



THE SECRETARY OF THE NAVY

SECNAV M-5200.45
FEBRUARY 2019



DEPARTMENT OF THE NAVY GENERAL EQUIPMENT ACCOUNTABILITY AND MANAGEMENT PROCEDURES MANUAL



PUBLISHED BY

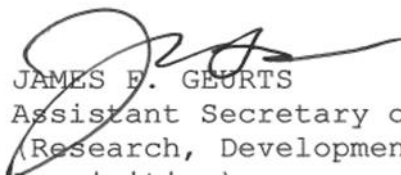
THE ASSISTANT SECRETARY OF THE NAVY
(RESEARCH, DEVELOPMENT AND
ACQUISITION)

FOREWORD

Per the authorities of references (a) and (b), this manual implements the policy established in reference (c).

This manual specifies procedures for maintaining accurate financial and physical accountability, management and sustained auditability of Department of the Navy (DON) General Equipment (GE). These procedures support the ability to trace rights and obligations, existence and completeness, and valuation of all DON-owned GE; regardless of physical custody or geographical location. The procedures in this manual are applicable to all GE within the DON.

This manual is applicable to the offices of the Secretary of the Navy, the Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC) and all Navy and Marine Corps activities, installations, commands, ships and stations.



JAMES E. GEURTS
Assistant Secretary of the Navy
(Research, Development &
Acquisition)

TABLE OF CONTENTS

FOREWORD	i
TABLE OF CONTENTS	ii
REFERENCES	iv
CHAPTER 1 - GENERAL	
1. Purpose	1-1
2. Applicability	1-1
3. Definition	1-1
4. Responsibilities	1-5
CHAPTER 2 - ACCOUNTABLE SYSTEMS AND RECORDS	
1. Accountable Property Systems of Record (APSR)	2-1
2. Accountable Property Records	2-2
3. Termination of Accountability	2-6
CHAPTER 3 - FINANCIAL REPORTING PROCEDURES	
1. General	3-1
2. Capitalization	3-1
3. Valuation	3-2
4. Maintaining the General Ledger	3-3
5. Missing Documentation	3-4
CHAPTER 4 - ASSUMPTION OF ACCOUNTABILITY	
1. General	4-1
2. Receipt and Acceptance from Industry	4-2
3. Receipt of Requisition from a DoD Supplier	4-5
4. Transfers-In	4-6
5. Unplanned Gains	4-9
6. In On Loan	4-10
7. Seized/Forfeited GE	4-12
8. Leases	4-13
9. Donated GE	4-15
10. Exchanged GE	4-16
CHAPTER 5 - MAINTAINING ACCOUNTABILITY	
1. Physical Inventories	5-1
2. Depreciation	5-4
3. Improvements	5-7
4. Impairment	5-9

CHAPTER 6 - TERMINATION OF ACCOUNTABILITY

1. Disposals	6-1
2. Damaged, Impaired or Obsolete GE	6-2
3. Excess	6-3
4. Transferred-Out GE	6-4
5. Sales of GE	6-6
6. Unplanned Losses	6-7

ACCOUNTABILITY AND CAPITALIZATION THRESHOLDS	A-1
--	-----

DoD STANDARD EXPECTED USEFUL LIFE VALUES	B-1
--	-----

GLOSSARY AND TERMS	C-1
--------------------	-----

LIST OF ACRONYMS	D-1
------------------	-----

REFERENCES

- (a) SECNAVINST 5430.7R
- (b) SECNAVINST 5200.42
- (c) SECNAVINST 5200.45
- (d) DoD Instruction 5000.64 of 31 August 2018
- (e) DoD Instruction 4161.02 of 31 August 2018
- (f) DoDM 4160.21, Volumes 1-4, Defense Material Disposition of 31 August 2018
- (g) DoD Instruction 7000.14 of 17 September 2008
- (h) USD(AT&L) and USD(C) Joint memo "Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant and Equipment" dated 22 Sep 2013
- (i) OPM memo M-06-16 "Protection of Sensitive Agency Information" dated 23 Jun 2006
- (j) OPM memo M-06-19 "Reporting Incidents Involving Personally Identifiable Information and Incorporating the Cost for Security in Agency Information Technology Investments" dated 12 Jul 2006
- (k) DoDM 4140.01 Volumes 1-12, DoD Supply Chain Materiel Management Procedures, dates vary by volume
- (l) SFFAS 6, Accounting for PP&E of Nov 1995
- (m) SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment of 4 Aug 2016
- (n) SECNAVINST 5400.15C
- (o) 10 U.S.C. §5025
- (p) SECNAVINST 5200.43
- (q) Defense Federal Acquisition Regulation Supplement
- (r) SECNAVINST 4001.2K
- (s) SECNAVINST 1650.1H
- (t) SFFAS 42, Deferred Maintenance and Repairs of 25 April 2012
- (u) DoDM 4160.28 Volume 3, Defense Demilitarization: Procedural Guidance of 9 February 2018
- (v) DoD Instruction 2030.08 of 24 May 2017
- (w) SFFAS 44, Accounting for the Impairment of General Property, Plant, and Equipment Remaining in Use of 3 January 2013
- (x) 48 CFR Chapter 1
- (y) 40 U.S.C. §503
- (z) 41 CFR §102-39
- (aa) 32 CFR §736.5(c)
- (ab) DoDM 4140.01, Volume 9, DoD Supply Chain Materiel Management Procedures: Materiel Programs of 31 August 2018

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

CHAPTER 1 - GENERAL

1. Purpose. This manual implements the policy and provides procedures and amplifying instructions to the requirements established in reference (c).

2. Applicability

a. This manual applies to all GE as defined in paragraph 3 below. It is effective immediately.

b. This manual does not apply to Real Property, Stewardship Land, Heritage Assets, Internal Use Software (IUS), Inventory, Operating Materials and Supplies or Contractor Acquired Property prior to acceptance by the Government per references (d) and (e). Per reference (f), property purchased with Non Appropriated Funds is not considered Federal property and therefore is not subject to this instruction.

c. Nothing in this manual shall supersede or supplant the requirements of Federal regulations, law, the standards established by the Federal Accounting Standards Advisory Board (FASAB) or reference (g). In the event of conflicting guidance, the following hierarchy shall apply:

- (1) Federal Law
- (2) Federal Regulation
- (3) FASAB standards
- (4) Department of Defense (DoD) regulation, including reference (g)
- (5) DON or SECNAV policy
- (6) Service policy or instruction
- (7) Local instruction

3. Definitions

a. GE is defined as tangible personal property that is functionally complete for its intended purpose, durable, and

nonexpendable. GE typically has an expected service life of two years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; and has been acquired or constructed with the intention of being used. Per reference (h), property formerly classified as Military Equipment is now categorized as GE. For purposes of this manual, Garrison Mobile Equipment is a subset of GE and is wholly subject to the requirements herein. DON GE is classified into two primary categories:

(1) Accountable GE. All Accountable GE requires accountable property records be established and maintained in the Accountable Property Systems of Record (APSR) per reference (d). Accountable GE is divided into two primary subcategories:

(a) Capitalized Accountable GE

1. All GE purchased, or otherwise obtained, that has a unit acquisition cost equal to or above the capitalization threshold identified in Appendix A at time of acquisition or is classified as a capital lease.

2. Capitalized Accountable GE shall be reported as an asset and depreciated per reference (g) on DON financial statements.

(b) Non-Capitalized Accountable GE

1. All GE purchased, or otherwise obtained, that has a unit acquisition cost less than the capitalization threshold identified in Appendix A at time of acquisition and meets at least one of the following four criteria:

a. GE with an acquisition cost of \$5,000 or more;

b. As required by law, policy, regulation, or agency direction;

c. Assets of any value with Controlled Item Indicator codes identifying them as Controlled, Classified, or Sensitive which have no alternate governing DoD issuance or items specifically identified in reference (d); and

d. GE of any value provided to a contractor as Government Furnished Property (GFP).

2. Non-Capitalized Accountable GE is not reported as an asset on DON financial statements.

(2) Locally Accountable GE. Locally accountable GE requires accountability records be established and maintained in either an APSR or another suitable system per reference (d). Locally accountable GE must be managed in accordance with volume 4, chapter 6 of reference (g) and references (d) and (e), but is not reported as an asset on the DON financial statements. Locally accountable GE includes all GE purchased, or otherwise obtained, with a unit acquisition cost less than \$5,000 that meets at least one of the following criteria:

(a) Notwithstanding the acquisition cost, the GE must be controlled and managed to protect against unauthorized use, disclosure, or loss; or when otherwise required by law, policy, regulation or agency direction per reference (d);

(b) Information technology property containing personally identifiable information, per references (i) and (j) or other sensitive agency information. This property may include, but is not limited to desktops, laptops, and mobile computing devices, mobile information storage devices and auxiliary hard drives, regardless of cost;

(c) Pilferable GE when it has been identified as a problem area;

(d) GE hazardous to public health, safety, or the environment. Such property is typically regulated by federal or state environmental and safety laws;

(e) Small arms. See reference (k) for small arms management information;

(f) Seized and confiscated GE;

(g) GE with national security implications;

(h) Tooling subject to Title VIII, Subtitle B, Section 815 of Public Law 110-417; and

(i) Any GE that does not meet at least one of the criteria (a) through (h) above and is identified locally as requiring property management controls to maintain visibility and protect against loss. Note: Accountability records for locally identified GE may be maintained using any system or process as directed by local policy.

b. For purposes of this manual, software that is integrated or embedded into GE in order for it to operate is considered part of the GE into which it is integrated.

(1) Computer Software integrated into and necessary to operate GE rather than perform an application, should be considered part of the GE of which it is an integral part and capitalized and depreciated accordingly, e.g., airport radar and computer-operated lathes. The aggregate cost of the hardware and software should be used to determine whether to capitalize or expense the costs.

(2) In situations where software and the hardware on which it runs have independent service lives, the determination of the useful life of the software must be viewed independently from the useful life of the hardware. The determination must be made on a case by case basis. The rationale for this determination must be documented.

(3) Software used in conjunction with the operation of equipment, which is not the same as the integrated or embedded software, can be considered IUS if all of the following criteria apply (note, IUS is not subject to the requirements of this manual):

(a) The software was developed separately from the equipment;

(b) The software is not required for the equipment to perform its core purpose and functions; and

(c) The quantity of equipment items on which the software will be installed is unknown

c. The physical accountability requirements of this manual shall apply to all property under Capital leases when such

property otherwise meets the definition of GE in paragraph 3 above. In the event of conflicting guidance, financial reporting and accounting requirements found in references (g), (l) and (m) shall supersede the financial reporting and accounting requirements of this manual for Capital or Operating leases. For the purposes of this manual the entity responsible for operating leased property shall be responsible for maintaining physical accountability records as required by this manual.

