U.S. Department of Justice
Federal Bureau of Prisons

C H A N G E   N O T I C E

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Accounting for Real Property, Depreciation, and B&F Projects

/s/
Approved: Charles E. Samuels, Jr.
Director, Federal Bureau of Prisons

This Change Notice (CN) implements the following change to Program Statement 2350.02, **Accounting for Real Property, Depreciation, and B&F Projects**, dated June 22, 2004. This CN updates the dollar threshold for the capitalization of property, plant, and equipment as outlined in DOJ FMPM 13-12. The new text is marked with a highlight and is also inserted into the policy.

Section 1.2, Capitalization Criteria:

The following real property must be capitalized:

- land, regardless of the cost or donated value. Land is recorded at the acquisition price or donated value plus incidental costs (real estate commission, attorney's fees, escrow fees, title and recording fees, etc.). Upon the initial acquisition of land, all costs associated with preparing land for use are capitalized in the land account, including the cost of demolishing an old building to clear the land to construct a new building.

- buildings with a useful life of 30 years and a cost of $250,000 or more.

- other structures and facilities with a useful life of 20 years and a cost of $250,000 or more.

- improvements, alterations, remodeling, and equipping of existing facilities which extend the useful life, enlarge, or improve its capacity/usefulness and cost $250,000 or more.

- improvements, renovations or other such changes to real property leased by the Bureau with a cost of $250,000 or more.

The total project cost must be considered, rather than individual items, in determining if the $250,000 threshold has been met.

Section 2.5, Recognition of Real Property at the Institution for B&F Projects Funded at the Regional Office:

The combined project costs from multiple locations must be considered when deciding whether to expense or capitalize a project. If the combined costs of the project in the Region plus the project in the institution are $250,000 or more, then the dollar threshold for capitalization has been met. These Regional projects must be reviewed to ensure they are capitalized at the institution consistent with the projects funded in the institution. A copy of the written determination to capitalize or expense the regionally funded project will be forwarded to the appropriate institution Controller.

Program Statement

OPI: ADM/FIN
NUMBER: P2350.02
DATE: 6/22/2004
SUBJECT: Accounting for Real Property, Depreciation, and B&F Projects

1. **PURPOSE AND SCOPE.** To establish standards for accounting for property and plant, hereafter referred to as real property, and associated depreciation.

Accounting for the Bureau's real property must be in accordance with the Statement of Federal Financial Accounting Standards (SFFAS)No. 6, titled **Accounting for Property, Plant, and Equipment.**

All real property is to be classified and recorded in the appropriate general ledger account. The Facility Manager must provide guidance as to the proper classification of real property.

This Program Statement does not restate the requirements of SFFAS No. 6, but establishes the Bureau criteria for capitalization and depreciation of real property.

- Every site is required to maintain a copy of SFFAS No. 6 for reference. All questions regarding SFFAS No. 6 or this Program Statement are to be directed to the Accounting Policies and Procedures Section, Finance Branch.

This states the procedures for closing projects financed under the Buildings and Facilities (B&F), or Asset Forfeiture Fund (AFF), appropriations and for transferring the costs of completed projects to the capitalized asset accounts or the expense account under the current Salaries and Expenses (S&E) appropriation.

In addition, it establishes procedures for closing projects and recognizing capitalized assets in the Trust Fund appropriation.

Real property (buildings, other structures, improvements, etc.) will be recognized and recorded in the general ledger as it is put-in-use rather than when the B&F project is "closed" in the accounting system.

For those locations which do not have a Controller, all references to the Controller in this Program Statement refer to that employee responsible for the budget and accounting operation. The Regional Comptroller is referred to as the Comptroller.

2. **SUMMARY OF CHANGES.** This Program Statement (PS) combines policy previously set forth in the Program Statement on Accounting for Real Property and Depreciation and the Program Statement on Buildings and Facilities Projects Closure.

This revision:

- changes the useful life for leasehold improvements,

- removes the need for manual depreciation schedules and calculations and requires the use of the SENTRY Real Property Management System (SRPMS),

- provides guidance on how to transfer construction-work in progress costs to the current year S&E appropriation,

- requires assets to be recognized in the general ledger in the month they are put-in-use,

- requires the Facility Manager and Controller to determine at the beginning of a project if the costs will be capitalized or expensed,

- requires B&F and AFF projects' non-capitalized construction, maintenance, salary, and operating costs to be expensed during September prior to the end of each fiscal year,

- adds procedures for locations to account for real property and expenses from projects funded at the Central and Regional Offices,

- adds procedures for locations to account for real property and expenses funded from the Trust Fund appropriation,

- updates general ledger accounts to the Standard General Ledger (SGL) format,

- # updates procedures and transactions to conform with the Financial Management Information System (FMIS) accounting system,

- # adds procedures relating to the SENTRY Real Property Management System (SRPMS), and

- # adds procedures for requesting prior period adjustments.

3. **PROGRAM OBJECTIVES.** The expected results of this program are:

a. Real property and associated depreciation expense will be recorded in the Bureau's general ledger consistently, accurately, timely, and in accordance with the requirements of SFFAS No. 6.

b. B&F projects will be closed efficiently.

c. Accountability of Bureau assets will be maintained through timely capitalization or expensing of B&F and AFF Project costs and Trust Fund construction.

4. **DIRECTIVES AFFECTED**

a. **Directives Rescinded**

P2043.02	Buildings and Facilities Projects Closure (8/12/97)
P2350.01	Accounting for Real Property and Depreciation (12/31/97)

b. **Directives Referenced**

P4200.09	Facilities Operations Manual (4/3/96)
P4400.04	Property Management Manual (8/13/01)
SFFAS No. 6	Statement of Federal Financial Accounting Standards No. 6, Accounting for Property, Plant, and Equipment

5. **STANDARDS REFERENCED**

a. American Correctional Association 3rd Edition Standards for Adult Correctional Institutions: 3-4025, 3-4029, and 3-4037

b. American Correctional Association 3rd Edition Standards for Adult Local Detention Facilities: 3-ALDF-1B-01, 3-ALDF-1B-03, and 3-ALDF-1B-10

c. American Correctional Association 2nd Edition Standards for the Administration of Correctional Agencies: 2-CO-1B-01, 2-CO-1B-03, and 2-CO-1B-08

d. American Correctional Association Standards for Adult Correctional Boot Camp Programs: 1-ABC-1B-01, 1-ABC-1B-03, and 1-ABC-1B-12

/s/
Harley G. Lappin
Director

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CHAPTER 7 ACCOUNT RECONCILIATION

CHAPTER 1 - DEFINITIONS/CRITERIA

1.1 DEFINITIONS. The definitions of the Bureau's real property are consistent with the SFFAS No. 6. Refer to the Property Management Manual for information on the control and use of real property.

a. Land, Standard General Ledger (SGL) Account 1711.00. Land is real estate held for productive use or investment. Bureau-owned land is recorded in SGL Account 1711.00.

b. Buildings, SGL Account 1730.10. A building is a roofed, floored, and walled structure with electricity built for permanent use. Buildings, including Trust Fund buildings, and items of property permanently attached thereto, that meet this Program Statement's criteria are recorded in SGL Account 1730.10.

c. Capital Improvements, Buildings, SGL Account 1730.20. Any improvement to an existing building that is a major renovation, addition, or enlargement to an existing building, including a Trust Fund building, and meets the criteria described in this Program Statement is recorded in SGL Account 1730.20.

d. Other Structures and Facilities, SGL Account 1740.10. Any structure or facility not classified as a building that meets the criteria described in this Program Statement is recorded in SGL Account 1740.10.

e. Capital Improvements, Other Structures and Facilities, SGL Account 1740.20. Any improvement to an existing other structure or facility that meets the criteria described in this Program Statement is recorded in SGL Account 1740.20.

f. Leasehold Improvements, SGL Account 1820.00. Any improvement, renovation, or other such change made to real property the Bureau leases that meets the criteria described in this Program Statement must be recorded in SGL Account 1820.00. This includes any Trust Fund leasehold improvements.

g. Substantially complete/put-in-use. A building, other structure, or improvement is considered substantially complete when it is placed into use for its intended purpose (even if additional finishing work is yet to be completed). The Facility Manager must make this determination and it is not to be tied to a project's financial closure.

