NGA Instruction for Determining Property Accountability

1. References.

a. Primary. NGA PD 4000R2, Policy Directive for Logistics, 24 November 2003.

b. Secondary. Secondary references are listed in appendix 1.

2. Purpose. Establish the policy, responsibilities, and procedures to properly identify and control accountable property. Implement a process for documenting and reporting property including internal use software in NGA's property management system. This instruction supersedes NI 4160.1R2, same title, 6 May 2004.

3. Policy. NGA will establish and maintain accurate, automated, and complete property records for all NGA accountable property in accordance with DoD Instruction 5000.64 (appendix 1, reference 5).

4. Applicability and Scope. This instruction applies to all NGA organizations and civilian, military, and contractor personnel. It applies to accountable personal property only; it does not apply to real property, such as land and buildings.

5. Definitions. Terms are defined in appendix 2.

6. Responsibilities.

a. Security and Installation Operations Directorate (SI).

(1) Director of SI.

(a) Ensures that the Agency implements a comprehensive property accountability program.

(b) Ensures that the Agency complies with DoD property reporting requirements.

(2) SI, Installation Operations Office, Property and Emergency Management Division (SIOM).

(a) Manages the NGA property accountability program including establishing and maintaining the records of a property accountability system suitable for audit because it includes a complete trail of all transactions.

(b) Ensures that all capitalized personal property received and issued is properly identified.

(c) Decides whether property is accountable and develops Agency instructions and guidance for managing accountable property.

(d) Reconciles property accountability records to financial data with assistance from the Financial Management Directorate (FM).

b. Acquisition Directorate.

(1) Ensures that accountable property is identified as part of acquisition planning and is listed as contract line items or subcontract line items detailing the components.

(2) Provides copies of accountable property acquisition plans and acquisition documents to SIOM.

c. FM.

(1) Assists SIOM in the validation of the acquisition and recorded costs of all capital property recorded in the property management system.

(2) Identifies property financial data requirements to support financial reporting.

(3) Coordinates with the Defense Property Accountability System (DPAS) Bethesda unit regarding property acquisition costs and depreciation reporting requirements.

(4) Certifies funds availability for purchase requests for property. This ensures that the proper line of accounting is used for the type of property to be acquired. FM provides SIOM copies of certified purchase requests.

d. Organizations prepare accountable property purchase requests, adequately document the system or equipment being purchased, and include the correct line of accounting using the NGA Financial Execution Classifications and Codes (FECC) Manual (appendix 2**,** reference 14) identify and control NGA property in accordance with this instruction.

e. Program managers, project officers, and others who manage NGA property provide SIOM notification of the receipt of all accountable property, including the supporting documents described in appendix 3.

7. Procedures. Accountable property transactions and data elements must be recorded in the property management system within 14 days of receipt. Each system component must be listed.

a. Identifying accountable property. NGA property that meets any of the following criteria is accountable and requires the establishment and maintenance of property records.

(1) Property having a unit cost of $5,000 or more.

(2) Internal use software valued at $100,000 or more and estimated useful life two years or more.

(3) Sensitive, classified, and historical property, regardless of cost. Automated information systems (AIS), such as personal computer (PC) workstations, portable information technology devices (PITDs), printers, or servers are classified at the highest level of information processed and retained by the system. Minimum classification for AIS is sensitive but unclassified.

(4) Property provided to third parties (such as Federal Agencies, State and local governments, and foreign governments) regardless of cost.

b. Establishing and maintaining accountable property records. Property records must be established and maintained in DPAS for all accountable property. NI 7410.4R8 (appendix 1, reference 12) provides detailed guidance for establishing and managing DPAS property records.

c. Determining the cost for capital assets. The method of acquisition determines the cost to record for capital asset acquisitions, as the following describes:

(1) Purchase. The cost of capital assets acquired by purchase is the acquisition cost plus applicable ancillary costs (appendix 3). Acquisition cost is the original purchase cost listed in the contract, less any purchase discounts (actual invoice). Ancillary costs are the amounts paid to bring the capital asset to a form and location suitable for its intended use, and are identifiable and material to the value of the asset. All costs must be supported by source documents. To ensure that entries to the accounting and accountability records are the same, the recorded costs must be based on the same source documents. This ensures that the property accountability records are integrated and subsidiary to the accounting system, and that property accountability records can be reconciled with the accounting system.

