
CHAPTER 7. RECONCILIATION OF FISCAL AND CAPITALIZED PERSONAL
PROPERTY RECORDS

- 7-1 GENERAL. This chapter provides guidance for reconciliation of the Furniture and Equipment Management Information System (FEMIS) records of capitalized personal property with financial accounting records. FEMIS records are maintained by the Property and Supply Branch (P&SB), Office of Administrative and Management Services (OAMS), in Headquarters, and the Administrative Services Division (ASD) or Administrative and Management Services Division (AMSD), in Regional Offices. Departmental FEMIS records, which include data from each Region, are maintained by the P&SB, in Headquarters. Financial accounting records are maintained by the General and Program Division (GPD), Office of Finance and Accounting (OFA), in Headquarters, and the Regional Accounting Division (RAD), in Regional Offices. This chapter explains organizational responsibilities, the cost basis for transactions, internal transfers, depreciation, records verification, and reconciliation of capitalized equipment.
- 7-2 RESPONSIBILITIES. Reconciliation of capitalized personal property records and financial accounting records will be accomplished in Headquarters and Regional Offices. All offices are responsible for ensuring that updating of the FEMIS and financial accounting records is timely and accurate and that the required reconciliations are performed.
- A. Headquarters.
1. The Chief, P&SB/OAMS:
 - a. Maintains current FEMIS records of Departmental capitalized property.
 - b. Ensures that FEMIS is updated as capitalized property transactions occur at Headquarters.
 - c. Notifies GPD/OFA, of all capitalized property transactions originating in OAMS as they occur.
 - d. Determines reasonable estimated value for capitalized property when costs are unknown or unmeasurable.
 - e. Verifies the recording of Headquarters capitalized property transactions annually or as they occur.
 - f. Reconciles Headquarters FEMIS capitalized property records with GPD's financial accounting records annually.

2. The Director, GPD/OFA:
 - a. Ensures that the HUD Administrative Accounting System (HAAS) records pertaining to Headquarters capitalized property are current.
 - b. Notifies P&SB/OAMS of all Headquarters transactions concerning capitalized property as they occur.
 - c. Verifies the recording of Headquarters capitalized property transactions annually.
 - d. Reconciles Headquarters HAAS records with Headquarters FEMIS capitalized property records annually.

B. Regional Offices.

1. The Director, ASD/AMSD:
 - a. Ensures that FEMIS is updated as capitalized personal property transactions occur.
 - b. Notifies RAD of all capitalized property transactions as they occur.
 - c. Determines reasonable estimated value for capitalized property when costs are not known or measurable.
 - d. Verifies the recording of capitalized property transactions annually or as they occur.
 - e. Reconciles FEMIS capitalized property records with RAD's financial accounting records annually.
2. The Director, RAD:
 - a. Ensures that RAD's HAAS records pertaining to capitalized property are current.
 - b. Notifies ASD/AMSD of all transactions concerning capitalized property as they occur.
 - c. Verifies the recording of capitalized property transactions annually.
 - d. Notifies GPD/OFA of all transactions relating to property capitalized in prior years.
 - e. Reconciles Regional HAAS records with ASD/AMSD FEMIS capitalized property records annually.

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- 7-3 PERSONAL PROPERTY FINANCIAL ACCOUNTS. OAMS' FEMIS inventory records and OFA's accounting property records shall be used for both accounting and property management purposes. The general ledger accounts for capitalized personal property must be supported by the detailed FEMIS records, showing costs. This data is maintained in the FEMIS Departmental and Regional systems.
- A. Headquarters. The total inventory value of capitalized personal property in Headquarters is recorded in the Salaries and Expenses Appropriation (S&E) and Working Capital Fund (WCF) general ledger accounts maintained by GPD/OFA.
 - B. Regional and Field Offices. The total inventory value of capitalized personal property in HUD Regional and Field Offices is recorded in the S&E general ledger accounts maintained by the RAD.
- 7-4 CAPITALIZATION CRITERIA. Personal property is capitalized when its initial acquisition cost is \$5,000 or more and it has an estimated service life of two years or greater. The cost at which the property is capitalized includes transportation, installation, and other costs of putting the property in the form and place to be used. Where costs are not known or measurable, reasonable estimates of value are used.
- 7-5 VALIDATION BASIS FOR ACQUISITIONS. (Title 2, Accounting, GAO Policy and Procedures Manual for Guidance of Federal Agencies)
- A. The basic cost of property acquired shall include the amounts paid to acquire it, including transportation, installation, and related costs of obtaining the property in the form and place to be used or managed. Cost is to be recorded net of purchase discounts taken. Purchase discounts lost and late payment penalties should not be included as costs of assets, but should be recognized as operating expenses.
 - B. Transfers from other Government Agencies. Property acquired by HUD in reimbursable transfers is recorded at the price agreed to or in accordance with Federal Property Management Regulations (FPMR). Property transferred to HUD on a nonreimbursable basis is recorded at its estimated useful value plus the costs incurred to place the property in use.
 - C. Donation. Property acquired by donation, forfeiture, or at a nominal amount is recorded at fair market value plus the costs incurred to place the property in use.
 - D. Lease-purchase Contracts. The acquisition cost of personal property acquired under lease-purchase contracts shall include any part of rental payments which is applied to the purchase price.
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Any part of rental payments to be capitalized which has been expensed shall be credited to current or prior years' expense accounts, as applicable.