Example: The Buildings and Facilities (B&F) project W3T was established to install a sprinkler system in every building in the institution and is considered a phase project. The total project cost is $200,000. At the initiation of the project, the Facility Manager and Controller determined this to be an improvement to buildings meeting the capitalization criteria. The sprinkler system in each building is considered substantially complete/put-in-use as soon as it is operational. Therefore, the project will be capitalized in stages as each building is improved with its sprinkler system. The Facility Manager must advise the Controller in writing using the Asset Recognition Form (see Chapter 2, section 2.2) as each building's sprinkler system is put-in-use.

h. SENTRY Real Property Management System (SRPMS). The Property Officer at each Bureau location maintains the SRPMS. When the Property Officer receives the written notification, supplied to the Controller from the Facility Manager, stating that real property has been put-in-use, he or she will make the appropriate entry in SRPMS to record the asset.

The SRPMS will generate entries into the Financial Management Information System (FMIS) automatically to capitalize the asset. In addition, it will generate the monthly deprecation entries automatically into FMIS for the items of real property in the SRPMS database.

i. Recognition of capitalized assets. Assets must be recognized in the SRPMS in the month of substantial completion; therefore, they will also be reflected in the general ledger the same month. The value on the current cost report (BOPRPT73), or the Asset Recognition Form for phase projects, is to be used to determine the amount to recognize initially in the SRPMS and the general ledger.

Example: The B&F project X4J was established to construct a warehouse and a housing unit. The total project cost is $250,000. The Facility Manager considers the warehouse substantially complete/put-in-use on July 1, because it can be occupied by warehouse staff and receive and deliver inventories (its intended purpose). No later than July 29, the warehouse must be entered in the SRPMS which will generate the entry in the general ledger to recognize the asset. (Entries into SRPMS may not be made during the last two working days of the month.) Depreciation will commence automatically in August.

j. Recognition of expenses. Accounts payable and expenditures are recognized as expenses in the fiscal year in which they occurred, regardless of the appropriation in which they are incurred. Undelivered orders are never recognized as expenses. Proper recognition of B&F and AFF costs which are determined to be expenses must occur before the close of each fiscal year (see Chapter 3).

k. Prior-period adjustments. A prior-period adjustment is specifically identified to activities of a prior period (prior fiscal year). A correction of an error made during a prior fiscal year is considered a prior period adjustment.

Prior period adjustments require advance approval by the Chief, Finance Branch, or designee before entry into the accounting system. The local Office of Financial Management (OFM) must request the adjustment. The location must prepare a journal voucher with the accounting transactions and a clear and detailed explanation of the correction and send it to the Comptroller immediately for review. The Comptroller then forwards the documentation, within five working days, to the Chief, Finance Branch, for approval.

Finance Branch staff receive management reports from the SRPMS system to indicate if a prior-period adjustment is required. Finance Branch staff will compare the SRPMS management reports to journal vouchers local OFMs submit. After approval by the Chief, Finance Branch, or designee and entry into the accounting system, a copy of these journal vouchers will be forwarded to the Controller or Comptroller of the affected locations.

l. SGL Account 1720.10, Construction in Progress—Open. This general ledger account has a normal debit balance. It reflects the cumulative costs of projects which are in progress (open) and financed under the B&F, 15X1003 (X3), or Asset Forfeiture Fund (AFF), 15X5094 (X9), appropriation.

The costs remain in this account until the B&F or AFF project is closed financially (closed in the accounting system). This account also captures costs for Trust Fund, 15X8408 (X4), Construction in Progress-Open.

m. SGL Account 1720.20, Construction in Progress—Complete. This general ledger account has a normal credit balance. It reflects the cumulative costs of assets capitalized, or expenses recognized, in the S&E appropriation that were financed under B&F or AFF projects that have not reached financial closure. This account also captures costs for Trust Fund Construction in Progress-Complete.

n. SGL Account 5730.21, Financing Sources Transferred out without Reimbursement -BF- Non-Capitalized. This account is used in the B&F or AFF appropriation and reflects the amounts transferred out to be recognized as expenses in S&E. The Transaction Code (TC) 5020A is used which will debit the 5730.21 and credit the 1720.20 to transfer the cost of expenses from X3 or X9. The TC 5025A must be done at the same time to transfer the expenses into the current year S&E appropriation.

o. SGL Account 5720.21, Financing Sources Transferred in without Reimbursement -BF- Non-Capitalized. This account is used in the S&E appropriation and reflects the amounts transferred in from B&F or AFF to be recognized as expenses. The TC 5025A is used in S&E to debit the 6790.20 expense account and credit the 5720.21 to transfer in the cost of expenses from X3 or X9.

p. SGL Account 5730.22, Financing Sources Transferred out without Reimbursement -BF- Capitalized. This account is used in the B&F or AFF appropriation and reflects the amounts transferred out to be recognized as real property in S&E. The Transaction Code (TC) 5020B is used which will debit the 5730.22 and credit the 1720.20 to transfer the costs from X3 or X9. The TC 5025B must be done at the same time to transfer the amount to be recognized as real property into the current year S&E appropriation. An automated entry will be generated from the SRPMS to classify the asset in S&E properly.

q. SGL Account 5720.22, Financing Sources Transferred in without Reimbursement -BF- Capitalized. This account is used in the S&E appropriation and reflects the amounts transferred in from B&F or AFF to be recognized as real property. The TC 5025B is used in S&E to debit the 6790.20 expense account and credit the 5720.22 to transfer the cost of assets from X3 or X9. An automated entry will be generated from the SRPMS to properly classify the real property in S&E.

r. SGL Account 7400.00, Prior Period Adjustments. The Finance Branch uses this account when making certain prior-period adjustments.

1.2 CAPITALIZATION CRITERIA. The criteria set forth in SFFAS No. 6 and in this Program Statement must be used to determine if costs will be capitalized or expensed. The method of funding (Salaries and Expenses, Buildings and Facilities, or Trust Fund) must not be the factor used when determining whether a cost is capitalized or expensed.

The Facility Manager and Controller must confer to determine, at the initiation of a B&F or AFF funded project, if the project will be capitalized or expensed. This determination is to be put in writing and signed by the Facility Manager and Controller.

The following real property must be capitalized:

- land, regardless of the cost or donated value. Land is recorded at the acquisition price or donated value plus incidental costs (real estate commission, attorney's fees, escrow fees, title and recording fees, etc.). Upon the initial acquisition of land, all costs associated with preparing land for use are capitalized in the land account, including the cost of demolishing an old building to clear the land to construct a new building.

- buildings with a useful life of 30 years and a cost of $250,000 or more.

- other structures and facilities with a useful life of 20 years and a cost of $250,000 or more.

- improvements, alterations, remodeling, and equipping of existing facilities which extend the useful life, enlarge, or improve its capacity/usefulness and cost $250,000 or more.

- improvements, renovations or other such changes to real property leased by the Bureau with a cost of $250,000 or more.

The total project cost must be considered, rather than individual items, in determining if the $250,000 threshold has been met.

If the following projects meet the criteria listed above, they must be capitalized and depreciated. These examples are not intended to be an all inclusive list of possible real property, but are intended to serve as a guide for determining capitalization criteria.

PROJECT	CLASSIFICATION
Install natural gas lines	Other Structures or Facilities - 1740.10
Replace roofs	Capital Improvement, Bldg. - 1730.20
Replace doors	Capital Improvement, Bldg. - 1730.20
Supplemental exterior lights	Other Structures or Facilities - 1740.10
Install security wire (existing fence)	Capital Improvement, Other Structures and Facil - 1740.20
Helicopter deterrent	Other Structure or Facilities - 1740.10
Re-pave roads	Capital Improvement, Other Structures and Facil - 1740.20
Construct new road	Other Structure or Facilities - 1740.10
Construct new housing unit	Building - 1730.10
High mast lighting	Other Structure or Facilities - 1740.10
Upgrade perimeter security (new)	Other Structure or Facilities - 1740.10
Upgrade perimeter security (existing)	Capital Improvement, Other Structures or Facil - 1740.20
Modify door control	Capital Improvement, Bldg. - 1730.20
Install security bars	Capital Improvement, Bldg. - 1730.20
Life-safety projects (those to bring the institution into compliance with local fire codes)	Capital Improvement, Bldg. - 1730.20
Asbestos abatement	Capital Improvement, Bldg. - 1730.20
Construct New Commissary	Building, Trust Fund Facility - 1730.10
Renovate Commissary	Capital Improvement, Bldg. - 1730.20

The standards set forth is SFFAS No. 6 must be applied consistently throughout the Bureau. Recognizing the above list is not all inclusive of improvements, alterations, or equipping existing facilities, questions arising over whether to capitalize or expense a project must be directed to the Central Office, Finance Branch, through the appropriate Regional Office.