4. Responsibilities. Organizational and position-based roles and responsibilities for proper accountability and management of GE are found in reference (c).

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

CHAPTER 2 - ACCOUNTABLE SYSTEMS AND RECORDS

1. Accountable Property Systems of Record (APSR)

a. All Capitalized Accountable GE, Non Capitalized Accountable GE and, regardless of value, any GE provided to a contractor as GFP shall be recorded and tracked in an APSR approved by the Assistant Secretary of the Navy (Financial Management and Comptroller (ASN(FM&C))).

b. Per reference (n), ASN(FM&C) has authority to approve APSRs. This includes property systems that manage classified/sensitive assets. The CNO and CMC will designate specific approved APSRs for use within their respective services.

c. APSRs shall provide a complete history of all transactions suitable for audit, including but not limited to a transaction-based history of asset activity that includes individual additions, deletions and key supporting documentation as system capabilities allow. In the event historical information is not available, the record shall be appropriately annotated.

d. All APSRs must comply with requirements prescribed in references (d), (g), and (o).

e. All APSRs will be subject to the Government Accountability Office's Federal Information System Controls Audit Manual assessment on an annual basis.

f. Management systems that are used primarily for other purposes, e.g., logistics or maintenance, may contain some GE asset information. In cases where these systems have necessary additional functionality not resident in approved DON APSRs (as determined by the Commander and certified in writing to the Budget Submitting Office (BSO)), the supplemental management systems may be retained as long as both systems are reconciled at least quarterly. The reconciliation documentation shall be retained for at least eight quarters for audit purposes. These

supplemental management systems shall be used to support financial reporting, but actual financial reporting must come from the APSR.

2. Accountable Property Records

a. General

(1) Accountable property records that include valuation data shall be established upon initial receipt for all Capital Accountable and Non Capital Accountable GE. Initial receipt includes but is not limited to receipt and acceptance of newly procured GE, transfers in, or gains by inventory. Valuation data shall include Construction in Progress (CIP) accruals and Capital Improvements for GE under construction or modification and depreciation as appropriate. CIP accruals shall be reconciled annually with actual contract progress.

(2) DON shall establish and maintain records and accountability for GE (of any value) furnished to contractors as GFP, per references (d), (e) and (p). This requirement also includes property that is loaned to outside entities such as other Federal agencies, State and local governments, and foreign governments. Third parties outside the DON (to include contractors) have stewardship responsibility consistent with the terms and conditions of the accountable contract or third party agreement for the Government property in their care. This third party stewardship responsibility extends to DON property loaned to outside entities, GFP, and Contractor Acquired Property for which the DON has taken title prior to delivery.

(3) Assets under construction for which the DON has a financial interest due to progress payments or reimbursement of direct expenses incurred but for which delivery to the DON has not yet occurred shall have financial accountability established and maintained through a CIP account. The CIP account shall reside in either the BSO accounting system or the BSO APSR. Upon delivery, accountable property records shall be established as appropriate in the APSR. For more information on CIP accounts, see paragraph 2.d below.

(4) Third party property management or accountability systems, e.g. custodial systems or contractor property

management systems, shall not supersede or replace the APSR or the accountable property records maintained by the DON.

b. Establishing Accountable Property Records

(1) Accountable property records shall be established upon receipt, delivery or acceptance and be maintained in a DON approved APSR for all capitalized accountable and non-capitalized accountable GE purchased as defined in Chapter 1 of this manual. Accountable property records shall be maintained in a DON approved APSR regardless of physical custody.

(2) Accountable property records shall be kept current and, at a minimum, contain the following required data elements:

(a) Name, part number and description (noun, nomenclature), model number, and National Stock Number (NSN), if known;

(b) Owner (both the accountable and custodial organization);

(c) Status (e.g., active or inactive (retired), staged, stored, in-transit, transferred, declared excess, awaiting disposal, disposed of);

(d) Quantity (e.g., received, fabricated, issued, and on-hand) and unit of measure;

(e) General ledger classification (e.g., general equipment, leased, or a means to apply business rules for making such a determination);

(f) Value at full cost and depreciation information, if applicable; or original acquisition cost;

(g) Estimated useful life;

(h) Unique Item Identifier (UII) or DoD recognized Item Unique Identification (IUID) equivalent, if available and necessary for unique identification;

(i) Date placed in service;

(j) Location;

(k) Current condition;

(l) Posting reference (e.g., receiving report number, contract, purchase order, or other procurement identification number, invoice number);

(m) Transaction type (e.g., received, accepted, inventoried, transferred, shipped, retired, disposed); and

(n) Asset review, inventory and transaction dates.

(3) Accountable property records shall be kept current until authorized disposition of the GE occurs. The accountable property records shall provide a comprehensive source for use in validating the existence and completeness of an asset.

(4) BSOs shall retain accountability for property they place in an in-transit status, until such time as the receiver formally acknowledges receipt. This includes resolution of shipping and other discrepancies.

(5) At any point in time, an accountable property record shall only be reported in a single APSR for financial or ownership purposes.

(6) Accountability records, especially for loaned assets or assets under stewardship control, should be established to maintain control over assets for which ownership resides outside the DON, but shall not report value to the financial statements. Accountability records may be established and maintained in either an APSR or another suitable system.

(7) The BSO that funds a procurement of GE is the owner and shall be held responsible for financial reporting unless and until the property is formally transferred to another BSO per paragraph 4 of chapter 6 of this manual. Program Executive Officers and Direct Reporting Program Managers with lifecycle responsibility per reference (n) shall maintain ownership and reporting responsibility through the life of the asset. In instances when an entity maintains possession of property through agreements that provide for possession for as long as needed, without a termination date and without reimbursement,

such arrangements may be considered transfers of ownership and associated accountability (see Transferred In GE, paragraph 4 of Chapter 4 or Transferred Out GE, paragraph 4 of chapter 6).

c. Centrally Managed Property. In specific, limited circumstances, similar items of GE controlled and managed by a single authority are considered to be centrally managed property. Centrally managed property must be formally identified by local instruction and managed through mutual agreements and memoranda.

d. CIP

(1) CIP is a financial asset account that reflects costs incurred during construction of a new, undelivered end item (ship, aircraft, spacecraft, submarine, or land vehicle) or capital improvement of an existing end item. CIP includes all direct and indirect costs, including direct labor, direct material, direct purchased services, overhead or project costs incurred to bring the end item to a form and condition suitable for its intended use. When the end item is accepted and placed in service, or the capital improvement is complete, these costs will be transferred to the GE asset account as the valuation of the end item.

(2) BSOs shall ensure CIP balances are updated on financial statements at the end of each quarter. Key supporting documentation to support changes to the CIP balance must be maintained per current document retention standards.

(3) Property that is financially designated as CIP shall be physically managed per the requirements of its parent property type until consumed or delivered as part of the end item, e.g., GE end items categorized as CIP shall follow the physical management requirements of this manual and reference (c).

e. GE in the Possession of a Contractor

(1) Accountable property records shall be established and maintained in a DON approved APSR for all GE provided to a contractor as GFP regardless of value.

(2) Documentation supporting the decision to furnish GFP must be provided to and kept in the contracting file and made available to the appropriate Accountable Property Officer (APO) as needed until the property is returned or properly dispositioned.

(3) Upon disposition of GFP, documentation supporting the action must be provided to the cognizant APO. When GFP is disposed, documentation supporting the disposal shall be forwarded to the cognizant APO to enable inactivating the accountable property record from the APSR.

3. Termination of Accountability

a. Accountable property records shall be updated to reflect termination of accountability when GE has been transferred-out, sold, disposed, lost, stolen or destroyed. The accountable property record shall be inactivated in the APSR within seven working days of notice of receipt by the gaining activity. Authorized documentation acknowledging receipt includes but is not limited to a signed DD-1149, DLA stamped DD-1348, or approved DD-200. Clear statements of intent to transfer ownership and full financial reporting responsibilities, e.g., transfer, or only transfer custody, e.g., out on loan, must be included on transfer documentation. Per reference (f), authorized documentation from the Defense Logistics Agency may include an electronic listing of assets received.

b. All substantiating documentation must be retained for a minimum of two years following disposal.

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

CHAPTER 3 - FINANCIAL REPORTING PROCEDURES

1. General

a. Reference (c) requires financial and physical management of GE per the latest policies, procedures, standards and mandates established by FASAB, DoD, DON, Federal regulation, and the laws that pertain to GE accountability and financial requirements. Adherence to accountability and management policy is imperative to ensure financial and material accountability, more efficiently support the warfighter, and support auditability.

b. Nothing in this manual shall supersede or supplant the requirements of Federal regulations, law, the standards established by the FASAB or reference (g). In the event of conflicting guidance, the following hierarchy shall apply:

- (1) Federal Law;
- (2) Federal Regulation;
- (3) FASAB standards;
- (4) DoD regulation, including reference (g);
- (5) DoD policy;
- (6) DON or SECNAV policy;
- (7) Service policy or instruction; and
- (8) Local instruction

2. Capitalization

a. Capitalized Accountable GE. All GE purchased, or otherwise obtained, that has a unit acquisition cost equal to or above the capitalization threshold at time of acquisition identified in Appendix A of this manual or is categorized as Capital Accountable GE. When the unit acquisition cost is not available, an estimated value per paragraph 3b of this chapter shall be used.

b. Capitalized Accountable GE shall be reported as an asset and depreciated per reference (g) on DON financial statements.

3. Valuation

a. General

(1) The valuation of GE includes all costs incurred to bring the GE to a form and location suitable for its intended use. Examples of costs compiled to determine the value of GE are found in paragraph 060201 of volume 4 of reference (g).

(2) Accountable property records for Capitalized Accountable GE shall include valuation at full cost per paragraph 3.a(1) above. CIP accruals, capital improvements, and depreciation and impairment information shall be included as appropriate. Accountable property records for Non-Capitalized Accountable GE shall include valuation at original acquisition value.

b. GE should be valued in accordance with reference (1). However, if the APSR in use is not configured to capture historical costs or historical costs are not available, alternative methodologies to calculate historical costs may be used as an interim measure. Allowable alternative valuation methods include:

(1) Replacement cost. The amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.

(2) Estimated historical cost. Reasonable estimates may be based on:

(a) Cost of similar assets at the time of acquisition;

(b) Current cost of similar assets discounted for inflation since the time of acquisition; or

(c) Other reasonable methods, including latest acquisition cost and estimation methods based on information

such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.

(3) Fair value. An unbiased, equitable or just 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 (also known as fair value).

c. When alternative valuation methodologies are used, the justification, assumptions, decisions and supporting information shall be retained for the life of the asset plus two years beyond disposal.

