

CAPITAL ASSET MANAGEMENT

1. **REASON FOR ISSUE:** This Directive establishes a uniform framework for VA's capital asset policies; this is intended to be general in nature; and applies to all VA capital asset — including land, building, and structure — activities.
2. **SUMMARY OF CONTENTS/MAJOR CHANGES:** This Directive sets forth VA's capital asset policy, which is based on a corporate capital asset multi-year framework, and is built from a uniform set of key components, consisting of:
 - a. Operational, Tactical, and Long-Range Capital Asset Plans;
 - b. The Strategic Capital Investment Planning Process;
 - c. Program-Specific Guidance; and
 - d. The Portfolio Capital Asset Management System.
 - e. This update removes references to the Investment Matrix, Investment Divestment Planning and Approval Process, and the VA Strategic Management Council.
3. **RESPONSIBLE OFFICE:** The Office of Management (004) is responsible for the contents of this directive.
4. **RELATED HANDBOOKS:** VA Handbook and Directive 0011, Strategic Capital Investment Planning Process dated August 8, 2011; VA Handbook and Directive 7816, Lease Management Procedures dated August 22, 2003; VA Handbook and Directive 7633, Managing Underutilized Real Property Assets, January 11, 2018.
5. **RESCISSIONS:** Directive 4085 dated August 7, 2003.

CERTIFIED BY:

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:**

/s/

Karen L Brazell
Principal Executive Director, Office of
Acquisition, Logistics, and Construction
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/s/

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VA CAPITAL ASSET MANAGEMENT

1. PURPOSE.

- a. This Directive establishes a uniform framework for VA's capital asset policies. This Directive is intended to be general in nature and applies to all VA capital asset activities. The Department is committed to streamlining business practices, optimizing performance of its capital assets, and encouraging implementation of innovative asset management initiatives.
- b. The VA-wide Capital Asset Management Policy is the framework each Administration and Staff Office will follow to ensure decisions and initiatives are planned and executed with the goal of constructing a corporate capital asset portfolio of maximum functional and financial value. Administrations and Staff Offices will ensure their capital asset management policies complement the VA-wide framework.
- c. Comprehensive policies, procedures, and business practices that reflect and/or incorporate components of VA's Capital Asset Management Policy do not need to be revised. Administrations and Staff Offices are responsible for detailed policies and procedures in support of their programs of responsibility. The Office of Management (OM), Office of Asset Enterprise Management (OAEM) is available to work collaboratively with Administrations and Staff Offices to develop these policies to facilitate the implementation of the corporate capital asset policy including:
 - (1) Detailed guidance about each of the VA Capital Asset Management Policy components;
 - (2) Departmentwide program-specific guidance for each asset category and capital program (i.e. energy savings performance contracts, enhanced-use leasing, land-use agreements, major construction, minor construction, non-recurring maintenance and repair, leases/General Services Administration (GSA) space assignments, and other real property).

2. POLICY.

- a. It is VA policy that decisions regarding investment, management, and disposal of VA's capital assets will be based on a corporate capital asset multi-year framework built from a uniform set of key components, reflective of the following four principles:

- (1) **Life-Cycle Management.** Policies, procedures, and business practices should facilitate effective management of capital assets at all life-cycle stages (planning, investing, acquiring, managing, and disposing). A life-cycle management approach incorporates asset management practices to monitor and assess asset performance using operational and financial criteria (e.g. utilization, functionality, condition, value, and cost of asset ownership).
- (2) **Empowerment of Accountable and Qualified Asset Decision-makers.** In order to build an integrated capital asset program, each Administration and Staff Office will internally identify the specific offices and/or positions within their organization, as well as their scope of responsibility and level of accountability, to provide capital asset-related management and functions. Below are the types of capital asset-related functions that organizations should identify and support:
 - (a) Planning and budgeting for capital programs and assets under their purview;
 - (b) Operations (e.g., buying or constructing, managing, owning, leasing, sharing, or other asset management acquisition or disposal transaction);
 - (c) Support (e.g., contract administration, and legal counsel); and/or
 - (d) Policy or oversight.
- (3) **Due Diligence.** Stewardship of VA's capital asset portfolio requires compliance with applicable laws, regulations, policies, and procedures; full accounting of all costs; prudent oversight and evaluation; and strong administrative controls. Due diligence reviews, if required for a particular program or action, will be conducted by the appropriate Administrations and Staff Offices according to the appropriate policy guidance within the area of review. Reviews will cover a wide range of issues (e.g., checklists and protocols for environmental requirements; assessments; liabilities; impacts; property entitlements or encumbrances; and closing documentation needs) as appropriate affecting capital asset management decisions.
- (4) **Maximizing Benefits and Value for Veterans.** Maintaining VA's capability to perform mission-critical functions and seeking to effectively and efficiently maximize benefits to Veterans are the primary consideration for every capital asset-related decision. VA's capital asset management policy consists of the following four components:
 - (a) **Operational, Tactical, and Long-Range Capital Asset Plans.** Administrations' and Staff Offices' plans for (1) investments; (2) actions to maintain or enhance the condition and/or utilization of existing assets; and (3) strategies to improve the functional and financial performance of

an asset or subset of assets will be outlined in operational, tactical, and long-range capital asset plans that are consistent with the strategic goals and objectives of the Department.