CHAPTER 2 - ASSET RECOGNITION

2.1 DONATED REAL PROPERTY. Real property donated by other than a federal agency must be capitalized in an amount equal to the estimated fair value when the Bureau acquired it. Real property donated by a federal agency is to be capitalized in an amount equal to the asset's book value.

The donated value is to be recorded in the SRPMS in the current year S&E appropriation. The SRPMS will automatically generate the entry to record the real property in the SGL.

If the Bureau obtains an asset by donation and improves, renovates, or alters it, the value recognized for the asset must be the donated value. The costs of any improvements, renovations, and alterations will be recognized as improvements to the asset.

2.2 ASSET RECOGNITION FORM. The Facility Manager is to report to the Controller all real property substantially complete/put-in-use by using the Asset Recognition form **(Attachment A)** or a similar form which supplies the equivalent information. The real property is to be recorded in the general ledger at cost. Staff at each OFM must complete the procedures necessary to capitalize properly all real property the Facility Manager identifies as substantially complete/put-in-use.

2.3 BUILDINGS AND FACILITIES (B&F) AND ASSET FORFEITURE FUND (AFF) APPROPRIATIONS. Real Property costs funded by the B&F or AFF appropriation must be recognized in the general ledger when the asset is put-in-use, prior to the project's financial closure.

The Property Officer must enter the real property in SRPMS as assets are put-in-use and upon receiving an Asset Recognition form from the Facility Manager. The Property Officer must maintain the Asset Recognition forms chronologically by project. The Property Officer is to run an adding machine tape of all Asset Recognition forms for open B&F and AFF projects at the end of each month and give the tape to the Accounting Supervisor for proof-check reconciliation purposes.

Once a B&F project is closed in the accounting system, all original Asset Recognition forms for the closed B&F project are to be forwarded to the Accounting Supervisor and maintained in the project file.

Asset Recognition accounting entries are entered before the B&F or AFF Project's Financial Closure. The real property must be entered into SRPMS and accounting entries to recognize the real property must be generated (via SRPMS) the month the asset is substantially complete/put-in-use. The total project cost from the BOPRPT73 report for the month the asset is put-in-use, or the amount from the Asset Recognition form for phase projects, is to be used in the transactions below.

The Accounting Supervisor is to transfer out of X3 or X9 the costs of the real property put-in-use using the **5020B Transaction Code (TC)**. In addition, a **TC 5025B** must be entered in the current year S&E appropriation to transfer in the costs of the real property to be recognized.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Asset Amt	Desc
5020	B			_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV _ _ _ _	$XXX	RecogAsset *** JV___
5025	B			_ _	02	FP0XXXXXP1		NA	NA	NA	JV _ _ _ _	$XXX	RecogAsset *** JV___

(*** represents the project code)

Note for Central Office only: The ActClass to be used in S&E transactions referenced in this PS which are transferring in B&F or AFF charges to be recognized on the Central Office general ledger is FP07003208.

Both manual TC entries must be recorded on a Journal Voucher (JV) and approved by the Controller. A copy of the SRPMS real property record must be attached to the JV.

When the Property Officer makes the SRPMS entry, it will generate the TC automatically to classify the asset in the general ledger properly. The automatic TC will debit the asset account and credit the appropriate expense account.

Monthly depreciation entries will be generated automatically from the SRPMS and will be reflected on the general ledger for each item of real property.

2.4 RECOGNITION OF REAL PROPERTY AT THE INSTITUTION FOR B&F PROJECTS FUNDED AT THE CENTRAL OFFICE. When real property, as identified by the Chief, Facilities Management Branch, or the Chief, Design and Construction Branch, is substantially complete/put-in-use, he or she must ensure the asset(s) is capitalized.

a. The Chief, Facilities Management Branch, or the Chief, Design and Construction Branch, as appropriate, must submit an Asset Recognition or a like form, to the Controller, Central Office Business Office (COBO), for each asset that is substantially complete/put-in-use.

b. The Controller, COBO, is to complete the necessary accounting entries on the Asset Recognition Form for submission to and approval by the Chief, Finance Branch.

c. The Chief, Finance Branch, must review the Asset Recognition form within 10 working days after receipt. After approval, the Chief, Finance Branch, is to send copies of the approved Asset Recognition form to the Controller, COBO, the Institution Controller, and the appropriate Regional Comptroller.

When the approved Asset Recognition Form is received:

! the Controller, COBO, will ensure the **TC 5020B** is entered, to transfer out the costs from X3 or X9, within two working days after receiving the form. The Controller, COBO, will notify the institution of the accounting month the transaction was entered. This transaction must be documented on a JV; and

! the Institution Controller will ensure the **TC 5025B** is entered in the current year S&E appropriation to transfer in the costs of the real property to be recognized. The local Property Officer must make the SRPMS entry and it will generate the TC automatically to classify the asset properly in the general ledger. These entries must be performed in the same accounting month as COBO enters the **5020B TC**. This transaction will be documented on a JV.

2.5 RECOGNITION OF REAL PROPERTY AT THE INSTITUTION FOR B&F PROJECTS FUNDED AT THE REGIONAL OFFICE. The Regional Comptroller and Regional Facilities Administrator must review all institution B&F projects established at the Regional Office to determine which meet the capitalization criteria in this Program Statement and ensure they are processed properly. This determination must be in writing and signed by the Facilities Administrator and the Comptroller. A copy of the determination will be forwarded to the appropriate institution Controller.

Construction work performed at institutions sometimes require B&F projects established at the Regional Office as well as the institution. A common example occurs when architectural and engineering (A&E) services are funded from a B&F project at the

Regional Office, while construction work and costs corresponding with the A&E service are funded from a B&F project established at the institution. Costs of these B&F projects in the Regional Offices must not be expensed when the B&F project at the institution has been capitalized.

The combined project costs from multiple locations must be considered when deciding whether to expense or capitalize a project. If the combined costs of the project in the Region plus the project in the institution are $250,000 or more, then the dollar threshold for capitalization has been met. These Regional projects must be reviewed to ensure they are capitalized at the institution consistent with the projects funded in the institution. A copy of the written determination to capitalize or expense the regionally funded project will be forwarded to the appropriate institution Controller.

The Comptroller will coordinate with institution Controllers to ensure that institutions include the costs of Regional projects when recognizing assets on the general ledger and in the SRPMS. If the project funded at the region is complete, but must be included in the asset value at the institution, the regional OFM will not complete the transfer out TC, in X3 or X9, until the asset has been put-in-use at the institution.

2.6 REQUIRED CENTRAL AND REGIONAL OFFICE RECONCILIATIONS. The Central and Regional Offices are required to perform the following steps for institution projects that are funded at the Central/Regional Offices and were open during the current fiscal year:

- verify which project costs should be transferred out of B&F or AFF and whether the necessary entries have been made at the Central/Regional Office,
- identify which institution is required to make the entry to transfer project costs into the current year S&E appropriation,
- verify that the amount the institution transferred into S&E is the same amount as the Central/Regional Office transferred out of B&F or AFF,
- verify that the institution transferred the costs into S&E the same way (capitalized or non-capitalized) as they were transferred out of B&F or AFF by the Central/Regional Office,

! verify that the institution transferred the costs into S&E during the same fiscal year as the Central/Regional Office transferred out the costs in B&F or AFF,

! maintain a reconciliation indicating:

- the project code,
- amount,
- month transferred out of B&F or AFF by the Central/Regional Office,
- month transferred into S&E by the institution,
- the institution involved, and
- the FMIS document numbers used by the Central/Regional Office and the institution, and

! notify each location of any correcting entries that are required and ensure that all entries are accomplished by the close of the following month.

