Refer to section 090203, Construction WIP, for overall VA guidance.

A. Acquisition, logistics, engineering staffs, and or program managers over the various construction projects will maintain sufficient communications to ensure Finance officials have the proper information to make the proper and timely accounting transactions affecting PP&E.

B. Finance activities will obtain project status reports, capitalization memos, and other documents pertinent to construction projects in progress from engineering staffs or program managers (See paragraph 090502 B).

C. Finance activities will receive information from acquisition, logistics, engineering staffs, and or program managers when projects have been placed in service. The accumulated costs in standard general ledger (SGL) 1720 Work in Process will either be expensed or capitalized and transferred to the appropriate general ledger account and Assets and Miscellaneous Accounts Fund (AMAF).

1. To ensure completed projects are transferred from WIP in a timely manner, engineering staffs or program managers will review the inventory of WIP projects to determine if the projects should be closed into the appropriate capitalized SGL account.

2. To ensure all projects are reviewed, engineering staffs or program managers will consider the following attributes:

   - Projects with expired completion dates;
   - Projects with zero outstanding balances;
   - Projects with status labeled closed; and
   - Projects already placed in service.

D. Depending upon the type of asset, such as land, building and improvements, VA will use various FMS transaction types and the appropriate transaction code to enter the assets into the FAP Subsystem.
0906 DEFINITIONS

090601 Accumulated Depreciation. The total amount of depreciation recorded since the purchase of an asset.

090602 Amortization. Refers to expensing the acquisition cost minus the residual value of intangible assets in a systematic manner over their estimated useful economic lives so as to reflect their consumption, expiration, obsolescence or other decline in value as a result of use or the passage of time.

090603 Assets. Tangible or intangible items owned by the Federal government which have probable economic benefits obtained or controlled by a Federal government entity.

090604 Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS). Official VA system used by field stations to maintain, manage and account for personal property. AEMS/MERS is essentially an equipment inventory system containing information for both capitalized personal property and expensed personal property.

090605 Betterment. Also used as a synonym for improvement. An enhancement, renovation, expansion, or reconstruction of an existing asset to improve operating performance which may or may not increase the useful life beyond that of the associated asset. A betterment is distinguished from maintenance and repair which merely have the effect of keeping an asset in an efficient operating state without expected added future benefits.

090606 Book Value. The net amount at which an asset or liability is carried on the books of account (also referred to as carrying value or amount). It equals the gross or nominal amount of any asset or liability minus any allowance or valuation amount.\(^{50}\)

090607 Buildings. Permanent or temporary structures enclosed within exterior walls and a roof, and including all attached apparatus, equipment, and fixtures that cannot be removed without cutting into ceiling, floors, or walls.

090608 Building Service Equipment. Government-owned equipment and fixtures which are permanently installed in or attached to buildings and structures and become a part of the real property for the purpose of rendering the building or structure usable or habitable. Includes items normally required for the functional use of buildings and structures, such as heating and lighting fixtures, elevators, vaults, fire alarm systems and air-conditioning systems, etc., which, when installed, become an integral part of real property.

\(^{50}\) Valuation methods and bases are numerous and varied; and may be expressed quantitatively and in monetary terms. Application may be made to a single asset, a group of assets or an entire enterprise, as determined by various bases and methods.
090609 Capital Leases. Installment purchases that will be recorded and capitalized when the purchase price satisfies the Department’s capitalization criteria. In other words, leases transfer substantially all the benefits and risks of ownership to the lessee. A capital lease may be for real or personal property. The amount to be capitalized is the amount recognized as a liability for the capital lease. A lease satisfying any one of the following criteria will be recorded as a capital lease: (1) the lease transfers ownership of the property to the Department by the end of the lease term; (2) the lease contains an option for VA to purchase the leased property at a bargain price; (3) the lease term is equal to or greater than 75 percent of the estimated economic life of the leased property; or (4) the present value of rental and other minimum lease payments equals or exceeds 90 percent of the FMV of the leased property. A lease not satisfying one of the four descriptions will be classified an operating lease and will not be capitalized.

090610 Capitalize. To record an expenditure or contribution which may benefit a future period as an asset rather than to treat the expenditure as an expense of the period in which it occurs.

090611 (Items of) Capital Nature. Assets whose conditions in the FCA would be corrected by projects with associated costs meeting the capitalization criteria.

090612 Clean-up Costs. Costs associated with removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E.

090613 Component. A smaller, individual part of a larger asset, system, or entity. While a component may be self-contained, it may or may not be able to stand on its own. For example, an extension arm purchased for a Magnetic Resonance Imaging (MRI) unit may be a self-contained unit, but it does not stand on its own in usefulness. It has no use unless it is part of the larger system.

090614 Condition Assessment Survey. Periodic inspections of Government-owned property to determine the current condition and estimated cost to bring the property to an acceptable condition. Condition assessment surveys should be based on generally accepted methods and standards, consistently applied.

090615 Deferred Maintenance and Repairs. Maintenance and repairs not performed when they should have been and were delayed for a future period. The consequences of not performing regular maintenance and repairs may include increased safety hazards, poor service to the public, higher costs in the future and inefficient operations.

090616 Depreciation. The rational and systematic allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over the estimated useful life of the asset.
090617 Depreciation Expense. The portion of an asset’s depreciation cost is transferred to an expense account in each fiscal period during the asset’s useful life.

090618 Disposition. When assets of an entity are removed either by sale, trade or discard.

090619 Equipment Lease Management Service (ELMS). A system used to enter accounting data, general information, and supporting documentation in order to track equipment leases, and is able to add new leases, edit leases, archive leases, and generate reports.

090620 Estimated Economic Life (of Leased Property). The estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

090621 Expendable. Component or part for which no authorized repair procedure exists, and/or the cost of repair would exceed cost of its replacement. Expendable items are usually considered to be consumed when issued and are not recorded as returnable inventory. An item generally has a life expectancy when put into use of less than two years. Items purchased for permanent release to beneficiaries, such as wheelchairs and orthopedic and prosthetic appliances, are also considered expendable items.

090622 Expense. Outflows or other using up of assets and/or incurrence of liabilities (or a combination of both) during a period from providing goods, rendering services or carrying out other activities related to VA’s programs and missions, in which the benefits do not extend beyond the present operating period.

090623 Facility Condition Assessment (FCA). FCAs include correction estimates for VA-owned land and buildings. Land and buildings, including major systems, found to be in poor condition, critical condition, or at the end of its useful life-cycle are identified in the FCA reporting process. Correction costs do not include those major systems which are rated in fair or better condition.

090624 Fair Value. A value or price as determined by the following: 1) a bona fide bargain between well-informed buyers and sellers, usually over a period of time; 2) for which a PP&E item can be bought or sold in an arm’s length transaction between unrelated parties; 3) a sale between a willing buyer and a willing seller, other than in a forced or liquidation sale; or 4) an estimate or appraisal in the absence of sales or quotations.

090625 Feasibility Study. An evaluation and analysis of the potential of the proposed project which is based on extensive investigation and research to support the process of decision making. Feasibility study costs are expensed and never capitalized.
090626 Financial Management System (FMS). General Ledger Module is used by the finance activity to record, process, reconcile and report on transactions related to property, plant, and equipment.

090627 Fixed Assets Subsystem Package (FAP). This subsystem is VA’s fixed asset subsidiary ledger for financial operations. FAP maintains the original and subsequent value of assets and works with other FMS subsystems to support fiscal and risk management as well as standard reporting.

090628 General Property, Plant, and Equipment (PP&E). Tangible assets which (1) have an estimated useful life of two or more years, (2) are not intended for sale in the ordinary course of operations and (3) are intended to be used or available for use by the entity. PP&E includes land and land rights owned by the Federal Government acquired for or in connection with items of PP&E.

090629 Goods. Tangible products produced for customers.

090630 Hazardous Waste. A solid, liquid, or gaseous waste, or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed.

090631 Heritage Assets. Property, plant, and equipment unique for one or more of the following reasons: historical or natural significance; cultural, educational or aesthetic value; or significant architectural characteristics.

090632 Historical Cost. Initially, the amount of cash (or its equivalent) paid to acquire an asset; subsequent to acquisition, the historical amount may be adjusted for amortization.

090633 Improvement. An enhancement, renovation, expansion, or reconstruction of an existing asset to improve operating performance which may or may not increase the useful life of the associated asset. Also used as a synonym for betterment. An improvement is distinguished from maintenance and repair, which merely keep an asset in an efficient operating state without expected added future benefits.

090634 Internal Use Software. Software that may be commercial off-the-shelf software, internally developed software with/without a contractor’s assistance, or contractor-developed software. Software includes the application and operating systems, programs, procedures, rules and any associated documentation pertaining to the operation of a computer system or program.

090635 Land developments. A permanent change to the land or other related cost associated to the land. Land developments are costs such as clearing, leveling, land
surveys, titles, etc. that are included in the total cost for land. Land development costs that are attributed to constructing a building or other structure are generally applied to the cost of that asset. Land development costs are not recorded as a separate asset.

