



ACQUISITION AND
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



23 DEC 1998

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Real and Personal Property Accountability Systems

Several months ago, the Secretary of Defense stated his commitment to the Administration's goal of obtaining an unqualified audit opinion on the FY 1999 Consolidated Financial Statements of the Federal Government. Accurately reporting the information pertaining to the Department's property, plant and equipment (PP&E) is critical to achieving the Administration's goal. In order for the Department to accurately report PP&E information on financial statements, PP&E information must be maintained in property accountability systems that conform to the requirements of federal-wide accounting standards.

The Office of the Under Secretary of Defense (Acquisition and Technology), working with the Office of the Under Secretary of Defense (Comptroller), the Military Departments and the DoD Inspector General, developed implementation strategies to improve the Department's accountability for General PP&E (real and personal property) and National Defense PP&E, as well as related information required for DoD financial statements. These implementation strategies were approved by the Office of Management and Budget and the General Accounting Office. Consistent with the implementation strategies, I am directing that, unless a DoD Component has a fully operational property accountability system that meets the requirements of the federal-wide accounting standards (to include the capability to capture and maintain historical cost data and, if required, calculate depreciation), the DoD Component must expedite the implementation of a real and personal property accountability system that meets the requirements of federal-wide accounting standards. All DoD Components must have compliant real and personal property accountability systems in place by the end of FY 1999. This directive does not apply to property in the possession of contractors.

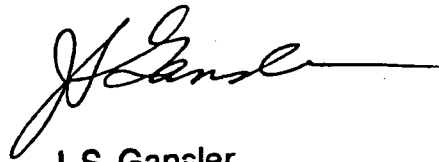
All DoD Components shall determine whether their property accountability system(s) meet the requirements of the federal-wide accounting standards and provide a report to one of my points of contact (below) on this matter by January 29, 1999. Property accountability systems are those that track, at a minimum, the existence and location of General and National Defense PP&E. For those property accountability systems that do not meet this requirement, your report must provide the planned actions to either make the systems compliant or to migrate or integrate such systems with a system that is compliant. The planned actions shall include projected milestones. For each property accountability system, please provide a point of contact and phone number, the name and location of the system, and the type of property managed by the system



(i.e. General PP&E or National Defense PP&E). Included for your information, at Attachment 1, are the definitions of General PP&E and National Defense PP&E.

To provide assistance in achieving the above requirements, the Office of the Under Secretary of Defense (Comptroller) and my office have engaged contractual support to help the Department resolve these and other financial reporting issues. For property accountability systems that are not compliant, you should expect one of our contractors to contact the POC for the system for additional information.

The points of contact on this matter are Dr. Nancy Spruill who may be reached by e-mail: spruilnl@acq.osd.mil, or by telephone at (703) 614-5737, or Ms. Alison Reilly, by e-mail reillya@osd.pentagon.mil, or by telephone at (703) 697-4517.

A handwritten signature in black ink, appearing to read "J. S. Gansler", with a long horizontal flourish extending to the right.

J. S. Gansler

ATTACHMENT 1 – DEFINITIONS

DEFINITIONS OF GENERAL AND NATIONAL DEFENSE PROPERTY, PLANT AND EQUIPMENT

These definitions have been obtained directly from the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard No. 6, "Property, Plant and Equipment," as amended.

General Property, Plant and Equipment (PP&E). General PP&E consists of items that are used by federal entities to produce goods or services or to support the mission of the entity. All PP&E used in business-type activities is categorized as General PP&E. General PP&E includes land acquired for or in connection with other General PP&E. General PP&E includes real property and personal property assets.

National Defense Property, Plant and Equipment (PP&E). National Defense PP&E consists of (1) the PP&E components of weapon systems and support PP&E used by the Military Departments in the performance of military missions and (2) vessels held in a preservation status by the Maritime Administration's National Defense Reserve Fleet. National Defense PP&E does not include ammunition and other types of munitions (i.e., small and large caliber ammunition, rockets, grenades, mines, and other explosives). The following four categories are intended to provide guidance in identifying assets to be included in National Defense PP&E.

- **Weapon Systems PP&E.** This category includes equipment that launches, releases, carries, or fires a particular piece of ordnance and/or carries weapon systems-related property, equipment, materials, or personnel. Examples of weapon systems PP&E include aircraft, ships, tracked combat vehicles, and missiles (missiles only include those that are guided and self-propelled).
- **Weapon Systems Support Principal End Items.** This category includes weapon systems related end items and replacement assemblies. These items are acquired to support weapon systems and may ultimately be incorporated in weapon systems. Examples of these items include aircraft engines, tank engines, aircraft radars, ship sonars, uninstalled missile motors, missile control panels, gun mounts, gun turrets, and guidance systems:
- **Weapon Systems Support Real Property.** This category includes facilities and structures affixed to the land that are integral to a weapons system. These facilities and structures must be:
 - Of a permanent/fixed nature;
 - Essential to the effective operation of a weapon system; and
 - Currently utilized to support an active weapon system.

Examples include ammunition bunkers in active use and missile silos in active use.

- Mission Support PP&E. This category includes deployable PP&E that:
 - Is essential to the effective operation of a weapon system or is used by a Military Department to effectively perform military missions;
 - Has an indeterminate or unpredictable useful life due to the manner in which it is used, improved, retired, modified, or maintained; and
 - Is at a very high risk of being destroyed during use or of premature obsolescence.

Examples of Mission Support PP&E include: surveillance unmanned air vehicles (UAVs), non-tactical vehicles (e.g., fuel tanker, combat operations center, mess vehicles), field meteorological systems, cryptological systems, and field security systems.