



Defense Health Agency

ADMINISTRATIVE INSTRUCTION

NUMBER 094
June 19, 2018

J-1,R&M

SUBJECT: General Equipment (GE) Property

References: See Enclosure 1.

1. **PURPOSE.** This Defense Health Agency-Administrative Instruction (DHA-AI), based on the authority of References (a) and (b), and in accordance with the guidance of References (c) through (ab):

- a. Establishes the Defense Health Agency's (DHA) instructions on GE inventory requirements.
- b. Implements policy, assigns responsibilities, and provides instructions for managing the GE lifecycle management process.
- c. Assists staff with management of the GE business cycle of asset acquisition, asset management, and asset disposal in accordance with References (d) through (z).
- d. Governs GE and Information Technology (IT) hardware and Internal Use Software (IUS) not under development. IUS does not include software that is intrinsic to the operation of a piece of GE. Such intrinsic software is considered to be a part of the parent equipment. The focus of this DHA-AI will:
 - (1) Assist assigned DHA Property Managers, Accounting and Financial Managers (FMs), and other DHA entities and personnel in understanding their roles and responsibilities;
 - (2) Provide instructions for implementing DHA, DoD, and Federal Government policies, guidance, and applicable laws related to GE;
 - (3) Outline requirements which reflect both the accounting perspective that support the documentation of lifecycle events and transactions, as well as the accountability perspective that supports the lifecycle management of assets;

(4) Prescribe internal controls (ICs), per Enclosure 4, to initiate, process, and record GE transactions; and

(5) Facilitate consistency in GE accountability.

2. APPLICABILITY. This DHA-AI applies to all DHA personnel to include: assigned, attached, or detailed Service members, federal civilians, contractors (when required by the terms of the applicable contract), and other personnel assigned temporary or permanent duties at DHA, to include regional and field activities (remote locations) and the National Capital Region/J-11 activities (centers, clinics, and Medical Treatment Facilities).

3. POLICY IMPLEMENTATION. It is DHA's policy, pursuant to References (d) through (z), that:

a. Applicable DHA divisions and personnel adhere to federal and DoD guidelines for GE management and accountability, per Enclosure 3.

b. DHA must have property management processes and physical inventories in compliance with laws, regulations, and policies, as well as mitigate the risk of material misstatement in the financial statements.

c. DHA must also comply with DoD and federal financial guidance to support DoD's financial statements.

4. RESPONSIBILITIES. See Enclosure 2.

5. PROCEDURES. See Enclosure 3.

6. INFORMATION COLLECTION REQUIREMENTS. Information questionnaires will be sent out to collect information about property record processes, inventory, and valuations methodologies to periodically collect information to inform or modify this DHA-AI.

7. RELEASABILITY. **Not cleared for public release**. This DHA-AI is available to users with Common Access Card authorization on the DHA SharePoint site at:

<http://www.health.mil/dhapublications>.

8. EFFECTIVE DATE. This DHA-AI:

a. Is effective upon signature.

b. Will expire 10 years from the date of signature if it has not been reissued or cancelled before this date in accordance with DHA-Procedural Instruction 5025.01 (Reference (c)).



R. C. BONO
VADM, MC, USN
Director

Enclosures

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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5136.01, "Assistant Secretary of Defense for Health Affairs (ASD(HA))," September 30, 2013, as amended
- (b) DoD Directive 5136.13, "Defense Health Agency," September 30, 2013
- (c) DHA-Procedural Instruction 5025.01, "Publication System," August 21, 2015
- (d) DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," April 27, 2017, as amended
- (e) Financial Improvement and Audit Readiness (FIAR) Guidance, April 2017
- (f) Memorandum for Washington Headquarters Services from Director, DHA, "Designating Defense Medical Logistics Standard Support (DMLSS) as the Accountable Property System of Record (APSR) for DHA," March 27, 2015¹
- (g) Analysis of Memo from Deputy DoD Chief Financial Officer (CFO) on "DoD Standard Ledger Account," June 3, 2013
- (h) Federal Accounting Standards Advisory Board (FASAB) Handbook, Statement of Federal Financial Accounting Standard (SFFAS) #6, "Accounting for Property Plant and Equipment," February 4, 2009, as amended
- (i) Statement of Federal Financial Accounting Standards (SFFAS) #21, "Reporting Correction of Errors and Changes in Accounting Principles, Amendment of Statement of Federal Financial Accounting Standard (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources," October 16, 2001
- (j) Federal Accounting Standards Advisory Board (FASAB) Handbook, Statement of Federal Financial Accounting Standard (SFFAS) #23, "Eliminating the Category National Defense Property, Plant, and Equipment," May 8, 2003
- (k) Federal Accounting Standards Advisory Board (FASAB) Handbook, Statement of Federal Financial Accounting Standard (SFFAS) #35, "Estimating the Historical Cost of General Property, Plant, and Equipment: Amending SFFAS #6 and #23," October 14, 2009
- (l) Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Memorandum, "Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant, and Equipment," September 20, 2013
- (m) DoD 7000.14-R, DoD Financial Management Regulations (FMR) Policy Memorandum, Volume 2A, Chapter 01 Paragraph 010211 "Policy Change for the Treatment of Proceeds from Assets Sold for Replacement Under Section 21 of the Arms Export Control Act," July 31, 2015
- (n) DoD 7000.14-R, DoD Financial Management Regulations (FMR), Volume 1, Chapter 9, "Financial Records Retention," August, 2011
- (o) DoD 7000.14-R, DoD Financial Management Regulations (FMR) Policy Memorandum, Volume 4, Chapter 6, "Strategy and Implementation Guidance for General Equipment Valuation," March 14, 2016

¹ This reference can be found on the DHA J-1/8 Infrastructure Support Division Asset Management SharePoint site at: <https://info.health.mil/cos/admin/infrasup/assets/Forms/AMDDefaultView.aspx>

- (p) DoD 7000.14-R, DoD Financial Management Regulations (FMR) Policy Memorandum, Volume 4, Chapter 4, "Inventory and Related Property Accounting Policy Requirements," November 13, 2015
- (q) DoD Instruction 5015.02, "DoD Records Management Program," February 24, 2015, as amended
- (r) Defense Health Agency Infrastructure Support Division Accountability and Management of General Equipment Property, Standard Operating Procedure, September 2017
- (s) DoD Instruction 5010.40, "Managers Internal Control Program Procedures," May 30, 2013
- (t) DoD Manual 5100.76, "Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives (AA&E)," April 17, 2012
- (u) DoD Manual 5200.01, Volume 1, "DoD Information Security Program: Overview, Classification and Declassification," February 24, 2012
- (v) Defense Logistics Management 4000.25-1, "Military Standard Requisitioning and Issue Procedures," June 13, 2012, as amended
- (w) DoD 7000.14-R, DoD Financial Management Regulations (FMR) Policy Memoranda, Volume 12, Chapter 7 "Financial Liability for Government Property Lost, Damaged or Destroyed," April 1998
- (x) DoD Manual 4160.21, "Defense Materiel Disposition Manual", October 22, 2015
- (y) DoD Manual 4140.01, Volume 5, "DoD Supply Chain Materiel Management Procedures: Operational Requirements," February 10, 2014
- (z) Federal Acquisition Regulation, Part 45, "Government Property Overview," June 14, 2007
- (aa) DoD Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Program, December 21, 2011, as amended
- (ab) Federal Acquisition Regulation, Part 33.2, "Protests, Disputes, and Appeals," May 29, 2014

ENCLOSURE 2

RESPONSIBILITIES

1. DIRECTOR, DHA. The Director, DHA, will:

a. Ensure property management policies, standards, and performance measures are established in accordance with this DHA-AI that monitor and evaluate component-wide performance to achieve and sustain effective accountability, management, control, and accurate accounting of government property.

b. Establish and maintain a controlled environment for property accountability and an effective system of ICs to ensure accountability and authorized use of personal property to prevent loss, damage, theft, or waste, and to ensure appropriate financial reporting.

c. Assign a DHA Component Property Lead (CPL) to implement this DHA-AI on behalf of the component.

2. DHA CPL. The DHA CPL will:

a. Perform oversight of asset accountability functions for the agency.

b. Establish and disseminate DHA's policy, standards, and procedural guidance for asset accountability, perform related updates, evaluate asset accountability programs, and implement changes as required.

c. Establish the DHA annual inventory policy and procedures, review regulatory changes that affect DHA asset accountability policy and/or processes, and issue implementing guidance as required.

d. Perform daily operation, planning, and execution of DHA's GE property management to include strategic planning.

e. Represent DHA, as necessary, and provide responses to other DoD entities, federal agencies, and members of Congress on asset accountability matters.

f. Ensure when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that the DHA Office of the General Counsel has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations.

g. Manage the DHA Defense Health Headquarters Defense Medical Logistics Standard Support (DMLSS) suite and the DHA Accountable Property System of Record (APSR).

h. Manage DHA-wide assets, while making decisions to approve or disapprove the initial and continuing adequacy of the general property management.

i. Implement policies and maintenance of all GE within DHA.

j. Support DHA DMLSS as the lead for DHA DMLSS accountability and administration within DHA.

k. Grant DHA DMLSS access to users with approved access request packages.

l. Supervise all of the Accountable Property Officers (APOs) responsible for GE within DHA.

m. Establish the DHA annual inventory schedule and distribute to the APOs.