4. Maintaining the General Ledger

a. Capitalized Accountable GE requires proper accounting treatment, i.e., capitalization and depreciation, and must be reported in DON's quarterly financial statements using one of two methods:

(1) Direct feed to the Defense Departmental Reporting System-Budgetary (DDRS-B). Direct electronic reporting minimizes manual interfaces and improves auditability. The most direct and accurate means of reporting financial data comes from APSRs that directly feed asset data to the General Ledger (GL) resident within DDRS-B. Changes to asset values, including but not limited to new additions, deletions and depreciation are automatically posted directly to the accounting and reporting systems when posted.

(2) Indirect feed via a Journal Voucher (JV). Changes to asset values managed in APSRs that do not have a direct link to the accounting system/GL require manual input via a JV. BSOs shall accumulate year-to-date changes in asset values, including but not limited to acquisitions, transfers, sales, disposals, gains, losses and depreciation on a quarterly basis. This data shall be posted using one of the following methods:

(a) Direct entry into the BSO accounting system as a JV.

(b) Directly to Defense Financial and Accounting Service for posting as a JV.

b. Non Capitalized Accountable and Locally Accountable GE are expensed upon receipt.

c. Complete lists of all Capitalized Accountable GE shall be derived from APSRs and other property management systems in use at the end of each quarter.

(1) Quarterly asset lists shall be retained locally for two years to support audit requirements.

(2) Fourth fiscal quarter asset lists shall be forwarded to the ASN (FM&C) within 10 working days of the end of the quarter to substantiate General Ledger ending balances for the fiscal year.

5. Missing Documentation

a. If the original applicable source documentation (i.e., purchase order, vendor invoice, or receiving report) is not available, then the APO, supported by the acquisition, logistics, contracting and financial management communities, is responsible for researching and locating missing documentation or developing replacement documentation.

b. If actual original hard copy or electronic source documentation cannot be located after a reasonable search, SECNAV 5200/3 shall be completed to document acquisition cost, depreciation activation date, part number, national stock number, UUI if applicable, nomenclature, quantity, value, and recovery period for the asset. Local variants of SECNAV 5200/3 are allowable, provided all data fields represented on SECNAV 5200/3 are included on the local variant.

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

CHAPTER 4 - ASSUMPTION OF ACCOUNTABILITY

1. General

a. Any time GE is physically or administratively received, regardless of the source or vehicle by which the GE was obtained, care must be taken to ensure accountability is maintained. Administrative receipts may be processed in the event the GE is not physically delivered to the recording activity, e.g. delivery of a ship to the fleet following acceptance by Naval Sea Systems Command representatives or direct shipment of GE from one contractor to another.

b. The BSO that funds a procurement of GE shall be held responsible for financial reporting unless and until the property is formally transferred. Program Executive Officers and Direct Reporting Program Managers assigned life cycle management responsibility for an item of GE, per reference (q), shall retain financial reporting responsibility for the GE, through their supporting BSO, for the duration of the time the asset is owned by the DON. In the event of jointly funded property, written agreements must be in place to clearly identify which funding entity is responsible for financial reporting.

c. To ensure that accountability is continuously maintained for all Capitalized Accountable or Non-Capitalized Accountable GE, receipts and transfers-in must have accountable property records established in a DON approved APSR within seven working days of the receipt transaction being completed. BSOs shall define the point of completion for receipt processing in local instruction. Local procedures shall be established to require random samples of receipt processing to ensure accuracy. Reviews shall be conducted at least quarterly and analyze a statistically valid sample of receipts processed.

d. Regardless of the source of the receipt, the individual initially receiving GE is required to verify the item received matches the receipt document, note the quantity, sign, and date the receipt document to establish the accountability. Electronic or digital signatures are authorized provided the transaction can be properly recorded in the APSR.

e. Individuals signing the receipt shall have the authority

necessary to receive property and sign the receipt on behalf of the Command. Signature authority may be established by the position description, local policies, standard orders, Delegation of Authority Letter, or DD Form 577. This authority may be designated at the local level.

f. To ensure proper accountability and financial reporting of GE, local procedures shall be established to ensure all documentation is received, receipt date is documented, and the item is properly marked with a UII if applicable.

2. Receipt and Acceptance from Industry

a. Description of Task. Physical or administrative receipt and acceptance of GE resulting from original acquisition from a manufacturer.

b. Required Documentation/Key Supporting Documentation. Original receipt documentation, including but not limited to DD-250 (or electronic equivalent), receiving report, other contractor or contract administrator generated documents, or administrative receipts.

(1) Accountable property records or accountability records as appropriate shall be established by the activity that funded the procurement within seven working days of receipt, delivery or acceptance unless specific, written agreements are in place identifying another organization that will establish the record. The accountable property records shall be maintained in a DON approved APSR for all capitalized accountable and non-capitalized accountable GE received from industry. Accountable property records shall be maintained in a DON approved APSR regardless of physical custody.

(2) All capitalized accountable and non-capitalized accountable GE shall be supported by the contract or purchase order, receiving report, DD Form 250, vendor invoices, and any other key supporting documents that capture and record direct and indirect costs including but not limited to obligation and expenditure transactions.

(3) For physical receipts, the individual initially receiving an asset shall verify the item received matches the receipt document, note the quantity, sign, and date the receipt

document to establish the accountability. Electronic or digital signatures are authorized provided the transaction can be properly recorded in the APSR. Individuals signing the receipt shall have the authority necessary to receive property and sign the receipt on behalf of the Command. Signature authority may be established by the position description, local policies, standard orders, Delegation of Authority Letter, or DD Form 577. This authority may be designated at the local level.

(4) For administrative receipts, completed acceptance documents shall be compared to invoices, contract documentation or other source documents to ensure the property accepted matches the initial requirement.

(5) For capitalized accountable GE received from industry, the placed in service date shall be recorded to the accountable property record as the depreciation start date. For constructed GE or improvements, the date of acceptance shall be used in lieu of the placed in service date. Further detail on depreciation start date is found in the glossary.

c. Document Retention. All required documentation shall be uploaded to the APSR and retained in electronic form within the APSR for the life of the GE plus two years beyond disposal.

d. Financial Reporting Implications

(1) Valuation. Accountable property records for capitalized accountable GE shall include valuation at full cost, ensuring CIP accruals, capital improvement, and depreciation information are included as appropriate. Accountable property records for non-capitalized accountable GE shall include valuation at original acquisition value.

(2) CIP. Each BSO's financial management community, working with their acquisition community, must establish and maintain a CIP balance for each acquisition program with outstanding GE deliverables.

(a) To create the CIP balances, BSOs must determine capital versus non-capital costs. Where possible, transaction detail should be evaluated to identify costs to be capitalized. BSOs shall accumulate capital costs paid to contractors in CIP where those costs meet the criteria for capitalization. BSOs

shall maintain reasonable estimates of per unit costs to relieve CIP and capitalize the resulting GE asset. BSOs shall individually determine how actual program management and other indirect costs are captured and allocated.

(b) To ensure that CIP amounts reflect actual progress on the contract, BSOs shall review the CIP account quarterly and perform annual reconciliations between amounts recorded in CIP and the actual progress on the contract.

(3) Depreciation. All capitalized accountable GE must be depreciated using a straight-line method over the expected useful life of the asset category, found in Appendix B of this manual. This method applies to GE procured with both the General Fund (GF) and Working Capital Fund (WCF). BSOs shall calculate depreciation monthly and report depreciation quarterly on the DON's financial statements.

e. Unique Requirements.

(1) Contractor Acquired Property/Contractor Acquired Equipment (CAP/CAE).

(a) CAP/CAE is defined as any property meeting the basic definition of GE that is acquired, fabricated, or otherwise provided by the contractor for performing on a contract, and to which the Government has title.

(b) CAP/CAE meeting the definition of capitalized or non-capitalized accountable GE shall only be recorded and tracked in a DON approved APSR upon receipt and acceptance by the government regardless of custody. CAE carried over for subsequent work on a follow-on contract must be received and accepted as government property and issued as GFP on the follow-on contract. CAE shall be recognized upon delivery or constructive delivery as defined by the terms of the contract regarding delivery. APSR records shall not be established for CAE until delivery or constructive delivery to the DON has occurred.

(c) CAP/CAE items meeting or exceeding the capitalization threshold in references (g) and (h), and notwithstanding the capitalization threshold, all special tooling, special test equipment, equipment designated for

preservation and storage under a Major Defense Acquisition Program shall be delivered to the Government on a unique line item, e.g. Contract Line Item Number or exhibit line item. For CAP/CAE not anticipated at time of contract award, not separately priced line items shall be established as soon as the property is identified per Procedures, Guidance and Instruction (PGI) 245.402-71(2) and PGI 204.7103 of reference (q). Delivery of this property to the Government shall be scheduled as soon as practicable, per reference (p).

f. For More Information

- (1) Reference (e)
- (2) Reference (q) sections 245 and 252
- (3) Reference (x) sections 45 and 52

3. Receipt of Requisition from a DoD Supplier

a. Description of Task. Physical or administrative receipt of GE from a DoD supplier, e.g. Defense Logistics Agency or Naval Supply Systems Command.

b. Required Documentation/Key Supporting Documentation. Original receipt documentation, including but not limited to DD-1348, DD-1149 or electronic equivalents.

(1) Accountable property records shall be established within seven working days of receipt and be maintained in a DON approved APSR for all capitalized accountable and non-capitalized accountable GE received from a DoD supplier. Accountable property records shall be maintained in a DON approved APSR regardless of physical custody.

(2) Accountable property records shall be kept current and reflect the current status, current location, financial information and condition of the asset until authorized disposition of the GE occurs. The accountable property records shall provide a comprehensive source for use in validating the existence and completeness of an asset.

(3) The individual initially receiving GE from a DoD supplier shall verify the item received matches the receipt

document, note the quantity, sign, and date the receipt document to establish the accountability. Electronic or digital signatures are authorized provided the transaction can be properly recorded in the APSR. Individuals signing the receipt shall have the authority necessary to receive property and sign the receipt on behalf of the Command. Signature authority may be established by the position description, local policies, standard orders, Delegation of Authority Letter, or DD Form 577. This authority may be designated at the local level.

c. Document Retention. Required documentation shall be uploaded to the APSR and retained for the life of the GE plus two years beyond disposal.

d. Financial Reporting Implications

(1) If the acquisition information and related accumulated depreciation are available from the transferring entity, that information shall be included in the accountable property record in the APSR. Depreciation shall continue on capitalized GE assets even if the transferred asset has a current Net Book Value (NBV) below the capitalization threshold.

(2) If the acquisition information and related accumulated depreciation are not available, then the acquisition value shall be estimated and recorded per paragraph 3.b of chapter 3. If the estimated value of the asset meets the capitalization threshold, then the item shall be depreciated and the depreciation activation date will be the date the item was received.

e. Unique Requirements. Accountable property records for fully depreciated capitalized accountable GE shall be maintained for the life of the GE plus two years beyond disposal. The NBV shall be listed as zero unless a capital improvement is completed (see Capital Improvements, paragraphs 2f(1) and 3 of chapter 5) of this manual.