Comptrollers and the Controller, COBO, will submit copies of their reconciliations for the current fiscal year to the Chief, Finance Branch, by the fifth working day each month.

2.7 REAL PROPERTY RECORDS. The Property Officer must maintain, using the SRPMS, subsidiary records to support the SGL accounts 1711.00, 1730.10, 1730.20, 1740.10, 1740.20, and 1820.00. Real property information must be maintained in accordance with the Property Management Manual.

2.8 EFFECT OF PERSONAL PROPERTY. If **capitalized** personal property is purchased from the B&F or AFF project, it must be transferred out of the X3 or X9 appropriation when received, by entering the **TC 5020B**. In addition, a **TC 5025B** must be entered to transfer the cost into current year S&E.

The Property Officer must make an entry into the SPMS in the current year S&E appropriation, using the appropriate transaction for capitalized equipment transferred in from B&F. This will generate the automated TC to classify the capitalized personal property in the general ledger properly. The amount of the TC 5020B, the TC 5025B, and the SPMS entry must be the same.

If **non-capitalized** personal property is purchased from project funds, the costs of the non-capitalized personal property will remain in the project and be either capitalized as real property, if the project meets the capitalization criteria, or expensed with the rest of the project as explained in Chapter 3.

2.9 TRUST FUND REAL PROPERTY. Trust Fund (X4) resources may be allocated for constructing or renovating Commissary facilities. Approval must be received from the Chief, Trust Fund Branch, Central Office, before any construction or renovation begins. The capitalization criteria for Trust Fund real property is the same as described in Section 1.2 of this PS.

For Trust Fund **capitalized** construction and renovations all costs must be charged to ActClass FPXXXXXX**V8**. All costs charged to the V8 ActClass are captured in SGL account 1720.10, Construction in Progress—Open, on the X4 general ledger.

The Property Officer must enter the real property into SRPMS, using the appropriate codes for Trust Fund funded real property, as assets are put-in-use and upon receiving an Asset Recognition form from the Facility Manager. A copy of the Asset Recognition form will be forwarded to the Accounting Supervisor.

The Accounting Supervisor is to enter, in X4, the costs of the real property put-in-use using the **TC 5026** the same month the SRPMS entry was completed. The manual TC entry must be recorded on a JV and approved by the Controller. A copy of the SRPMS real property record must be attached to the JV.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Asset Amt	Desc
5026				_ _	X4	FP0XXXXXV8		CMS	NA	NA	JV _ _ _ _	$XXX	RecogAsset *** JV___

The TC 5026 records the costs in the SGL account 1720.20, Construction in Progress—Complete, and the automated entry in SRPMS properly reclassifies the cost of the asset in the real property asset account. The SRPMS entry for the X4 acquisition and the TC 5026 must be accomplished for the same amount.

CHAPTER 3 - EXPENSE RECOGNITION

3.1 EXPENSE RECOGNITION IN THE GENERAL LEDGER. Periodically, B&F funding is provided for institution maintenance costs (i.e., utilities, training, travel), non-capitalized construction costs, and Regional and/or Central Office salaries that are not associated with the construction or renovation of a particular Bureau facility.

Non-capitalized costs must be captured, as explained below, each year in the current year S&E appropriation. Regional Facilities Administrators are responsible for monitoring obligations against these projects for their respective regions. The Chief, Facilities Resource Management, Central Office, is responsible for monitoring these obligations for Central Office B&F projects.

For B&F and AFF projects that have been determined to be non-capitalized/expensed, as determined jointly by the Facility Manager and Controller, all expenses incurred during a fiscal year must be recognized before the close of that fiscal year in the current year S&E appropriation.

On **September 20** of each year (or the first working day thereafter), all OFMs must run the BOPRPT73 cost report and determine the unrecognized expense amounts for open projects attributable to the current fiscal year. **Within two working days**, the information from the September 20 BOPRPT73 must be used to complete the September Recognition of B&F Expenses **(Attachment B)** and to make the following entries into the accounting system.

Note: It is critical that each location run the BOPRPT73 on the same day, September 20, to ensure accurate financial statement adjustments as described in Section 3.2.

Enter a **TC 5020A** for each project to transfer the costs out of the X3 or X9 appropriation. In addition, a **TC 5025A** must be entered in the current year S&E appropriation to transfer in the expenses.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Expense Amt	Desc
5020	A			_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV _ _ _ _	$XXX	RecogExp *** JV___
5025	A			_ _	02	FP0XXXXXP1		NA	NA	NA	JV _ _ _ _	$XXX	RecogExp *** JV___

(*** represents the project code)

Each Regional OFM must review its September 20 BOPRPT73 for open projects that must be expensed at respective institution OFMs. The Comptroller is to ensure the proper documentation (Regional BOPRPT73 from September 20 and completed Attachment B) for these projects is submitted to the appropriate institution OFM for entry into the accounting system. The Regional OFM will enter the **TC 5020A** and the institution OFM will enter the **TC 5025A.**

Before September 30, each Controller must e-mail or fax his or her completed Attachment B to the respective Regional Office.

Regional Comptrollers will ensure each location has completed Attachment B properly and made the appropriate accounting entries. If corrections are necessary and the accounting system has not been closed for the fiscal year, the regional OFM staff will notify the Controller to make immediate correcting entries.

If the accounting system has been closed for the fiscal year, regional OFM staff will explain the error and attach the explanation to that location's Attachment B. Regional Comptrollers will then forward the Attachment B, and any explanation of errors, from all locations in the region to the Chief, Finance Branch, by October 20 (or the first working day thereafter).

If a project accounted for by the Central Office is to be expensed, the Finance Branch, Central Office makes all necessary entries in the B&F or AFF and the S&E appropriations. The Finance Branch staff will make the entry in S&E, transferring in the expense, on the institution's general ledger. A copy of the JV COBO prepared for the expense recognition will be sent to the respective location’s Controller or Comptroller.

3.2 FINANCIAL STATEMENTS ADJUSTMENTS. The Finance Branch will determine the amount of any additional costs for expense projects for the period September 21-30. The Financial Statements Section, Finance Branch will compute and enter directly into the audited financial statements any adjustment amounts necessary. (Local OFMs **will not** make accounting entries for this adjustment.)

3.3 TRUST FUND NON-CAPITALIZED RENOVATIONS. Trust Fund (X4) resources may be allocated for non-capitalized construction or renovation of Commissary facilities. Approval must be received from the Chief, Trust Fund Branch, Central Office, before any construction or renovation begins.

For Trust Fund **non-capitalized** construction and renovations all costs must be charged to ActClass FPXXXXXX**C7.** All costs charged to the C7 ActClass are accounted for as expenses automatically. Therefore, **no year-end procedures or manual Transaction Codes are required.**

CHAPTER 4 - CLOSING B&F PROJECTS

4.1 CLOSING A B&F PROJECT. A B&F project is ready to be closed when it is 100 percent complete; that is, all construction, deliveries and/or cancellations have been completed and no additional obligations, including salaries, will be incurred against the project. The Facility Manager, who is responsible for monitoring the open obligations for B&F projects, must submit a Request for Financial Closure memorandum (**Attachment C**) to the Controller.

The OFM staff must then conduct a review of all open obligation documents and take the appropriate steps to ensure payments are processed and accounts payable amounts are liquidated. All open obligations for the project must be cleared within 60 calendar days of receiving the "Request for Financial Closure" memorandum. If obligations cannot be cleared within 60 calendar days, the Controller is to submit a memorandum to the Regional Comptroller detailing the status of all remaining obligations and the actions being taken to clear them (refer to the procedures in Section 4.4).

Within five working days after all obligations are cleared, the Controller must submit to the Comptroller the "Request to Close a B&F Project" (**Attachment D**), detailing the financial status of the project and attaching:

- all previously completed JVs;
- a current BOPRPT73, Cost by Project;
- copies of SRPMS real property records, if any; and
- the Request for Financial Closure memo.

The Comptroller must review the financial records to verify that all obligations have been liquidated and obtain an "Allotment/ Plan Revision Request" from the Regional Facilities Administrator, indicating the disposition of any unobligated funds to be contra-allotted during the next allotment cycle.