3. CHIEF, DHA, BUDGET AND EXECUTION. The Chief, DHA, Budget and Execution will develop procedures for the Office of the Chief Financial Officer to fully support financial services, reporting, management activities, and sustaining DHA's growth. These procedures will ensure financial integrity in the areas below in support of the acquisition of GE:

a. Audit

b. The Management ICs Program

c. Financial reporting

4. CHIEF, DHA, COMPTROLLER DIVISION. The Chief, DHA, Comptroller Division, will:

a. Deliver a common operational picture for the development, deployment, and sustainment of DHA efficiency by simplifying enterprise system management requirements, lowering costs, and providing a higher quality of service.

b. Support the acquisition of GE. The process flow for acquiring and maintaining GE begins with a "request" originated by a DHA division with the authority to issue such a request. This is a critical step in the equipment documentation and audit process.

c. Ensure that DHA DMLSS property information is mapped to the appropriate financial codes in order to ensure audit compliance.

5. DHA COMPONENT ACQUISITION EXECUTIVE (J-4)/CONTRACTING DIVISION. The DHA Component Acquisition Executive (J-4)/Contracting Division, will:

a. Develop contracting operations procedures to support the acquisition process for GE in the areas of Contract Policy and Compliance, Quality Management, and Government Purchase Card (GPC) Support.

b. Monitor Government Furnished Property (GFP) from “cradle to grave,” including 100% annual physical inventories, reconciliations, and disposition. Within the acquisition community, GFP is also referred to as Government Furnished Equipment, but the procedures for GFP should be followed

c. Manage through designated Contracting Officers (KOs) and Contracting Officer’s Representatives (CORs) for any GFP awarded on any contract awarded through DHA.

d. Monitor GFP through its designated KOs and CORs for any GFP awarded on any contract awarded through DHA. These responsibilities will include:

(1) Annual 100% inventories and reconciliations, and

(2) Disposition of any GFP assets from “cradle-to-grave”.

e. Support the acquisition process for GE

(1) The Contracting Division receives a purchase request from the Comptroller Division and initiates contracting action. The KO must forward a copy of the signed contract to the APOs within 48 hours (e.g., workflow, e-mail, hardcopy, etc.). The signed contract is a critical element in the audit and documentation process. This documentation should be retained. This process allows the APO to create a due-in to accept and coordinate final delivery and receipt of the equipment.

(2) For GPC Holders, the APO must be notified of any credit card purchases within 48 hours (e.g., workflow, e-mail, hard copy, etc.). This notification should include: acquisition cost; number of items purchased; vendor; model number; any “cut sheets”; and all relevant nomenclature. This is a critical step that allows the APO to prepare a due-in. The due-in allows the APO to accept and coordinate final delivery and receipt of the equipment. The Contracting Division must ensure documentation of disputes is thorough, accurate, complete, and follows the procedures in accordance with Reference (ab), which governs disputes and appeals.

f. Maintain records of contact between the COR and Contractor that reflect normal operations or services.

g. Ensure no obligation or expenditure is authorized or incurred in excess of available funds. Authority to certify availability of funds must be delegated in writing to a named individual.

h. Ensure all IT asset requirements in a Statement of Work (SOW) are structured in a manner which contains specific language to separate capitalized line items from those to be expensed.

i. Ensure that all project managers and CORs comply with all general property, plant, and equipment (PP&E) policy & procedural guidance.

6. DHA IT ACQUIRING FIELD UNITS. The DHA IT Acquiring Field Units will be responsible for ensuring that their Hand Receipt Holders (HRHs) are maintaining all hand receipts of their IT assets, and will notify the appropriate APO or Hand Receipt Manager (HRM) whenever items are received, managed, inventoried, and disposed (including lost, transferred, and declared obsolete).

7. CHIEF, DHA, INFRASTRUCTURE SUPPORT DIVISION (ISD). The Chief, DHA, ISD will be responsible for maintaining DHA facilities, as well as telecommunications, equipment supervision, portfolio management, and day-to-day operational assistance for community services.

8. APO. The APO will:

a. Establish and maintain the organization's accountable property records, systems, and financial records, in connection with Government property, irrespective of whether the property is in the individual's or DoD Component's possession.

b. Certify availability of funds, delegated in writing, to a named individual.

c. Delegate, in writing, an HRM and HRHs to support with property management functions.

d. Retain all supporting documentation related to the lifecycle of a piece of GE.

e. Ensure that no individual assigned as an HRH will depart the organization on permanent change of station, retirement, or reassignment within the organization or installation without transferring property accounting responsibilities.

9. HRM. The HRM supports the APO in property management functions and serves as a liaison between the APO and HRH.

10. HRH. The HRH ensures all assigned property is accounted for on a primary or sub-hand receipt. Specifically, the HRH will:

a. Communicate, regularly, to the APO regarding any changes made to hand receipts to keep the hand receipt current.

b. Verify quantities, serial numbers, and equipment control numbers (ECNs) before the hand receipt is signed.

c. Annotate on the primary hand receipt the location or sub-hand receipt number next to any item that is sub-hand receipted.

d. Conduct random spot-checks at the location and the physical condition of assigned property between inventories.

e. Retain copies of signed turn-in and issue transaction documents.

f. Remind Sub-Hand Receipt Holders (SHRHs) of their responsibility to safeguard their property.

g. Ensure that no individual assigned as an HRH will depart the organization on permanent change of station, retirement or reassignment within the organization, or installation without transferring property accounting responsibilities. The Personnel Officer will issue clearances only after the individual's clearance checklist has been stamped by the APO signifying the responsibility for property has been successfully transferred to another individual.

h. Find an interim or replacement primary HRH if a primary HRH has been assigned duties that will prevent him/her from accomplishing hand receipt duties for 30 calendar days or longer.

ENCLOSURE 3

PROCEDURES

1. INTRODUCTION TO GE. This DHA-AI sets forth overall procedures and processes for DHA, its organizations, and activities to follow in asset accountability GE. The other General PP&E classes on real property and IUS Under Development are covered in separate DHA-AIs.

GE is defined as tangible assets that have an estimated useful life of 2 or more years. It is not intended for sale in the ordinary course of operations, and are intended to be used by DHA. The Chief, DHA, ISD will be the administrator for the GE instruction. Per Reference (h), GE is a subset of General PP&E as shown in Figure 1: General PP&E and Its Subsets.

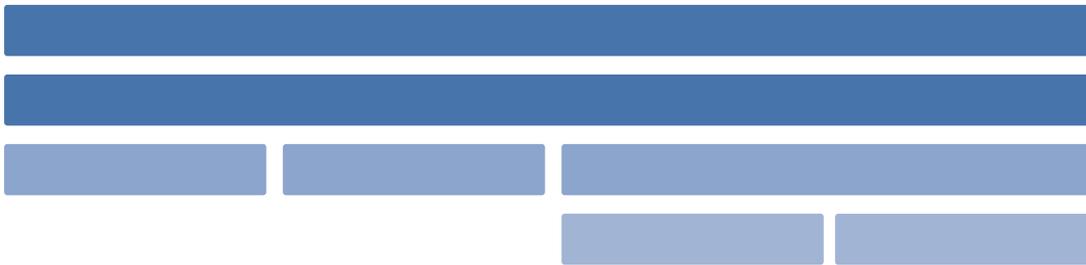


Figure 1: General Property, Plant, and Equipment and Its Subsets

Per Reference (d), the GE categories that must be established and accounted for in a DHA APSR are as follows:

a. Capitalized GE. GE with a cost of \$250,000 or more is capitalized and depreciated over the useful life of the asset. An asset record must be established in the DHA APSR. Prior to October 1, 2013, the capitalization threshold for GE was \$100,000. Per Reference (l), there was an increase to the capitalization threshold from \$100,000 to \$250,000 for all IUS and other GE assets for all other general and working capital funds.

b. Accountable Property. Accountable property records will be established in the DHA APSR for all government property purchased, or otherwise obtained, having a unit acquisition cost of \$5,000 or more; property of any value that is controlled or managed at the item serial number level; leased items (to include capital leases) of any value; and assets that are sensitive, pilferable, or classified. The change supersedes all previous guidance concerning property accountability thresholds. The new threshold aligns requirements with the rest of the DoD. The new threshold does not relieve personnel of command, supervisory, custodial, or personal functions for items beneath the threshold whose custody may be maintained outside the DHA APSR. Assets valued lower than \$5,000 may be tracked in the DHA APSR, although it is not required. Types of GE that are equal or above the \$5,000 threshold that would need to be accountable in the DHA APSR include:

(1) GFP. Property in the possession of or directly acquired by the government and subsequently furnished to the contractor (includes subcontractors at alternate locations for the performance of a contract). GFP must be entered into DHA DMLSS prior to being issued to a contractor as part of a contract or contract modification, no matter its minimum value.