(2) Donation. The cost of capital assets acquired through donation is the estimated fair market value at the time acquired by NGA. Fair market value is an unbiased or equitable value based on the cost of a similar asset or the price that an impartial buyer would be willing to pay for the asset or a similar asset.

(3) Exchange. The cost of capital assets acquired through exchange between NGA and a nonfederal entity is the fair market value of the capital asset surrendered at the time of the exchange. If the fair market value of the capital asset acquired is more readily determinable than that of the asset surrendered, the cost is the fair market value of the asset acquired. If the fair market value cannot be determined, the cost of the asset acquired is the cost recorded for the asset surrendered, less any accumulated depreciation. This guidance applies only to exchanges between NGA and a nonfederal entity. Exchanges between NGA and another DoD component or Federal Agency are accounted for as transfers.

(4) Transfer-in. The cost of capital assets transferred from another DoD component or Federal Agency is the cost recorded on the transferring entity's books for the capital asset, less any accumulated depreciation. If the receiving DoD component cannot reasonably determine those amounts, the asset cost is its fair market value at the time of transfer.

(5) Trade-in. The cost of a capital asset acquired when trading in another asset is equal to the sum of the book value of the asset traded plus any cash paid or liabilities assumed for the new asset. Book value is the recorded cost of a capital asset, less its accumulated depreciation.

d. Special instructions. Specific guidance for determining the accountability of some of the more complex types of personal property is provided below.

(1) Contractor-acquired property (CAP).

(a) The ownership title to CAP passes to NGA consistent with the terms and conditions of the contract and in accordance with DoD FMR 7000.14-R, Volume 4, chapter 6, paragraph 060105 (appendix 1, reference 7). Regardless of when title passes (becomes Government property), the CAP is not entered in NGA property records until NGA takes control of the CAP.

(b) Prior to NGA taking control of the property, the contractor maintains property records for the CAP in accordance with the property clauses contained in the contract.

(2) Classified property.

(a) Classified property is accountable property. Classified property is accounted for in the unclassified property records system, DPAS, unless its existence or association with NGA or its affiliates is classified (and is stated so in a security classification guide), or a compilation of such equipment records is classified; in which case the property record then becomes classified and must be recorded in a secure system. If the Hand Receipt Holder (HRH) is unsure about the classification of a certain item of property, he or she consults their office (or NGA) security classification guide, their supervisor, or the SI Security Office (SIS) for guidance.

(b) Classified property records that are appropriate for recording in DPAS must contain the appropriate Controlled Inventory Item Code (CIIC) (listed in table 61, appendix 1, reference 2), indicating a security classification and/or security risk.

(3) Controlled Cryptographic Items (CCIs). CCIs are secure telecommunications or information handling equipment, associated cryptographic components, or other hardware items that perform a critical communication security (COMSEC) function. Unless classified at a higher level, these items are unclassified but must be controlled, and must bear the designation "Controlled Cryptographic Item or CCI." CCIs are federal stock-listed items, identified with a Controlled Inventory Item Code of "9." CCIs are considered sensitive property and are accountable.

(4) Government furnished property (GFP) to off-site contractors.

(a) Off-site contractors who possess NGA property (GFP) are required to maintain property records in accordance with the property clauses contained in their contract.

(b) In addition, NGA organizations must also maintain accountable records in DPAS for GFP at contractor sites. Specific GFP responsibilities of local DPAS units are specified in paragraph 7.b.(11) of NI 7410.4R8 (appendix 1, reference 12).

(5) GFP (to on-site contractors). When contractors are in possession of NGA property at NGA facilities, NGA maintains the accountable property records in DPAS.

(6) Historically significant property. Historically significant property is accountable property and must be recorded in DPAS. The NGA historian and his or her designated representative serve as the hand receipt holder

(HRH) and assistant HRH respectively for historically significant property. Historically significant property may include (but is not limited to) military equipment, maps, charts, imagery, photographs, books, publications, flags, works of art, unit and individual decorations, campaign streamers, and appropriate gifts. The historian or the historian's representative can advise on whether or not a property has historical significance. Historically significant property is cataloged, transferred, and disposed of in compliance with NI 7410.4R8 (appendix 1, reference 12).