4. Transfers-In

a. Description of Task. Transferred-in GE represents assets received from other DON activities, other DoD activities, or other federal agencies. When GE is transferred in, the receiving organization assumes all physical and financial

reporting obligations for that GE.

b. Required Documentation/Key Supporting Documentation. Original receipt documentation, including DD-1348, DD-1149 or electronic equivalents. Clear statements of intent to transfer ownership and full financial reporting responsibilities, e.g., transfer or only transfer custody, e.g., out on loan, must be included on transfer documentation.

(1) Accountable property records shall be established within seven working days of receipt and be maintained in a DON approved APSR for all capitalized accountable and non-capitalized accountable GE transferred in from another DoD source. Accountable property records shall be maintained in a DON approved APSR regardless of physical custody.

(2) Accountable property records shall be kept current and reflect the current status, location, financial information and condition of the asset until authorized disposition of the GE occurs. The accountable property records shall provide a comprehensive source for use in validating the existence and completeness of an asset.

(3) The individual initially receiving GE transferred in from another DoD source or other Federal agency shall verify the item received matches the receipt document and shall note the quantity, sign, and date the receipt document to establish the accountability. Electronic or digital signatures are authorized provided the transaction can be properly recorded in the APSR. Individuals signing the receipt shall have the authority necessary to receive property and sign the receipt on behalf of the Command. Signature authority may be established by the position description, local policies, standard orders, Delegation of Authority Letter, or DD Form 577. This authority may be designated at the local level.

c. Document Retention. Required documentation shall be uploaded to the APSR and retained for the life of the GE plus two years beyond disposal. In the case of items transferred out to another activity, copies of supporting documentation shall be maintained on file at the originating activity and the original documents shall be forwarded to the receiving activity.

d. Financial Reporting Implications

(1) If the acquisition information and related accumulated depreciation are available from the transferring entity or another approved data source, e.g. the IUID registry, that information shall be included in the accountable property record in the APSR.

(2) If the acquisition information and related accumulated depreciation are not available, then the acquisition value shall be estimated and recorded per paragraph 3.b of chapter 3 of this manual. If the estimated value of the asset meets the capitalization threshold, then the item shall be depreciated and the depreciation activation date will be the date the item was received.

(3) Transferred-in GE that meets capitalization criteria shall be recorded as capitalized general equipment, valued at NBV, and depreciated over the remaining estimated recovery period of the asset.

e. Unique Requirements

(1) Accountable property records for fully depreciated capitalized accountable GE shall be maintained for the life of the GE plus two years beyond disposal. The NBV shall be listed as zero unless a capital improvement is completed (see Capital Improvements, paragraphs 2.f.1 and 3 of chapter 5 of this manual).

(2) Pushed or Contributed GE to GF Activities. Any GE purchased by an organization without life cycle management responsibilities for the GE that is subsequently forwarded to another GF activity where there is no expectation that the GE will be returned or reimbursed shall be treated as transferred in GE unless specific agreements to the contrary are in place. Program Executive Officers and Direct Reporting Program Managers with lifecycle responsibility per reference (n) shall maintain ownership and reporting responsibility through the life of the asset. Pushed or contributed GE shall be accompanied by all source and supporting documents required to establish accountable property records. If source and supporting documents are not provided, the receiving activity shall follow the guidance for missing documentation found in paragraph 5 of chapter 3 of this manual.

(3) Pushed GE to WCF Activities. Any GE purchased by one organization and forwarded (or "pushed") to a WCF activity regardless of any expectation that the GE will be returned or reimbursed shall be treated as in on loan by the receiving activity unless specific agreements to the contrary are in place (see paragraph 6 of this chapter). Pushed GE shall be accompanied by all source and supporting documents required to establish accountable property records.

(4) Per chapter 6 of volume 4 of reference (g), the cost recorded for GE acquired through seizure or forfeiture shall be its fair value, less an allowance for any liens or claims from a third party.

5. Unplanned Gains

a. Description of Task. GE that is discovered during audits, inventory or contract closeout for which there is no accountable property record or expected due-in is considered an unplanned gain. All reasonable efforts shall be made to identify the origin and locate source documentation to create complete accountable property records for unplanned gains.

b. Required Documentation/Key Supporting Documentation. Original source documentation, original receipt documentation, including DD-1348, DD-1149 or electronic equivalents, SECNAV 5200/3, all documents substantiating research to identify the GE and any estimates used to establish the accountable property record.

c. Document Retention. Required documentation shall be uploaded to the APSR and retained for the life of the GE plus two years beyond disposal.

d. Financial Reporting Implications

(1) Initial accountable property records shall be established within seven working days of identifying the GE, regardless of the progress of the source documentation research. Accountable property records shall be updated as research efforts reveal key elements of the accountable property record, including but not limited to original acquisition cost or estimated fair value, NSN, nomenclature, accumulated depreciation and placed in service date.

(2) Original acquisition cost (actual or estimated) shall be used to determine if an unplanned gain is categorized as capitalized accountable or non-capitalized accountable GE. GE that meets capitalization criteria shall be recorded as capitalized general equipment, valued at NBV, and depreciated over the remaining estimated recovery period of the asset per Appendix B.

(3) For unplanned gains of capitalized accountable GE, the placed in service date shall be used to calculate accumulated depreciation. If the placed in service date is not known, the date of acceptance shall be used for constructed GE or improvements. If the receipt date is not known, either the shipping date, inspection date, or procurement date or date of manufacture shall be used in order of preference. If none of the dates above are known, an estimated depreciation start date shall be used and the rationale for selecting the specific start date shall be documented and retained.

(4) A financial transaction reflecting the gain shall be recorded for all capitalized accountable GE. The transaction shall reflect the residual net book value based on original acquisition cost and all accumulated depreciation. Appropriate financial transactions shall be made to both debit the asset general ledger account and credit the gains general ledger account.

6. In On Loan

a. Description of Task. GE that is provided on a temporary basis without reimbursement and is expected to be returned is considered on loan. GE shall only be loaned when supported by a mutual agreement and if not expressly prohibited by law. When GE is received in on loan, the receiving organization assumes custodial responsibilities only while the loaning organization retains financial reporting responsibilities for the GE.

b. Required Documentation/Key Supporting Documentation. Loan agreements, original shipping or receipt documents (DD-1348, DD-1149) or electronic equivalents. Clear statements of intent to transfer ownership and full financial reporting responsibilities, e.g., transfer or only transfer custody, e.g., out on loan, must be included on transfer documentation.

c. Document Retention. Required documentation shall be retained for the duration of the loan.

d. Financial Reporting Implications

(1) At any point in time, an accountable property record shall only be reported in a single APSR for financial or ownership purposes. Property in on loan shall not be reported on the borrowing activity's financial statements.

(2) Accountability records for loaned GE shall be established to maintain control over assets that are in on loan. Accountability records may be maintained in an APSR or other suitable system; accountability records should be kept in the same system as similar assets. At a minimum, accountability records for GE in on loan shall include adequate identifying information to uniquely identify the property. While no specific data set is prescribed for management records, examples of identifying information include but are not limited to nomenclature, unique item identifier, serial number, original acquisition cost, national stock number, manufacturer model number or part number.

(3) GE in on loan must be inventoried annually by the borrowing activity with the inventory results forwarded to the loaning activity per the mutual agreement establishing the loan.

e. Unique Requirements

(1) Pushed or Contributed GE to GF Activities. Any GE purchased by one organization and forwarded to another GF activity where there is no expectation that the GE will be returned or reimbursed shall be treated as transferred in GE (see paragraph 4 of this chapter). Pushed or contributed GE shall be accompanied by all source and supporting documents required to establish accountable property records.

(2) Pushed GE to WCF Activities. Any GE purchased by one organization and forwarded (or "pushed") to a WCF activity regardless of any expectation that the GE will be returned or reimbursed shall be treated as in on loan by the receiving activity. Pushed GE shall be accompanied by all source and supporting documents required to establish accountable property

records.

7. Seized/Forfeited GE

a. Description of Task. As a consequence of various laws, property may be seized by authorized law enforcement agencies that is then turned over to the DON for custody and accounting. Alternately, DON may seize or confiscate GE as part of its mission. Seized property may be forfeited to the government through abandonment or administrative or judicial processes.

b. Required Documentation/Key Supporting Documentation. All documents substantiating research conducted to identify the GE and any estimates used to establish the accountable property record, all receiving and transportation documentation.

c. Document Retention. All required documentation shall be uploaded to the APSR and retained for the life of the GE plus two years beyond disposal.

d. Financial Reporting Implications

(1) Initial accountable property records for seized GE shall be established within seven working days of identifying the GE when the DON is operating as the central fund. Accountable property records shall be updated as research efforts reveal key elements of the accountable property record, including but not limited to original acquisition cost or estimated fair value, NSN, nomenclature, accumulated depreciation and placed in service date.

(2) Seized GE shall be disclosed in the footnotes of DON financial statements. The value shall be accounted for in the APSR until the GE is forfeited, returned or otherwise liquidated.

(3) The acquisition value for GE acquired through seizure shall be recorded at the estimated value per paragraph 3.b of chapter 3, less any claims at the time of seizure.

(4) Forfeited GE shall be recognized as an asset when forfeiture judgment is obtained, and shall be valued at estimated value per paragraph 3.b of chapter 3 of this manual at the time of forfeiture.

(5) Forfeited GE that is not converted to government use and cannot be sold due to legal restrictions shall not have a financial value recognized and shall be either donated or destroyed.

8. Leases

a. Description of Task. A lease is an agreement conveying the right to use property for a specified, limited time in exchange for periodic rental payments. The DON classifies lease agreements as either capital or operating leases.

(1) For a lease to be classified as a capital lease, the total value of the lease must meet or exceed the current capitalization threshold and satisfy at least one of the following five criteria:

(a) The lease transfers ownership of the GE to the lessee by the end of the lease term;

(b) The lease contains an option to purchase the leased GE at a bargain price;

(c) The lease term is equal to 75 percent or more of the estimated economic life of the leased GE;

(d) The present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90 percent of the estimated value of the leased GE; and

(e) The criteria of paragraphs (c) and (d) above are not applicable when the beginning of the lease term falls within the last 25 percent of the total recovery period of the leased GE including earlier years of use.

(2) If a lease does not meet or exceed the capitalization threshold and satisfy at least one of the above criteria, it is classified as an operating lease.

(3) Accountable property records will be established for all leased assets received under a Capital Lease. Accountability records will be established for leased assets received under operating leases. Recorded cost shall be

calculated per volume 4, chapter 6 of reference (g). Accountable property records and accountability records for leased property must identify the item as leased.