090636  Land Improvements. A limited-life alteration, modification, or improvement that enhances the land, but loses value over time. Examples include but are not limited to fencing, paving, gravel for roadbeds, culverts, sidewalks, heated pavement, retaining walls, landscaping, lawn sprinkler systems, and underground utilities (e.g., sewer systems, water lines).

090637  Leasehold Improvements. Structural changes, such as additions, alterations, remodeling or renovations, made to leased property (capital or operating lease) to make the property more suitable for business needs. Upon lease termination, such improvements normally become the property of the owner (lesser) without any cost or obligation. Leasehold Improvements includes VA’s funded costs of improvements to leased buildings, structures and facilities, and easements and right-of-ways, where VA is either the lessee or the cost is charged to a VA contract.

090638  Lease Purchase. Lease contract in which the lease payment is applied to the purchase price of the leased asset or property. When the full price is paid, the title to the item is transferred from the seller or owner (the lesser) to the buyer (the lessee). A lease purchase differs from a lease option in that it is a legally binding commitment to purchase the property rather than just an option.

090639  Maintenance and Repairs. Activities directed toward maintaining an asset in a useable, acceptable and original condition. Activities include preventive maintenance; normal repairs; replacement of parts, systems, or components; and other activities needed to preserve the asset to continue providing acceptable services and achieving its expected life. Maintenance and repairs, as distinguished from capital improvements, excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

090640  Major Construction Projects. A construction, alteration, extension or improvement of any VA facility, including planning, architectural and engineering services, construction management services, maintenance or guarantee period services costs associated with equipment guarantees provided under the project, services of claims analysts, offsite utility and storm drainage system construction costs and site acquisition, where the estimated cost of the project is greater than $10,000,000 or where funds for a project were made available in a previous appropriation.

090641  Major Construction Working Reserve Accounts. Unobligated balances or excess monies remaining from projects after their completion which may be redirected to other on-going construction projects approved by the Major Working Reserve Board and the Secretary based on amount needed.
090642 Major Medical Facility Construction Projects. A project for the construction, alteration, or acquisition of a medical facility involving a total expenditure of more than $10,000,000, but such term does not include an exchange acquisition.

090643 Minor Construction Projects. A construction, alteration, extension or improvement of any VA facility, including planning and assessments of needs which may lead to capital investments, architectural and engineering services, maintenance or guarantee period services costs associated with equipment guarantees provided under the project, services of claims analysts, offsite utility and storm drainage system construction costs and site acquisition or for any of the purposes where the estimated cost of the project is $10 million or less. A series of minor construction projects that exceed the statutory threshold may not be used in lieu of a single major construction project, since incremental-type construction violates the intent of Congressional appropriations.

090644 Net Book Value. The recorded cost of an asset less any recorded accumulated depreciation.

090645 Net Realizable Value. The estimated amount recovered from selling or any other method of disposing of an item less estimated costs of completion, holding and disposal.

090646 Non Building Service Equipment. Government-owned equipment required by an organization to properly meet its mission, but is not required for the purpose of rendering a building or structure usable or habitable. Non building service equipment may include medical equipment, computer equipment, etc.

090647 Non-expendable. An item which: (1) retains its identity throughout its useful life and whose dollar value is high enough to warrant accountability (e.g., copy machines, medical equipment and IT equipment); or (2) is of a sensitive nature, which requires accountability regardless of cost, e.g., USB flash drives. Non-expendable property generally has a useful life of 2 or more years.

090648 Non-Recurring Maintenance (NRM) Projects. Projects designed to correct, replace, upgrade, and modernize existing infrastructure and utility systems. Projects may include, but are not limited to, patient privacy corrections, life safety corrections, facility condition deficiency corrections, utility system upgrades, mental health improvements, window replacements, replacements of aging heating, ventilation and air conditioning systems and components, boiler system upgrades, and water conservation measures.

090649 Operating Lease. An agreement conveying the right to use property for a limited time in exchange for periodic rental payments, or the terms do not meet any one of the requirements for a capital lease.
090650 Other Structures (or Other Real Property). An other structure or asset not classified as another real property category. The asset may be a structure or system serving multiple assets and is not building service equipment. These assets are distinguished from buildings either by the purpose or the build; they are not meant for personnel employment or abode. Examples include parking garages, open-sided storage sheds, water towers, committal shelters, generators, and surveillance systems.

090651 Personal Property. Property, other than real property, which is owned by VA, is moveable and not affixed or associated to land. Personal property includes VA-owned expendable (Budget Object Code 26, Supplies and Materials) and other non-expendable controlled property (Budget Object Code 31, Equipment).

090652 Placed in Service for Real Property. The date the real property is ready and available for its intended use. Even if the asset is not being used, it is in service when it is ready and available for its intended use.\(^5\) Placed in service date may not coincide with the completion of financial actions (e.g., payments). For acquired real property, the placed in service date is the date VA assumes liability and the warranties begin on the asset. For land, the date of delivery or deed execution represents the acceptance or placed in service date.

060653 Real Property. All land, buildings, facilities or other structures, firmly attached, and integrated equipment owned by VA. Integrated equipment includes those items permanently installed or attached and that have become a part of the building or structure for the purpose of making the building habitable or usable.

090654 Recognize. To determine the amount, timing, classification and other conditions precedent to the acceptance and entry of a transaction. Hence, to give expression on the books of account; said of transactions.

090655 Required Supplemental Information (RSI). Financial information subject to limited audit procedures presented as supplemental information in VA’s consolidated financial statements.

090656 Reasonably Assured. To assume a moderately sufficient extent or degree of certainty that an action will come to fruition or pass, to include as designated in the contract renewal periods.

090657 Salvage Value. The expected net recovery when the asset is sold or removed from service.

090658 Subsequent Project. A project completed after the associated asset is purchased and recorded. Examples may be additions or improvements, maintenance

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\(^5\) “Physically complete” is the engineering terminology that is the same as “ready and available for its intended use.”
and repairs, restoration, renovation, etc. Each project must be evaluated to determine whether the project is expensed or capitalized. Refer to the appropriate subsections in 090202, Capitalization.

090659 Supplies and Materials (Operating). An inventory category composed of tangible personal property to be consumed in normal business operations.

090660 Tangible Asset. Property that can be touched and includes both real and personal property.

090661 Useful Life (Accounting basis). The normal operating life of an asset in terms of usefulness to the owner.

090662 Work in Process (WIP) (or Work in Progress). Temporary holding account used to track costs during the design and construction/development of PP&E and represents an asset as part of the financial statements. Includes costs of direct labor, direct material, and overhead incurred in the construction of real property for which the agency will be accountable. The costs remain in the WIP general ledger account until the PP&E is accepted by VA and placed in service. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. WIP is an extension of real and personal accountable property; its costs accumulation is governed by the policy for PP&E.

0907 REVISIONS

090701 OFP Volume V, Chapter 9, General Property, Plant, and Equipment, February 2017

0908 QUESTIONS

Questions concerning these financial policies and procedures should be directed to:

VHA VHA CFO Accounting Policy (10A3A) (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
CFM Office of Construction and Facilities Management
All Others OFP Accounting Policy (Outlook)