(2) IT. Property such as desktops, laptops, and mobile computing devices, including, but not limited to, mobile information storage devices and auxiliary hard drives, regardless of cost, containing personally identifiable information. IT and computing resources account for a significant portion of an organization's budget. IT acquiring organizations will notify the Chief, DHA, ISD promptly whenever IT resources are received. This information will enable IT acquiring organizations to provide a more complete service to customers in the area of computing resources acquisition. With regular feedback from the APO, IT acquiring organizations can help ensure that a customer's order is received in lifecycle management programs.

(3) Heritage Assets. Property of historical, natural, cultural, educational or artistic significance (e.g., aesthetic); or with significant architectural characteristics. Heritage assets are expected to be preserved. Heritage assets consist of items whose physical properties resemble those of GE and are traditionally capitalized in commercial-type financial statements. The nature of these items, however, differ from GE in that their values may be indeterminable or may have little financial meaning (e.g., collections of the National Museum of Health and Medicine), or that allocating the cost of such assets (e.g., military weapons systems) to accounting periods that benefit from the ownership of such assets is not meaningful.

(4) Loaned or Leased Equipment. Equipment considered as loaned or leased is equipment being used temporarily by an outside agency or organization. This is achieved through some type of agreement or contract.

(5) Pilferable. Equipment that has a ready resale value or application to personal possession and that are, therefore, especially subject to theft. Accountable items can consist of non-expendable and in some cases expendable items/equipment that are not consumed in use. GE categories that fall below the \$5,000 threshold and are not required to be established and accounted for in a DHA APSR are expendable property and nonexpendable property.

2. DHA DMLSS AS THE DHA APSR. DHA APSR uses DHA DMLSS throughout the organization for management of GE, IUS, and real property. DHA DMLSS provides capability to support all functions that are associated with accountability and management of GE. DHA DMLSS will serve as the DHA APSR in accordance with References (f) and (q). DHA DMLSS, as the DHA APSR, will remain under the administration and accountability of the Chief, DHA, ISD under the DHA CPL.

a. DHA DMLSS Compliance. DHA uses DMLSS in accordance with the Financial Improvement and Audit Readiness guidance from the DoD Comptroller/Chief Financial Officer's office. DHA's property and inventory records and processes are being mapped to DHA DMLSS to ensure audit compliant with DoD financial directives.

b. Financial Compliance. DoD's United States Standard General Ledger (USSGL) Transaction Library organizes generalized Department of the Treasury USSGL business event transaction postings containing multiple debits and credits, breaking them down into appropriate pairings of budgetary, proprietary, and memorandum accounts uniquely identified by DoD Transaction Codes. Financial systems are required to process transactions using the DoD Standard Chart of Accounts and attributes according to the defined uses and posting logic in the DoD USSGL Transaction Library. The Comptroller Division is responsible for ensuring that DHA DMLSS property information is mapped to appropriate financial codes in order to ensure audit compliance.

c. DHA DMLSS Users. There are various levels of system and user administration required for DMLSS use. The DHA DMLSS System Administrator (SA) is the primary individual for contact and formal coordination for DMLSS user access, DMLSS server support, and local network tools such as printers and handheld scanners. In addition to the DHA DMLSS SA, there are Hardware SAs and Application Virtual Hosting Environment Administrators. The DHA DMLSS SA is located in the Asset Management Branch of DHA, ISD and supports the DHA CPL on matters related to DHA DMLSS functionality and support. In DHA DMLSS, the roles of APO and HRM are called property custodians (PCs), and the role of an HRH is called a sub-custodian. These roles must be appointed, in writing, to use DHA DMLSS to establish and maintain DHA's accountable property records. The DHA Property Management Office retains a copy of all appropriate appointment memorandums.

d. Catalog Creation. Catalog creation in DHA DMLSS is decentralized, meaning each DHA activity is responsible for building and maintaining their own individual catalog. In order to maintain data integrity and standardization, it is important that catalog records be created and maintained to prevent identical items from being identified in multiple ways within DHA DMLSS.

(1) Purpose of Catalog. The catalog in DHA DMLSS is used to add, retrieve, edit, and store catalog information on the majority of products from both commercial and DoD sources. The user can also use the catalog search module to research products that an activity is using and new items that the organization is considering for use. The *Accountability and Management of General Equipment Property Standard Operating Procedures* (GE SOPs), version 1.0, will contain more specific procedures for adding new items to the catalog.

(2) Importance of Catalog Record. It is critical to recognize that the catalog record for a personal property asset is the basis for ensuring that all transactions related to an asset are able to be processed in an accurate and timely manner. As a result, it is important to properly create and maintain catalog records and ask questions if an issue arises.

3. PHASES OF THE GE LIFECYCLE. One of the objectives of DHA is to establish lifecycle management over all GE assets provided to, or acquired by, DHA. Such management ensures proper and authorized use, as well as adequate care and preservation, since no asset can be acquired, placed in service, transferred, placed on the DoD property book, or disposed of without the proper authorization necessary to document and record the transaction. Figure 2: GE

Lifecycle Management Process Flow covers the lifecycle of a piece of GE from the acquisition to the transfer, disposal, or retirement of the asset.

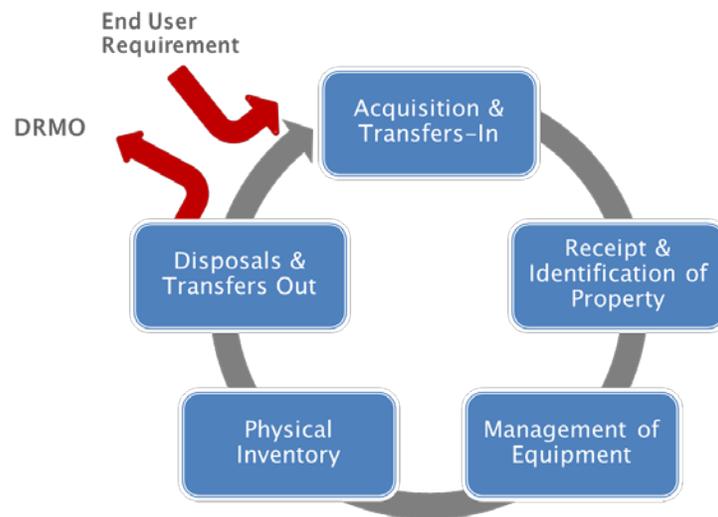


Figure 2: General Equipment Lifecycle Management Process Flow

The detailed, auditable process (e.g., procedures, process steps, and process flows) are outlined in the DHA GE SOP and the DHA GE Process Cycle Memorandum. However, a high-level summary of the lifecycle phases is below:

a. Acquisition and Transfers-In. Once a need is identified, a requirement is defined and documented. Once it is determined that there is no excess equipment to fulfill the requirements, the requirement is reviewed, to include the determination of the acquisition method, and approved by appropriate parties, and equipment is acquired.

(1) Methods of acquisition include:

(a) Purchase

1. Contract (Purchase New or Lease)
2. GPC
3. Military Interdepartmental Purchase Request

(b) Transfers-In

1. Loan
2. Donation

(2) Contract Documentation. APOs receive copies of the contract from the J-4 Contracting Office. GPC holders are responsible for informing APOs of delivery information. The GPC holder will purchase the equipment and send a copy of the receipt and all purchase information to the APO within 48 hours. This documentation should be retained. Alternatively, contracts with vendors may require vendors to inform APOs of delivery status directly. Based on those inputs, APOs create “due-ins” status within DHA DMLSS. An IC must be in place during review and approval occurs for capitalized equipment on a contract.

(3) Types of Transfers. There are two types of transfers: internal and external. An internal transfer is initiated by either: 1) an APO who transfers the accountable property records with the same DHA DoD Activity Address Code (DoDAAC), or 2) by a gaining APO who requests a transfer from a losing APO for property with the same DHA DoDAAC. An internal transfer is commonly referred to as a lateral transfer as well. An external transfer is initiated by a gaining APO who requests a transfer from a losing APO for property with a different DHA DoDAAC. Equipment can be loaned from one agency to another when a gaining APO identifies a need for equipment. The loan process follows the same steps as transfers, with the exception of an additional level of approval from the DHA CPL.

b. Receipt & Identification of Property. The receipt and identification of property process starts when an item is physically received at a warehouse, loading dock, mailroom, or front reception desk. When the equipment is received, a government employee inspects, signs for the shipment, and notifies the APO. The APO or HRM performs the initial data entry of the equipment into DHA DMLSS as official receipt in the system. The APO prints and has the assigned HRH sign the report. All equipment must be barcoded with a DHA DMLSS generated barcode.

(1) Ensuring Accuracy of DHA DMLSS Records. Before entering the equipment into DMLSS, the APO must verify the accuracy of all data entered by comparing it with the supporting documents. In exceptional cases when critical documents are not available and the issue is time sensitive, the DHA Property Administrator can authorize the APO to issue accountable property items data on the basis of an incomplete DMLSS record. In such cases, the APO will become accountable for locating the missing document(s) or identifying alternative source documents (e.g., Memorandum for Record (MFR)). The test of acceptability for alternative source documentation is whether the source would be accepted in an agency’s financial audit.