(4) GE of any value acquired through a lease shall be physically managed per the requirements of this manual and reference (c).

b. Required Documentation. Capital and Operating leases shall be supported by the signed Lease Agreement.

c. Document Retention. All required documentation to support Capital Leases shall be retained for the duration of the agreement plus two years beyond the conclusion of the lease.

d. Financial Reporting Implications. Detailed information for financial reporting of leases can be found in volume 4, chapter 6 of reference (g).

(1) Capital leases shall be financially reported on the DON's financial statements per volume 4, chapter 6 of reference (g).

(2) For Capital Leases, the recorded cost of GE acquired under a capital lease shall be the lesser of the NPV of the leased property and other lease payments or the estimated value of the asset. The NPV should exclude the portion of payment representing executory costs such as maintenance and taxes that are paid to the lessor. If the executory portion of the payment is not known, it should be estimated.

(3) Capital lease agreements shall be recorded in a DON approved APSR as follows:

(a) Property acquired under Capital Leases will be reported as an asset with an offsetting Capital Lease Liability until the lease term is complete and relieved on the date of completion.

(b) A portion of each lease payment shall be allocated to interest expense, and the balance shall be applied to reduce the lease liability using the effective interest rate method per volume 4, chapter 6 of reference (g).

(c) Depreciation shall be accumulated against capital leases. When calculating depreciation for assets acquired under Capital Leases, the recovery period shall be the shorter of the term of the lease or the useful life of the asset found in Appendix B.

(4) Operating leases for GE do not transfer the risk of ownership to DON, and shall be expensed as incurred and not be reported as capital GE. Payment is made on a straight-line basis, unless otherwise specified in the leasing agreement.

9. Donated GE

a. Description of Task. Donations are contributions to the government by a nonfederal entity. When authorized for acceptance under references (r) and (s), gifts that meet the definition of GE shall be treated as GE for accounting and accountability purposes.

b. Required Documentation/Key Supporting Documentation. Receipt, shipping or transfer document (DD-1149, DD-1348, Shippers invoice or similar electronic form), Key Supplemental Supporting Documentation (SECNAV 5200/3), and any estimates used to establish the accountable property record. Clear statements of intent to transfer ownership and full financial reporting responsibilities, e.g., transfer or only transfer custody, e.g., out on loan, must be included on transfer documentation.

c. Document Retention. All required documentation shall be uploaded to the APSR and retained for the life of the GE plus two years beyond disposal.

d. Financial Reporting Implications

(1) Initial accountable property records shall be established within 7 working days of receiving the GE, regardless of the progress of the source documentation research. The receiving activity shall record the asset at the fair value at the time the GE is donated to the government. The asset's value shall be estimated per paragraph 3b of chapter 3 of this manual.

(2) If value at time of donation exceeds the capitalization threshold, the GE shall be recognized as a

capitalized accountable asset. The depreciation activation date recorded in the APSR shall be the date the item was received. The depreciation period is the remaining estimated recovery period. Supporting documentation is required to substantiate the asset's estimated Fair Market Value and remaining estimated recovery period.

10. Exchanged GE

a. Description of Task. When eligible, non-excess GE is authorized for exchange under reference (y). The requirements of reference (z) shall be followed.

b. Required Documentation/Key Supporting Documentation. Receipt, shipping or transfer document (DD-1149, DD-1348, Shippers invoice or similar electronic form), Key Supplemental Supporting Documentation (SECNAV 5200/3), and any estimates used to establish the accountable property record.

c. Document Retention. All required documentation shall be uploaded to the APSR and retained for the life of the GE plus two years beyond disposal.

d. Financial Reporting Implications

(1) If cash is included in the exchange of property, the cost of property acquired shall be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received.

(2) If the estimated value of the GE acquired is more readily determinable than the cost or value of the GE surrendered, the cost shall be the value of the GE acquired.

(3) If the estimated value is not determinable for either asset, the cost of the GE acquired shall be the cost recorded for the GE surrendered, net of any accumulated depreciation amortization.

(4) Any difference between the net recorded amount (acquisition cost less accumulated depreciation) of the GE surrendered and the cost of the GE acquired shall be recognized as a gain or loss.

(5) For fully depreciated capitalized accountable GE, the NBV shall be listed as zero unless a capital improvement is completed (see Capital Improvements, paragraphs 2.f.1 and 3 of chapter 5).

e. For More Information

- (1) Reference (y)
- (2) Reference (z)
- (3) Reference (aa)
- (4) Enclosure (3) of reference (ab)

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

CHAPTER 5 - MAINTAINING ACCOUNTABILITY

1. Physical Inventories

a. Description of Task

(1) Once an asset is delivered to the end user, proper safeguards must be put in place to account for the asset that will ensure physical control and support auditability.

(2) Accountable property records shall be kept current and reflect the current status, location, financial information and condition of the asset until authorized disposition of the GE occurs. The accountable property records shall provide a comprehensive source for validating the existence and completeness of an asset.

(3) Inventories may be conducted using cyclic, wall-to-wall or by exception methods as defined in Appendix C. Reference (c) requires physical inventories of all GE at least every three years except as identified below. Inventory requirements established by other instructions for specific categories of GE, e.g., small arms or nuclear weapons related material shall supersede the inventory frequency requirements of reference (c) and this manual:

(a) An inventory is required when there is a change in the custodian. In the event of multiple custodians for a single piece of GE, an inventory is required when any custodian changes;

(b) Annual inventories are required for GE with an acquisition cost greater than \$1M regardless of current net book value, and any GE with a current net book value greater than zero;

(c) Annual inventories are required for all classified and sensitive property;

(d) Annual inventories are required for all GE in on loan and shall be submitted to the loaning activity; and

(e) Locally accountable GE shall be inventoried as directed by local guidance.

(4) A minimum of 98 percent physical inventory accuracy rate (100 percent for classified and sensitive property) will be achieved and maintained. In the event these accuracy rates are not achieved or maintained, corrective action plans shall be developed that outline process improvements, training and other corrective actions deemed appropriate at the local level. Corrective action plans shall also include a definitive schedule for accomplishing these actions.

(5) Location audits, also known as floor-to-book inventories shall be completed annually. The number of location audits completed shall be equal to or greater than 25 percent of the total known population of Capital Accountable and Non Capital Accountable GE assets. Assets found during location audits that have no matching record in the APSR shall be reported as found on station when submitting SECNAV 5200/4 as required in subparagraph (8) below.

(6) Commanding Officers shall publish and retain physical inventory plans detailing the approach for ensuring 100 percent of all Capital Accountable GE, Non Capital Accountable GE and any locally accountable GE requiring special management is physically sighted and inventoried as required, including location audits. Specific inventory requirements can be found in reference (d), this manual, and any instruction that establishes unique inventory requirements for specific categories of property, e.g., small arms or nuclear weapons related material. Locally accountable GE without unique inventory requirements shall be inventoried per local direction. Physical inventory plans shall describe the methodology used to determine inventory candidates, which inventory methods are used, e.g., physical, cyclic or by exception, and anticipated timelines for each inventory segment. Inventory plans shall be updated to reflect schedule adjustments and additions or deletions of GE from the accountable property records.

(7) Inventories shall be conducted and reconciled per the procedures found in reference (d).

(8) Activities are required to submit General Equipment Inventory Progress Certification reports (SECNAV 5200/4) to the BSO via their Chain of Command substantiating physical inventory completion in a timely manner to support Service-level

submission on the 45th calendar day after the end of the 3rd quarter of the fiscal year. BSOs shall consolidate, evaluate and forward reports with Flag Officer or Senior Executive endorsement to the Service lead annually. Service leads shall review and evaluate BSO reports and revise Service-level policy based on the contents and analysis. A consolidated Service level report summarizing BSO submissions shall be submitted to the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)) and ASN(FM&C) annually, no later than 45 calendar days following end of the 3rd quarter using SECNAV 5200/4.

b. Required Documentation

(1) Physical inventory documentation shall include a description, make, model, serial number, location, unique identifier or asset number and condition for each item inventoried. Completed inventory sheets shall include the name and signature of the individual conducting the inventory and a detailed listing that summarizes all adjustments. Signatures may be either original or electronic equivalent. Any adjustments made to the GE records shall be supported by applicable documentation including, but not limited to estimates used to determine value or DD Forms 200 Financial Liability Investigation of Property Loss, and filed with general documentation;

(2) Commanding officers shall publish and retain physical inventory plans detailing the approach for ensuring 100 percent of all GE is physically sighted and inventoried per reference (c). Signed physical inventory plans shall describe the methodology used to determine inventory candidates, which inventory methods are used and anticipated timelines for each inventory segment. Inventory plans shall be updated to reflect schedule adjustments and addition or deletion of GE from the accountable property records;

(3) Annual General Equipment Inventory Progress Certification reports (SECNAV 5200/4).

c. Document Retention

(1) Completed physical inventory documentation shall be retained in either electronic or hard copy form for no less than

6 years and be provided upon request for audit or inspection.

(2) Signed physical inventory plans, with their supporting annual General Equipment Inventory Progress Certification reports (SECNAV 5200/4) shall be retained for no less than six years and be provided upon request for audit or inspection.

d. Financial Reporting Implications. Gains or losses identified during inventory shall be treated as unplanned gains (chapter 4, paragraph 5) or unplanned losses (chapter 6, paragraph 5 of this manual) for financial reporting purposes.

e. Unique Requirements

(1) For GE that cannot be physically sighted, e.g. deployed satellites or undersea equipment, the inventory requirement may be fulfilled by completing a successful operational or diagnostic communications test with the asset.

(2) For GE that is stored in a sealed container, e.g. as part of a deployment or prepositioned set, the triennial inventory requirement may be fulfilled by verifying the seal remains intact on the container. If the seal is broken, all GE within the container must be physically inventoried and a list of enclosed GE either physically attached to or electronically associated with the container prior to resealing.

(3) For GE that is in on loan, annual inventories by the borrowing activity are required. These inventories, and supporting documentation for any resulting adjustments shall be forwarded to the lending activity upon completion.

(4) For GE that is electronically connected in an information technology network, e.g. Research, Development, Test, and Evaluation (RDT&E) devices computers, servers, printers, etc., inventory can be accomplished via network scanning if the scanning can accurately identify the assets on the network corresponding to the record contained in the APSR.

2. Depreciation

a. Description of Task. Depreciation is the systematic and rational allocation of the acquisition cost of an asset, less

its estimated salvage or residual value, over the expected useful life of the asset category. Expected useful life of an asset category allows a standard value to be used for like items, rather than assigning a specific useful life to a specific asset. DoD standard expected useful life values for Capitalized Accountable GE are summarized in Appendix B and further defined in reference (g).

b. Required Documentation. Specific APSR data elements are required for calculating depreciation. They are:

(1) Placed in Service Date

(2) Expected Useful Life

(3) Depreciation calculation methodology, e.g. straight line based on placed in service date and expected useful life.

c. Document Retention. All depreciation documentation shall be recorded in the APSR, substantiated with documentation and retained for the entire life of the asset plus two years beyond disposal, and be provided upon request for audit or inspection.

d. Financial Reporting Implications

(1) All capitalized assets must be depreciated using a straight-line method over the expected useful life of the asset category. This method applies to both GF and WCF assets. BSOs shall calculate depreciation monthly and report it quarterly on the DON's Financial Statements.