0909 REVISIONS

<table>
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<th>Section</th>
<th>Revision</th>
<th>Office</th>
<th>Effective Date</th>
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<tr>
<td>090201.02</td>
<td>Added clarity to site preparation costs.</td>
<td>OFP</td>
<td>May 2017</td>
</tr>
<tr>
<td>Section</td>
<td>Revision</td>
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<tr>
<td>090201.03</td>
<td>Added information pertaining to the requirement that stations must use Equipment Lease Management Service (ELMS).</td>
<td>OFP (047G)</td>
<td>May 2017</td>
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<tr>
<td>090210B</td>
<td>Added information stating VA will rely on guidance established in SFFAS 50 to identify opening balances for general property, plant, and equipment.</td>
<td>OFP (047G)</td>
<td>May 2017</td>
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<tr>
<td>090502 B, 090503 A, 090503 C</td>
<td>Added logistics and contracting collaboration with engineering and finance activity staff in accordance with Notice of Finding and Recommendation (NFR) Veterans Health Administration (VHA) 16-1 Property, Plant, and Equipment.</td>
<td>APS (047GA)</td>
<td>February 2017</td>
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<tr>
<td>090410</td>
<td>Clarified critical information Engineers and/or Program Managers must provide to Fiscal staff.</td>
<td>APS (047GA)</td>
<td>May 2016</td>
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<tr>
<td>090411</td>
<td>Added paragraph to clarify Fiscal staffs’ responsibility regarding capitalization of PP&amp;E.</td>
<td>APS (047GA)</td>
<td>May 2016</td>
</tr>
<tr>
<td>090502 B</td>
<td>Removed redundant language. Added reference back to section 090410.</td>
<td>APS (047GA)</td>
<td>May 2016</td>
</tr>
<tr>
<td>090502 D</td>
<td>Added paragraph to clarify donated property should be transferred from General Post Funds to Asset and Miscellaneous Fund.</td>
<td>APS (047GA)</td>
<td>May 2016</td>
</tr>
<tr>
<td>Appendix H</td>
<td>Updated to include current Capitalization Memo date January 21, 2016, which is now a fillable form.</td>
<td>APS (047GA)</td>
<td>May 2016</td>
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<tr>
<td>090201.01</td>
<td>Changed wording to improvements to land to match budget object codes.</td>
<td>APS (047GA)</td>
<td>July 2014</td>
</tr>
<tr>
<td>090201.02</td>
<td>Added another example of operating costs</td>
<td>APS (047GA)</td>
<td>July 2014</td>
</tr>
<tr>
<td>090201.02</td>
<td>Added costs for hazardous clean-up for costs not part of PP&amp;E and section reference</td>
<td>APS (047GA)</td>
<td>July 2014</td>
</tr>
<tr>
<td>090201.03</td>
<td>Revised sentence to use term obligation</td>
<td>APS (047GA)</td>
<td>July 2014</td>
</tr>
<tr>
<td>Section</td>
<td>Revision</td>
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<td>090201.03 A3</td>
<td>Revised sentence for placed in service</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090201.03D</td>
<td>Clarified sentence on maintenance expenses for PP&amp;E</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090202</td>
<td>Added paragraph on the purpose of capitalization and depreciation</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090202A3</td>
<td>Moved paragraph on subsequent projects to 090202.02 and removed references to the old section.</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090202.02</td>
<td>Updated section title to Subsequent Expenditures – Additions</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090202.02</td>
<td>Updated language to match SFFAS No. 6</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090202.03</td>
<td>Clarified Maintenance and Repair, referencing 090202.02</td>
<td>APS (047GA)</td>
<td>July 2014</td>
</tr>
<tr>
<td>090206E</td>
<td>Updated the section on Depreciation for subsequent projects.</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<td>090209 C</td>
<td>Updated paragraph for SFFAS 42</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>090210</td>
<td>Updated to reflect reporting requirements in SFFAS 42</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>0903</td>
<td>Updated References and Authorities to include SFFAS No. 42 and No. 44</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>0905</td>
<td>Added reference to Appendix H</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>Appendix B</td>
<td>Updated useful life table to not exceed 40 years.</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<td>Appendix G</td>
<td>Updated NCA Capitalization Form</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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<tr>
<td>Appendix H</td>
<td>New Appendix with VHA Capitalization Memo for Real Property</td>
<td>APS (047GA)</td>
<td>July 2014</td>
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APPENDIX A: GUIDANCE ON MANAGING VA ASSETS

A. Federal Guidance:

Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings. This Federally-mandated “green” guidance document applies to sustainability in existing VA buildings including renovations, maintenance and repairs, and leased space as well as new construction. The Federal guidance is being updated in 2013 under the same title.

B. VA Guidance:


2. VA Directives and Handbooks: http://www.va.gov/vapubs/index.cfm
   - VA Directive 7816, Lease Management
   - VA Handbook 7816, Lease Management Procedures
   - VA Directive 7633, Managing Underutilized Real Property, Including Disposal
   - VA Handbook 7633, Managing Underutilized Real Property, Including Disposal
   - VA Handbook 7348, Utilization and Disposal of Personal Property
   - VA Directive 7002/1, Logistics Management Procedures
   - VA Handbook 7002/1/, Logistics Management Procedures
   - VA Directive and Handbook 0011, Strategic Capital Investment Planning (SCIP) Program
   - VA Directive 4085, Capital Asset Management
   - VA Directive 0055, Energy and Water Management Program
   - VA Directive 0057, Environmental Management Program
APPENDIX B: VA REAL PROPERTY ESTIMATED USEFUL LIFE GUIDE

This appendix is provided as a guide when estimating useful life for [accounting] depreciation of Real Property, including land improvements, buildings, and fixed equipment. The useful life is provided as an average only. For each asset, the useful life will depend upon the type and/or construction used. In accordance with section 090201 C. 1., engineering staffs or program managers will provide support for deviations to the finance activity for recording the transaction. Although many of the assets listed in the table are generally used for recording subsequent projects that meet the capitalization criteria (Section 090202), the useful life may also be used for recording the initial asset.

<table>
<thead>
<tr>
<th>Item / Description</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Architectural</strong></td>
<td></td>
</tr>
<tr>
<td>Automatic door</td>
<td>10</td>
</tr>
<tr>
<td>Bench, bin, cabinet, counter, shelving built-in</td>
<td>15</td>
</tr>
<tr>
<td>Cabinet, biological safety</td>
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<td>Canopies</td>
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<td>Carpentry work</td>
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<tr>
<td>Ceiling finishes</td>
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<tr>
<td>Ceramic tile</td>
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<tr>
<td>Cubicle track</td>
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<td>Designation signs</td>
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<tr>
<td>Drapery track</td>
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<tr>
<td>Drilled piers</td>
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<td>Floor finishes</td>
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<td>Folding partitions</td>
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<td>Hood, fume</td>
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<td>ICU-CC counters</td>
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<td>Interior finish</td>
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<tr>
<td>Lockers, built-in</td>
<td>20</td>
</tr>
<tr>
<td>Mailboxes built-in</td>
<td>20</td>
</tr>
<tr>
<td>Millwork</td>
<td>20</td>
</tr>
<tr>
<td>Nurses’ counter</td>
<td>20</td>
</tr>
<tr>
<td>Overhead door</td>
<td>10</td>
</tr>
<tr>
<td>Painting, new construction</td>
<td>10</td>
</tr>
<tr>
<td>Partitions, interior</td>
<td>20</td>
</tr>
<tr>
<td>Item / Description</td>
<td>Useful Life</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Pass-through boxes</td>
<td>20</td>
</tr>
<tr>
<td>Patient’s wardrobes and vanities</td>
<td>20</td>
</tr>
<tr>
<td>Sink and drain board</td>
<td>20</td>
</tr>
<tr>
<td>Storefront construction</td>
<td>20</td>
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<tr>
<td>Toilet partitions</td>
<td>20</td>
</tr>
<tr>
<td><strong>Electrical</strong></td>
<td></td>
</tr>
<tr>
<td>Clock System, central</td>
<td>15</td>
</tr>
<tr>
<td>Conveying system</td>
<td>15</td>
</tr>
<tr>
<td>Doctors in/out register</td>
<td>20</td>
</tr>
<tr>
<td>Door closing devices</td>
<td>10</td>
</tr>
<tr>
<td>Electric lighting and power, Conduit and wiring</td>
<td>25</td>
</tr>
<tr>
<td>Elevator</td>
<td></td>
</tr>
<tr>
<td>Elevator</td>
<td></td>
</tr>
<tr>
<td>Dumbwaiter</td>
<td>20</td>
</tr>
<tr>
<td>Freight</td>
<td>20</td>
</tr>
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<td>Passenger, high-speed, automatic</td>
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<tr>
<td>Emergency light system</td>
<td>15</td>
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<tr>
<td>Escalator</td>
<td>20</td>
</tr>
<tr>
<td>Feed wiring</td>
<td>20</td>
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<tr>
<td>Fire alarm system</td>
<td>15</td>
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<tr>
<td>Fixtures</td>
<td>10</td>
</tr>
<tr>
<td>Generator set</td>
<td>20</td>
</tr>
<tr>
<td>Intercom system</td>
<td>15</td>
</tr>
<tr>
<td>Magnetic door holders</td>
<td>10</td>
</tr>
<tr>
<td>Nurse call system</td>
<td>15</td>
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<tr>
<td>Paging system</td>
<td>15</td>
</tr>
<tr>
<td>Passenger, other</td>
<td>20</td>
</tr>
<tr>
<td>Switch gear</td>
<td>30</td>
</tr>
<tr>
<td>Telephone system</td>
<td>10</td>
</tr>
<tr>
<td>Television antenna system</td>
<td>10</td>
</tr>
<tr>
<td>Transformer</td>
<td></td>
</tr>
<tr>
<td>Transformer</td>
<td></td>
</tr>
<tr>
<td>Oil Filled</td>
<td>30</td>
</tr>
<tr>
<td>Dry</td>
<td>15</td>
</tr>
<tr>
<td>Yard lighting</td>
<td>15</td>
</tr>
<tr>
<td>Item / Description</td>
<td>Useful Life</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Heating and Air Conditioning</strong></td>
<td></td>
</tr>
<tr>
<td>Boiler smokestack, metal</td>
<td>30</td>
</tr>
<tr>
<td>Clean air equipment</td>
<td>20</td>
</tr>
<tr>
<td>Cooling tower</td>
<td></td>
</tr>
<tr>
<td>Metal/wood</td>
<td>20</td>
</tr>
<tr>
<td>Large over 20 tons</td>
<td>20</td>
</tr>
<tr>
<td>Medium 5-19 tons</td>
<td>15</td>
</tr>
<tr>
<td>Small, under 5 tons</td>
<td>10</td>
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<tr>
<td>Duct work</td>
<td>20</td>
</tr>
<tr>
<td>Fan, air handling &amp; vent</td>
<td>20</td>
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<tr>
<td>Furnace, domestic type</td>
<td>15</td>
</tr>
<tr>
<td>Heat &amp; air conditioning system, all equipment &amp; units</td>
<td></td>
</tr>
<tr>
<td>Boiler</td>
<td>30</td>
</tr>
<tr>
<td>Compressor, air</td>
<td>20</td>
</tr>
<tr>
<td>Condense tank</td>
<td>20</td>
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<tr>
<td>Condenser</td>
<td>20</td>
</tr>
<tr>
<td>Controls</td>
<td>20</td>
</tr>
<tr>
<td>Cooler/humidifier</td>
<td>20</td>
</tr>
<tr>
<td>Heating, ventilating &amp; air conditioning system</td>
<td>20</td>
</tr>
<tr>
<td>Incinerator, indoor</td>
<td>10</td>
</tr>
<tr>
<td>Oil storage tank</td>
<td>30</td>
</tr>
<tr>
<td>Piping</td>
<td>25</td>
</tr>
<tr>
<td>Precipitator</td>
<td>15</td>
</tr>
<tr>
<td>Pump</td>
<td>25</td>
</tr>
<tr>
<td>Radiator, cast iron</td>
<td>30</td>
</tr>
<tr>
<td>Radiator, finned tube</td>
<td>20</td>
</tr>
<tr>
<td>Solar heat equipment</td>
<td>20</td>
</tr>
<tr>
<td><strong>Plumbing</strong></td>
<td></td>
</tr>
<tr>
<td>Fire protection in hoods</td>
<td>10</td>
</tr>
<tr>
<td>Laboratory plumbing, piping</td>
<td>40</td>
</tr>
<tr>
<td>Oxygen, gas, air, piping</td>
<td>30</td>
</tr>
<tr>
<td>Oxygen storage tanks</td>
<td>20</td>
</tr>
<tr>
<td>Plumbing fixture</td>
<td>20</td>
</tr>
<tr>
<td>Plumbing-piping</td>
<td>40</td>
</tr>
<tr>
<td>Plumbing-pump</td>
<td>40</td>
</tr>
</tbody>
</table>
## Estimated Useful Life for Calculating Depreciation (In Years)

