Designation: E2279 – 15

Standard Practice for
Establishing the Guiding Principles of Property Asset Management[1]

This standard is issued under the fixed designation E2279; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ε) indicates an editorial change since the last revision or reapproval.

1. Scope

1.1 This practice covers the creation of a set of guiding principles to be applied to the practice of property management. These principles will enunciate the objectives and intent of the property (also known as "asset") management community, stress simplified procedures, promote less rather than more, judgment rather than "by-the-book" decisions, and encourage the adoption of "best practices."

1.2 The acceptance of these guiding principles has the potential to foster a problem-solving mentality within the property management community, encourage the use of innovative and cost-effective practices, create greater commonality between government and industry practices, and increase the ability of organizations to respond to changing needs and business conditions.

1.3 The potential economic and practical benefits of operating in a manner consistent with a set of guidelines outweigh concerns about the loss of predictability, uniformity, and consistency.

1.4 The intent of this practice is to provide property management guidance for tangible personal property; however, many of the principles appropriately apply to other types of property.

2. Referenced Documents

2.1 *ASTM Standards:*[2]

E2131 Practice for Addressing and Reporting Loss, Damage, or Destruction of Tangible Property

E2132 Practice for Inventory Verification: Electronic and Physical Inventory of Assets

E2135 Terminology for Property and Asset Management

2.2 *Federal Standards:*[3]

Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts 1: Objectives of Federal Financial Reporting

Federal Acquisition Regulations

Federal Management Regulations

Public Law 107-217 Codified as "Title 40 of the U.S. Code"[4]

Securities Exchange Act of 1934 Title 15, Section 78m (b)(2)(A)

Securities and Exchange Commission Staff Accounting Bulletin No. 99, Materiality (1999)

2.3 *Financial Accounting Standards Board (FASB) Documents:*[5]

ASC 360 Property, Plant, and Equipment—Prior to recodification guidance contained in FASB 144

FASB 144 Accounting for the Impairment or Disposal of Long-Lived Assets

FASB Statement Concepts No. 2 Qualitative Characteristics of Accounting Information

3. Terminology

3.1 *Definitions*—For definitions relating to property and asset management, refer to Terminology E2135.

3.1.1 *acquisition cost, n*—purchase price paid for property and any appropriate subsequent improvements to it. Includes cash paid or fair value received and material amounts of preparation cost such as inspection, testing, and installation.

3.1.2 *agency, n*—government organization, regardless of level (federal, state, or local).

[1] This practice is under the jurisdiction of ASTM Committee E53 on Asset Management and is the direct responsibility of Subcommittee E53.01 on Process Management.

Current edition approved Jan. 1, 2015. Published January 2015. Originally approved in 2003. Last previous edition approved in 2009 as E2279 – 09. DOI: 10.1520/E2279-15.

[2] For referenced ASTM standards, visit the ASTM website, www.astm.org, or contact ASTM Customer Service at service@astm.org. For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

[3] Available from U.S. Government Printing Office Superintendent of Documents, 732 N. Capitol St., NW, Mail Stop: SDE, Washington, DC 20401, http://www.access.gpo.gov.

[4] Previously known as the *Federal Property and Administrative Services Act of 1949*.

[5] Available from Financial Accounting Standards Board (FASB), 401 Merritt 7, Norwalk, CT 06856-5116, http://www.fasb.org.

3.1.3 *best value, n*—expected outcome of an action, in the entity's estimation, which provides the greatest overall benefit. **Federal Acquisition Regulations**[6]

3.1.4 *care and handling, n*—includes the costs of completing, repairing, converting, rehabilitating, operating, preparing, preserving, protecting, insuring, packing, storing, conserving, and transporting of property, and—in the case of property that is dangerous to public health, safety, and security—destroying or rendering the property useless for its original purpose.

3.1.5 *company, n*—a for-profit organization.

3.1.6 *entity, n*—an agency, institution, or organization, or any component thereof.

3.1.7 *excess property*—property no longer required by the owning entity.

3.1.8 *expendable property, n*—items that may be expended, used up in service, also items that may be more easily, safely, and economically replaced than applying significant efforts and resources to rescue, salvage, maintain, control, or protect.

3.1.8.1 *Discussion*—The timing and level of control is circumstantial. Examples in a production environment may include drill bits and grinding wheels. As an adjective, able to be sacrificed to achieve an objective, especially a military one.

3.1.9 *institution, n*—a not-for-profit, nongovernmental organization. **Federal Acquisition Regulations**

3.1.10 *impairment or impairments, n*—is a condition that exists when the carrying amount of a long-lived asset (asset group) exceeds its fair value. **FASB 144**

3.1.10.1 *Discussion*—An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds it fair value.