(2) Depreciation calculations shall begin on the depreciation activation date.

(a) For new acquisitions, the placed in service date shall be used with the following exceptions:

1. For constructed GE or improvements the date of acceptance shall be used.

2. If the receipt date is not known, either the shipping date, inspection date, or procurement date or date of manufacture shall be used in order of preference.

(b) For assets received from other DON, DoD, or other Federal entities, depreciation shall continue to be calculated based on the original depreciation activation date. If the original date is not available, depreciation on estimated net book value shall begin on receipt date and be calculated through the remaining estimated useful life.

(3) Depreciation shall cease to be recorded when one of the following occurs:

(a) Accumulated depreciation equals the depreciable base of the capital asset. The depreciable base for GE shall equal the acquisition cost of the item less the net estimated residual value.

(b) The item is disposed or transferred out and receipt is acknowledged by the receiving organization.

(c) The item is identified as excess, obsolete or damaged and has been removed from service for purposes of disposal.

(4) Changes or revisions in the initial estimates of the recovery period shall be recorded in current and future periods. This is applicable only if the activity discovers at a later date that the incorrect expected useful life was used; thus, an adjustment to the proper recovery period is necessary. No changes shall be made retroactively to previously recorded depreciation.

(5) Depreciation shall continue for GE items temporarily removed from service.

e. Unique Requirements

(1) Depreciating capital improvements.

(a) Capital improvements which extend the life of the asset will be depreciated over the extended remaining useful life of the asset.

(b) Capital improvements which have the same useful life as the remaining useful life of the asset will be depreciated over the remaining useful life of the asset.

(c) A capital improvement which increases an asset's capability, size or efficiency but has a longer expected useful life than the original asset, shall be depreciated separately from the improved asset.

(d) Capital improvements to assets which have already been fully depreciated will be depreciated based on the recovery periods identified in Appendix B. If the capital improvement has a specific useful life assigned, that useful life shall be used in lieu of the standard recovery periods identified in Appendix B.

(2) Depreciating Capital Leases. The depreciation activation date shall be the date the lease goes into effect.

3. Improvements

a. Description of Task. Improvements represent additional costs to an asset that increase the GE asset's capacity, size, efficiency, or estimated useful life. Examples include but are not limited to equipment upgrades and equipment service life extensions and may be categorized as follows:

(1) Capital Improvements. In addition to the above, also have a per-unit cost exceeding the capitalization threshold at the time of the improvement found in Appendix A, regardless of funding source.

(2) Leasehold Improvements. Improvements to capital leased GE that meet the capitalization criteria.

(3) Improvements that do not meet the criteria for capitalization (non-capitalized improvements), repairs, modifications or alterations to GE that do not increase an asset's capacity, size, efficiency, or estimated useful life, regardless of the cost or funding source of the improvement are not considered improvements and shall be recorded as operating expenses.

b. Required Documentation. Supporting documentation may include, but is not limited to DD Form 1348, DD Form 1149, DD Form 250, or Contract Modification.

c. Document Retention. All capital and leasehold

improvements shall be recorded in the APSR and substantiated with documentation and retained for the life of the asset or capital lease as appropriate, plus two years beyond disposal, and be provided upon request for audit or inspection.

d. Financial Reporting Implications

(1) General. Acquisition cost for improvements shall include the costs of the improvement plus the costs incurred to bring the improvement to a form and location suitable for its intended use, i.e., indirect costs. Indirect costs shall be included in the acquisition cost when they are identifiable and considered significant by management.

(2) Capital Improvements. Shall be capitalized into the current NBV of the GE that was improved and depreciated as part of the GE.

(a) The depreciation activation date shall be the date the item is received, i.e., acceptance date, and the item is placed into service, i.e., the improvement is complete.

(b) The recovery period of capital improvements shall be based on the standard recovery periods provided in Appendix B. If the capital improvement has a specific useful life assigned, that useful life shall be used in lieu of the standard recovery periods identified in Appendix B. Depreciation shall be calculated and recorded in accordance with the depreciation instructions noted in paragraph 2.e of this chapter.

(3) Leasehold Improvements shall be capitalized and amortized over the shorter of the term of the lease or the estimated remaining life of the lease improvement. Improvements to leased GE that do not meet the capitalization criteria, i.e., non-capitalized accountable or locally accountable GE improvements, shall not be capitalized/amortized but shall be expensed.

(4) Non-capitalized improvements and repairs shall be expensed.

e. Unique Requirements. For capital improvements that outlive the GE to which they are installed, the depreciation

activation date shall be the earlier of either the acceptance date or the date the improvement is complete. The recovery period shall be based on the standard useful life provided in Appendix B. Depreciation shall be calculated and recorded in accordance with the depreciation instructions noted in paragraph 2e of this chapter.

4. Impairment

a. Description of Task. Impairment is the act of reducing the value of a Capitalized Accountable GE asset based on a significant and permanent decline in the service utility. The events or changes in circumstances that lead to impairments are not considered normal or ordinary, and at the time the GE was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the GE. GE classified as mission critical will rarely be partially and permanently impaired as its service utility would generally be replaced or restored and if not, the asset would be removed from active service because it would no longer be mission capable. Degradation of capability or capacity that results from deferred maintenance is considered a temporary condition and so is not categorized as impairment. Impairment is not applied to non-capitalized or locally accountable GE.

b. Required Documentation. The APSR must be updated to reflect the change in value, location and custodian along with all supporting documents for cause of impairment.

c. Document Retention. All noted impairments shall be recorded in the APSR and substantiated with documentation and retained for the entire life of the asset plus two years, and be provided upon request for audit or inspection.

d. Financial Reporting Implications. Per references (l) and (w), the effects of GE impairments shall be reported to financial statements when the impairment occurs rather than as a part of the ongoing depreciation expense or upon disposal of the GE.

e. Unique Requirements. Degradation of capability or capacity that results from deferred maintenance is considered a temporary condition and so is not categorized as impairment. Deferred maintenance shall be reported per reference (t) and ASN(FM&C) guidance.

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

CHAPTER 6 - TERMINATION OF ACCOUNTABILITY

1. Disposals

a. Description of Task. GE that has been identified for permanent removal from service and is not being transferred to another entity for use shall be disposed in accordance with the procedures in volume 1 of reference (f).

b. Required Documentation

(1) Electronic transactions are required when transferring government property between government activities or to a contractor for disposal. Acceptable methods include utilizing the GFP module within the Procurement Integrated Enterprise Environment (PIEE (formerly the Wide Area Workflow (WAWF) eBusiness Suite), Defense Logistics Agency (DLA) Disposition Services web-based program electronic turn-in document, or Defense Logistics Management Standards (DLMS) compliant transactions. When electronic transactions are not available, manual methods, including fillable forms with electronic signatures may be used.

(2) When fillable forms with electronic or digital signatures are used, property transfer to disposal agents shall be documented with an Issue Release/Receipt Document (DD Form 1348-1A) or Issue Release/Receipt Document with Address Label (DD Form 1348-2), and other appropriate documents, as available. Electronic copies of supporting documentation shall be retained by the transferring activity and forwarded to the gaining organization for use establishing the accountable property record.

c. Document Retention. Documentation substantiating these transactions shall be retained for two years following disposition.

d. Financial Reporting Implications

(1) Once a determination has been made to dispose of GE, the value of the GE must be reduced to the Net Realizable Value (NRV), prior to transfer. Any gains or losses between the NBV and the NRV must be made.

(2) Accountable or accountability records for GE that has been disposed shall be documented as "in transit" until the receiving activity acknowledges receipt via authorized electronic or hard-copy documentation. Hard-copy documentation includes but is not limited to a signed DD-1149, DLA-stamped DD-1348, or approved DD-200, which shall be uploaded to the Accountable Property System of Record (APSR). Per reference (f), authorized documentation from DLA may include an electronic listing of assets received.

(3) Once GE has been received by the disposing activity, the accountable property record including the acquisition cost, the related accumulated depreciation, and all other relevant information shall be inactivated in the APSR. Any residual NRV must be written down to zero. Disposals must have accountable property records disestablished in the APSR within seven working days of the disposition transaction being completed.

(4) When Capitalized Accountable GE is transferred to DLA Disposition Services (DLADS), or the Net Estimated Realizable Value (NERV) is less than ten percent of the acquisition cost, then the residual value shall be recorded at zero.

e. Unique Requirements

(1) Prior to disposition of any government general equipment, ensure conformance to demilitarization and trade secret control regulations, if applicable, per references (u) and (v).

(2) When authorized by the Procuring Contracting Officer, disposal of GE directly from a contractor site shall be accomplished per the requirements of section 45 of reference (x).

2. Damaged, Impaired or Obsolete GE

a. Description of Task. GE that is damaged, impaired or obsolete but is retained for use or pending disposition.

b. Required Documentation. The APSR must be updated to reflect the change in value, location and custodian.

c. Document Retention. Documentation substantiating these transactions shall be retained for two years following disposition.

d. Financial Reporting Implications

(1) Damaged, impaired, or obsolete GE shall be recorded at its NRV when inactivated in the APSR. Any difference in the NBV of the GE and the expected NRV shall be recognized as a gain or loss in the period of adjustment. Any further adjustments in value shall be recognized as a gain or loss.

(2) If an asset is determined to be obsolete, depreciation calculations shall cease once the asset ceases to provide an economic benefit and the asset is removed from service. However, depreciation will continue for damaged capitalized GE that is temporarily removed from service for repair or other reasons.

(3) Per reference (w), the effects of GE impairments shall be reported to financial statements when the impairment occurs rather than as a part of the ongoing depreciation expense or upon disposal of the GE. Recognition of impairment losses is dependent upon a two-step process that entails both identifying potential impairments and testing for impairment. The losses should be reasonably estimated by determining the portion of the decline in the NBV of the GE attributable to the lost service utility.

e. Unique Requirements. Prior to disposition of any government general equipment, ensure conformance to demilitarization and trade secret control regulations, if applicable, per references (u) and (v).

3. Excess

a. Description of Task. GE that is still serviceable but is idle or excess should be identified as excess in the APSR.

b. Required Documentation. The APSR must be updated to reflect the change in location and custodian as applicable.

c. Document Retention. None

d. Financial Reporting Implications

(1) If the asset is a capital asset, depreciation calculation shall cease when the asset ceases to provide any economic benefit and the asset has been removed from service.