(7) Internal use software including software licenses. Internal use software includes application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program that is purchased or otherwise acquired by NGA for operational or other internal use. Internal use software does not include software integrated in National Defense general property, plant, and equipment (PP&E), nor does it include software used in Special Test Equipment. Internal use software includes commercial off-the-shelf (COTS), internally developed software, contractor-developed software or purchased software. Software accountability is determined as follows:

(a) Internal use software.

i. Internal use software is accountable property and a capital asset if purchased internal use software costs $100,000 or more and has an estimated useful life of two years or more.

ii. Internal use software that does not meet capitalization requirements is administratively controlled property, to be controlled according to licensing arrangements, if applicable, and any administrative controls applied by the NGA organization that has responsibility for the software. It is not recorded in accountable property records. End users determine the type of controls needed on this type of property.

(b) Software licenses. Software acquired via annual licensing arrangements is normally not considered accountable property. However, it is accountable property if the cost of the licensing arrangement meets the capitalization threshold, and one or both of the following criteria:

i. The licensing arrangement transfers the software ownership at the end of the arrangement.

ii. The licensing arrangement contains an option to purchase the software at a bargain price.

(c) Bulk purchases of software. Bulk purchases of software programs and modules (or components of a total software licensing arrangement over $100,000) do not meet the capitalization threshold unless the individual unit costs meet the capitalization threshold. If the per item cost of a bulk purchase (for example, numerous copies of spreadsheets and word-processing programs) does not meet the capitalization threshold, the bulk purchase should be expensed in the period acquired and is not recorded in accountable property records.

(d) Integrated software. Computer software that is integrated into and necessary to operate general PP&E, rather than perform an application, is considered part of the PP&E of which it is an integral part. If the PP&E (as a unit) meets accountability criteria, it is accountable property and must be recorded in DPAS.

(8) Loaned property. Property, regardless of cost, on loan to an international partner, Government partner, laboratory, or school is accountable property and must be accounted for in DPAS, in the HRH account of the office of primary responsibility for the loaned property.

(9) Locally configured or assembled systems. A system is an interdependent group of items, assemblies, sub-assemblies, printed circuit boards, or other components connected together to perform a specific function. Each system loaded in DPAS is assigned a unique System Identification Code (SIC) to link components to the overall end item. Specifically, NGA systems must be accounted for as follows:

(a) Catalog the end item using an acquisition cost of zero or the actual cost if identifiable.

(b) Catalog and record the components if their acquisition cost is $5,000 or more (or if the components meet any other accountability criteria of this instruction such as sensitive items and PC workstations.

(c) Affix the bar code label to each component and the end item.

(d) If affixing the bar code label to the property would affect the operation, it need not be affixed. Document this situation in the remarks field of the property record.

(10) Non-NGA property in NGA facilities. Property that belongs to a non-NGA organization (located in a NGA facility) and is not under NGA control is considered non-NGA property. NGA control is defined as "NGA having direct control of the use, maintenance, and disposition of the property." Non-NGA property is not included in NGA's accountable property records.

(11) PCs and PITDs. PCs, including PITDs, are accountable property. PCs are accounted for in DPAS as PC workstations, consisting of the central processing unit (CPU), monitor, keyboard, and mouse. Total cost of the PC workstation is recorded in DPAS under the CPU record.

(12) Property acquired by lease. The cost of capital assets acquired under a capital lease is equal to the amount recognized as a liability for the capital lease at its inception, plus any cash paid or other consideration given.

(a) Capital lease. Capital leases transfer substantially all the benefits and risks of ownership to the lessee. Capital leases are accountable assets and must be recorded and depreciated in DPAS. A lease is considered a "capital lease" if (at its inception) it meets the DoD capitalization threshold and one or more of the following criteria:

i. The lease transfers ownership of the property to the lessee by, or at, the end of the lease.

ii. The lease contains an option to purchase the leased property at a bargain price.

iii. The lease term (the portion not subject to cancellation, plus all periods, if any, representing renewals or extensions that can reasonably be expected to be taken) is equal to or greater than 75 percent of the estimated economic life of the leased property.

iv. The present value of rental and other minimum lease payments (excluding that portion representing executory cost) equals or exceeds 90 percent of the fair value of the leased property.