If there are no funds to be contra-allotted and no further action is necessary, the Comptroller is to approve the "Request to Close a B&F Project," and return it to the Controller within two weeks of receiving the Controller's request. However, if there are unobligated funds remaining to be contra-allotted, the Comptroller must approve the "Request to Close a B&F Project" within five working days of receiving the contra-allotment.

Upon receiving an approved "Request to Close a B&F Project," the Controller is to forward a copy to the Facility Manager and ensure the appropriate accounting entries described below are recorded in the accounting system within five working days after the approved request is received. The allotment transaction must be processed in the same month the Regional Office contra-allots the unobligated balances. The following entries must be made to close B&F projects:

a. Project closure accounting entries for assets recognized prior to a project's financial closure.

(1) Enter a **TC 5022**, in X3 or X9, to close the Construction in Progress-Open General Ledger Account, 1720.10, and the Construction in Progress-Complete General Ledger Account, 1720.20. This is the total amount of the project from the BOPRPT73, Cost by Project (Fund Totals Cumulative line), and should equal the amount of the Asset Recognition Forms, and capitalized personal property, if any, and is the total accumulated cost for the project.

TC	SX FI FO FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Total Proj Amt	Desc
5022	__	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV____	$XXX	Close ***JV ____

(*** represents the project code)

This entry nets the B&F project's General Ledger Account 1720.10 debit balance with the General Ledger Account 1720.20 credit balance and equals the total project cost. Once completed, all Construction-in-Progress in the two general ledger accounts for the project being closed will be zero.

(2) Enter a **TC 0211** after the contra-allotment is received to remove the unobligated balance.

TC	SX FI FO FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	UnObl Amt	Desc
0211	__	X3 or X9	FP0XXXXXPX or PZ		***	NA	1100 or 2600	allot#	($XXX)	Contra-allot ***

(*** represents the project code)

b. Project closure accounting entries, if costs are expensed. Expenses accrued through each September 20 are recognized in the general ledger each September. When an expense project is ready to be closed, the unrecognized amount of that project from the BOPRPT73 for the month of closure will be used in the **TC 5020A** and **TC 5025A** below to recognize any previously unrecognized expense.

(1) The following **TC 5020A** transfers out the remaining unrecognized amount in X3 or X9 and the **TC 5025A** transfers in the remaining expense in S&E:

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Expense Amt	Desc
5020	A			_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV _ _ _ _	$XXX	RecogExp *** JV___
5025	A			_ _	02	FP0XXXXXP1		NA	NA	NA	JV _ _ _ _	$XXX	RecogExp *** JV___

(*** represents the project code)

These transactions must be documented on a JV and approved by the Controller. This JV plus all other required documentation will then be forwarded to the Comptroller with the "Request to Close a B&F Project." All the expenses have now been fully recognized for this project and the following accounting entries to close the project must be entered.

(2) When approval for closure is received from the Comptroller, enter a **TC 5022**, in X3 or X9, to close the Construction in Progress-Open General Ledger Account, 1720.10, and the Construction in Progress-Complete General Ledger Account, 1720.20. This is the total amount of the project, from the BOPRPT73, Cost by Project (Fund Totals Cumulative line), and should equal the amount of the expense recognition JVs and capitalized personal property, if any, and is the total accumulated cost for the project.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Total Proj Amt	Desc
5022				_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV_ _ _ _	$XXX	Close ***JV _ _ _ _

(*** represents the project code)

(3) Enter a **TC 0211** after the contra-allotment is received to remove the unobligated balance.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	UnObl Amt	Desc
0211				_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	1100 or 2600	allot#	($XXX)	Contra-allot ***

(*** represents the project code)

c. Project closure accounting entries for capitalized Trust Fund (X4) construction and renovations.

(1) Enter a **TC 5022** in X4 to close the Construction in Progress-Open General Ledger Account, 1720.10, and the Construction in Progress-Complete General Ledger Account, 1720.20. This is the total amount of the construction and should equal the amount of the Asset Recognition forms, and capitalized personal property, if any, and is the total accumulated cost for the construction.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Total Proj Amt	Desc
5022				_ _	X4	FP0XXXXXV8		CMS	NA	NA	JV_ _ _ _	$XXX	Close ___JV _ _ _ _

This entry nets the X4 General Ledger Account 1720.10 debit balance with the General Ledger Account 1720.20 credit balance. Once completed, all Construction-in-Progress in the two general ledger accounts for the completed construction will be zero.

(2) Enter a **TC 0211** after the contra-allotment is received to remove the unobligated balance.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	UnObl Amt	Desc
0211				_ _	X4	FP0XXXXXV8		CMS	NA	XXXX	allot#	($XXX)	Contra-allot ___

4.2 CLOSING B&F PROJECTS IN THE ACCOUNTING SYSTEM. The Comptroller, within 10 working days after approving the "Request to Close a B&F Project," must prepare and forward a memorandum to the Chief, Finance Branch requesting the project's closure in the accounting system. This request may be submitted via e-mail. He or she will ensure all accounting entries are completed before requesting closure.

Within five working days of receiving the memo requesting closure of the project, the Financial Systems Section, Finance Branch, is to perform the necessary functions to close the project in the accounting system.

4.3 CLOSING B&F ACTIVATION PROJECTS. The Central Office controls B&F projects for construction of new institutions (Z-Projects). The Design and Construction Project Manager is responsible for monitoring the open obligations for Z-Projects.

The Chief, Design and Construction Branch, must submit a memorandum to the Controller, COBO, stating the project has reached final completion and the Bureau has taken possession of the facility. Within 30 calendar days of receiving the memorandum, the Controller, COBO, must submit a memorandum to the Chief, Finance Branch, requesting approval to capitalize current costs against the project. Then, Finance Branch staff must review the project's financial records. If no further action is necessary, the request is to be approved and returned to the Controller, COBO, who must ensure the appropriate accounting entry is recorded in the accounting system to transfer the costs out of the X3 or X9 appropriation.

The Chief, Finance Branch, is to inform the appropriate accounting station of the approval to capitalize project costs and provide the accounting entries necessary to record the real property values in the current year S&E appropriation. The Institution Controller will ensure the appropriate accounting entry is made and the local Property Officer makes the SRPMS entries.

Once the project is reported as 100 percent complete, the Chief, Design and Construction Branch, submits a "Request for Financial Closure" to the Controller, COBO. Upon receipt, COBO staff are to review all open obligation documents and take the appropriate steps to ensure payments are processed and accounts payable amounts are liquidated within 60 calendar days.

After all open obligations have been liquidated, the Controller, COBO, submits a "Request to Close a Z-Project" for concurrence and approval through the Chief, Construction Contracting, and the Chief, Facility Resource Management.

The Chief, Finance Branch, is responsible for approving all "Requests to Close Z-Projects." Upon receiving a "Request to Close a Z-Project," containing the necessary concurrences for closure, the Financial Systems Section, Finance Branch, is to review the financial records to verify that all obligations have been liquidated. If no further action is necessary, the request must be approved and returned to the Controller, COBO.

Upon receiving the approved "Request to Close a Z-Project," the Controller is to forward a copy to the Chief, Design and Construction Branch, and ensure the appropriate accounting entries to close the project are recorded in the accounting system in the same month the approved request is received.

The Chief, Finance Branch, must inform the appropriate accounting station of the project closure and provide the entries necessary to record the additional asset value in the accounting system and the SRPMS. Once all closing entries have been recorded in the accounting system, the Controller, COBO, is to prepare a memorandum to the Chief, Finance Branch, requesting the project's closure in the accounting system.

4.4 CLAIMS RESOLUTION PROJECTS. This section does not apply to Z-projects. (Refer to Section 4.3 of this Program Statement for procedures regarding Z-projects.)

If open obligations cannot be cleared within 60 calendar days of receiving the “Request for Financial Closure,” the Controller is to submit a memorandum to the Comptroller detailing the status of all remaining obligations and the actions being taken to clear them. The Comptroller must determine whether to allow additional time to clear the open obligations or request the establishment of a “Claims Resolution Project” for the remaining obligations.

Obligations are to be transferred to a “Claims Resolution Project” only when there is a pending claim against a project and it is determined that an extended period of time will be required to resolve the claim.