- (b) **Strategic Capital Investment Planning (SCIP) Process.** Each Administration and Staff Office will follow VA's SCIP Process for all proposed capital asset investments or divestments (VA Directive 0011). The SCIP process provides the structured methodology of options (e.g., enhanced-use leasing, construction, general leasing) that should be pursued in order to enhance, acquire, or divest a capital asset. SCIP takes into account requirements, costs, financing, strategic goals and objectives, and benefits to VA when ranking prospective capital projects across VA. Its primary purpose is to ensure all viable capital asset investment and divestment options have been explored and delineates reasons for viability or non-viability. Each Administration and Staff Office will follow VA's capital investment methodology for above-threshold investments requiring SCIP approval and are strongly encouraged to establish complementary investment/divestment methodologies and processes for below-threshold capital asset investments.
- (c) **Program-Specific Guidance.** For each capital asset program, Administrations and Staff Offices will follow processes and procedures outlined in Departmental program-specific guidance. Substantiating documentation should be provided to ensure:
- i. Compliance with applicable laws, regulations, policies, and procedures;
 - ii. Risk is minimized;
 - iii. Benefit to VA is maximized; and,
 - iv. Justification of the requirement, cost, and scope of the initiative, and/or other factors relevant to the investment, management, or disposal of the asset.
- (d) **Portfolio/Performance Measurement System.** The Department's capital asset portfolio information system will be established and maintained by OAEM. Each Administration and Staff Office will contribute to this portfolio to ensure VA is able to:
- i. Account for its inventory of capital assets;
 - ii. Determine the value of VA's assets;
 - iii. Monitor and evaluate the performance (strategic, operational, and financial) of VA's assets;

- iv. Plan and budget for VA's immediate and long-term asset requirements;
 - v. Account for expenses and liabilities associated with or derived from capital assets (e.g., VA lease payments, leasehold encumbrances of VA property, termination liabilities, and other contingent liabilities);
 - vi. Account for revenues and other economic benefits derived from such assets and ensure that such revenues are properly distributed either within VA or to the United States Treasury.
- b. In order to effectively oversee the performance of the Department's capital asset portfolio, key data elements will be captured to facilitate the tracking and reporting of performance metrics for new and existing assets.
- c. Measures will be developed and tracked that permit decision-makers to assess the functional and financial performance of a given asset, a class of assets, and the portfolio of all asset classes in order to make sound decisions regarding acquisition, maintenance, and disposal of VA's existing assets.

3. RESPONSIBILITIES.

- a. **Assistant Secretary for Management and Chief Financial Officer** shall participate in setting VA's capital asset management policy direction and ensures fiscal integrity of VA's portfolio of assets.
- b. **Under Secretaries, Assistant Secretaries, and Other Key Officials** shall:
 - (1) Participate in setting Departmental capital asset policy direction; and;
 - (2) Ensure that the policies set forth in this directive are implemented within their respective organizations and field activities.
- c. In addition to the responsibilities in Para 3(b) above, **The Assistant Secretary for Information and Technology and Chief Information Officer, and the Assistant Secretary for Human Resources and Administration/ Operations, Security and Preparedness** shall be required to have centralized capital asset management function or representative within their organization to serve as their Capital Asset Focal Point of Contact, to interact with OAEM. Capital Asset Focal Point of Contact's responsibilities are outlined in the directive.
- d. **Director, OAEM** shall be responsible for providing oversight in the capital asset arena to ensure a consistent and cohesive Department approach to capital asset portfolio management.