<table>
<thead>
<tr>
<th>Item / Description</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pneumatic tube system</td>
<td>15</td>
</tr>
<tr>
<td>Sewerage, composite</td>
<td>40</td>
</tr>
<tr>
<td>Sprinkler &amp; fire:</td>
<td></td>
</tr>
<tr>
<td>Fire pump</td>
<td>25</td>
</tr>
<tr>
<td>Protection system</td>
<td>40</td>
</tr>
<tr>
<td>Smoke &amp; heat detectors</td>
<td>15</td>
</tr>
<tr>
<td>Sprinkler system</td>
<td>40</td>
</tr>
<tr>
<td>Tank and tower</td>
<td>40</td>
</tr>
<tr>
<td>Sterilize, built-in</td>
<td>20</td>
</tr>
<tr>
<td>Sump pump &amp; sewage</td>
<td></td>
</tr>
<tr>
<td>Piping</td>
<td>40</td>
</tr>
<tr>
<td>Ejector</td>
<td>10</td>
</tr>
<tr>
<td>Vacuum cleaning system</td>
<td>15</td>
</tr>
<tr>
<td>Water heater, commercial</td>
<td>15</td>
</tr>
<tr>
<td>Water storage tank</td>
<td>40</td>
</tr>
<tr>
<td>Water wells</td>
<td>40</td>
</tr>
<tr>
<td><strong>Site work</strong></td>
<td></td>
</tr>
<tr>
<td>Bumpers</td>
<td>5</td>
</tr>
<tr>
<td>Culverts</td>
<td>18</td>
</tr>
<tr>
<td><strong>Fencing</strong></td>
<td></td>
</tr>
<tr>
<td>Brick or stone</td>
<td>25</td>
</tr>
<tr>
<td>Chain link</td>
<td>15</td>
</tr>
<tr>
<td>Wire</td>
<td>10</td>
</tr>
<tr>
<td>Wood</td>
<td>8</td>
</tr>
<tr>
<td>Irrigation system (characterized as a drip system and only used in certain regions)</td>
<td>10</td>
</tr>
<tr>
<td>Lawn sprinkler system</td>
<td>15</td>
</tr>
<tr>
<td>Parking lot gate</td>
<td>5</td>
</tr>
<tr>
<td>Parking garage or structure</td>
<td>20</td>
</tr>
<tr>
<td>Sidewalks or pathways</td>
<td></td>
</tr>
<tr>
<td>Gravel</td>
<td>5</td>
</tr>
<tr>
<td>Asphalt</td>
<td>12</td>
</tr>
<tr>
<td>Concrete</td>
<td>15</td>
</tr>
<tr>
<td>Heated pavement</td>
<td>15</td>
</tr>
<tr>
<td>Item / Description</td>
<td>Useful Life</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Roadways and parking</td>
<td></td>
</tr>
<tr>
<td>Gravel</td>
<td>5</td>
</tr>
<tr>
<td>Asphalt</td>
<td>12</td>
</tr>
<tr>
<td>Concrete</td>
<td>15</td>
</tr>
<tr>
<td>Retaining wall</td>
<td>25</td>
</tr>
<tr>
<td>Shrubs, lawns, trees</td>
<td>10</td>
</tr>
<tr>
<td>Sign</td>
<td>12</td>
</tr>
<tr>
<td>Snow melting system</td>
<td>10</td>
</tr>
<tr>
<td>Turf, artificial</td>
<td>5</td>
</tr>
<tr>
<td>Underground utilities, including sewer and water lines</td>
<td>25</td>
</tr>
<tr>
<td><strong>Structural</strong></td>
<td></td>
</tr>
<tr>
<td>Bridges</td>
<td>40</td>
</tr>
<tr>
<td>Columbaria(^{52})</td>
<td>10</td>
</tr>
<tr>
<td>Committal Shelter</td>
<td>20</td>
</tr>
<tr>
<td>Computer flooring</td>
<td>15</td>
</tr>
<tr>
<td>Flagpoles</td>
<td>20</td>
</tr>
<tr>
<td>Loading docks</td>
<td>15</td>
</tr>
<tr>
<td>Building Masonry</td>
<td></td>
</tr>
<tr>
<td>Reinforced concrete frame</td>
<td>40</td>
</tr>
<tr>
<td>Steel frame, fireproofed</td>
<td>40</td>
</tr>
<tr>
<td>Steel frame not fireproofed</td>
<td>30</td>
</tr>
<tr>
<td>Reinforced concrete, commercial design</td>
<td>40</td>
</tr>
<tr>
<td>Roof covering</td>
<td>15</td>
</tr>
<tr>
<td>Sewage treatment plant</td>
<td>20</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td></td>
</tr>
<tr>
<td>Masonry</td>
<td>30</td>
</tr>
<tr>
<td>Wood</td>
<td>20</td>
</tr>
<tr>
<td>Water treatment plant</td>
<td></td>
</tr>
</tbody>
</table>

\(^{52}\) Unlike other assets, the useful life of a columbaria for depreciation purposes is based upon the period of time the columbaria is actively used for interments and not the operating life for usefulness. On average, a columbaria is filled within 10 years and is no longer available for additional interments.
APPENDIX C: FIXED ASSET PACKAGE SUBSYSTEM PROCEDURES

Note: On-hold pending a system change for FAP/FMS processing.

The procedures in the embedded Word document were previously included in the Fixed Asset Package Subsystem Manual. The index is provided to assist users in identifying the appropriate section(s) for reference. For overall PP&E policy including determination, costs, capitalization and expense, maintenance and repairs, etc., refer to appropriate sections in the chapter. The FAP procedures are not meant to provide policy, but to provide recommendations on how to record PP&E in the system.

A. FAP Subsystem Procedures Document

[Placeholder for FAP Word document.]

B. FAP Table of Contents [Placeholder]
APPENDIX D: EXAMPLES OF CAPITALIZATION VERSUS EXPENSE

A: Items Generally Capitalized: Assumed to meet the capitalization criteria (such as cost and useful life). (Refer to 090202A).

1. Addition of a new wing on a medical center. (Refer to 090202.02.)

2. Renovation of a patient wing to an x-ray, MRI, etc. wing. (Refer to 090202.02.)

3. A severely damaged or destroyed building reconstructed following a natural disaster. (Refer to 090202.04.)

4. An installation or replacement of building service equipment with larger or enhanced capacity, such as: (Refer to 090202.02 and .03.)
   - An air quality system;
   - An HVAC system; or
   - A security system to include fire, carbon, and security, or covers areas not previously covered.

5. A replacement of medical equipment that is an improvement with greater capability than the old equipment. (Refer to 090202.02 and .03.)

6. An installation or replacement of land improvements with larger or enhanced capacity, such as: (Refer to 090202.02 and .03.)
   - A sewer system;
   - An irrigation system; or
   - A replacement of a gravel parking lot with an asphalt cover.

7. An installation or replacement of landscaping, major in nature: (Refer to 090202.02 and .03.)
   - Retaining walls or fencing;
   - Series of sidewalks; or
   - Courtyards.

8. A major renovation or addition to a heritage asset used predominantly for Government service, a.k.a., a multi-use heritage asset. (Refer to 090202.02 and Volume III Chapter 6, Heritage Assets.)

B: Items Generally Expensed: Assumed not to meet the capitalization criteria.