When additional time is granted, the Regional Comptroller must notify the Regional Facilities Administrator. The institution Controller is to update the Comptroller every 30 calendar days on the status of open obligations until they are cleared.

When establishment of a “Claims Resolution Project” is requested, the Comptroller and Facilities Administrator are to submit to the Chief, Facilities Management Branch, a joint memorandum detailing the circumstances surrounding the outstanding obligations, including the nature of any claims. Facilities Management staff must review the documentation, determine if the outstanding obligations fit the criteria, and establish a “Claims Resolution Project.” A separate “Claims Resolution Project” number will be established for each approved request.

Once a "Claims Resolution Project" is established, the Region must transfer funds from the original project to the "Claims Resolution Project." The Controller is to ensure that obligations associated with the claim are transferred to the "Claims Resolution Project." Within five working days after the outstanding obligations have been transferred to the "Claims Resolution Project," the Controller is to submit to the Comptroller, a "Request to Close a B&F Project" memorandum for the original project.

Within five working days after the claims are resolved, all outstanding obligations have been cleared, and all necessary documents and reports are received (BOPRPT73, Cost by Project; and all other documents closing out the claims), the Controller must submit to the Comptroller a "Request to Close a B&F Project" memorandum for the "Claims Resolution Project."

Within two weeks, the Regional Comptroller is to approve or deny the "Request to Close a B&F Project," and forward it to the Controller if there are no unobligated funds to contra-allot; otherwise, the Regional Comptroller must approve or deny the request within five working days of receiving the contra-allotment.

Within five working days after receiving the approved request, the Controller must ensure the appropriate accounting entries required to close the project, and to record or adjust the asset value or expense, are entered in the accounting system. See Section 6.1 for adjustments to previously recognized assets and expenses.

The Regional Comptroller is responsible for ensuring institutions are closing projects promptly and accurately. The Comptroller or designee must contact institutions that have not made the required accounting entries to close projects within the specified time frame, to ensure the institution has received the approval for closure, and to provide assistance in recording the accounting entries, if necessary.

4.5 PROJECTS, OTHER THAN Z-PROJECTS, ACCOUNTED FOR BY THE CENTRAL OFFICE. The COBO maintains the financial records for several B&F projects that involve construction/improvements at field locations. If capitalized, the procedures outlined in Section 4.3, Closing B&F Activation Projects, will be followed. The Chief, Facilities Management Branch, would be responsible for monitoring these obligations.

CHAPTER 5 - DEPRECIATION

5.1 DEPRECIATION. With the exception of land, each item of real property is properly chargeable as a cost in the accounting periods in which the asset is used. The accounting process for this gradual conversion of real property fixed assets into expense or cost is called depreciation.

a. Depreciation Method. The straight-line method of depreciation is to be used to compute the amount of depreciation for each real property fixed asset. Using this method, the real property's capitalized value is distributed as expense in equal amounts to each accounting period in the asset's estimated useful life.

b. Depreciation Period

(1) **Buildings.** Buildings are to be depreciated by the straight-line method over a 30 year period.

(2) **Other Structures and Facilities.** Other structures and facilities must be depreciated by the straight-line method over a 20 year period.

(3) **Capitalized Improvements.** Capitalized improvements of buildings, other structures, and facilities must be depreciated by the straight-line method, generally over the period of either:

- the original structure's remaining useful life or
- the estimated useful life of the particular improvement to the original structure.

The Facility Manager must estimate the useful life of capitalized improvements and whether capitalized improvements extend the useful life of existing original buildings or other structures and facilities in writing. The Controller is to ensure the determinations are maintained on file to substantiate the depreciation periods.

The following examples demonstrate how the estimated useful life of capitalized improvements is to be determined.

(a) **The useful life of the original structure is greater than that of the improvement:** If an original structure has a remaining useful life of 20 years and the improvement has an estimated useful life of 15 years, the improvement must be depreciated over 15 years.

(b) **The useful life of the improvement is longer than that of the original structure but does not extend the useful life of the original structure that has substantial remaining life:** If an improvement has a useful life of 20 years, but does not extend the useful life of the original structure with a remaining life of 15 years, the improvement must be depreciated over 15 years.

Note: Substantial remaining life for buildings is 10 years or more. Substantial life for other structures or facilities is five years or more.

(c) **The useful life of the improvement is longer than that of the original structure that has little or no remaining life:** If the original structure has little or no remaining life, the improvement's depreciation must be computed over either the useful life of the improvement or the **present*** estimate of the number of years over which the structure is expected to be used, as determined by the Facility Manager, whichever is shorter (even though the structure is fully or almost fully depreciated).

* The **present** estimate of the number of years over which an asset is expected to be used must not exceed 30 years for buildings or 20 years for other structures.

Note: Little or no remaining life for buildings is less than 10 years. Little or no remaining life for other structures or facilities is less than five years.

(d) **The improvement extends the original structure's useful life:** If the improvement is of such a nature as to extend the original structure's life, as determined by the Facility Manager, the depreciation for the original structure's remaining useful life and for the improvement's useful life must be computed over the new **"extended"*** useful life.

* The **extended** useful life must not exceed 30 years for buildings or 20 years for other structures.

Example: A building with an original cost of $300,000 and an estimated useful life of 30 years has been depreciated for 10 years. The accumulated depreciation is $100,000 and the remaining useful life is 20 years. A $150,000 improvement has increased the useful life by 10 years and now the building's remaining useful life is 30 years. Accordingly, the building's annual depreciation is now $6,666.66 ($200,000 divided by 30 years) and the improvement's annual depreciation is $5,000 ($150,000 divided by 30 years).

(4) **Capitalized Leasehold Improvements.** Capitalized leasehold improvements of buildings, other structures, or facilities must be depreciated by the straight-line method. The depreciation period is generally over the period of either the remaining life of the lease or the estimated useful life of the particular improvement to the original structure, whichever is shorter, but not exceeding 20 years.

The Facility Manager must estimate the useful life, not to exceed 20 years, of capitalized leasehold improvements. The Facility Manager must make such estimations in writing. The Controller is to ensure the determinations are maintained on file to substantiate the depreciation periods.

(a) **The lease's remaining life is greater than that of the leasehold improvement:** If the remaining lease life is 20 years and the improvement has an estimated useful life of 15 years, the improvement must be depreciated over 15 years.

(b) **The leases's remaining life is shorter than that of the leasehold improvement:** Depreciate leasehold improvements during the remaining lease life of the structure, even if the improvement would increase the structure's useful life. If the remaining lease life is 10 years and the improvement has an estimated useful life of 20 years, the improvement must be depreciated over 10 years.

5.2 RECORDING DEPRECIATION IN THE GENERAL LEDGER. Depreciation is computed and entered in the general ledger the first full month following the month in which the asset is recognized. For example, if the real property is put-in-use in April, depreciation will commence and be entered into the general ledger in May.

Depreciation entries are automatically generated monthly by the SRPMS and transferred to the accounting system to effect the following general ledger accounts:

1739.10 Accumulated Depreciation - Buildings
1739.20 Accumulated Depreciation - Capital Improvement Bldg
1749.10 Accumulated Depreciation - Other Structures and Facil
1749.20 Accumulated Depreciation - Other Struc/Facil Cap Imp
1829.00 Accumulated Amortization - Leasehold Improvements

Manual entry of depreciation in the accounting system is not required. Manual depreciation schedules and calculations are not required.

CHAPTER 6 - ADJUSTMENTS AND DISPOSALS

6.1 ADJUSTMENTS TO REAL PROPERTY AND DEPRECIATION BALANCES.

Since assets are recognized prior to a project's financial closure, the previously recognized amount must be compared to the total project cost after all obligations are liquidated. If there is a difference between the asset value recognized and the total project cost when the project is ready to be closed, adjustments to the real property record and the general ledger accounts are required.

When recognized assets for a project do not equal the total project cost, the Controller must notify the Facility Manager of the difference amount and obtain from him or her a proper allocation of cost differences. The Facility Manager must submit an additional Asset Recognition form for the cost differences.

When adjustment amounts are determined and the Asset Recognition form(s) received, the Property Officer must adjust the real property values in SRPMS.