E. Trade-in. The cost of property acquired as a result of trade-ins shall be recorded at the lesser of the cash paid and/or liability incurred plus the net book value of the traded-in property or the amount that the purchase price would have been without the trade-in.

1. Example: The purchase cost for a computer is \$6,000 with a trade-in allowance of \$800 for an item with a \$500 carrying value. The cash paid and/or liability incurred is \$6,000 less \$800 trade-in, or \$5,200, plus the carrying value of \$500, giving a total value of \$5,700. Since this is less than the \$6,000 price without a discount, the value of the new property is \$5,700. (See 1 below)

2. Example: The purchase cost for a computer is \$6,000 with a trade-in allowance of \$500 for an item with a carrying value of \$800. The cash paid and/or liability incurred is \$6,000 less \$500 trade-in, or \$5,500, plus the carrying value of \$800, giving a total value of \$6,300. Since this is more than the original price without a discount, the value of the property is \$6,000. (See 2 below)

	1	2
Computer cost	\$6,000	\$6,000
Trade-in allowance	-800	-500
	\$5,200	\$5,500
Trade-in carrying value	+500	+800
	\$5,700	\$6,300
Value		

F. Major Overhaul or Upgrading of Personal Property. The costs associated with a major overhaul or substantial upgrading of property, which significantly extends its useful life, shall be treated as a drop/add adjustment showing the new cost and life for the item. The new cost of the property shall be the value at which it is dropped plus the costs of improvements and related costs for placing the item in use. The new life span for the item shall be the estimated life of the property depending on its type; six years for automated data processing (ADP) equipment or ten years for other than ADP equipment.

7-6 VALUATION BASIS FOR INTERNAL TRANSFERS. Equipment Listing Report in the FEMIS will be used to determine the value of property between HUD organizational account codes.

7-7 VALUATION BASIS FOR DISPOSITIONS. When property is transferred externally, sold, destroyed, or otherwise disposed of, the cost or other basis by which the property was accounted for shall be removed from the accounts along with any accumulated depreciation. Removal costs and any amounts realized from sale, transfer, or other salvage shall be considered in determining the gain or loss on disposal and recorded in a separate account. Copies of all disposition records of capitalized personal property shall be sent to GPD/OFA, in Headquarters, or RAD, in Regions.

7-8 DEPRECIATION. FEMIS depreciates capitalized personal property automatically each month; therefore, it is not necessary for users of FEMIS to enter depreciation data into the system. These totals are reported on the FEMIS Depreciation Report and Depreciation Report by FSC code, for each Regional FEMIS System, and on the Depreciation Report and Depreciation Report by FSC code for the Departmental FEMIS system. FEMIS Depreciation Report will be provided by P&SB/OAMS to GPD/OFA in Headquarters, and by ASD/AMSD to RAD in the Regions, during the first week of every month for purposes of recording depreciation expense. Departmental Reports will be provided by P&SB/OAMS to GPD/OFA annually, during the month of November, for purposes of verifying Departmental depreciation expense. The following criteria are used in determining the depreciated value of Government personal property.

A. Automated Data Processing Equipment. The straight line method of depreciation using a six (6) year life span is applied to capitalized ADP equipment. The rate of 1.3888 percent, or 1/48th, of the acquisition cost is applied for each month of the age of the property until the salvage value of the property, 10 percent of its acquisition cost, is reached. The property will remain at its salvage value until it is disposed of.

B. Other than ADP Equipment. The straight line method of depreciation using a ten (10) year life span is used for all non-ADP capitalized property with a life expectancy of two years or more and is applied to:

1. Furniture and fixtures.
2. Office machines.
3. Training equipment.
4. Shop and other equipment.

The rate of 0.8333 percent, or 1/120th, of the acquisition cost is applied for each month of the age of the property until the salvage value of the property, ten percent of its acquisition cost, is reached. The property will remain at its salvage value until it is disposed of.