(2) For capitalized accountable GE, NERV is the estimated residual value less any estimated disposal costs. The residual value is the estimated value remaining at the end of the capitalized GE's recovery period. Disposal costs are costs incurred to dispose of an asset. If excess GE is transferred to DLADS, or NERV is less than ten percent of the acquisition cost, then the residual value shall be recorded at zero.

e. Unique Requirements. Prior to disposition of any government GE, ensure conformance to demilitarization and trade secret control regulations, if applicable, per references (u) and (v).

f. For More Information see reference (f).

4. Transferred-Out GE

a. Description of Task. Transferred-out GE includes GE transferred to another DON, DoD, other federal or non-federal entities. The transferring activity shall not record any gains or losses realized from transfers to federal and non-federal entities. All GE transactions must be documented to support auditability. When GE is transferred out, the receiving organization assumes all physical and financial reporting obligations for that GE.

b. Required Documentation

(1) Electronic transactions are required when transferring Government property between Government activities, to a contractor and upon return of property to DoD. Acceptable methods include utilizing the GFP module within the PIEE (formerly WAWF eBusiness Suite) or DLMS compliant transactions. When electronic transactions are not available, manual methods, including fillable forms with electronic signatures may be used.

(2) When fillable forms with electronic or digital signatures are used, property transfer shall be documented with

an Issue Release/Receipt Document (DD Form 1348-1A) or Issue Release/Receipt Document with Address Label (DD Form 1348-2), and other appropriate documents, as available. Copies of supporting documentation shall be retained by the transferring activity and the originals forwarded to the gaining organization. Clear statements of intent to transfer ownership and full financial reporting responsibilities, e.g., transfer or only transfer custody, e.g., out on loan, must be included on transfer documentation.

(3) Government to Government transfers shall include, at a minimum, a list of each part number, NSN, serial number or other Unique Identifier if assigned, nomenclature, quantity, unit cost, and total quantity and value of items shipped. Accountability is retained by the transferring organization until receipt and acceptance by the gaining organization.

(4) The original vendor invoice, completed DD-1149 or other supporting documentation identifying acquisition cost, placed in service date and net book value, plus any other historical asset records shall be provided to the receiving activity. This documentation must, at a minimum, include the nomenclature, quantity, value and if assigned, the PN, NSN, SN, and UUI.

c. Document Retention. Copies of all documentation substantiating these transactions shall be retained for two years after transfer of the GE.

d. Financial Reporting Implications

(1) Accountable or accountability records for GE that has been transferred-out shall remain as active records in the transferring activity's APSR and be documented as "in transit" until the receiving activity acknowledges receipt via authorized electronic or hard-copy documentation. Hard-copy documentation includes but is not limited to a signed DD-1149 or DLA-Stamped DD-1348 which shall be uploaded to the APSR. Per reference (f), authorized documentation from DLA may include an electronic listing of assets received.

(2) For government to government or government to contractor transfers, the transferring organization retains accountability of the GE until receipt is acknowledged by the

receiving activity. For contractor to government transfers, accountability rests with the government once title has passed in accordance with the terms of the contract.

(3) The asset's accountable property record, including the acquisition cost, the related accumulated depreciation, and all other relevant information shall be inactivated in the APSR.

(4) The APO should maintain a log of all property that is transferred out and complete a quarterly reconciliation with the APSR to ensure that all property that is transferred out is inactivated from the APSR.

e. Unique Requirements. Prior to transferring GE out, ensure conformance to demilitarization and trade secret control regulations, per references (u) and (v), if applicable.

5. Sales of GE

a. Description of Task. When GE is determined to be excess, obsolete or unserviceable, it may be offered to a non-governmental entity in exchange for cash or other considerations.

b. Required Documentation

(1) Accountable or accountability records for GE that has been sold shall be documented as "in transit" until the receiving activity acknowledges receipt via authorized electronic or hard-copy documentation. Hard-copy documentation includes but is not limited to a signed DD-1149, or DD-1348, which shall be uploaded to the APSR.

(2) The APO should maintain a log of all property sold and complete a quarterly reconciliation with the APSR to ensure that all property sold is inactivated from the APSR.

c. Document Retention

(1) All research documentation that supports NERV and recovery period shall be retained for two years following disposition.

(2) All documentation substantiating these transactions

shall be retained for two years following disposition.

d. Financial Reporting Implications

(1) As GE is sold, the related accumulated depreciation, and all other relevant information shall be inactivated from the APSR.

(2) Actual disposition costs incurred should be recorded in the APSR. This cost should be offset by estimated cash proceeds only when the proceeds are permitted to be retained and used by DON. Examples of disposition costs for items sold include but are not limited to fix-up costs, inspections, sampling, testing, and transportation.

(3) For capitalized accountable GE, the NERV is the estimated residual value remaining at the end of the capitalized GE recovery period less any estimated disposition costs. When capitalized accountable GE is sold and the residual value is expected to exceed ten percent of the original acquisition cost, estimated disposal costs shall be subtracted from the residual value. The total estimated residual value less estimated disposal costs is the NERV. Any difference in the NBV of the general equipment asset and the expected NRV shall be recognized as a gain or loss in the period of adjustment. Any further adjustments in value shall be recognized as a gain or loss.

(4) The difference between the NBV and the amount realized from the sale shall be recorded as a gain or loss in the period the GE is sold.

e. Unique Requirements. Prior to disposition of any government general equipment, ensure conformance to demilitarization and trade secret control regulations, if applicable, per references (u) and (v).

6. Unplanned Losses

a. Description of Task. Capitalized accountable or non-capitalized accountable GE that is lost because of theft, negligence, inventory or other unplanned events shall be documented with a DD-200 "Financial Liability Investigation of Property Loss" (FLIPL) that includes the results of an investigation into loss as appropriate.

b. Required Documentation

(1) Capitalized accountable or non-capitalized accountable GE that is lost, damaged beyond repair or stolen shall be documented with a DD-200 FLIPL. An investigation into the loss shall be conducted per chapter 7 of volume 12 of reference (g).

(2) If capitalized accountable or non-capitalized accountable GE is determined to be stolen or missing, the accountable property record including the acquisition cost, the related accumulated depreciation, and all other relevant information shall be inactivated in the APSR, using the Approving Authority's signature date on the DD-200 FLIPL to substantiate the transaction.

(3) In the event that the FLIPL investigation reveals individual culpability, pecuniary action may be taken per Service-level policy.

c. Document Retention. Documentation substantiating these transactions shall be retained for two years following resolution.

d. Financial Reporting Implications. Once all investigations of loss have been completed and approved by the Approving Authority, the accountable property record including the acquisition cost, the related accumulated depreciation, and all other relevant information shall be inactivated in the APSR.

e. Unique Requirements. In the event that the FLIPL investigation reveals individual culpability, pecuniary action may be taken per Service-level policy.

SECNAV M-5200.45
13 Feb 2019

THIS PAGE INTENTIONALLY BLANK

APPENDIX A - ACCOUNTABILITY AND CAPITALIZATION THRESHOLDS

Fund Type	Original Acquisition Value	GE Category	Record Type
U.S.Navy General Fund	Less than \$5K	Locally Accountable	Accountability Record
	\$5K - <\$1M	Non-Capitalized Accountable	Accountable Record in APSR
	\$1M or more	Capitalized Accountable	
U.S. Marine Corps General Fund	Less than \$5K	Locally Accountable	Accountability Record
	\$5K - <\$100K	Non-Capitalized Accountable	Accountable Record in APSR
	\$100K or more	Capitalized Accountable	
Working Capital Fund	Less than \$5K	Locally Accountable	Accountability Record
	\$5K - <\$250K	Non-Capitalized Accountable	Accountable Record in APSR
	\$250K or more	Capitalized Accountable	

APPENDIX B - DoD STANDARD EXPECTED USEFUL LIFE VALUES

<i>Categories</i>	<i>Sub-Categories</i>	<i>Recommended Useful Life</i>
GENERAL EQUIPMENT ASSETS (EXCLUDING WEAPON SYSTEMS)		
General Purpose Vehicles		
	Heavy Duty Trucks and Buses	5
ADP Systems and Hardware		
	Computers and Peripherals	5
Communication and Medical Equipment		
	High Tech Medical Equipment	5
	Equipment used in Research, Development, Test, and Evaluation (RDT&E)	5
	Radio and Television Broadcasting Equipment	5
All Other Equipment and Machinery		
	All Other Equipment and Machinery	10
Vessels		
	Tugs	20
	Barges	20
	Similar Water Transportation Equipment	20
Generation Equipment		
	Steam Generation Equipment (12.5K pounds per hour or more)	20
	Electric Generation Equipment (500 Kilowatt or more)	20

<i>Categories</i>	<i>Sub-Categories</i>	<i>Recommended Useful Life</i>
WEAPON SYSTEMS		
Ground Systems		
	Cargo Vehicle	15
	Tracked Vehicle	20
Fixed Wing Aircraft		
	Combat Fixed Wing	20
	Cargo Fixed Wing	25
	Utility Fixed Wing	20
Rotary Wing		
	Combat Rotary Wing	25
	Cargo Rotary Wing	25
	Utility Rotary Wing	30
Ships		
	Combat Ship	35
	Cargo Ship	40
	Aircraft Carrier	50
Submarines		
	Submarine	33
Unmanned Aerial Vehicle Systems		
	UAVS	15
Combat Support Systems		
	Combat Support System	15
	Missile Defense System	20

APPENDIX C - GLOSSARY AND TERMS

1. Accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents, or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest.
2. Accountability Record. A non-financial record used to ensure custodial accountability without effecting the custodian's financial reports. Accountability records are used for locally accountable GE, and GE in on loan. Accountability records may be maintained in the APSR or another suitable system. Also known as management records.
3. Accountable Property Officer (APO)/Eligible APO. An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed in writing to establish and maintain an organization's accountable property records, systems, or financial records, in connection with government property, irrespective of whether the property is in the individual's possession. APOs are assigned in writing at all levels of the chain of command.
4. Accountable Property System of Record (APSR). The government system used to manage and control accountable property records. A subset of existing organizational processes related to the life cycle management of property; the system that is integrated with the core financial system. The APSR may also control and manage accountability records. For the DON, APSRs are approved by the Assistant Secretary of the Navy (Financial Management and Comptroller). Approved APSRs are designated for use at the Service-level. A full list of data elements required for approval as an APSR is located in reference (e).
5. Full Accountability. Full accountability of GE requires that supporting documentation is maintained in sufficient detail to permit tracing balances from their source systems to amounts reported in financial statements. The supporting documentation shall demonstrate the inventory validity, existence,

completeness, accuracy of physical and financial balances, valuation and rights of obligations including but not limited to receipts, material on hand validations and documentation recording material condition.

6. Acquisition Cost. The net amount of both trade and cash discounts paid for the property, plus transportation costs and other ancillary costs.