The Finance Branch, Central Office, receives SRPMS Management Reports monthly. These reports reflect information on transactions entered into SRPMS when the Finance Branch requires prior period adjustments or other accounting corrections (as described in Sections b. and c. below).

a. Adjustments to real property originally capitalized in the current fiscal year. The Property Officer must enter or adjust real property values (i.e., costs, acquisition dates, useful life, etc.) in the SRPMS when Asset Recognition Forms are received. When the SRPMS entry occurs, automated entries will be generated to the accounting system to adjust the general ledger asset and accumulated depreciation accounts appropriately.

If the real property amount is adjusted in SRPMS, accounting staff must adjust the transferred-out amount in the B&F or AFF appropriation, by entering a **TC 5020B** to X3 or X9, as appropriate. In addition, a **TC 5025B** must be entered in the current year S&E to transfer-in the amount of the adjustment.

If the cost of the asset is being **increased**, a positive TC 5020B and positive 5025B will be entered for the additional amount. If the cost of the asset is being **decreased**, a negative TC 5020B and negative 5025B will be entered for the reduction amount. These entries will be fully documented and explained on a JV.

If a B&F or AFF project is funded at the Regional or Central Office for work performed at an institution, the Regional or Central Office OFM will prepare the TC 5020B and the local OFM will prepare the TC 5025B. Both locations will prepare a JV to document and explain their entries fully.

If the amount of Trust Fund funded real property is adjusted in SRPMS, a corresponding TC 5026 must be entered in the X4 appropriation. A positive TC 5026 will be entered if the Trust Fund asset's cost is being increased. A negative TC 5026 will be entered if the Trust Fund asset's cost is being decreased.

b. Prior period adjustments of real property. These are adjustments to an asset originally capitalized in a prior fiscal year. Listed below are general prior period adjustment actions for which the Finance Branch will enter depreciation expense adjustments:

The date placed in service is in a prior fiscal year and the acquisition amount is changed.

The date placed in service is in a prior fiscal year and the useful life is changed.

An new asset is entered where the date in service is in a prior fiscal year.

The date in service is changed (unless the original and new date are both in the current fiscal year).

Entry of a disposal when the date of disposal was in a prior fiscal year.

An asset's reacquisition when the disposal of that asset was in a prior fiscal year.

(1) Local procedures: The Property Officer must enter or adjust real property values (i.e., costs, acquisition dates, useful life, etc.) in the SRPMS when Asset Recognition forms are received. When the SRPMS entry occurs, automated entries are generated to the accounting system to adjust the general ledger asset and accumulated depreciation accounts appropriately.

In the same month the real property values are adjusted in SRPMS, accounting staff must adjust the transferred-out amount in the B&F or AFF appropriation, by entering a **TC 5020B** to X3 or X9, as appropriate. In addition, a **TC 5025B** must be entered in the current year S&E to transfer-in the amount of the adjustment. If the asset's cost is being **increased**, a positive TC 5020B and

5025B will be entered for the additional amount. If the asset's cost is being **decreased**, a negative TC 5020B and 5025B will be entered for the reduction amount. These entries will be documented and explained fully on a JV.

If a B&F or AFF project is funded at the Regional or Central Office for work performed at an institution, the Regional or Central Office OFM will prepare the TC 5020B and the local OFM will prepare the TC 5025B. Both locations will prepare a JV to document and explain their entries fully.

In addition, the local OFM must prepare and the Controller must sign a **JV requesting a prior period adjustment.** The prior period adjustment JV must be forwarded with attached supporting documentation, to the Regional Comptroller. The supporting documentation must include copies of all prior JVs completed for the real property being adjusted and a copy of the SRPMS Real Property Record Display screen.

(2) Regional Office procedures: The Comptroller must review the requested prior period adjustment JV, and attached documentation, for completeness and accuracy then forward it, within five working days, to the Chief, Finance Branch.

(3) Finance Branch procedures: Finance Branch staff receive SRPMS Management Reports listing prior period adjustment events which Bureau locations entered into SRPMS. Finance Branch staff match the prior period adjustment JVs local OFMs submitted to information on the SRPMS Management Reports to determine and approve the proper accounting adjustments. Adjustments to Trust Fund real property will be routed through the Chief, Trust Fund Branch, prior to the Finance Branch's approval.

Finance Branch staff will enter the adjustment using a Journal Module entry. If the total depreciation for the asset has **increased** after the adjustment, the Finance Branch will make the following Journal Module entry in current year S&E **for the amount of additional depreciation related to prior fiscal years.**

7400.00 Prior Period Adjustments (dr.)
    6710.10 Depreciation Expense - Real Property (cr.)

If the total depreciation for the asset has **decreased** after the adjustment, the Finance Branch will make the following Journal Module entry in current year S&E **for the amount of decreased depreciation related to prior fiscal years.**

6710.10 Depreciation Expense - Real Property (dr.)
7400.00 Prior Period Adjustments (cr.)

Depending on the individual circumstances of each requested prior period adjustment, additional entries may be required. A copy of the JV, approved by the Chief, Finance Branch, or designee will be sent to the respective location's Controller and the appropriate Regional Comptroller.

c. Additional real property adjustment events. When Property Officers make the following transactions in SRPMS for assets entered in a prior year, Finance Branch staff need to review the entries and make the necessary adjustments.

When an asset is entered incorrectly, the asset's disposal and acquisition to change the asset type. (The Property Officer would replace "REP" the value of the incorrect asset to zero then dispose of it. A new record would then be entered with the correct asset type.)

A change in the acquisition method of the asset.

For the above events, the Controller must **submit a JV**, through the Regional Comptroller, to the Chief, Finance Branch, requesting the Finance Branch make the proper accounting adjustment. The JV must explain fully the actions taken and be supported by documentation showing the transactions entered in SRPMS.

The Finance Branch staff will review the JVs and SRPMS Management Reports then prepare the appropriate accounting entries and document and explain the corrective action taken. Adjustments to Trust Fund real property will be routed through the Chief, Trust Fund Branch, prior to approval by the Finance Branch. A copy of the approved JV will be sent to the respective location's Controller or Comptroller after entry into the accounting system.

6.2 ADJUSTMENTS TO EXPENSE PROJECTS

a. Adjustments to current year expenses. If an adjustment to a B&F or AFF project is required to correct expenses that should be properly recorded in the current period, the local OFM must prepare a JV which explains the adjustments and shows the proper TC 5020A and TC 5025A entries. This JV may then be approved and entered locally. (See Chapter 3 of this Program Statement for proper accounting of expense projects.)

If a B&F or AFF project is funded at the Regional or Central Office for work performed at an institution, the Regional or Central Office OFM will prepare the TC 5020A and the local OFM will prepare the TC 5025A. Both locations will prepare a JV to document and explain their entries fully.

b. **Adjustments to prior year expenses.** Locations will not enter any transactions for prior period expense adjustments until approval is received from the Chief, Finance Branch, or designee.

If expense recognition entries made in a prior fiscal year should not have been entered, were for the wrong amount, or proper expense recognition entries were not completed during a prior fiscal year, the local OFM must complete the following.

Prepare a JV with the correcting accounting transactions (TC 5020A and TC 5025A) and a clear and detailed explanation of the correction, with attached supporting documentation, and send it immediately to the Regional Comptroller. Then, the Comptroller will review, for completeness and accuracy, and forward the documentation, within five working days, to the Chief, Finance Branch, for approval.

The Finance Branch staff will assign a Finance Branch JV number and document and explain these adjustments. After approval, a copy of the JV will be sent to the respective location's Controller and the appropriate Regional Comptroller and indicate the entries required of the local OFM.

6.3 ASSET DISPOSAL. The real property that is disposed of or otherwise removed from service must be removed from the asset account along with the associated accumulated depreciation. The difference is to be recognized as a gain/loss in the period of disposal. Refer to SFFAS No. 6.

The only authority by which real property may be removed from the general ledger is a properly executed and approved Report of Survey. Refer to the Property Management Manual and Facilities Operations Manual for information on disposing of real property.

The accounting entries required to recognize the gain or loss and remove the real property and accumulated depreciation from the general ledger are generated automatically from the SRPMS. The Property Officer must enter the disposal transaction in SRPMS in the month which the report of survey is approved.