1. An installation or replacement of landscaping, minor in nature: (Refer to 090202.02 and .03.)
   - Regrade;
   - Reseed; or
• Resolution of drainage problems.

2. Repavement of a parking lot with similar cover. (Refer to 090202.02 and .03.)

3. Repair of a roof or replacement of shingles in poor condition. (Refer to 090202.03.)

4. Maintenance and repair of building exterior: To be considered maintenance and repairs, the exterior is only being brought to the original state of usefulness. (Refer to 090202.03.)
   • Replace coping stones;
   • Resolution of leak issue;
   • Tuck point brick veneer; or
   • Scrape and paint.

5. Maintenance and repair of building Interior. To be considered maintenance and repairs, the interior is only being brought to the original state of usefulness. (Refer to 090202.03.)
   • Replace selected ceiling tiles, stair treads;
   • Painting; or
   • Repairing drywall.

6. Replacement of an emergency electrical system with a new system but one that is only up to code, not a significant upgrade. (Refer to 090202.03.)

7. Hazardous waste clean-up, e.g. asbestos, lead paint. (Refer to 090202.05.)

8. Restoration or improvements to a heritage asset, but not considered a multi-use heritage asset. (Refer to Volume III Chapter 6, Heritage Assets.)

C. Capitalization prior to October 1, 2013.

1. Capitalize a newly constructed building costing over $500,000, begun September 20, 2012 and completed, August 1, 2013. (Refer to 090202)

2. Capitalize a new X-Ray machine purchased for $187,000 on July 1, 2013, and accepted for use, September 5, 2013. (Refer to 090202)

D. Capitalization on or after October 1, 2013, threshold of $1,000,000.

1. Capitalize a renovation, costing $1,300,000, to expand capacity of a building, already recorded as a capitalized fixed asset, completed November 15, 2013. (Refer to 090202)
2. Capitalize a subsequent phase of a project put into service, on January 5, 2014, costing $99,000, when the initial phase of the project was placed in service September 18, 2013 and capitalized for $101,000. (Refer to 090202)

3. Expense from Work-in-Process a construction project, costing $500,000, to renovate a cemetery building (already recorded as a capitalized fixed asset), started May 1, 2013, and completed October 20, 2013. (Refer to 090202)

4. Expense an X-Ray machine purchased for $245,000 on September 20, 2013 and accepted for use on November 25, 2013. (Refer to 090202)
APPENDIX E: PROCEDURES TO TRANSFER PP&E WITHIN VA

A. Transfers within VA for Real Property Assets. For real property that is purchased or constructed by one station for another, the asset will not be transferred until it is placed in service. This may occur in phases as is the case for some WIP projects. The procedures below may be used for real property and energy project related real property.

1. The responsible engineering staff or program managers will provide the purchasing station with a capitalization memorandum or email for the completed real property identifying pertinent information for recording the asset. At a minimum, the information will include the type of project (building, improvement to land, other real property, etc.), the amount to be capitalized, date placed in service, and the useful life.

   a. The purchasing station (transfer out):

      (1) Finance will review the capitalization information received from engineering or the program manager and the WIP report for the capitalization amount.

      (2) Finance will process the proper SV transaction(s), using the table below as a guide, with one line for each document ID on the WIP report for the appropriate fund, e.g., 0158B1, and the DOC ID listed. The SV transaction(s) will remove the real property asset from GL 1720 (WIP) for the purchasing station.

<table>
<thead>
<tr>
<th>BOC</th>
<th>BOC Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3215</td>
<td>Improvements to Land – Capitalized</td>
<td>20</td>
<td>I</td>
<td>1712</td>
<td>1720</td>
</tr>
<tr>
<td>3220</td>
<td>Buildings – Capitalized</td>
<td>30</td>
<td>I</td>
<td>1730</td>
<td>1720</td>
</tr>
<tr>
<td>3240</td>
<td>Other Structures or Real Property – Capitalized</td>
<td>28</td>
<td>I</td>
<td>1740</td>
<td>1720</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Buildings)</td>
<td>30</td>
<td>I</td>
<td>1730</td>
<td>1720</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Other Structures)</td>
<td>28</td>
<td>I</td>
<td>1740</td>
<td>1720</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Leasehold Improvements)</td>
<td>29</td>
<td>I</td>
<td>1820</td>
<td>1720</td>
</tr>
</tbody>
</table>
After the asset is moved from GL 1720 WIP to the proper GL, the GN-068 program (for certain identified funds) will generate an automated SV transaction (RJ transaction type) that will transfer the full amount to the corresponding AMAF fund. Not all funds are identified in the GN-068 automated programming and do not transfer. For example, when the construction funds (0110, 0111) are used, the corresponding GN-068 RJ transaction will not automatically post. Users would need to post RJ D4 or RJ D5 for Buildings, RJ D6 or RJ D7 for Other Structures, or other RJ transaction as appropriate.

(3) Using the table below as a guide, Finance will process the proper SV D# or E# transaction and process and SV M6 transaction to transfer the real property asset out of their station’s asset equity account (AMAF or other fund).

### PURCHASING STATION - TRANSFER OUT

<table>
<thead>
<tr>
<th>BOC</th>
<th>BOC Description</th>
<th>SV</th>
<th>Ind</th>
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<tbody>
<tr>
<td>3210</td>
<td>Land – Capitalized</td>
<td>D3</td>
<td>D</td>
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<tr>
<td>3215</td>
<td>Improvements to Land – Capitalized</td>
<td>E2</td>
<td>D</td>
<td>5721</td>
<td>1712</td>
</tr>
<tr>
<td>3220</td>
<td>Buildings – Capitalized</td>
<td>D4</td>
<td>D</td>
<td>5721</td>
<td>1730</td>
</tr>
<tr>
<td>3240</td>
<td>Other Structures or Real Property – Capitalized</td>
<td>D6</td>
<td>D</td>
<td>5721</td>
<td>1740</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Buildings)</td>
<td>D4</td>
<td>D</td>
<td>5721</td>
<td>1730</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Other Structures)</td>
<td>D6</td>
<td>D</td>
<td>5721</td>
<td>1740</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Leasehold Improvements)</td>
<td>E9</td>
<td>D</td>
<td>5721</td>
<td>1820</td>
</tr>
<tr>
<td>####</td>
<td>As appropriate</td>
<td>M6</td>
<td>I</td>
<td>5730</td>
<td>5721</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

b. The **receiving station**:

(1) Finance will process the proper standard voucher (SV) transaction(s), using the table below as a guide, to transfer the real property asset into their asset equity account (AMAF or other fund).

### RECEIVING STATION - TRANSFER IN

<table>
<thead>
<tr>
<th>BOC</th>
<th>BOC Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3210</td>
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<td>M1</td>
<td>I</td>
<td>1711</td>
<td>5720</td>
</tr>
</tbody>
</table>

---

53 The GN-068 program is an automated process that transfers amounts recorded in the appropriated fixed asset general ledger accounts to the corresponding GL account in the AMAF Fund.
**RECEIVING STATION - TRANSFER IN**

<table>
<thead>
<tr>
<th>BOC</th>
<th>BOC Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits*</th>
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</thead>
<tbody>
<tr>
<td>3215</td>
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<td>MW</td>
<td>I</td>
<td>1712</td>
<td>5720</td>
</tr>
<tr>
<td>3220</td>
<td>Buildings – Capitalized</td>
<td>M2</td>
<td>I</td>
<td>1730</td>
<td>5720</td>
</tr>
<tr>
<td>3240</td>
<td>Other Real Property – Capitalized</td>
<td>M3</td>
<td>I</td>
<td>1740</td>
<td>5720</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Buildings)</td>
<td>M2</td>
<td>I</td>
<td>1730</td>
<td>5720</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Other Structures)</td>
<td>M3</td>
<td>I</td>
<td>1740</td>
<td>5720</td>
</tr>
<tr>
<td>3260</td>
<td>Energy Projects – Capitalized (Leasehold Improvements)</td>
<td>MX</td>
<td>I</td>
<td>1820</td>
<td>5720</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

(2) Finance will process an FA (Fixed Assets Acquisition) or FB (Fixed Assets Betterment) document in the AMAF or other fund, as appropriate, for the full amount of the capitalized project.

**B. Transfers within VA for Capitalized Personal Property.** All transfers of personal property will be conducted in accordance with VA Directive/Handbook 7348, *Utilization and Disposal of Personal Property*. The procedures below address the financial aspects of the transfer for capitalized personal property.

- Finance activities will work in conjunction with the local logistics staff to ensure that transfers are properly recorded and supported with appropriate documentation.

- Timing Differences. Allowable timing differences resulting in an imbalance between the GL and the FAP records will occur in instances where the receiving reports are processed during the end of an accounting period and the transfers by the purchasing facility to the receiving facilities could not be accomplished in the same accounting period.

  All timing differences stemming from the inter-facility transfer of equipment must be reconciled and cleared in the accounting period following the processing date of the receiver document.