(2) Copies of Documentation. For purchases made with a GPC, the APO sends a copy of the final invoice to the GPC Holder. For purchases made with a contract, the COR sends a copy of the DD Form 250 to the APO.

(3) Establishing and Updating the DHA DMLSS Record. For capital equipment being received, the APO changes the status of the equipment to “In Service” and/or enter the appropriate placed in service date in DMLSS. After the initial establishment of the DMLSS asset record, the APO will conduct all data updates. APOs must validate and post to DMLSS all acceptable changes within 5 working days of receipt of request.

(4) Authorization. The authority to receive and maintain accountable property items is the APO's appointment memorandum. For PCs, it is the custodian's appointment memorandum. An authorization for any other personnel to receive and maintain property must be in writing and issued by the respective DHA accountable or responsible officer.

(5) Acceptance of Equipment. Receiving activity personnel inspect shipments and sign receiving documents in accordance with local policy. If the receiving activity is not a DHA organization, then the organization should notify the appropriate APO of the shipment arrival. The APO will, in turn, notify the respective COR or user. The government representative signing a receiving document must ensure that the property is physically inspected and the shipment is complete.

(a) Recognition Upon Delivery. Recognition of the asset for financial reporting purposes will occur upon delivery and acceptance to the acquiring DoD Component even though title passage can occur either at the time of delivery (to the DoD Component or an agent of the DoD Component), or at an earlier contractually specified time.

(b) DD Form 250 Recognition Date. The recognition date will normally be the date shown on Block 22, Receiver's Use, of the Material Inspection and Receiving Report (DD Form 250) or the equivalent date source under Wide Area Workflow.

(c) Replacement-in-kind. Replacement-in-kind transactions will be recorded as "cash transactions" in DMLSS. The product transferred out is valued at the value of the incoming item, as though "cash" was transferred in to pay for it. The item being transferred in should be accounted for by "paying cash" for the item at the value of the item coming in.

(d) Program Accountable Property. Program accountable property does not become DHA DMLSS accountable until a government representative signs the receiving document. If the accountable property items are not delivered to an APO location, the government representative receiving and/or acceptance representative must provide copies of the receiving documents, in addition to any packing lists or bills of lading to the program's servicing APO within 14 days of receipt. The respective APO must enter the property into DMLSS within 10 working days of receiving the complete acquisition and financial supporting documentation.

(e) Supporting Documents. In addition to the purchase order and/or contract, the APO should retain a copy of the packing lists or invoices received in lieu of packing slips and the bill of lading within the document register supporting files. The standard body of documentation should include: contracts; requisitions; invoices; shipping documents and bills of lading; assumption/acceptance attachments; hand receipts; termination/disposal documents; warranties and maintenance agreements; and cost data if no historical data exists. If the documentation is missing, a MFR can be prepared and inserted into the documentation file. The documentation file can be electronic or hard copy.

(f) Financial Information. Key financial accounting information relating to the accountable property items will be captured within the DHA DMLSS accounting module at the time of receiving. These DHA DMLSS entries will be performed by the APO, and the entries

will be entered into DHA DMLSS by utilizing the Line of Accounting to the DHA DMLSS database record fields.

c. Management of Equipment. A “cradle-to-grave” document history must be kept electronically and/or in hard copy, including: contracts; requisitions; invoices; shipping documents and bills of lading; assumption/acceptance attachments; hand receipts; termination/disposal documents; warranties and maintenance agreements; and cost data if no historical data exists. If documents are missing, a MFR will be developed.

(1) Accountable Property at Non-Government Sites. Accountable Property used at a non-government site will be maintained in accordance with the contract and the provisions of current editions of Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement.

(2) Equipment Installed at Leased Sites. Government-owned equipment installed at non-DHA Government sites will have a DHA barcode applied to facilitate inventories and to readily distinguish it from equipment belonging to site owners.

(3) Maintenance of GE. Maintenance is detailed in unit activity SOPs for defined equipment maintenance categories of IT and GE.

(4) Loaned or Leased Equipment. Equipment loaned or leased to DHA will be governed by procedures specified in the DHA GE SOP.

(5) Depreciation. Depreciation is the systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value over its estimated useful life. Estimates of useful life of GE and IT hardware must consider factors such as usage, physical wear and tear, and technological change.

(a) Calculate Gross Value and Accumulated Depreciation. When establishing opening balances using deemed cost, DoD Components will calculate a gross value and an accumulated depreciation value for GE assets. Both the gross value Deemed Cost and accumulated depreciation Deemed Cost will be recorded in the accounting records. The APO can control depreciation using the equipment management (EM) module in DHA DMLSS.

(b) Method of Depreciation. DoD’s policy permits the use only of the straight-line method of depreciation, except for military equipment. For military equipment, an activity-based method of depreciation, which recognizes the change in an asset’s value as a result of use rather than time, may also be used. DHA DMLSS uses straight-line depreciation as a default.

(c) Salvage Value. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling the asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used. Typically, “personal property” such as vehicles, IT hardware, and uniforms will not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the

expected trade-in value. For purposes of computing depreciation, military equipment and real property assets (e.g., buildings, facilities, and structures) do not have salvage values.

(d) Depreciable Basis. The depreciable basis of GE is the recorded cost reduced by the asset's salvage value, if such salvage value exceeds 10% of the asset's cost. If the salvage value is 10% or less of the asset's cost, the salvage value is not considered material for purposes of calculating depreciation. Therefore, it should not be considered when determining the depreciable basis. In other words, if the salvage value is less than or equal to 10% of the asset's cost, the depreciable basis should be the same as the recorded cost.

(e) Useful Life. For purposes of computing useful life on GE, specific recovery periods are prescribed. Proper supporting documentation must be retained by the program office to justify the estimated useful life of the program. Examples of proper documentation include the following: engineering estimates; operational requirements documents; mission needs statements; commercial industry-equivalent information; contracts; and acquisition documents. DHA DMLSS uses a default useful life of 5 years, but this amount can be changed by the APO in the EM module.

(f) Commencement of Depreciation. In the case of tangible assets, the event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document or the date installed and placed in service (regardless of whether it is actually used).

(6) Support of Consistent Reporting. Recording both the gross value and accumulated depreciation will facilitate consistent reporting for financial statement footnote disclosure after the establishment of the opening balances.

(7) Accountable Property. DHA is required to fully account for all accountable property it acquires, regardless of the source of funding. Accountable property acquired by DHA using DoD program dollars is as fully accountable as property purchased to support DHA's internal operations. However, procedures governing program property differ in many aspects from those for mission equipment.

(a) Acquisition. The destination for all program accountable property items obtained through a contract acquisition or a credit card is the receiving activity officially designated to support the respective DHA organization. This applies to all shipments, regardless of method of delivery (e.g., United States Postal Service, Federal Express, vendor delivery, etc.). The official receiving location will be stipulated on all contracts, purchase orders, and delivery documentation.

(b) Acquisition Plans. Acquisition plans for program accountable property will address how property accountability is to be maintained throughout the equipment's lifecycle: acquisition; acceptance; installation; operation; and final disposition. The Program Manager or designee must coordinate with the FM, procurement staff, and APO in developing and executing the program acquisition plan.

(8) Procurement Processes. Ordering and procurement offices will ensure that the following information is included on all contracts and purchase orders:

(a) DoDAAC. The DoDAAC should reflect the location of DHA's designated receiving activity.

(b) End User-Designation. End-user designation should be sufficient to identify the correct APO and PC. If procurement applications allow, the DHA organization code and hand receipt number should be placed in the "TO" block or as "ship to/mark for" text in a remarks block.

(c) Purchase Information. Purchase information should be sufficient enough to initiate property records, and should include the following: nomenclature; model; serial number; part number; price; warranty agreements; and required delivery dates.

(d) Copy of Contract. For each item of program property ordered, the Program Manager/COR or designee will provide the APO with a copy of the following: contract; contract modification; invoice; receiving report; or another document providing the complete Line of Accounting.

(e) Point-of-Delivery. The point-of-delivery for program accountable property will be determined by the Program Manager during the acquisition planning process. Delivery to warehouses and/or facilities not run by DHA is permissible as long as the acquisition plan provides government acceptance procedures effectively linked to DHA DMLSS entry. The Program Manager will identify this type of situation to the Public Affairs Office and APO.

(f) GPC Purchases. For GPC purchases, the GPC holder will provide the respective APO with a copy of the quote or invoice for the purposes of establishing price and end-user data. The GPC holder will also provide the financial data for each accountable property item.

(g) Other Direct Charges. Organizations will not purchase desktops, laptops, printers, or software using a GPC or as another direct charge on a contract unless coordinated with the KO.

(9) Federal Information System Controls Audit Manual Reviews. Implementation of these requirements must also include documenting processes and controls, testing controls, remediating deficiencies, and ensuring Federal Information System Controls Audit Manual reviews are performed on all systems material to the financial statements (e.g., DHA DMLSS, general ledger accounting system, key feeder systems, etc.).