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7-9 RECORDS. Departmental and Regional Accountable Property Officers shall maintain adequate controls to support the capitalized property and accounting records in the Headquarters and Field Offices, respectively.

A. In Headquarters, the P&SB shall maintain a file for current capitalized property transactions. The file will contain copies of documents listed in paragraph 4-3 that pertain to the acquisition, transfer, major overhaul, substantial upgrading, or disposition of capitalized personal property. The copies will be used by P&SB to verify entry of related property transactions into the FEMIS and will be retained until completion of the subsequent reconciliation of property and accounting records.

B. The Regional Offices will record acquisitions of capitalized property occurring during the current fiscal year, and maintain files. The files will contain copies of documents listed in paragraph 4-3, that pertain to the acquisition, transfer, major overhaul, upgrading, or disposition of capitalized personal property. These copies will be used by the RAD to verify entry of related property transactions into the FEMIS and will be retained until completion and reconciliation of your property and accounting records.

7-10 REPORTS.

A. Furniture and Equipment Management Information Systems Reports.

The FEMIS generates the following reports for GPD/OFA and RAD use in reconciling capitalized personal property and accounting records. At Headquarters, P&SB will provide GPD, and at Regional Offices, ASD/AMSD will provide RAD the Regional system reports for the previous month by the fifth workday of the current month. These reports include totals for all property account codes for each organization at the Region or at Headquarters. A summary of all Regional accounts is maintained by P&SB, at Headquarters, in the Departmental FEMIS. Departmental reports will be provided by P&SB to GPD annually in November, or upon request from GPD.

1. Regional FEMIS Reports

a. Capitalized Equipment Listing - A listing of all capitalized equipment currently in the equipment inventory system within each Region. This report includes acquisition value, acquisition date, and whether the financial account was Salaries and Expenses (S&E) or Working Capital Fund (WCF).

b. Capitalized Equipment Activity Report - A report of all capitalized equipment transactions (acquisitions and

dispositions) over the time period specified by the user.

- c. Depreciation Report - This is a summary Regional Report by S&E and WCF accounts, which identifies the monthly and cumulative depreciation of each capitalized equipment item.
- d. Depreciation Report by FSC Code - This is a summary report which totals the accumulated depreciation value by FSC Code, for the S&E and WCF Accounts. This report also includes the total acquisition value, book value, and number of equipment items in the accumulated FSC code depreciation value.

2. Departmental FEMIS Reports

- a. Capitalized Equipment Listing - A listing of all capitalized equipment, by Region, currently in the Departmental equipment inventory. This report includes acquisition value, acquisition date, and the appropriate financial account (S&E or WCF).
- b. Depreciation Report - This is a summary Departmental Report by S&E and WCF accounts, which identifies the monthly and cumulative depreciation of each capitalized equipment item, up to the most current month's data input.
- c. Depreciation Report by FSC Code - This is a summary Departmental Report which totals the accumulated depreciation value by FSC code, for the S&E and WCF accounts. This report also includes the total acquisition value, book value, and number of equipment items in the accumulated FSC code depreciation value.

B. HUD Administrative Accounting System Reports. The HUD Administrative Accounting System (HAAS) generates the following reports for GPD/OFA and the RADs use in achieving reconciliation with FEMIS records. The reports provide totals as indicated by the report names.

- 1. General Ledger Detail Trial Balance Report - Number (A98ITB1). This report is a monthly listing of all transactions and balances in the general ledger accounts for the accounting period. Totals are reported by summary account and group. (Appendix 22)
- 2. Furniture and Equipment Invoices by Capitalized Status Number (A98IATS).

This is a cumulative monthly report from the beginning of the Fiscal Year that lists all invoices paid related to the various capitalized and non-capitalized property accounts. (Appendix 22)

- 7-11 ANNUAL RECONCILIATIONS. Detailed capitalized property records maintained in the FEMIS shall be reconciled to the property accounts maintained by the accounting organization at least annually. The net transactions that take place within the annual accounting period shall be reconciled and adjustments made as necessary. GPD/RAD will review the FEMIS reports against the accounts payable file and will indicate any items outstanding from the prior year. P&SB and ASD/AMSD will check and report the status of these items to the accounting offices. This procedure will provide a check of the FEMIS inventory versus the accounting records.
- 7-12 Physical Inventories. Physical inventories of fixed assets will be taken at least once every two years by employees other than the custodians of such assets. Within 30 days upon completion of inventory reconciliation, P&SB and ASD/AMSD will provide GPD/OFA and RAD, respectively, a written statement outlining adjustments by account and location which should be made in the general property ledger accounts as part of the inventory. Detailed procedures for conducting physical inventories of personal property are provided in Chapter 6.