1. **Consolidated Purchases by a Station and Transferred.** For equipment purchased by one station on behalf of other stations, the purchasing station will transfer the equipment to the receiving stations in the same accounting period the receiver document is processed.
The purchasing facility should not record the equipment in its FAP (either entered directly or through AEMS/MERS) except for the portion that will remain at the purchasing facility. For VHA, this will result in a red financial indicator. The resulting red financial indicator should be forwarded to the “Financial Indicator Waiver Committee” for a waiver. The VHA finance activity will document the waiver for audit purposes.

a. Purchasing station **does not** receive reimbursement from the receiving station:

(1) The **purchasing station** (transfer out):

- Logistics will enter an FA (acquisition) document for its portion of equipment purchased to establish the asset in the FAP and notify the finance activity that the remaining equipment is being transferred to the other stations.

- Logistics and the finance activity will notify the other stations that the personal property has arrived and is being transferred.

- The finance activity will process an SV transaction, as appropriate, for the equipment to be transferred-out to other stations. The following table provides examples of SV transactions.

<table>
<thead>
<tr>
<th>PURCHASING STATION - TRANSFER OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>Non-Expendable Equipment</td>
</tr>
<tr>
<td>ADP Non-Expendable Equipment</td>
</tr>
<tr>
<td>Equipment under Capital Lease</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

(2) The **receiving station**:

- Logistics will enter an FA (acquisition) document to establish the asset in the FAP and notify the finance activity of the transferred property.

- The finance activity will process an SV transaction, as appropriate, for the transferred-in asset. The following table provides examples of SV transactions.

54 Throughout this appendix where FAP is used (for personal property), it is assumed to be updated either directly to or through an interface with AEMS/MERS.
### RECEIVING STATION - TRANSFER IN

<table>
<thead>
<tr>
<th>Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Expendable Equipment</td>
<td>M4</td>
<td>I</td>
<td>1750</td>
<td>5720</td>
</tr>
<tr>
<td>ADP Non-Expendable Equipment</td>
<td>M5</td>
<td>I</td>
<td>1751</td>
<td>5720</td>
</tr>
<tr>
<td>Equipment under Capital Lease</td>
<td>M8</td>
<td>I</td>
<td>1811</td>
<td>5720</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

b. Purchasing station receives reimbursement from the receiving station:

1. The **purchasing station (transfer out)**:
   - Logistics will enter an FA (acquisition) document for its portion of equipment purchased to establish the asset in the FAP and notify the finance activity that the remaining equipment is being transferred to the other stations.
   - Logistics and the finance activity will notify the other stations that the personal property has arrived and is being transferred.
   - The finance activity will process an EB transaction with two lines: Line 001, EB 01 with a “D” indicator for the purchasing station; and Line 002, EB 01 with an “I” indicator for the receiving station. The fund will be the appropriated fund, not the AMAF Fund. The EB transactions will automatically generate SV transactions through the GN-068 in the appropriate GL accounts and AMAF Fund.

2. The **receiving station logistics staff** will enter an FA (acquisition) document to establish the asset in FAP. Refer to 1.a. (2) above.

2. **Transfer of Existing Personal Property from Station to Station.**

a. The **transfer out station**:
   - Logistics and finance will verify that the personal property being transferred has been previously established in the FAP and reconciled to the GL.
   - Finance will print the FAS2 FMS table for the equipment acquisition number. This will show the value of the equipment and the accumulated depreciation. To enter equipment with depreciation, refer to Step 2a-1 and continue to Step 2a-2. For equipment without depreciation, refer to Step 2a-2.
**Step 2a-1**

- Finance will enter an FC (modification) document in the FAP and change the depreciation method to MC (Manual Calculation). This will allow station to change the accumulated depreciation to zero in FMS, MDEP table.

- Finance will go to the MDEP table. Input Action: S, Fixed Asset type (example, E for Equipment) and Fixed Asset Acquisition Number and enter. It will show the depreciated amount.

  Change Action: C and on EQUITY 1: 0.00 and TOTAL: 0.00. This changes the depreciation amount to zero. A message will appear that a journal voucher is needed. If an asset has depreciation from prior fiscal years, the transferring-out station will need a copy of FA04 for EOY and the most current FA04. This information must be provided to receiving station.

- If accumulated depreciation has been posted for the current fiscal year, finance will process one of the following SV transactions to remove the accumulated depreciation and depreciation expense posted to the GLs.

<table>
<thead>
<tr>
<th>Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accum Depr - Non-Expendable Equipment</td>
<td>13</td>
<td>D</td>
<td>1759</td>
<td>6710</td>
</tr>
<tr>
<td>Accum Depr - ADP Non-Expendable Equipment</td>
<td>7J</td>
<td>D</td>
<td>1758</td>
<td>6710</td>
</tr>
<tr>
<td>Accum Depr - Equipment under Capital Lease</td>
<td>7K</td>
<td>D</td>
<td>1818</td>
<td>6710</td>
</tr>
<tr>
<td>Accum Depr (Amor) - IT Software</td>
<td>7M</td>
<td>D</td>
<td>1839</td>
<td>6710</td>
</tr>
</tbody>
</table>

- If accumulated depreciation has been posted in prior fiscal years, finance will process one of the following SV transactions to remove the accumulated depreciation and depreciation expense posted to the GLs.

<table>
<thead>
<tr>
<th>Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accum Depr - Non-Expendable Equipment</td>
<td>UF</td>
<td>D</td>
<td>1759</td>
<td>5730</td>
</tr>
<tr>
<td>Accum Depr - ADP Non-Expendable Equipment</td>
<td>UG</td>
<td>D</td>
<td>1758</td>
<td>5730</td>
</tr>
<tr>
<td>Accum Amor - IT Software</td>
<td>UH</td>
<td>D</td>
<td>1839</td>
<td>5730</td>
</tr>
</tbody>
</table>
### Transfer Out Station - Prior FY Depreciation

<table>
<thead>
<tr>
<th>Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accum Depr - Equipment under Capital Lease</td>
<td>UI</td>
<td>D</td>
<td>1818</td>
<td>5730</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

### Step 2a-2

- Logistics will enter an FC (modification) document to change the asset value to zero when the asset is ready to be transferred.

- Logistics will enter an FD (disposal) document to generate zero balance GL entries to avoid recognition of a loss on disposal in SGL account 7212.

- Finance will process an SV transaction, as appropriate, for the transferring-out asset type in FMS.

### Transfer Out Station

<table>
<thead>
<tr>
<th>Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits*</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Expendable Equipment</td>
<td>UA</td>
<td>I</td>
<td>5730</td>
<td>1750</td>
</tr>
<tr>
<td>ADP Non-Expendable Equipment</td>
<td>UB</td>
<td>I</td>
<td>5730</td>
<td>1751</td>
</tr>
<tr>
<td>IT Software</td>
<td>UC</td>
<td>I</td>
<td>5730</td>
<td>1830</td>
</tr>
<tr>
<td>Equipment under Capital Lease</td>
<td>UD</td>
<td>I</td>
<td>5730</td>
<td>1811</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

b. The **receiving station (transfer in)** will take the following actions:

- Logistics will enter an FA (acquisition) document to establish the asset in the FAP.

- If the original FA has depreciated, it has to be manually entered in FMS, MDEP table. This information comes from the transferring station. To enter equipment with depreciation, refer to **Step 2b-1** and continue to **Step 2b-2**. For equipment without depreciation, refer to **Step 2b-2**.

#### Step 2b-1

- Finance will enter a FC (modification) document to FAP and change the depreciation method to MC.
• Finance will go to FMS table MDEP. Input Action: S and Fixed Asset type, Fixed Asset Acquisition Number and enter. The MDEP will show the asset value and depreciation amount.

Change Action: C and input the depreciation amount on EQUITY 1: and TOTAL and press Enter. This action changes the depreciation amount. A message will appear that a journal voucher is needed.

• To post current fiscal year accumulated depreciation and depreciation expense to the GLs, finance will process an SV transaction, as appropriate, in FMS.

<table>
<thead>
<tr>
<th>RECEIVING STATION - TRANSFER IN - Current FY Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Accum Depr - Non-Expendable Equipment</td>
</tr>
<tr>
<td>Accum Depr - ADP Non-Expendable Equipment</td>
</tr>
<tr>
<td>Accum Depr - Equipment under Capital Lease</td>
</tr>
<tr>
<td>Accum Depr (Amor) - IT Software</td>
</tr>
</tbody>
</table>

• To post prior fiscal year accumulated depreciation to the GL, process an SV transaction, as appropriate, in FMS.