(10) GFP

(a) GFP Contracts. Accountable program property issued to contractors as GFP will be inventoried in accordance with the contract. Contracts will require the contractor to deliver an inventory report, via the APO, for all GFP and/or Government Furnished Material (GFM) in

possession by the contractor on an annual basis. This is a contract deliverable which should be established in the SOW, performance work statement, or statement of objectives, as applicable.

(b) GFP Physical Inventory. Accountable program property issued to users on DHA DMLSS hand receipts will be physically inventoried by the respective HRH or sub-HRH at the time of initial receipt, upon change of HRH or sub-HRH, and annually in accordance with the schedule provided by the APO. Results of the inventory will be reported to the APO, who will post the results in DHA DMLSS and ensure follow-up on any situations requiring reconciliation.

(c) GFP Inventory Periodicity. Accountable program property maintained by contractors on non-government sites will be inventoried in accordance with the contract. Contracts will require a physical inventory at a minimum of once annually, and the inventory will be managed by the COR of the contract.

(11) Capitalized Assets and/or Projects. Individual assets associated with a capitalized project will be captured within DMLSS by serial number.

(a) Need to Verify Capital Thresholds in DHA APSR Records. Prior to October 1, 2013, the capitalization threshold for GE was \$100,000. The threshold changed to \$250,000 for all reporting entities with the exception of the Navy and Air Force General Funds for which the equipment threshold was increased to \$1 Million. DoD Components must review their APSR records in accordance with those thresholds (including capital improvements) to ensure that assets are capitalized or expensed appropriately based on their Deemed Cost.

(b) Useful Life. The useful life entered in DHA DMLSS will be in accordance with regulatory guidance for capitalized assets in Reference (p). A recovery period of less than 5 years is permitted when DHA is certain that the useful life of an asset is at least 2 years but less than 5 years.

(c) Replacement Parts. Replacement parts must be categorized as items for repair or parts for improvement. Replacement parts that are designated to improve or expand the efficiency of an asset that is in good working order will be categorized as an improvement and individually capitalized.

(d) Capitalization Criteria. Utilizing DHA DMLSS as the property system of record, DHA will capitalize General PP&E assets in accordance with the following criteria:

1. Individual Capital Thresholds. Individual General PP&E items with a unit acquisition cost of \$250,000 or more and a useful life of at least 5 years will be capitalized.

2. Multiple Item Capital Thresholds. Multiple General PP&E items (in a single acquisition) with unit acquisition costs of less than \$250,000 but an aggregate cost that equals \$250,000 or more, intended to support a specific system, and having a useful life of at least 2 years will be capitalized.

3. Bulk Purchases. Bulk purchases of General PP&E items that do not individually meet the capitalization threshold will be expensed. Bulk purchases of General PP&E items that individually meet the capitalization threshold will be capitalized and recorded in a property accountability system that is capable of computing depreciation or interfaces with a system that is capable of computing depreciation. A bulk purchase for capitalization purposes is defined as a single acquisition of many separate items that if purchased individually would not be material, but is material when purchased as a single acquisition or a single acquisition of many separate items, some of which may be individually material.

4. Assets under Capital Lease. When a lease is a capital lease, the lessee will record the applicable asset and liability at lease inception.

a. Record Present Value. The amount to be recorded under a capital lease is the present value of the rental property and other lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes paid to the lessor.

b. Fair Value vs. Present Value. If the present value amount exceeds the fair value of the leased property at the inception of the lease, the amount recorded will be the fair value. If the executory costs portion of the minimum lease payments cannot be determined, the amount should be estimated. In such cases, the substance of the arrangement, rather than its legal form, will determine the accounting treatment. All other leases should be accounted for as operating leases with no balance sheet recognition.

d. Physical Inventory. The APO creates an annual physical inventory schedule to ensure 100% of GE assets are inventoried annually. Once the physical count of the inventory is completed, the APO will submit a memo to the supervisor and the DHA CPL that certifies the inventory was completed.

(1) Definition of Physical Inventory. An itemized catalog or list of tangible goods or property, or the intangible attributes or qualities. It can also be represented as the value of materials and goods held by an organization:

- (a) To support production (e.g., raw materials, subassemblies, and work in process).
- (b) For support activities (e.g., reparables and consumables).
- (c) For sale or customer service (e.g., merchandise, finished goods, and spare parts).

(2) Existence and Completeness. To support the existence and completeness elements in complying with OSD and Financial Improvement and Audit Readiness requirements, DHA must demonstrate, with adequate supporting documentation, their reported assets physically exist at a given date and the accountable property records are complete and reflect all assets owned. This “assertion” means: 1) all assets recorded in their DHA APSR exist (existence); 2) all accountable assets are recorded in their DHA APSR (completeness); 3) the reporting entity has the right to report all assets (rights); and 4) the assets are consistently categorized, summarized,

and reported period-to-period (e.g., Presentation and Disclosure). A “book-to-floor” physical inventory demonstrates “existence,” while a “floor-to-book” physical inventory demonstrates “completeness.” A “wall-to-wall” physical inventory demonstrates both.

(a) Change of HRH. When direct responsibility for property accountability is transferred from one individual to another (a change of HRH), an inventory must be conducted. The inventory will be conducted jointly between the outgoing HRH, the incoming HRH, and the APO (or designated HRM). If sub-hand receipts exist, upon completion of the change of hand receipt inventory, new sub-hand receipts must be generated and signed by the incoming HRH.

(b) Change of Command/Custodian. A change of command or change in custodian will normally trigger an inventory.

(3) Annual Requirement. All property listed on the property book will be physically inventoried annually. Physical inventories are planned and executed annually throughout DHA. This is accomplished with a cyclical physical inventory of 25% of assets, per quarter, as well as an annual validation. Equipment must be inventoried at a minimum, once each fiscal year, and the same equipment can be inventoried more than once, if the 100% requirement is still met annually. The APO will notify each HRH, in writing, when it is time to conduct an inventory. The APO will contact the primary HRH to schedule a date for the inventory, which is conducted jointly between the primary HRH (or their designated representative) and property management personnel. Inventories will be conducted as follows:

(a) The APO will verify all hand receipts are current and all turn-ins and issues (e.g., change documents) have been posted to the hand receipt.

(b) The primary HRH or their designated representative will conduct the inventory with the designated HRM.

(c) The HRM will remove ECNs from equipment that no longer require accountability. The ECNs will be added to new equipment that is not currently on the property book. The resulting transactions will be posted to the hand receipt.

(d) If any discrepancies occurred during the inventory, adjustment actions (e.g., cash collection voucher, statement of charges, or Report of Survey (ROS)) will be initiated for any missing items. If the items are found at a later time, adjustment documents can be changed or canceled to reflect the results of the findings.

(4) Causative Research. An investigation of discrepancies (e.g., gains and losses) consisting of, at a minimum, a complete review of all transactions to include the following: supporting documentation, catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. It must be conducted for the following inventory adjustments:

(a) Items listed having an extended price greater than \$500.

(b) When negligence is the suspected cause.

(c) When directed by the approving authority.

(5) Valuation of Inventories. GE will be valued at historical cost. Historical cost must include all acquisition costs incurred to bring the items to their current condition and location.

(6) GFP

(a) GFP Contracts. Accountable program property issued to contractors as GFP will be inventoried in accordance with the contract. Contracts will require the contractor to deliver an inventory report, via the APO, for all GFP in possession by the contractor on an annual basis. This is a contract deliverable which should be established in the SOW, performance work statement, or statement of objectives, as applicable.

(b) GFP Physical Inventory. Accountable program property issued to contractors will be physically inventoried by the respective HRH or SHRH at the time of initial receipt, upon change of an HRH or a SHRH, and annually in accordance with the schedule provided by the APO or COR. Results of the inventory will be reported to the APO, who will post the results in DHA DMLSS and ensure follow-up on any situations requiring reconciliation.

(c) GFP Inventory Periodicity. Accountable program property maintained by contractors on non-government sites will be inventoried in accordance with the contract. Contracts will require a physical inventory, at a minimum of once annually, and the inventory will be managed by the COR of the contract.

e. Disposals & Transfers Out. GE is identified for disposal when it is identified as unserviceable, excess, or has reached the end of life. GE can also be “found on site”, and identified as excess, unserviceable, or end of life, which is then disposed of and classified as a “turn-in as-is”. Each unit activity uses a local Defense Reutilization Management Office (DRMO) site to complete these steps. Therefore, nuances exist in the processes defined in the DHA GE SOP in accordance with Reference (r). The APO will be the lead of each activity and will serve as the point of contact for every lateral transfer and turn-in action within the activity.

(1) Lost, Damaged, or Destroyed Property. A DD Form 200, Financial Liability Investigation of Property Loss is used to document the cause for the loss; damage; destruction; theft of government accountable equipment; and to assess, if appropriate, individual liability. Any person or contractor will immediately report all actual or suspected losses, damage, or theft of government property to their immediate supervisor. If theft is suspected, employees will notify the security manager.

