

ACQUISITION AND
TECHNOLOGY

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



SEP 30 1998

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Accuracy of Property Accountability Records for Property, Plant, and Equipment (PP&E)
(Real and Personal Property)

In a memorandum, "DoD Financial Business Practice Reform," dated May 15, 1998, the Secretary of Defense set a high priority on achieving a favorable audit opinion on the Department's FY 1999 Chief Financial Officer financial statements. The problem highlighted in this memorandum is a DoD-wide management problem and not just a financial management problem because the DoD financial statements report information provided by numerous non-financial systems and processes. —

To comply with the Secretary's direction, the Military Departments and Defense Agencies must ensure that their non-financial systems feeding data to DoD financial systems are accurate and timely in capturing and reporting appropriate information. The Department is concerned about systems that maintain accountability records of real and personal property, including general property book property (General PP&E) and weapons systems (National Defense PP&E). These systems provide a significant amount of critical information reported in the DoD financial statements.

The Department is revising the *DoD Financial Management Regulation* (FMR), DoD 7000.14-R, as amended, and is creating a new DoD property accountability regulation to incorporate the requirements for reporting information necessary for accurate financial statements. Volume 4, Chapters 1 and 6 of the *FMR* require the DoD Components to conduct periodic inventories. This regulation requires 100 percent physical inventories of personal property every three years and real property every five years.

The Military Departments and Defense Agencies must: (1) ensure that periodic inspections and inventories include a requirement to verify that all property is properly recorded; (2) ensure that all PP&E records and systems are complete and accurate; (3) verify that all physical inventories of PP&E comply with the existing regulation cited above; (4) perform periodic (at a minimum fiscal year-end) reconciliations between installation level and centralized real and personal property systems; (5) ensure that all PP&E not otherwise inspected or inventoried, in accordance with regulatory guidance, by June 30, 1999, is inspected or inventoried; and (6) ensure that the property accountability records reflect the results of periodic inspections and inventories. Please respond to this office within sixty days, reporting the steps you have taken to meet this requirement.

My point of contact for real property is Mr. Steve Kleiman, (703) 604-5807, DSN 664-5807 (kleinms@acq.osd.mil), and for personal property is Mr. George Beddoc, (703) 614-6922, DSN 224-6922 (gbeddoe@acq.osd.mil).

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