CHAPTER 7 - ACCOUNT RECONCILIATION

7.1 ACCOUNT RECONCILIATION. Reconciliation of all real property accounts and related accumulated depreciation will be completed each month on the proof-check. Capitalized real property accounts will be reconciled with SRPMS Real Property reports and depreciation will be reconciled with SRPMS Depreciation reports.

In addition, the OFM must reconcile monthly the Construction in Progress Accounts and the Transferred Property Accounts for the B&F and AFF appropriations.

a. **SGL Account 1720.10, Construction in Progress—Open**, must be reconciled to the total cumulative open project amounts on the BOPRPT73 report, Cost by Project. This SGL account represents the total costs associated with all open B&F projects.

b. **SGL Account 1720.20, Construction in Progress—Complete,** must be reconciled to the tape of the total of all Asset Recognition forms for open projects, provided by the Property Officer, plus JVs for open project costs which have been expensed in the general ledger.

In addition, this account must equal the total Recognized Amount from the BOPRPT73 for open projects. This SGL account represents the recognized costs associated with all open B&F projects.

c. **SGL Account 5730.21, Financing Sources Transferred out without Reimbursement - Non-Capitalized**, is used in the B&F or AFF appropriation and reflects the amounts transferred out to be recognized as expenses in S&E. The SGL Account 5720.21 - Financing Sources Transferred in without Reimbursement - Non-Capitalized, is used in the S&E appropriation and reflects the amounts transferred in from B&F or AFF.

These two accounts must be reconciled and differences, although they may be proper, must be identified and explained. Proper differences would be for costs transferred out of the Regional or Central Office and transferred in to institutions.

d. **SGL Account 5730.22, Financing Sources Transferred out without Reimbursement - Capitalized**, is used in the B&F or AFF appropriation and reflects the amounts transferred out to be recognized as real property in S&E. The **SGL Account 5720.22,**

Financing Sources Transferred in without Reimbursement - Capitalized, is used in the S&E appropriation and reflects the amounts transferred in from B&F or AFF.

These two accounts must be reconciled and differences, although they may be proper, must be identified and explained. Proper differences would be for costs transferred out of the Regional or Central Office and transferred in to institutions.

7.2 FILING OF B&F AND AFF PROJECT DOCUMENTS. Each OFM must maintain a separate file folder for each B&F and AFF project. The file folder must contain copies of all actions taken on that project, including the memo signed by the Facility Manager and Controller to determine if project costs will be capitalized or expensed and, if applicable, Asset Recognition Forms, JVs, generic entries, the Request to Close a B&F Project, and the Request for Financial Closure memo from the Facility Manager.

ASSET RECOGNITION FORM

DATE: ____________________

MEMORANDUM FOR: __________________________, Controller
__________________________ Institution

FROM: __________________________, Facility Manager

SUBJECT: Notification of Asset Put-in-use/Substantially Completed for Project______,___________________
(code) (name of project)

This is the ____________ Asset Recognition Form for this project.
(first, second, etc.)

Description of: (check one)

_____ Real Property Put-in-use/Substantially Completed to be entered into SRPMS, **or**

_____ Capitalized Personal Property Purchased with project funds to be entered into SPMS.

Description:____

Amount Put-in-use to be Capitalized **$_________________**

Previous Assets Recognized on this project $_________________
(To be verified against previous Asset Recognition Forms)

Total $_________________

Type of Property **(Circle One)**
Land, Building, Other Structure, Improvement-Building, Improvement-Other Structures, or Leasehold Improvement

Date Real Property put-in-use/substantially completed __/__/__

Estimated Useful Life (for improvements only) ______ Years

Improvement Increases Useful Life of Original Building __Y __N
(if yes) ____ Number of Years

Physical measurement of Real Property, i.e. square footage _______
(for new assets or improvements which increase square footage)

TO BE COMPLETED BY THE OFFICE OF FINANCIAL MANAGEMENT JV#________

Entries to Transfer Amount to be capitalized:

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Asset Amt	Desc
5020	B			_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV _ _ _ _	$XXX	RecogAsset *** JV___
5025	B			_ _	02	FP0XXXXXP1		NA	NA	NA	JV _ _ _ _	$XXX	RecogAsset *** JV___
OR for Trust Fund funded real property													
5026				_ _	X4	FP0XXXXXV8		CMS	NA	NA	JV _ _ _ _	$XXX	RecogAsset XXX JV___

____________________________, Preparer

____________________________, Approved Controller or Comptroller

____________________________, Date

____________________________, Date

LOCATION: ______________________
DATE PREPARED:
PREPARED BY:
APPROVED BY:
JV#__________

SEPTEMBER RECOGNITION OF B&F EXPENSES

(A) PROJECT #	(B) BOPRPT73 9/20 current FY unrecognized amt.
1.	$
2.	$
3.	$
4.	$
TOTAL	$

A) Only B&F and AFF projects to be expensed that are **open** as of 9/20 of the current FY (or the first working day thereafter) should be listed on this table.

B) List the **unrecognized** amount from the BOPRPT73 as of 9/20 of the current FY (or the first working day thereafter) for the open B&F and AFF projects to be expensed.

Prepare the following accounting entries **for each project listed.** **TC 5020A** in B&F or AFF to transfer out costs to be expensed and a **TC 5025A** to recognize the expense in S&E.

TC	SX	FI	FO	FY	Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Exp Amt	Desc
5020	A			_ _	X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV _ _ _ _	$XXX	RecogExp *** JV___
5025	A			_ _	02	FP0XXXXXP1		NA	NA	NA	JV _ _ _ _	$XXX	RecogExp *** JV___

______________________________, ___________________
Prepared by Date

______________________________, Approved ___________________
Controller or Comptroller Date

SAMPLE REQUEST FOR FINANCIAL CLOSURE

DATE ________________________

MEMORANDUM FOR ____________________________, CONTROLLER
________________________, LOCATION

FROM: ____________________________, Facility Manager

SUBJECT: Notification of Final Completion on B&F Project

_______________ _____________________________________
(Project code) (Name)

I certify that the project referenced above is 100% complete. All construction, deliveries, and cancellations have been completed and no additional obligations, including salaries, will be incurred against this project.

All charge card purchases for this project have been received. Please set up an accrual for the following charges that have not been reflected on the monthly charge card statement.

Awaiting Settlement of Purchase Card Charges:

$ Amount	Vendor

Received:

__________________________, ________________
Controller Date

REQUEST TO CLOSE A B&F PROJECT

DATE ______________________________

MEMORANDUM FOR ______________________________, REGIONAL COMPTROLLER
_________________ REGION

FROM: ______________________________, Controller
____
_________________(Location)

SUBJECT: Request to Close B&F Project____,_________________
(Project code and name)

Initial Allotment	$____________________
Supplemental Allotment	____________________
Allotments **From** Other Projects	____________________
Allotments **To** Other Projects	____________________
Total	$____________________

Net Allotment Available (from EAPRJ102 report)
Total Obligations Incurred (from EAPRJ102 report)_
Unobligated Balance to be Contra-Allotted (from EAPRJ102 report) ____________________
List and Value of Inventory not Utilized ____________________

Recommendation for Disposition of Inventory not Utilized _________
____

TO BE COMPLETED BY THE OFFICE OF FINANCIAL MANAGEMENT

All costs were recognized prior to financial closure on JV(s)__________________________. The following entry will remove Construction-in-Progress Balances: **TC 5022** date entered__________.

TC	SX FI FO FY Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	Total Proj Amt	Desc
5022	_ _ X3 or X9	FP0XXXXXPX or PZ		***	NA	NA	JV_ _ _ _	$XXX	Close ***JV _ _ _ _

(*** represents the project code)

This amount must equal the total cost of the project as reflected on the BOPRPT73 report, Cost by Project.

Entry to contra-allot the project's unobligated balance.
TC 0211 date entered___________.

TC	SX FI FO FY Fund	ActClass	PGM	Proj	RCN	SOC	Schedule	UnObl Amt	Desc
0211	_ _ X3 or X9	FP0XXXXXPX or PZ		***	NA	1100 or 2600	allot#	($XXX)	Contra-allot ***

(*** represents the project code)

______________________________, Approved ____________________
Regional Comptroller Date