(a) Loss Investigation. When government property is reported missing, the assigned APO will immediately initiate a preliminary investigation to ensure the property is actually missing before initiating a report. The investigation must be aggressively pursued to enable a ROS to be initiated and provided to the respective APO within 5 calendar days of the discovery of the loss.

(b) Liability. Any person found to be financially liable by the Approving Authority will be notified, informed of their rights, and given the opportunity to appeal. The DHA Deputy Director serves as the Agency Appellate Authority in the ROS process.

(2) Transfers-Out/Turn-Ins. All transfers of accountable property items from one DHA DMLSS hand receipt to another must be accomplished through the assigned APOs using a DHA DMLSS-generated DD Form 1149, Requisition and Invoice/Shipping Document. Direct transfer of accountable property from custodian-to-custodian is prohibited. HRHs will initiate requests for transfer through their assigned APO and include the serial number, barcode, and generic item information (e-mail is acceptable).

(a) Serviceable Property. Accountable property must be complete and in working order to be considered serviceable. Central Processing Units; laptops; servers; external or “hot swappable” hard drives; or any other media, which may have contained sensitive government information, must have been properly cleaned in accordance with authorized procedures. A certificate attesting that the item was properly cleaned must be provided to the APO at the time of turn-in. All information contained within storage media (e.g., hard drives; cards, memory chips, external drives, etc.) will be removed by approved DoD regulation and policy destruction methods. A Defense Logistics Agency (DLA) Form 2500, Certificate of Hard Drive Disposition will be attached to each machine stating “cleaned/scrubbed” and the method used and signed and dated by the end user.

(b) Unserviceable Property. Accountable property is deemed unserviceable if it is inoperable, incomplete, or damaged. Turn-ins of unserviceable accountable property must be segregated from turn-ins of serviceable equipment. The removal of hard drives from equipment due to the fact that they contained classified material automatically renders the accountable property unserviceable. All turn-ins are documented using a DD Form 1348, DoD Single Line Item Requisition System Document. All information contained within storage media (e.g., hard drives; cards; memory chips; external drives, etc.) will be removed by approved DoD regulation and policy destruction methods. A DLA Form 2500, Certificate of Hard Drive Disposition, will be attached to each machine stating “cleaned/scrubbed”, the method used and signed and dated by the end user.

(c) Determination of Property Condition. Disposal condition codes are assigned to the property to be transferred by the DLA Disposition Services Field Office based on inspection of materiel at time of receipt. The authoritative source for the disposal condition code portion of the Federal condition code is Reference (x).

1. When the condition of item is known to be serviceable, proceed with transfer. If condition is unknown, complete DA Form 2404, Equipment Inspection and Maintenance Worksheet since there is not an equivalent DoD form available at this time.

2. Prepare DA Form 2407, Maintenance Request for items requiring condition coding since there is not an equivalent DoD form available at this time. GE being transferred must meet “moderately maintainable” standards.

(d) Elements of Transfer Process

1. Perform inventory of property.
2. Verify that the end item is the correct item to be transferred by checking property records.
3. Check to see if components for the end item are on hand.
4. Prepare a shortage annex for all shortages.
5. Ensure that all lifecycle management documentation transfers with the equipment.

(e) Transfers within a Single DHA Unit Identification Code (UIC). Such a transfer is accomplished by a single APO, who administers the accountable property items within the same DHA UIC. The transfer is normally initiated by an e-mail from the losing custodian to the APO. Upon the concurrence of the gaining custodian, the APO will create DD Form 1150, Request for Issue/Transfer/Turn-In, obtain the signatures of gaining and losing custodians, and post the document. Transfers between DHA UICs are also handled this way if the same APO is responsible for both DHA UICs.

(f) Transfers between Different DHA UICs. When the accountable property items are transferred between two DHA UICs and are maintained by different APOs, the transfer requires the formal coordination of both APOs. The transfer is normally initiated by e-mail from the losing custodian to their assigned APO, who uses DHA DMLSS to generate a DD Form 1149 and a document number. After obtaining the losing custodian's signature and removing the accountable property from the hand receipt, the losing APO will electronically pass the DD Form 1149 to the gaining APO. The gaining APO will accept the DD Form 1149, generate an incoming document number, and issue the accountable property to the gaining custodian on a new DD Form 1149. The receiving APO/HRH will assume responsibility for all maintenance for the equipment. The document history for the equipment will also be transferred for audit purposes.

(g) Transfers to non-DHA Activities. Lateral transfer to non-DHA activities without express direction from the DHA CPL is not authorized. Once distribution instructions are received by the APO, shipment is completed by the APO. Documentation preparation requires a DD Form 1149 generated from DHA DMLSS "TRANSFER OUT" action to remove the accountable property items from DHA DMLSS hand receipt and DHA UIC. A copy of the transaction will be retained in property records for audit purposes.

(3) Disposal

(a) Disposal through the DRMO. The APO will manage the turn-in of GE to DRMO. The APO will establish local procedures to minimize redundant storage and handling of turn-in material. When conditions permit, APOs may establish equipment turn-in procedures

directly to the DRMO, without physically moving the items into a storage facility. APOs who have received equipment through a bulk purchase from another APO, unless otherwise directed, should not try to return equipment to the purchasing organization when the equipment is eligible for disposal. The APO, with actual custody, should process the item for disposal directly.

(b) Depreciation for Assets Designated for Removal. GE assets that have been identified for permanent removal from service will no longer be depreciated. The triggering event for disposal is the time/date the asset no longer contributes to the operations of the entity and is identified for disposal. The disposal start date will be the calendar date of a legally enforceable and recognizable obligation to complete the disposal action or the date the operation has ceased, whichever comes later. On this date, the asset will no longer be depreciated, its book value and associated depreciation expense/accumulated depreciation will be removed from the financial records, and the corresponding gain/loss from disposition will be recorded in the GE account accordingly.

(c) Removal If Item No Longer Provides Service. The GE will be removed from GE accounts if prior to disposal, retirement, or removal from service, it no longer provides service in the operations of the entity. This could be either because it has suffered damage, becomes obsolete in advance of expectations, or is identified as excess. It will be recorded in an appropriate asset account at its expected net realizable value. The net realizable value amount is defined as the expected earnings from the disposal of a real property asset less any costs necessary to complete and dispose of the asset. Any difference in the book value of the GE and its expected net realizable value will be recognized as a gain or a loss in the period of adjustment. The expected net realizable value will be adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or a loss. However, no additional depreciation/amortization will be taken once such assets are removed from GE in anticipation of disposal, retirement, or removal from service.

(d) Determination of Property Condition. Disposal condition codes are assigned to the property to be transferred by the DLA Disposition Services Field Office based on inspection of materiel at time of receipt. The authoritative source for the disposal condition code portion of the Federal condition code is Reference (x).

(e) Temporary Removal from Service. GE assets that have been temporarily removed from service/use, with the expectation that such assets eventually will be returned to service, will continue to be depreciated during periods of non-use. This policy is applicable to Working Capital Funds activities and also applies to GE sent to a depot for temporary storage. Depreciation will cease on GE assets awaiting disposal that are damaged, obsolete, or excess (assets no longer providing the intended service to the entity's operation) or are retired before their intended disposal based on useful life.

(f) Turn-in Disposal. All requests for turn-in and/or disposal of accountable property items will be made through the APO assigned to the PC and hand receipt requesting the turn-in. All turn-ins are documented using a DD Form 1348, DoD Single Line Item Requisition System Document. All information contained within storage media (e.g., hard drives; cards; memory chips; external drives; etc.) will be removed by approved DoD regulation and policy destruction

methods. A DLA Form 2500, Certificate of Hard Drive Disposition, will be attached to each machine stating “cleaned/scrubbed”, the method used, and signed and dated by the end user. The APO will complete a DD Form 1348 for items for turn-in to the appropriate disposal unit (e.g., DRMO). The disposal unit will sign the documentation. This documentation is to be maintained in the property audit records. The accountable property can be removed from the hand receipt and accountability system.

(4) Retirement. A DD Form 1348 documenting turn-ins to DRMO must include the item description and serial number of each piece of accountable property. For bar-coded items, the barcode will be included at the time of preparation for audit purposes. The APO must prepare the retirement documents and provide to personnel transporting the items to DRMO. The transporting personnel will ensure all documentation is correct and deliver the property to the designated DRMO site.

(5) Documentation Requirements for Transfer, Turn-in, and Disposal. Volume 4, Chapter 6 of Reference (p), states that when an asset is transferred, traded, sold, or disposed of through salvage or demolition, copies of the original acquisition documents and disposal documents establishing the location; original acquisition cost; cost of improvements; the date the asset was purchased; constructed or acquired; cost of improvements; the estimated useful life; the amount of accumulated depreciation; and the condition, if desired, will be transferred to the acquiring activity. When these documents are not available, estimates may be made, but must be documented and retained in accordance with the requirements contained in Reference (z). The APO will advise the responsible FM of the transfer of any property that has remaining book value for formal coordination of the values on the trial balance.