7. Administrative Receipt. A receipt that is not accompanied by physical delivery of an item. Frequently used when the deliverable of one contract is shipped directly to another vendor or retained on site for integration into a next higher assembly. Administrative receipts are required to establish or update accountable or accountability records when the recording activity does not have physical custody

8. Ancillary Costs. Costs other than the basic asset acquisition costs that were required to bring the GE to its form and location suitable to its intended use. These costs should be included for capital assets when they are, in management's opinion, significant and identifiable.

9. Capital Improvement. Any improvement in which the cost equals or exceeds the DoD capitalization threshold and the capability, size, efficiency, or useful life of the property is increased. Regardless of cost, maintenance and repairs, including preventive maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset are not considered capital improvements.

10. Contractor Acquired Property (CAP). Any property acquired, fabricated or otherwise provided by the contractor for performing a contract, and to which the Government has title. CAP that is subsequently delivered and accepted by the Government for use on the same or another contract is considered Government Furnished Property as defined in references (g) and (r).

11. Construction In Progress (CIP). Material specifically designated for installation in or construction of a new end item (ship, aircraft, spacecraft, submarine, or land vehicle) or a capital improvement to an existing end item (see capital improvement above).

12. Custodial Area. A segment of the accountable area (e.g., a ward in a hospital, a division in an organization, within an accountable area). There may be as many custodial areas and officers as are required to execute effective property management

13. Custodian. An individual appointed by the APO who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under his control.

14. Depreciation Start Date. The date on which depreciation calculations begin for capitalized accountable GE. For DON, this is the date the GE is first placed in service. Note that GE may be placed in service prior to formal receipt by the government, e.g., operational testing prior to delivery. If the placed in service date is not known, estimates may be used if fully documented.

15. Donated Personal Property. Personal property that is received from a non-Federal entity without exchange or payment.

16. Fair Market Value. An unbiased, equitable or just 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 (also known as fair value).

17. Garrison Mobile Equipment (GME). GME is a type of GE consisting of commercially available owned, leased, or otherwise controlled passenger vehicles, cargo vehicles, material handling equipment, engineer equipment, and railway rolling stock. GME is operated in support of transportation and maintenance requirements at Marine Corps activities and is neither deployed nor used for tactical purposes. This term is used exclusively by the Marine Corps.

18. General Equipment (GE). Tangible personal property that is functionally complete for its intended purpose, durable, and nonexpendable. GE typically has an expected service life of two years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; and has been acquired or constructed with the intention of being used. Per reference (c), property formerly

classified as Military Equipment is now categorized as GE. For purposes of this instruction, GE includes Garrison Mobile Equipment. DON GE is classified into two primary categories:

a. Accountable GE. All Accountable GE requires accountable property records be established and maintained in the APSR per reference (g). Accountable GE is divided into two primary subcategories:

(1) Capitalized Accountable GE

(a) All GE purchased, or otherwise obtained, that has a unit acquisition cost equal to or above the capitalization threshold identified in Appendix A at time of acquisition or is classified as a capital lease.

(b) Capitalized Accountable GE shall be reported as an asset and depreciated per reference (d) on DON financial statements.

(2) Non-Capitalized Accountable GE

(a) All GE purchased, or otherwise obtained, that has a unit acquisition cost less than the capitalization threshold identified in Appendix A at time of acquisition and meets at least one of the following four criteria:

1. GE with an acquisition cost of \$5,000 or more.

2. As required by law, policy, regulation, or agency direction.

3. Assets of any value with Controlled Item Indicator codes identifying them as Controlled, Classified, or Sensitive in accordance with Table 61 of Volume 10 of DoD 4100.39-M which have no alternate governing DoD issuance or items specifically identified in reference (g).

4. GE of any value provided to a contractor as GFP.

(b) Non-Capitalized Accountable GE is not reported as an asset on DON financial statements.

b. Locally accountable GE. Locally accountable GE requires accountability records be established and maintained in either an APSR or another suitable system per reference (g). Locally accountable GE must be managed in accordance with volume 4, chapter 6 of reference (d) and references (g) and (h) but is not reported as an asset on the DON financial statements. Locally accountable GE includes all GE purchased, or otherwise obtained, with a unit acquisition cost less than \$5,000 that meets at least one of the following criteria:

(1) Notwithstanding the acquisition cost, the GE must be controlled and managed to protect against unauthorized use, disclosure, or loss; or when otherwise required by law, policy, regulation or agency direction per reference (g);

(2) Information technology property containing personally identifiable information, per the requirements of references (t) and (u) or other sensitive agency information. This property may include, but is not limited to desktops, laptops, and mobile computing devices, mobile information storage devices and auxiliary hard drives, regardless of cost;

(3) Pilferable GE when it has been identified as a problem area;

(4) GE hazardous to public health, safety, or the environment. Such property is typically regulated by federal or state environmental and safety laws;

(5) Small arms. See reference (s) for small arms management information;

(6) Seized and confiscated GE;

(7) GE with national security implications;

(8) Tooling subject to Title VIII, Subtitle B, Section 815 of Public Law 110-417; and

(9) Any GE that does not meet the criteria of (1) through (8) above and is identified locally as requiring property management controls to maintain visibility and protect against loss. Note: Accountability records for locally

identified GE may be maintained using any system or process as directed by local policy.

19. General Fund. For purposes of this instruction, the General Fund represents all appropriated funds provided by Congress to the DON. General Fund monies may be used to pay acquisition, procurement, maintenance, research, development, operations and personnel costs as directed in the appropriating legislation.

20. Heritage Assets. GE of historical, natural, cultural, educational or artistic significance, e.g., aesthetic; or with significant architectural characteristics. Heritage Assets are expected to be preserved. Heritage Asset values may be indeterminable or may have little financial meaning (e.g., museum collections, monuments, assets acquired in the formation of the nation), or allocating the cost of such assets (e.g., military weapons systems) to accounting periods that benefit from the ownership of such assets is not meaningful.

21. Inherently Governmental. A function so intimately related to the public interest as to require performance by Federal Government employees.

22. Internal Use Software. Software used in conjunction with the operation of equipment, which is not the same as the integrated or embedded software, is considered IUS if all of the following criteria apply (note, IUS is not subject to the requirements of this policy):

a. The software was developed separately from the equipment;

b. The software is not required for the equipment to perform its core purpose and functions; and

c. The quantity of equipment items on which the software will be installed is unknown.

23. Inventory

a. The act or process of locating, counting and reporting property. For DON there are three authorized methods for conducting required inventories:

(1) By Exception Inventories. This type of inventory uses actions or transactions, e.g., move orders, maintenance actions, calibration checks, etc., where the items are "touched" by disinterested parties with supporting documentation directly associated with an accountable asset.

(2) Cyclic Inventories. Also called cycle counting, where a portion of the population is counted either daily, weekly or monthly until the entire population has been counted within the time period specified.

(3) Wall-to-Wall. An inventory process where the entire population is counted at a single point in time.

(4) Statistical Sample. Statistical sampling counts a portion of the population that is representative of the total population and statistically significant. For GE, sampling methods may be used to supplement inventory requirements, test, evaluate or validate inventory accuracy. Sampling does not relieve the requirement for triennial or annual inventories.

b. Tangible 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 is not part of GE. The term "held for sale" shall be interpreted to include items for sale or transfer to (1) entities outside the federal government, or (2) other federal entities. The principal objective of the sale or transfer of inventory is to provide a product or service for a fee that generally recovers full cost or an identified portion of the cost. "Other federal entities" may include entities within the same organization/agency. Sales transactions may be executed through transfer of funds between federal entities; it is not essential that the transaction be an exchange of goods for cash or cash equivalents. In addition, inventory may be acquired through donation or barter. Inventory excludes some other property held for sale, such as (1) stockpile materials, (2) seized and forfeited property, (3) foreclosed property, and (4) goods held under price support and stabilization programs.

These items may be sold; however, the purpose of acquiring them is not to provide a product or a service for a fee.

24. Item Unique Identification (IUID). A system of establishing globally unique identifiers within the Department of Defense, which serves to distinguish discrete items from other like and unlike items. Full IUID capability requires items to be marked, Automated Information Technology to read the marks, information systems to be modified to use the mark, and business processes to be re-engineered to utilize the capability.

25. Operating Materials and Supplies (OM&S). Tangible personal property to be consumed in normal operations. DON OM&S is comprised of material such as replacement parts, components, assemblies, and residual property that are to be consumed in normal operations but are not held for sale.

26. Personal Property. All property (systems and equipment, materials, and supplies) except real property (land and improvements to facilities), and records of the Federal Government. Personal Property includes (but is not limited to); Military Platforms (e.g. Ships Aircraft, and Tanks), Weapons (including small arms and light weapons), Weapon Systems, support equipment, office equipment, industrial plant equipment, vehicles, material handling equipment, automated data processing equipment or property acquired through capital or operating leases.

27. Real Property. Land and any interest in land, together with any buildings, fixtures, affixed improvements and structures, growing crops located thereon, and related appurtenances regardless of funding source.

28. Stewardship Land. Land and land rights other than that acquired for or in connection with General PP&E, land acquired via the public domain, or land acquired at no cost.

29. Working Capital Fund (WCF). A revolving fund (or account) that relies on sales revenue rather than direct Congressional appropriations to finance its operations. A WCF generates revenue by charging customers a stabilized cost recovery rate to offset the full costs of its operations, and to finance the fund's continuing operations without fiscal year limitation. A

revolving fund is intended to operate on a break-even basis over time; that is, it neither makes a profit nor incurs a loss. WCFs provide a funding mechanism for DoD and DON corporate structures to absorb risk in planning investment programs for maintenance and supply.

APPENDIX D - LIST OF ACRONYMS

APO	Accountable Property Officer
APSR	Accountable Property System of Record
ASN(RD&A)	Assistant Secretary of the Navy, Research, Development and Acquisition
ASN(FM&C)	Assistant Secretary of the Navy, Financial Management and Comptroller
BSO	Budget Submitting Office
CAE	Contractor Acquired Equipment
CAP	Contractor Acquired Property
CIP	Construction in Progress
CLIN	Contract Line Item Number
CPO	Command Property Officer
DDRS-B	Defense Departmental Reporting System-Budgetary
DLA	Defense Logistics Agency
DLADS	Defense Logistics Agency Disposition Services
DLMS	Defense Logistics Management Standards
FASAB	Federal Accounting Standards Advisory Board
GE	General Equipment
GF	General Fund
GFP	Government Furnished Property
iRAPT	Invoice, Receipt, Acceptance and Property Transfer
IUID	Item Unique Identification
KSSD	Key Supplemental Supporting Documentation
NBV	Net Book Value
NRV	Net Realizable Value
OM&S	Operating Materials and Supplies
PP&E	Plant Property and Equipment
PIEE	Procurement Integrated Enterprise Environment
WAWF	Wide Area Workflow
WCF	Working Capital Fund