- e. **Office of Acquisition, Logistics and Construction (OALC); Director, Office of Construction and Facilities Management (CFM)** shall be responsible for planning, design, and construction of facilities for the Department, including determining architectural and engineering requirements and ensuring compliance of the Department with applicable laws relating to the construction program of the Department Major construction project management, major lease and build-to-suit project management; planning real property acquisitions, disposals and management, design and construction standards for health care, memorial, and regional benefits facilities; management of seismic corrections, physical security, historic preservation of VA facilities; and State Home Design Review. Specially, Major construction project management, major lease and build-to-suit project management; planning real property acquisitions, disposals and management, design and construction standards for health care, memorial, and regional benefits facilities; management of seismic corrections, physical security, historic preservation of VA facilities; and State Home Design Review.
- f. **Capital Asset Focal Points of Contact.** Capital Asset Focal Points of Contact for each Administration and Staff Office shall be responsible for working closely with OAEM to ensure capital assets are managed in a strategic, fiscally sound manner throughout the Department. Focal points bridge the oversight responsibilities of OAEM with the operational responsibilities for capital assets within the Administrations and Staff Offices. Specifically, focal points are responsible for:
- (1) Ensuring conformity to Department policies and procedures;
 - (2) Instituting procedures for investments both above and below-threshold;
 - (3) Coordinating submission of a long-term capital asset plan;
 - (4) Contributing to, and participating in, ongoing “real-time” maintenance of VA’s portfolio of existing assets including efforts done in the Capital Asset Inventory (CAI) database, the CAI annual data reconciliation, etc.; and,
 - (5) Maintaining operational responsibility for asset management activities.
- d. **VA SCIP Board and Panel.** VA SCIP Board and Panel shall score all major and minor construction, lease, and non-recurring maintenance business cases at established threshold levels. Their role also includes serving as liaison between the SCIP Board and the Administrations and Staff Offices to improve or defend capital investment proposals as well as providing feedback/guidance to the Administrations and Staff Offices on their SCIP action plans and business cases prior to final submission.

4. REFERENCES.

- a. [Federal Acquisition Streamlining Act of 1994.](#)
- b. [Government Performance and Results Act of 1993.](#)
- c. OAEM Intranet Website: <https://www.va.gov/oaem/about/cams.asp>
- d. [Office of Management and Budget \(OMB\) Circular A-11.](#)
- e. [OMB Capital Programming Guide.](#)
- f. [OMB Circular A-130, Management of Federal Information Resources.](#)
- g. [Public Law 104-106, Clinger-Cohen Act of 1996 \(August 8, 1996\).](#)
- h. CFM Technical Information Library Intranet Website: <https://www.cfm.va.gov/til/catalog.asp> .
- i. [Public Law 114-318 – Federal Property Management Reform Act of 2016](#)
- j. [VA Handbook and Directive 0011, Strategic Capital Investment Planning Process \(August 8, 2011\).](#)
- k. [VA Handbook and Directive 7415, VA Enhanced-Use Lease Program \(September 29, 2017\).](#)
- l. [VA Directive, Lease Management \(August 22, 2003\).](#)
- m. [VA Handbook 7816, Lease Management Procedures \(August 22, 2003\).](#)
- n. [VA Handbook and Directive 7633, Managing Underutilized Real Property Assets, \(January 11, 2018\).](#)

5. DEFINITIONS.

- a. **Capital Asset Management.** A comprehensive management effort to ensure that all organizational decisions and initiatives dealing with capital assets are planned and executed with the goal of constructing a corporate capital asset portfolio of maximum functional and financial value.
- b. **Capital Assets.** The President's Office of Management and Budget defines a capital asset as land, structures, equipment and intellectual property, including software and services that have an estimated useful life of two or more years (note: a "capital asset" is not necessarily the same as a "capitalized" asset). VA's capital assets include: land; buildings; intellectual property; leases; GSA space assignments; enhanced-use leases; enhanced-use sharing agreements; energy savings performance contracts; and other real property.

- c. **Due Diligence.** Due diligence can be defined as making a reasonable effort to provide accurate, complete information. A typical example of due diligence is a study that precedes the purchase of a property. Due diligence considers the physical, financial, legal, and social characteristics of the capital asset and its expected investment performance.
- d. **Strategic Capital Investment Planning (SCIP) Process.** This process ensures coordination of lease planning, acquisition, and budgetary efforts involving capital assets across VA which allows VA to prioritize its capital investment decisions across the portfolio.
- e. **Life-Cycle Management.** A management approach that incorporates asset management practices to monitor and assess asset performance using operational and financial criteria (e.g., utilization, functionality, condition, value, and cost of asset ownership).
- f. **Performance Measurement.** A systematic method for determining the responsiveness of capital assets to the Department's needs through the use of standards and/or milestones. This form of measurement can be used at all levels, including projects, assets, and portfolios.
- g. **Portfolio.** Inventory of capital asset holdings by type and location including liabilities, encumbrances, and market valuation.
- h. **Portfolio Management.** Managing capital asset holdings in such a way as to leverage an investment, or combination of investments, in order to minimize risk and maximize the cost-effectiveness and performance of VA's assets.