4. MEDICAL EQUIPMENT

a. Overview

(1) Exceptions to Procedures for GE. Medical equipment will follow the procedures of this policy, except as listed in this section. These processes are in addition to or different from those for general property or different processes.

(2) Definition. Medical equipment is designed to aid in the diagnosis, monitoring, or treatment of medical conditions.

(a) Receiving Equipment. This process is the same as that for GE in Section 3 of Enclosure 3.

(b) Managing and Accounting for Equipment. This process is different from that of GE.

(3) Equipment Loans. Military medical activities are permitted to loan equipment to patients or other activities. These types of actions are categorized as one of the following:

(a) Loans to Patients. Includes expendable or durable items such as orthopedic aids; braces; crutches; hearing aids; implants; and similar appliances and equipment such as wheelchairs, infusion pumps, hospital beds, and resuscitators may all be loaned to patients.

(b) Inter- and Intra- Hospital Loans. As a general rule, personal property may be loaned among wards, services, or clinics of a particular hospital, or between activities if there are unusual or emergent requirements. This may be necessary when equipment resources are not available or are inadequate for unusual medical requirements and peak patient workloads.

(4) Loans to Customers. In cases of loaning an asset to a patient, it is the responsibility of the APO to maintain the status of the asset during the loan period. It is also required that if the asset being loaned has maintenance requirements, a safety inspection should occur before the loan is initiated.

(a) DD Form 1348 for Loan Documentation. The APO should use the DD Form 1348 to document the existence of the loan for accountability purposes. Typically, it is policy that loans do not exceed 60 days without the approval of the Commanding Officer.

(b) Maintenance of Suspense Files. If an Activity is going to loan a personal property asset (equipment or durable) item to a patient, it is the responsibility of the APO of the loaning Activity to maintain suspense files on the equipment loaned to patients. While DHA DMLSS allows the APO to identify the loan and track the status of the loan, DHA DMLSS should not be used to manage the loan of an asset to a patient. As an alternative, the loan should be documented using DD Form 1348-1a, Issue Release/Receipt Document, or General Services Administration Optional Form 7. The APO retains the original. It will be necessary for the APO to maintain a hardcopy version of the documentation and track the status of the loan to ensure that the loaned asset is returned as scheduled.

5. IT EQUIPMENT

a. Overview

(1) Exceptions to Procedures for GE. IT equipment will follow the procedures of this DHA-AI, except as listed in this section. These processes are in addition to or different from those for GE or different processes.

(2) IT Equipment Identification. All IT Equipment (servers; routers; data storage devices; monitors; printers; TV; etc.) except keyboards, mouse, cables, and speakers will be individually bar-coded and entered into DHA DMLSS regardless of cost. All bar-coded personal IT system components must be disposed of by turn-in to the respective APO to allow proper adjustment to DHA DMLSS.

b. Definitions of Various IT Equipment Types

(1) Definition of Automated Data Processing (ADP) System. An ADP system for accounting and financial statement reporting purposes consists of dedicated equipment or components linked together, and is used in the performance of a service or function in support of a mission of a DoD Component, command, or installation. This definition should not be confused with budgetary or property accountability policy and/or regulations which may be different. The ADP systems for the purpose of this definition and the requisite accounting treatment are typically referred to as mainframe or mini-computer systems, and generally do not include personal computers linked to a central server and used in an office environment. The ADP systems will be capitalized and depreciated when the total cost of the system (considering the individual components as a whole system) equals or exceeds the DoD capitalization threshold (\$250,000) and has an expected useful life of 2 years or more.

(2) personal computer. Personal computers that are not organic to an ADP system (attached personal computers and used solely for the operation of the ADP system) are excluded from the accounting and financial statement reporting definition of an ADP system. The cost of such personal computers is not included in the capitalized cost of an ADP system. Such non-organic personal computers are expensed in the year acquired, since the cost of the individual personal computers do not equal or exceed the DoD capitalization threshold.

ENCLOSURE 4GENERAL EQUIPMENT INTERNAL CONTROLS

1. FINANCIAL/BUSINESS PROCESS ICs. The following ICs are categorized as key controls (KCs) in the GE process by DHA.

Key Control (KC)	Automated/ Manual	KC Description
KC 1	Manual	The losing APO must provide consent before any Government property is moved from one activity to another. All required information is provided on the DD Form 1348-1A generated by the gaining APO. The DD Form 1348-1A must include the approval signatures from both the losing and gaining APOs. If this is an external transfer, than the losing APO must obtain the DHA CPL's signature on the DD Form 1348-1A as well. If the form is generated in DHA DMLSS, a digital footprint is created to evidence the losing APO's approval.
IT 2	Automated	When a piece of capital equipment is placed into service, DHA DMLSS is configured to automatically calculate depreciation based on the predetermined criteria (placed in service date, acquisition cost, and useful life) established within the system. The depreciation calculation is configured to ensure that depreciation periods assigned for particular asset classes align with DoD Financial Management Regulations guidance. Asset in-service dates are appropriate and adhere to accounting requirements as well.
KC 3	Manual	The DHA CPL reviews, approves, and sends the DD Form 200, Financial Liability Investigation of Property Loss to the Chief, Infrastructure and Support Division, for an additional level of review and approval.
KC 4	Manual	The appropriate personnel conduct the execution of the physical inventory for a previously identified percentage of the hand receipt within DHA DMLSS on a previously determined basis. All selected equipment is accounted for, research and discrepancies are resolved, and results are communicated to the APO. The APO reviews the results of the physical inventory, and retains all supporting documentation.
IT 5	Manual	The DHA CPL ensures the new user's DHA DMLSS Access Request Package is complete prior to granting access to DHA DMLSS. A complete DHA DMLSS Access Request Package includes two signed and completed DD Form 2875s (Medical Joint Active Directory and DHA DMLSS), a completed New Request for New User Form, a current Health Insurance Portability and Accountability Act Training Certification, and a current Cyber Awareness Training Certification. A full description of a completed DHA DMLSS Access Request Package is found in Reference (r). The DHA CPL grants access and builds the account to align

Key Control (KC)	Automated/Manual	KC Description
		with the role requested, in accordance with Reference (r).
IT 6	Automated	Per DoD Cyber Security mandates, the system will lock user accounts after 30 days of inactivity and will delete user accounts after 60 days of inactivity. Only the DHA DMLSS SA can unlock or re-activate an account, per the request of the APO. For re-activation, a new DHA DMLSS Access Request package must be completed, re-submitted, and approved.

2. OPERATIONAL ICs

Operational Control (OC)	Automated/Manual	OC Description
OC 1	Manual	The APO will submit a Quarterly Physical Inventory Certification Memorandum to the DHA CPL by the 5th working day of the month following the end of each quarter. This memorandum must include the appropriate signatures; otherwise, the DHA CPL will send the memorandum back to the APO. The memorandum should include the overall physical inventory results and adjustments, which will be reviewed by the DHA CPL.
OC 2	Manual	On a monthly basis, the DHA CPL will perform a monthly validation of all transactions for capital equipment. The purpose of this review is to ensure an accurate value, useful life, and placed in service date were entered into DHA DMLSS, and are supported with the appropriate supporting documentation.
OC 3	Manual	The APO prepares the Annual Physical Inventory Certification Memorandum and attach all Quarterly Physical Inventory Certification Memorandum. This memorandum would be signed by the DHA CPL and sent to the DHA CPL and the Chief, DHA, ISD for signature as well. This IC provides additional oversight and approval to the process by notifying leadership that it is being performed.
OC 4	Manual	The gaining APO will obtain the KO's and the DHA CPL's approval for all loaned equipment (into or out of DHA), evidenced on a signed Memorandum of Agreement. The Memorandum of Agreement will detail the controls over loaning or receiving loaned equipment, and the impact to the property book and financial statements.
OC 5	Manual	On a monthly basis, the APO reviews the supporting documentation for all activity, to include gains, losses, and transfers-in/out of equipment that occurred during the previous month. The purpose of this review is to ensure accurate information was entered into DHA DMLSS, and is supported with the appropriate supporting documentation.

Operational Control (OC)	Automated /Manual	OC Description
OC 6	Manual	The DHA DMLSS SA will reach out to the APOs on an annual basis to inquire if all current accounts should remain active and valid. The DHA DMLSS SA will take appropriate action based on the responses received from the APOs. The DHA DMLSS SA will also reach out to a DHA DMLSS user during the month training is expected to expire to obtain the current training certification(s).
OC 7	Manual	APOs will identify GE items without National Stock Numbers (NSNs) by either item identification numbers or locally assigned management control numbers.
OC 8	Manual	The APO will ensure all items on property books are identified with bar-coded labels to improve inventory accuracy.

