



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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26 2003

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE ARMY
(ACQUISITIONS, LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTORS OF THE DEFENSE AGENCIES
USSOCOM, DIRECTOR OF SORR – J8
USSOCOM, OFFICE OF ACQUISITION EXECUTIVE

SUBJECT: Accounting for the Impacts of Changes in Operational Tempo – Switch to
Activity-Based Depreciation for Military Equipment

The Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) (OUSD(AT&L)), Property and Equipment Policy Office (P&EPO) and the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Accounting and Finance Policy (A&FP) Directorate initiated a Military Equipment Useful Life Study to examine the impacts of operational tempo (OPTEMPO) on the useful lives of military equipment. The results of this effort determined that, for certain classes of military equipment, useful life is driven by two variables: usage consumed (e.g., miles driven, hours flown) and programmatic/technical obsolescence. While programmatic and technical obsolescence cannot be easily measured, the useful lives of some types of military equipment can be measured and are more appropriately expressed in terms of usage (design service life expressed in hours or miles) rather than time.

We have directed the P&EPO and the A&FP Directorate to switch from a straight-line, time-based schedule to an activity-based schedule for the depreciation of military equipment impacted by changes in OPTEMPO where appropriate. In response, the A&FP Directorate has updated the DoD Financial Management Regulation Volume 4, Chapter 6 to allow the use of activity-based depreciation for military equipment. Further, the P&EPO is working to modify the Capital Asset Management System – Military Equipment (CAMS-ME) to allow for activity-based depreciation, specifically for



fighter/attack aircraft, airlift aircraft, rotary wing aircraft, combat vehicles, and tactical vehicles. For Air Force assets only, this switch to activity-based depreciation will occur within the Air Force's designated system for fixed asset accounting. The implementation of activity-based depreciation recognizes the change in an asset's value as a result of use and will more closely align financial reporting with the rate of operational use data and information to assist with capital planning efforts.

The P&EPO is planning to interface CAMS-ME with authoritative systems for OPTEMPO data across the Department to obtain the data necessary to support activity-based depreciation for military equipment. The following data is required to be received by CAMS-ME:

(1) Usage-Based Design Service Life. This is defined as the product of the original equipment manufacturer's engineering-based design service life (in miles or hours) plus any Service Life Extension Program/Recapitalization/Rebuild actions that extend the service life. Design service life data will be required at the type designation or asset level as appropriate for the type of equipment. This field should be updated and sent to CAMS-ME as revisions to design service life information occur.

(2) Cumulative Usage. This is defined as the cumulative amount of asset use, expressed in hours flown or miles driven, expended over the life of an asset against its usage-based design service life. Cumulative usage data will be required at the asset level and on a quarterly basis to support quarterly financial reporting for assets impacted by changes in OPTEMPO.

This switch to activity-based depreciation in CAMS-ME will be effective for your Service/ Agency once the following criteria are met:

(1) A system of record exists within your Service/Agency that captures usage-based design service life and cumulative usage data and information, as defined above, for military equipment assets that are impacted by changes in OPTEMPO;

(2) A policy and process are in place for your Service/Agency system of record to update and maintain accurate usage-based design service life and cumulative usage information for each asset; and

(3) The data and information in your Service/Agency system of record are current, complete, and reliable at the individual asset level, with each asset record identifiable by type designation and asset identifier (e.g., serial number, tail number).

If your current systems do not meet the above criteria, your assistance is requested to begin working to meet these criteria in your Service/Agency systems of record to facilitate the automated switch to activity-based depreciation. The P&EPO will report to us on a bi-annual basis those programs that have transitioned to activity-based depreciation and those systems which directly report usage data into CAMS-ME to facilitate this switch. Representatives of the P&EPO will be in contact with system owners to discuss plans for meeting the above criteria and developing an interface with CAMS-ME. The Air Force will be required to report to the P&EPO its quarterly progress

in transitioning its designated system for fixed asset accounting to activity-based depreciation for aircraft impacted by changes in OPTEMPO.

Questions concerning the switch to activity-based depreciation should be directed to Steve Tkac/P&EPO/ at Steve.Tkac@osd.mil or 703-604-6350 x-125, or to Victoria Post/A&FP Directorate/ at Victoria.Post@osd.mil or 703-602-0180.



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