(b) Operating lease. If a lease does not meet the "capital lease" criteria, it is considered an operating lease and is not an accountable asset.

(13) Property acquired by transfer or donation. Property transferred or donated to NGA that meets the NGA requirements for accountable property must be recorded in DPAS.

(14) Small arms. Small arms (category IV), ammunition, and explosives (all categories) are sensitive property and must be included in accountable records. Small arms must also be reported according to the DoD Small Arms Serialization and Reporting Program (DoDSASP) (appendix 1, reference 3).

e. Administratively controlled property. Administratively controlled property includes property such as office furniture, pilferable items, and certain types of durable operating materials and supplies, including hazardous, seized and confiscated, and scrap property. Administratively controlled property is not accountable property and is not recorded in accountable property records. Organization managers determine the controls needed for this property to ensure proper use, control, and disposition. Administratively controlled property is marked as Government property to the maximum extent practicable. Use of the Government property label (NSN 7690-00-130-3252) is encouraged. Administratively controlled property is disposed of through local site disposal units.

f. Inventory. Physical inventory of accountable property is required (NI 7410.4R8, appendix 1, reference 12). Accountable property officers must maintain records, including a complete trail of transactions, suitable for audit per DoDI 5000.64 (appendix 1, reference 5).

g. Additional guidance. Additional guidance regarding property accountability is located on the SI property management web page.

Appendix 1
References

1. GAO/AIMD-00-21.3.1, Standards for Internal Control in the Federal Government, November 1999.

2. DoD 4100.39-M, Federal Logistics Information System Procedures Manual, Volume 10, January 2003.

3. DoD 4140.1-R, DoD Materiel Management Regulation, 1 May 1998.

4. DoD 4161.2-M, DoD Manual for the Performance of Contract Property Administration, December 1991.

5. DoDI 5000.64, Defense Property Accountability, 13 August 2002.

6. DoD 5200.1-R, Information Security Program, January 1997.

7. DoD FMR 7000.14, Volume 4, Property, Plant, and Equipment, Chapter 6, 22 April 2003.

8. DoD 7950.1-M, Defense Automation Resources Management Manual, September 1988.

9. NI 2000.2R1, NGA Instruction for Loan of Equipment to Foreign Countries and International Organizations, 24 November 2003.

10. NI 4160.3R3, NGA Instruction for Investigations of Lost, Damaged, or Destroyed Property, 1 October 2004.

11. NI 5100.1R6, NGA Instruction for Acquisition Regulation Implementation, 5 January 2004.

12. NI 7410.4R8, NGA Instruction for Property Management, 1 October 2004.

13. NI 8100.1R7, Portable Information Technology Devices, 14 September 2004.

14. NGA Financial Execution Classifications and Codes (FECC) Manual, current version.

Appendix 2
Definitions

1. Accountable personal property. A term used to identify personal property recorded in a formal property management or accounting system.

2. Capitalized property. In general, property that costs $100,000 or more, and has an estimated useful life to NGA of two years or more. Capitalized property is accounted for and depreciated in DPAS.

3. Classified property. Items designated as having characteristics that may require them to be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity in the interest of national security.

4. Contractor acquired property. Property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title.

5. Durable property. Property that is not consumed in normal operations.

6. Inventory. Tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. Inventory includes items for sale or transfer to (1) entities outside the Federal Government, or (2) other Federal entities.

7. Government-furnished property (GFP). Property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor.

8. Government property. All property owned by or leased to the Government or acquired by the Government under the terms of a contract. It includes both GFP and contractor-acquired property.

9. Operating material and supplies. Operating materials and supplies consist of tangible personal property to be consumed in normal operations. Excluded are goods that have been acquired for use in constructing real property, and inventory.

10. PC workstation. Central processing unit (CPU), monitor, keyboard, and mouse.

11. Personal property. Any property including military equipment, but excluding real property, consumable items, component parts of a higher assembly, or items that lose their individual identity through use. Some personal property is subject to capitalization if its cost exceeds the DoD capitalization threshold, it has an estimated useful life of two years or more, it is not intended for sale in the ordinary course of operations, or it is acquired or constructed with the intention of being used or being available for use by an entity. Intangible assets such as software, copyrights, and similar intellectual assets are considered personal property so long as they meet these criteria.