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

ADP	Automated Data Processing
APO	Accountable Property Officer
APSR	Accountable Property System of Record
COR	Contracting Officer's Representative
CPL	Component Property Lead
DHA	Defense Health Agency
DHA-AI	Defense Health Agency-Administrative Instruction
DLA	Defense Logistics Agency
DMLSS	Defense Medical Logistics Standard Support
DoDAAC	DoD Activity Address Code
DRMO	Defense Reutilization Management Office
ECN	equipment control number
EM	equipment management
FM	Financial Manager
GE	General Equipment
GFM	Government Furnished Material
GFP	Government Furnished Property
GPC	Government Purchase Card
HRH	Hand Receipt Holder
HRM	Hand Receipt Manager
IC	internal control
I&OM&S	inventory and operating materials and supplies
ISD	Infrastructure Support Division
IT	Information Technology
IUS	Internal Use Software
KC	key control
KO	Contracting Officer
MFR	Memorandum for Record
NSN	National Stock Number
OC	Operational Control

PC	property custodian
PP&E	property, plant, and equipment
ROS	Report of Survey
SA	System Administrator
SHRH	Sub-Hand Receipt Holder
SOP	Standard Operating Procedures
SOW	Statement of Work
UIC	Unit Identification Code
USSGL	United States Standard General Ledger

PART II. DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this DHA-AI.

acceptance. A formal certification that the goods or services have been received and conform to the terms of the contract. Also, see Reference (z). Unless otherwise noted, these terms and their definitions are for the purposes of this DHA-AI.

accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.

accountable property. Property that meets accountability requirements. This property is recorded in the DHA APSR.

acquisition. Acquiring hardware, supplies, or services through purchase, lease, or other means, including transfer or fabrication, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Also, acquiring by contract with appropriated funds of supplies or services.

acquisition cost. The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs to bring the items to their current condition and location.

APO. An individual who, based on his/her training, knowledge, experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records, systems, and/or financial records, in connection with government property, irrespective of whether the property is in the individual's possession. Comparable terms include: Army - Supply Support Accountable Officer/Property Book Officer; Navy - Personal Property Manager; Air Force – Accountable

Officer/Chief of Supply/Chief of Material Management; Marine Corps - Accountable Officer; Joint Commands – Joint Property Book Officer; and Defense Logistics Agency – APO.

APSR. The government system used to control and manage accountable property records; a subset of existing organizational processes related to the lifecycle management of property; the system that is integrated with the core financial system.

capitalize. To record and carry forward into one or more future periods any expenditure the benefits from which will then be realized. With reference to GE, it moves equipment from being an expense on the income statement to being an asset on the balance sheet.

contract. Any enforceable agreement, including rental and lease agreements and purchase orders between an agency and a business concern for the acquisition of property or services.

controlled inventory items. Property with characteristics that may require them to be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items include (in descending order of the degree of control normally exercised): 1) classified items (property requiring protection in the interest of national security), 2) sensitive items (property requiring a high degree of protection and control due to statutory requirements or regulations (e.g., narcotics and drugs, precious metals, high value or highly technical assets, hazardous assets, or small arms, ammunition, explosives, and demolition material); and 3) pilferable items (property that has a ready resale value or application to personal possession and that are, therefore, especially subject to theft).

CPL. An individual responsible for the maintenance and implementation of policies for all GE within DHA. The position resides in DHA ISD within the Administration and Management directorate.

DMLSS. Provides on-line capability to support all functions that are associated with property accountability and EM. DMLSS serves as the DHA APSR.

DoDAAC. A 6-position code that uniquely identifies a DoD unit, activity, or organization that has the authority to: requisition; contract for; receive; have custody of; issue or ship DoD assets; or fund/pay bills for materials and/or services. The first positions of the code designate the particular Service/Agency element of ownership.

due-in. A funds reservation in the system for equipment expected to be delivered.

GE. Personal property that is functionally complete for its intended purpose, durable, and nonexpendable. GE has an expected service life of 2 years or more. It is not intended for sale. It does not ordinarily lose its identity or become a component part of another article when put into use. It has been acquired or constructed with the intention of being used.

excess. The amount of inventory above the sum of the Approved Acquisition Objective and inventory retained for economic and/or contingency purposes.

fair value. The price for which the property could be sold in an arm's-length transaction between unrelated parties.

Federal Accounting Standards Advisory Board. The board that promulgates the accounting standards for use in the Federal Government.

formal coordination. As working groups and subject matter experts develop publications and socialize drafts with those offices or organizations with equity in the topic during informal coordination, the topic then advances to formal coordination prior to signature (Stage 4) of the DHA Publication process. Formal coordination with DoD Components requires a formal package (e.g., proposed topic, coordination sheet, comments matrix, and supporting documents) accompanied by an action memo and suspense date for organizational input.

Government Furnished Equipment. Equipment in the possession of, or directly acquired by, the government and subsequently furnished to the contractor (includes sub-contractors and alternate locations) for performance of a contract.

GFM. A sub-category of GFP that consists of inventory and operating materials and supplies (I&OM&S) furnished to a contractor as government property. GFM is typically consumed or expended during the performance of a contract. In the case of GFM, the contractor is considered the end-user. When furnished to a contractor, I&OM&S are considered GFM. See Reference (z). I&OM&S becomes obsolete when the material is no longer needed due to changes in technology, laws, customs, or operations.

historical cost. All appropriate purchase, transportation, and production costs incurred to bring items to their current condition and location. Historical cost excludes abnormal costs.

ICs. The plan of an organization and all its methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its data, promote operational efficiency, and encourage adherence to prescribed managerial policies. IUS Under Development Software that is being developed: to meet the entity's internal or operational needs; as a standalone application, or the combined software components of an IT system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity's internal or operational needs; to operate an entity's programs (e.g., financial and administrative software, including that used for project management); to produce the entity's goods and to provide services (e.g., maintenance work order management, loan servicing); or for internal use and subsequently provided to other federal entities with or without reimbursement.

inventory. Tangible personal property that is held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provisions of services for a fee.

inventory adjustments. Changes made to the accountable property record when the record and a physical count does not agree. All such changes require specific approval and documentation to support the adjustment, normally to include the results of reconciliation efforts to determine and resolve the cause of such disagreement, or a completed valuation and investigation for lost, damaged, destroyed, or stolen property.

net realizable value. The Federal Accounting Standards Advisory Board defines net realizable value as the estimated amount that can be recovered from selling or disposing of an item less the estimated costs of completion, holding and disposal.

NSN. The number used for the 13-digit stock number consisting of the 4-digit Federal Supply Class and the 9-digit National Item Identification Number. Each NSN is assigned to identify an item of supply and equipment within the material management functions. Only one NSN is assigned to an item.

personal property. All property (e.g., systems and equipment, materials, and supplies), except real property (e.g., land and improvements to facilities) and records of the Federal Government.

personally identifiable information. Any information about an individual maintained by an agency, including, but not limited to: education; financial transactions; medical history; criminal or employment history; and information which can be used to distinguish or trace an individual's identity such as their name; social security number; date and place of birth; mother's maiden name; biometric records; etc., including any other personal information which is linked or linkable to an individual.

physical count. The process of physically counting the item(s) in order to verify the accountable property record's posted balance. Physical counts may be performed using automatic identification technology, such as bar code scanners.

physical inventory. The verification of property existence, accountable property record completion, location, and quantity. The process may also involve verifying additional information, performing reconciliations, and modifying the accountable property records.

property loss. Unintended, unforeseen, accidental loss, damage, or destruction to government property that reduces the government's expected economic benefits of the property. Loss does not include purposeful destructive testing, obsolescence, normal wear and tear, or manufacturing defects. Loss includes, but is not limited to: items that cannot be found after a reasonable search; theft; damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

receipt. A transmission or other acknowledgment made by a receiving entity to indicate that a message, good, or service has been satisfactorily received. A receipt is often denoted by signing a situation specific form, such as DD Form 250, DD Form 1149, or DD Form 1348-1a.

reconciliation. The process of aligning the physical count with the quantity posted to the accountable property records, researching discrepancies, and determining inventory accuracy (e.g., calculation of loss or overage rates).

renewal or extension of a lease. The continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property.

reparables. Controlled inventory items that can be repaired economically and for which repair (at either field or depot level) is considered in meeting computed inventory requirements. Reparables can also be in an unserviceable condition, when furnished to the contractor for repair, modification, or overhaul. Unserviceable reparables are often referred to as carcasses.

scrap. Property that has no value except for its basic metallic, mineral, or organic content.

software. It includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. Most often, software is an integral part of an overall system(s) having inter-relationships between software; hardware; personnel; procedures; controls; and data. IUS is software that is acquired or developed to meet the entity's internal or operational needs (intended purpose), and is a stand-alone application, or the combined software components of an IT system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity's internal or operational needs (software type).

useful life. The estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

valuation. The act of determining or estimating the value or worth, and assigning a value to an item. Also, "full cost."

work in process. Work-in-process consists of products that are being manufactured or fabricated but are not yet complete. Work-in-process consists of the costs of direct materials, direct labor, direct purchased services, and indirect costs, including general and administrative costs, used in producing or repairing an end item (customized equipment or personal property), whether fabricated by the DoD or by a non-DoD organization under contract. Work-in-process accounts bring costs under financial control and segregate them from current accounting period expenses.