3.1.11 *materiality, n*—magnitude of an omission or misstatement of accounting data that misleads financial statement readers or decision makers; materiality is judged both by relative amount and by the nature of the item.

3.1.11.1 *Discussion*—For example, even a small theft by the president of a company is material. If an item is material, it should be disclosed in the body of the financial statements or footnotes (Securities and Exchange Commission Staff Accounting Bulletin). In determining whether items or amounts of cost are material or immaterial, the following quantitative and qualitative criteria should be considered where appropriate but no one criterion is necessarily determinative: (*1*) the absolute dollar amount involved, (*2*) the relationship between a cost item/occurrence and a cost objective, (*3*) the criticality of an item in terms of importance or use, (*4*) the cumulative impact of individually immaterial items, and (*5*) the cost of administrative processing (Federal Acquisition Regulations).

3.1.12 *personal property*—property owned or subject to ownership other than real estate, includes items determined to be non-real estate moveable property.

3.1.13 *property management*—monitoring and control function charged with assuring that organizational processes related to the lifecycle management of property support organization objectives represent sound business practice and are compliant with applicable regulations, contract requirements, standards, and policies.

3.1.14 *property management system, n*—subset of existing organizational processes related to the lifecycle management of property.

3.1.14.1 *Discussion*—These processes represent sound practice and are compliant with applicable standards, policies, regulations, and contractual requirements.

3.1.15 *reasonable detail and reasonable assurance, n*—that level of detail and assurance as would satisfy a prudent and knowledgeable asset manager. **Securities Exchange Act of 1934**

3.1.16 *sensitive items, n*—items for which under the conditions, circumstances and regardless of value, there is a reasonable and worthwhile need for an enhanced level of security, accountability, and control.

3.1.17 *surplus personal property, n*—any excess personal property not required for the needs and discharge of responsibilities of any entity.

4. Significance and Use

4.1 The intent of these principles is to provide guidance for an effective and efficient system for (*1*) the acquisition of personal property, (*2*) the utilization of available personal property, and (*3*) the disposal of personal property (Public Law 107-217).

4.2 Historically, property management practices have often reflected organizational or management processes that did not reflect "best practices."

4.3 One of the greatest challenges facing property managers is how to ensure that overly detailed and costly practices used or proposed for the oversight of property assets are not adopted as representing "best practices" or established as an operating policy.

4.4 Property management practices shall seek, when viewed in totality, to be effective and efficient, to the point at which benefits exceed the costs of operation.

4.5 Often the key property management functions are based on compliance with quantitative measures and, therefore, compliance with "process" has become more important than the goals that property management systems should seek to achieve.

5. Management of Property

5.1 Entities shall establish internal controls, policies, processes, and management systems for the acquisition, use, and disposal of property.

[6] The definition of the term *best value* is adapted from Federal Acquisition Regulations, Part 2.1: Definitions of Words and Terms, available online from http://farsite.hill.af.mil, 13 November 2014.

5.2 Entities shall devise and maintain a system of internal controls sufficient to provide reasonable assurances of achieving: (*1*) effective and efficient operations, (*2*) reliable reporting—including financial and performance, and (*3*) compliance with applicable laws and regulations. This includes: transactions are executed in accordance with management's general or specific authorization; transactions are recorded as necessary in conformity with generally accepted accounting principles; access is limited; and the recorded accountability for property assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences (Securities Exchange Act of 1934).

5.3 The maintenance of adequate property records is a fundamental responsibility of entities.

5.4 Property management and accountability books and records shall be kept in reasonable detail that accurately and fairly reflects the transactions and dispositions of the property of the owner or owner's agent (Securities Exchange Act of 1934).

5.5 Property management activities should strive for and adopt best-in-class management practices and integrated management systems that are expected to withstand internal and external audit.

5.6 Property management systems will be designed to deliver on a timely basis the "best value" product to the organization and its customers, while preserving the confidence of internal and external stakeholders.

5.7 The degree to which property is controlled and the costs of control shall be commensurate with the practical consequences of a shortage (non-availability of the property), criticality of an item's loss, and expendability considerations.

5.8 Property management officials are to exercise personal initiative and sound business judgment in providing the "best value" services to meet the organization's needs.

5.9 Property management officials may assume that if a specific strategy, practice, policy, or procedure is in the best interest of the agency, company, institution, and stakeholders and is not addressed in operating policies, a consensus standard nor prohibited by law, executive order or other regulation, that action, in accordance with the strategy, practice, policy, or procedure, is an acceptable exercise of responsibility and authority.

5.10 For purposes of financial accounting, all property should be identified as a capital expenditure, held in future inventory, or as an operating expense.