12. Pilferable items. Items that have a ready resale value or application to personal possession and that are especially subject to theft.

13. Portable information technology device (PITD). PITDs consist of laptop computers and personal digital assistants (PDAs).

14. Sensitive property. Items that require a high degree of protection and control due to statutory requirements or regulations, such as narcotics and drug abuse items; precious metals; items that are high value, highly technical, or a hazardous nature; small arms, ammunition, explosives, and demolition material; and AIS processing sensitive but unclassified information that is retained by the system.

15. Systems. Non-separable dedicated equipment or components linked together and used in the performance of a service or function in support of a NGA mission. This definition is for property accountability purposes.

(1) Automated Data Processing (ADP) systems. ADP systems are typically referred to as mainframe or minicomputer systems, and generally, do not include personal computers linked to a central server and used in an office environment. Appropriate ADP systems are capitalized and depreciated when the total cost of the system (considering the individual components as a whole system) equals or exceeds the DoD capitalization threshold.

(2) PCs. When they are not attached to and used solely for the operation of an ADP system PCs are accounted for in NGA's property management system but are excluded from the accounting and financial statement reporting of ADP systems. The costs of the PCs are included in the financial statement reporting only if the costs of the individual PCs equal or exceed the DoD capitalization threshold.

Appendix 3
Components of Valuation

1. Ancillary costs and supporting documentation.

a. Ancillary costs examples follow:

(1) Amounts paid to vendors for services or goods related to the acquisition or construction of capital property.

(2) Transportation charges to the point of initial use.

(3) Handling and storage costs.

(4) Engineering, architectural, and other outside services for designs, plans, specifications, and surveys.

(5) Site preparation costs.

b. Supporting documents include the following:

(1) Procurement instruments, such as DD Form 1155, Order for Supplies and Services, DD Form 448, Military Interdepartmental Purchase Request (MIPR), contracts, and any other Government procurement instruments.

(2) Receiving Report (DD Form 250, Material Inspection and Receiving Report) or other Government documents authorizing payment.

(3) Other ancillary documents, such as commercial or Government bills of lading, job and work orders, travel vouchers, and Government purchase card statements.

2. Providing essential data elements for assets.

a. Accountable property records. Accountable property records must contain the NGA Contract/Purchase Order and the accounting Fund Code and Element of Expense Investment Code (EEIC) used to acquire the property. The records must also include other standard data elements to identify physical location, system identification, or level of risk, as described in greater detail on the SIOM website.

b. Contracts. Contracts for accountable property must provide contract line item numbers (CLINs) for all separately identifiable accountable property.

(1) Contracts for the acquisition of capital property must have the deliverables listed as separate CLINs or sub-CLINs. A CLIN or sub-CLIN

must be listed for each non-separable deliverable system, component, or stand-alone capital asset acquired.

(2) The CLIN or sub CLIN must include descriptive identification and actual acquisition cost for each accountable property item or system. The CLIN or sub-CLIN must also identify the appropriate equipment EEIC.

3. Depreciation. Capital property is depreciated over the useful life of the property. The useful life must be at least two years or more and is determined at the time the property is entered into service.

4. Improvements to capital property. Improvements to capital property represent additional costs to the asset that increase the asset's capacity, size, efficiency, or estimated useful life. Examples include equipment upgrades and equipment service life extensions. The recorded cost for improvements includes the cost of the improvement plus the cost incurred to bring the improvement to a form and location suitable for its intended use.

5. Impairments to capitalized software. Impairment to capitalized software occurs when the software no longer has substantial service potential and the software will be removed from service, or when a significant reduction occurs in the capabilities, functions, or uses of the software. When impairment occurs to post-implementation and operational software, it should be recognized, measured, and recorded in the property management system.

6. Bulk purchases. Personal property purchased in large lots such as, multiple single items acquired simultaneously that individually meet the capitalization criteria, is capitalized and individually recorded in the property management system.

7. Reconciliation**.** Program managers, FM personnel, and the SIO accountable property officer must reconcile recorded costs (in the NGA property management system) of capital assets to obligations and expenditures (in the accounting system).

8. Additional information. The SIOM property management website and the FECC Manual on the FM Financial Information Tool Suite (FITS) website provides additional information to assist organizations in identifying and reporting capitalized property.