<table>
<thead>
<tr>
<th>RECEIVING STATION - TRANSFER IN - Prior FY Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Accum Depr - Non-Expendable Equipment</td>
</tr>
<tr>
<td>Accum Depr - ADP Non-Expendable Equipment</td>
</tr>
<tr>
<td>Accum Depr (Amor) - IT Software</td>
</tr>
<tr>
<td>Accum Depr - Equipment under Capital Lease</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts

**Step 2b-2**

• Finance will process an SV transaction, as appropriate, for the transferred-in asset. The following table provides examples of SV transactions.
## RECEIVING STATION - TRANSFER IN

<table>
<thead>
<tr>
<th>Description</th>
<th>SV</th>
<th>Ind</th>
<th>Debits</th>
<th>Credits*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Expendable Equipment</td>
<td>M4</td>
<td>I</td>
<td>1750</td>
<td>5720</td>
</tr>
<tr>
<td>ADP Non-Expendable Equipment</td>
<td>M5</td>
<td>I</td>
<td>1751</td>
<td>5720</td>
</tr>
<tr>
<td>IT Software</td>
<td>M7</td>
<td>I</td>
<td>1830</td>
<td>5720</td>
</tr>
<tr>
<td>Equipment under Capital Lease</td>
<td>M8</td>
<td>I</td>
<td>1811</td>
<td>5720</td>
</tr>
</tbody>
</table>

* Financing source transfer GL accounts
APPENDIX F: DEFERRED MAINTENANCE AND REPAIRS ESTIMATES AND FCA PROCESS

I. DEFERRED MAINTENANCE AND REPAIRS ESTIMATES. Refer to section 090209, Deferred Maintenance and Repairs, for overall VA guidance.

A. At the beginning of the fiscal year, the finance activity will record the estimated cumulative total of deferred maintenance and repair projects (for capitalized assets) based upon the final amount reported for September 30 of the prior year. The estimate will be adjusted at a minimum annually, no later than June 30th, or as necessary. The finance activity and engineering staffs or program managers will ensure that the September 30 balance reflects the proper amount as increased or decreased throughout the year.

B. The finance activity or program managers will work together to ensure the information is properly estimated and recorded.

1. The engineering staffs or program manager will prepare the deferred maintenance and repairs estimate with adjustments, as applicable to capitalized assets (based on the FCA report), in accordance with the PP&E policy. The estimate will be provided to the finance activity, in either hard or soft copy, and include supporting documentation. The documentation will be maintained by the finance activity and made available for any local audit.

a. The FCA is generally used as the starting point for the deferred maintenance and repairs estimate although other survey methods may be used, as long as they satisfy generally accepted government accounting standards for determining financial data reported for deferred maintenance and repairs. At a minimum, the FCA for a facility or station is conducted on a 3-year rotation.

b. Because maintenance and repairs, by definition, is expensed (not of a capital nature or capitalized), a dollar threshold does not apply when determining whether it is included. However, for practical purposes, deferred maintenance and repairs of an immaterial nature (as determined on a case-by-case basis) may be excluded if they were not originally identified on the FCA being used as the basis.

55 Prior to October 1, 2013, capitalization threshold is $100,000. On or after October 1, 2013, capitalization threshold is $1,000,000. It is possible to have deferred maintenance on capitalized assets, costing less than a million dollars, built before October 1, 2013, while a similar valued asset built after October 1, 2013, would not.
2. The engineer staffs or program managers should follow the process below when developing the estimate and adjustments for deferred maintenance and repairs. Determinations for whether a cost is capitalized or expensed will be based upon the policy provided in this chapter.

   a. Apply a consistent methodology for determining deferred maintenance and repairs across similar assets. Document any changes in the methodology when they occur.

   b. Review the FCA to ensure the maintenance and repair costs included are those that should have been incurred, but are deferred to future periods due to resource or funding constraints. Do not include costs that would normally be performed in a future period.

   c. Add other maintenance and repair work, routine and non-routine, not reported in the FCA that has been deferred.

   d. Add the increased cost of construction if the FCA report is out-of-date, and document the source of the cost escalation index as well as the methodology applied.

   e. Remove any items determined to be of a capital nature. Submit to the finance activity for a final decision any question on whether a cost should be considered as maintenance and repairs or an addition or improvement that may need to be capitalized.

   f. Remove any costs associated with work that has been completed or, if in progress, indicate that an invoice has been received and processed for payment.

   g. Remove costs associated with removal and clean-up of asbestos or other hazardous materials projects. These costs are included in the environmental liability account. Refer to Volume VI Chapter 8, Environmental and Disposal Liabilities, for policy and guidance.

3. The estimates, supporting documentation, and a signed memorandum are provided to the finance activity by major real property asset class in a written and supportable format, either in hard or soft copy.

4. The report and the supporting documentation to determine whether the costs included are expensed and should not be capitalized. Costs that are questionable should be discussed with the engineering staffs or program manager before a final
decision. The finance activity will maintain the supporting documentation for any changes to the estimates and provide a courtesy copy to the engineering staffs or program manager.

5. The finance activity will record the appropriate expense by the standard general ledger, to include, 9201 - land, 9202 - buildings, 9203 - equipment, 9204 - other structures, 9205 - heritage, and 9206 - offset deferred maintenance.

II. DESCRIPTION OF THE FCA PROCESS. Questions on this section should be referred to the VACO CFM FCA Office.

A. VA tracks its infrastructure needs for its owned assets through FCAs, although other generally acceptable methods are available. The FCAs are compiled by a multi-disciplinary team of architects and engineers, working in conjunction with, and receiving input and assistance from, facility engineering staffs or program managers.

B. The Office of Construction and Facilities Management (CFM) Consulting Support Service manages, conducts, and funds this VA-wide program, which is endorsed by VA management for assessing the real property condition of VA facilities.

C. An independent interdisciplinary professional CFM-trained contractor architect/engineer team tours and evaluates every VA building on a 3-year cycle. Each building component is assessed and, along with a description, given an estimate of the remaining useful life and a grade from “A” to “F.” The grade is based on VA guidelines for evaluating the condition of each building’s systems. Refer to example, Figure 9F-1 - FCA VAMC Building Site Template.

Figure 9F-1: FCA VAMC Building Site Template

Any building component graded “D” or “F” is given an estimated correction cost. Only components graded “D” or “F” are included in the recorded deferred maintenance and repairs entry. These correction costs are subtotaled for each building system and totaled for each building. Estimates are also provided for the cost of replacement for each building system and each building total. Many VA structures are also assessed.

D. FCA Ratings.
• FCA rating of A = Like-new condition
• FCA rating of B = Over half of useful life remains
• FCA rating of C = Less than half of useful life remaining / average condition
• FCA rating of D = Poor condition, at the end of its useful life
• FCA rating of F = Critical condition, requires immediate attention

E. FCA Report Results.

The finance activity should receive a copy of its responsible stations' or facilities' FCA reports. For copies of the FCA report, the finance activity should contact its local engineering staffs or program manager.
APPENDIX G: NCA CAPITALIZATION FORM

NCA Capitalization Authorization TEMPLATE 10-13.xls
### Capitalization Authorization:

- **Cemetery:**
- **Project Manager:**
- **Project Name:**
- **Date sent to PM:**
- **Project Number:**

### NEW ASSETS

<table>
<thead>
<tr>
<th>STA</th>
<th>DESCRIPTION OF ASSET</th>
<th>BOC</th>
<th>TOTAL COST</th>
<th>BFY</th>
<th>DATE CAPITALIZED</th>
<th>Assigned FA NUMBER</th>
<th>Assigned FA NAME</th>
<th>AO</th>
<th>BFY</th>
<th>FUND</th>
<th>Funding Project</th>
<th>ASSET CODE</th>
<th>FA Group</th>
<th>FA LOC</th>
<th>COST CTR</th>
<th>ESTIMATED LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**Total New Assets:** $0.00

### BETTERMENTS to EXISTING ASSETS:

<table>
<thead>
<tr>
<th>STA</th>
<th>DESCRIPTION OF ASSET</th>
<th>BOC</th>
<th>TOTAL COST</th>
<th>DATE CAPITALIZED</th>
<th>FA NUMBER of Existing</th>
<th>FA NAME from FA04 RSD Report</th>
<th>ASSET CODE</th>
<th>AO</th>
<th>BFY</th>
<th>FUND</th>
<th>Funding Project</th>
<th>ASSET CODE</th>
<th>FA Group</th>
<th>FA LOC</th>
<th>COST CTR</th>
<th>ESTIMATED LIFE</th>
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</thead>
<tbody>
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</table>

**Total Cost of Betterments:** $0.00

### ASSETS TO BE REMOVED:

(Assets that were demolished or rebuilt to the point where they no longer are the same asset - i.e. former storage building that is now computer lab)

<table>
<thead>
<tr>
<th>STA</th>
<th>DESCRIPTION OF ASSET</th>
<th>BOC</th>
<th>TOTAL COST</th>
<th>DATE CAPITALIZED</th>
<th>FA NUMBER of Existing Asset</th>
<th>FA NAME from FA04 RSD Report</th>
<th>ASSET CODE</th>
<th>AO</th>
<th>BFY</th>
<th>FUND</th>
<th>Funding Project</th>
<th>ASSET CODE</th>
<th>FA Group</th>
<th>FA LOC</th>
<th>COST CTR</th>
<th>ESTIMATED LIFE</th>
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</tbody>
</table>

**$0.00**

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**NCA Capitalization Form Continued:**
HAZARDOUS WASTE and HISTORICAL ASSET REPAIR: Clean up cost for Hazardous Waste AND any costs associated with work on Historical Assets

<table>
<thead>
<tr>
<th>STA</th>
<th>DESCRIPTION OF Work/Asset</th>
<th>BOC</th>
<th>TOTAL COST</th>
<th>DATE Expensed</th>
<th>AO</th>
<th>BFY</th>
<th>FUND</th>
<th>Funding Project</th>
<th>ASSET CODE</th>
<th>FA Group</th>
<th>FA LOC</th>
<th>COST CTR</th>
<th>ESTIMATED LIFE</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

$0.00

Notes And Reconciliation with WIP to be completed by NCA Finance

<table>
<thead>
<tr>
<th>WIP</th>
<th>Project</th>
<th>BFY</th>
<th>FUND</th>
<th>Amount</th>
</tr>
</thead>
</table>

WIP Total $ -

The above spreadsheet is used for capitalization of construction projects. The program manager only completes the columns highlighted in yellow.