5.11 The process of performing a physical inventory of property is an audit of record accuracy and is a vital part of property control. Inventory processes should fulfill intended purposes and be consistent with directions of the owner, contracts, or generally accepted accounting principles.

5.12 Entities shall maintain adequate records accountability systems for property under its control in accordance with Practice E2132, contracts, and applicable generally accepted accounting requirements.

5.13 Agencies, companies, and institutions should ensure that record control systems identify the relevant economic and physical characteristics of property that have a service life in excess of two years and has sufficient value established by individual federal agencies or owners.

5.14 Property management systems and practices shall seek to be effective and efficient based on specific desired outcomes with the use of process-oriented metrics that encourage improved performance.

5.15 Property management systems should be established with clear, direct lines of authority and organizational accountability for performance and stewardship.

5.16 Impairments to property under the responsibilities assigned to or delegated to managers shall be recorded and reported to the owner(s) as they occur.

5.17 Reports of property related information should be useful—particularly to decision makers. Reports should reflect the qualitative characteristics of good reporting: relevance, reliability, comparability, and consistency; each subject to the constraints of materiality and costs and benefits (refer to FASB Statement Concepts No. 2 and Federal Accounting Standards Advisory Board).

5.18 Property management personnel should be hired, educated, trained, and supervised to perform property management tasks and functions in a competent manner.

6. Utilization of Property

6.1 Property management and accounting should be performed in accordance with existing applicable and relevant consensus standards (Federal Acquisition Regulations).

6.2 Entities shall have programs to seek the best value in the long term for use and maintenance of property.

6.3 Property management and accounting books and records shall be kept in reasonable detail that affords reasonable assurance that the system accurately reflects the transactions and dispositions of property of the owner (Securities Exchange Act of 1934).

6.4 All controlled property should be received and records established, maintained, and marked to denote the level of control, ownership, and other information that fulfills the organization's objectives.

6.5 An entity shall survey property under its control to identify and report excess property (Public Law 107-217).

6.6 Administrative controls should be established based on facts, circumstances, experience, and inventory record accuracy. Property subject to these controls should be assessed based on the economic contributive value and risk assessments rather than just acquisition costs,

6.7 In establishing administrative controls, cost versus benefit and materiality of the property subject to these controls shall be considered.

6.8 Projecting the possibility and probability of property losses, as described within Practice E2131, and minimizing these occurrences is a critical economic factor in measuring the success of a property management activity.

6.9 Systems should be established for the efficient, economical, and environmentally sound care and handling of excess property.

6.10 Reutilization of existing property should be viewed as the first source of supply (Federal Management Regulations).

6.11 Agencies, companies, and institutions shall have programs to encourage the reutilization of worthwhile excess property and facilitate the reassignment of this property among organizational elements.

6.12 The costs of property control should be regularly assessed, with appropriate adjustments made, considering experience, level of system maturity, identified best practices, and inventory accuracy.

7. Disposal of Property

7.1 Excess property for which there is no further use within the entity should be declared surplus property in a timely manner.

7.2 Surplus property should be disposed of consistently with the objectives of the owner and as promptly as possible.

7.3 Environmental benefits and costs associated with disposition shall be considered in the selection of a disposition method.

7.4 Entities should attempt to prepare, handle, and market surplus property in a manner that will result in the maximum net benefit to the mission of the entity.

7.5 Agencies, companies, and institutions should allow for the proceeds received from the sale of surplus property to be applied to the original cost objective that paid for the property or to depreciation expense in order to offset the costs of the preparation, handling, and marketing.

7.6 Abandonment, destruction, or donation may be an appropriate disposition action when the property has no residual commercial value or the estimated cost of continued care and handling would exceed the anticipated proceeds from sale (excludes items that are dangerous to public health, safety, and security).

7.7 Sensitive property shall be disposed of in a manner consistent with applicable laws and regulations and in a manner that minimizes entity uncertainties and risks and that maximizes benefits.

8. Summary

8.1 This practice creates those fundamental property management guiding principles that are the essential elements in the success of many organizations, including:

8.1.1 Sensitive property shall be disposed of in a manner consistent with applicable laws and regulations and in a manner that minimizes uncertainties and entity risks and maximizes benefits,

8.1.2 Facilitating the efforts of entities to offer competitive products and services, and

8.1.3 Establishing standard practices to enable property management systems to better support entity mission and objectives.

8.2 The use of this practice will serve to minimize nonproductive and costly property management practices that raise the cost of work performed.

9. Keywords

9.1 acquisition cost; agency; best value; care and handling; company; impairment; institution; internal controls; inventory; materiality; personal property; property; property management; reasonable detail; risk management