First step is to classify generated asset in the three categories it should belong to (new assets, betterments, asset removal), majority of the asset generated are categorized as new assets. One you’ve determine the classification of asset. Complete the spreadsheet highlighted in YELLOW.

STATION: enter cemetery station

DESCRIPTION OF ASSET: Itemize all assets that were generated from the project such as committal shelter, site excavation, columbarium etc.

BOC (Budget Object Codes for Real Property): enter the BOC that applies to the asset:

- 3210 Land
- 3215 Improvements to Land
- 3220 Buildings and Improvements
- 3240 Other Structures & Facilities

TOTAL COST: enter total cost per asset (refer to detail tab in worksheet for obligations regarding project)

BFY (Budget Fiscal Year): enter budget fiscal year (refer to detail tab)

DATE CAPITALIZED: Enter date when construction project was completed
# APPENDIX H: VHA CAPITALIZATION MEMO FOR REAL PROPERTY

![Image of Fillable Capitalization Memo 1.21.2016.pdf]

## VHA Standardized Capitalization Memo for Real Property

Completion of this form requires discussion and coordination between Engineering and Accounting staff to ensure Accounting has the correct information to record PP&E transactions, timely and properly. Answer the questions below to determine if the costs will be capitalized. See VA Financial Policy Volume V, Chapter 9, Appendix H, for guidance in completing this form.

**Accounting POC (name/phone):**

**Engineering POC (name/phone):**

**Project:**

**Contract**

**Today’s Date:**

### Description (Describe the purpose of the project and identify all existing assets (e.g., building numbers) that are associated with the project):

- Replace boilers

### A&E Obligation:

- $>
- Obligation

### Construction Obligation:

- $>
- Obligation

### Total of all other obligations:

- $0.00
- Obligation

### Total Gross Cost:

- $0.00
- Total of additional cost (add total to the left)

### Criteria for Capitalization

**1. Is the cost for land? If YES, skip to question 5. If NO, proceed to question 2.**

**2. Does the net amount exceed $1 million for the project?**

- Total Gross Cost for the project: $0.00

- Subtract:
  - Less: NAC Surcharges
  - Less: Feasibility Studies
  - Less: Training Costs
  - Less: Costs related to continuing operations
  - Less: Asbestos, mold or other hazardous cleanup
  - Less: Other

- Net Amount (if less than $1 million, project will be expensed)

### 2A. If the project impacts multiple buildings/assets, identify the amount (or estimated amount) attributable to each asset. If project impacts only one asset proceed to question 3.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continue to question 3 for an asset with an amount equal to or above $1 million.

**3. Asset has a useful life of two or more years.**

- Asset has been acquired or constructed with the intention of being used or being available for use by VA.
- The asset is not intended for sale during VA operations.
- If all are yes, proceed to question 3A. If any are NO, the Net Amount (question 2) will be expensed.

**3A. Asset Useful Life:**

- For years. If the useful life deviates from policy, how/where was it derived?

**Appendix H**
## VHA Standardized Capitalization Memo page 2, for Project # ____________

### 3B. Choose one:
- [ ] This expenditure is for a new asset. Skip to question 4.
- [x] This expenditure is for an existing asset. Proceed to 3C.

#### 3C. Is the expenditure for routine maintenance or normal repairs to preserve the asset to continue to provide acceptable services?

If yes, the project is expensed. If no, proceed to 3D.

**Note:** VA will capitalize a maintenance or repair project that goes beyond the scope of maintenance and improves or enlarges the asset, and meets the capitalization criteria. See section 090202.03 for additional clarification.

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>090202.03</th>
</tr>
</thead>
</table>

### 3D. Choose all that apply:
- [ ] The project improved the capacity of the asset.
- [ ] The project enhances the quantity of services.
- [ ] The project adds functionality.
- [ ] The project extends the useful life of the building.
- [ ] The project replaces an entire system and also meets one of the above criteria. Examples include: (this list is not all inclusive)
  - Heating/air conditioning
  - Lighting fixtures
  - Elevators
  - Roof
  - Plumbing
  - Fire Alarm/Fire System

### 4. Identify the percentage placed in service: ____%. Multiply the Net Amount (question 2) by % $__________

If the cost of the initial phase placed in service does not meet the $1M threshold, wait until additional phases are place in service and the cost meets or exceeds the threshold to record the capitalized asset.

<table>
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<tr>
<th>090202.02</th>
<th>090202.05</th>
<th>090206</th>
<th>090502</th>
<th>090503</th>
</tr>
</thead>
</table>

### 5. Cost to be capitalized $__________

Project amount previously capitalized, if applicable $__________

Choose Asset Type:
- [ ] L (Land)
- [x] B (Bldg)
- [ ] H (Leasehold Improve)
- [ ] K (Improvements to land)
- [ ] O (Other Structures)
- [ ] U (Bldg Capital Lease)

FA#: ____________ FB#: ____________ Project Amount Capitalized to date $__________

Budget Object Code (BOC): ____________ (Only assigned BOC agrees with the asset type selected above)

Date placed in service ____________

### 6. Explanation for the decision to capitalize or expense the project:

7. Maintain this worksheet along with all supporting documentation used for the capitalization determination over the life of the asset plus three years following asset disposal or transfer. Documentation may be kept hard copy or electronic. 090201.03

### APPROVAL

This Capitalization worksheet has been completed in compliance with statutory, regulatory, policy and delegated authorities. Signatures below indicate that the information is accurate and complete as of the dates below. This worksheet will be retained with the asset documentation.

<table>
<thead>
<tr>
<th>Name/Signature:</th>
<th>Accountant</th>
<th>Date</th>
</tr>
</thead>
<tbody>
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<table>
<thead>
<tr>
<th>Name/Signature:</th>
<th>Engineer</th>
<th>Date</th>
</tr>
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<tbody>
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</table>
## ADD-ON WORKSHEET

To be completed for projects impacting multiple assets.

<table>
<thead>
<tr>
<th>Project #</th>
<th>Asset #</th>
<th>Amount $</th>
<th>YES</th>
<th>NO</th>
<th>Policy Section(s)</th>
</tr>
</thead>
</table>

3. Asset has a useful life of two or more years.
   Asset has been acquired or constructed with the intention of being used or being available for use by VA.
   The asset is not intended for sale during VA operations.

   If all are yes, proceed to question 3A. If any are NO, the Amount (question 2A) will be expensed.

3A. Asset Useful Life: _______ _______ years. If the useful life deviates from policy, how/where was it derived?

   Appendix B

3B. Choose one:
   - [ ] This expenditure is for a new asset. Skip to question 4.
   - [ ] This expenditure is for an existing asset. Proceed to 3C.

3C. Is the expenditure for routine maintenance or normal repairs to preserve the asset to continue to provide acceptable services?

   Note: VA will capitalize a maintenance or repair project that goes beyond the scope of maintenance and improves or enlarges the asset, and meets the capitalization criteria. See section 090202.03 for additional clarification.

   If yes, the project is expensed. If no, proceed to 3D.

3D. Choose all that apply.
   - [ ] The project improved the capacity of the asset.
   - [ ] The project enhances the quantity of services.
   - [ ] The project adds functionality.
   - [ ] The project extends the useful life of the building.
   - [ ] The project replaces an entire system and also meets one of the above criteria. Examples include: (this list is not all inclusive)
     - Heating/air conditioning
     - Lighting fixtures
     - Fire Alarm/Fire System
     - Elevators
     - Roof

   090202
   090202.02

4. Identify the percentage placed in service: _______. Multiply the Net Amount (question 2A) by % $ _______.

If the cost of the initial phase placed in service does not meet the $1M threshold, wait until additional phases are placed in service and the cost meets or exceeds the threshold to record the capitalized asset.

5. Cost to be capitalized $ _______.
   Project amount previously capitalized, if applicable $ _______.

   Choose Asset Type:
   - [ ] L (Land)
   - [ ] B (Bidg)
   - [ ] H (Leasehold Improve)
   - [ ] K (Improvements to Land)
   - [ ] O (Other Structure)
   - [ ] U (Bidg Capital Lease)

   FA# _______  FBA# _______  Project Amount Capitalized to date $ _______.

   Budget Object Code (BOC) _______ (verify assigned BOC agrees with the asset type selected above)

   Date placed in service _______.

6. Explanation for the decision to capitalize or expense the project.

7. Maintain this worksheet along with all supporting documentation used for the capitalization determination over the life of the asset plus three years following asset disposal or transfer. Documentation may be kept hard copy or electronic.

090201.03