



Property, Plant and Equipment – Completeness, Existence, and Valuation

American Society of Military Comptrollers

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General Overview



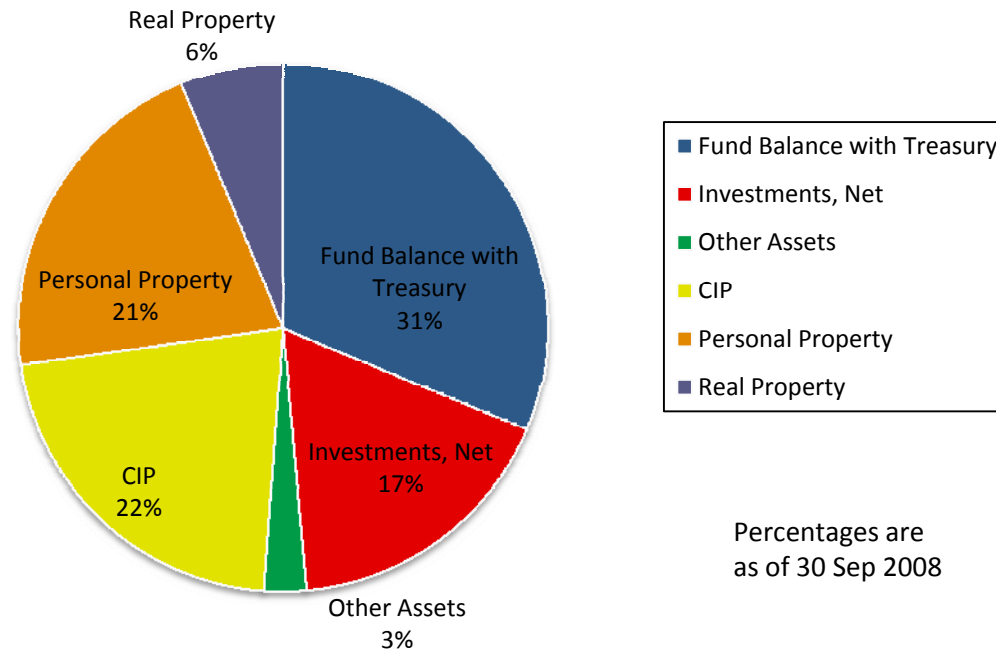
- Background and High-level strategies
- Completeness & Existence
- Valuation



Background - FSTAR, Personal Property Mission Action Plan (MAP)



- **Audit Readiness Planning Team (ARPT)** – needed step to **implement reliable, consistent, and sustainable internal controls** and account balances and to **obtain an opinion on the consolidated DHS financial statements**
 - **Financial Strategy for Transformation and Audit Readiness (FSTAR)** - outlines the roadmap to accomplish audit readiness and is updated semi-annually to accurately capture progress made to date
 - **Mission Action Plans (MAP)** – includes preliminary timelines, redefining strategies, and detailed project plans based on OMB A-123 process documentation requirements





Background – Personal Property Team Initiatives: Issues and Outcome



- **Issue:** Coast Guard cannot support the completeness, existence and valuation assertions for the Property, Plant & Equipment (PP&E) line item on the balance sheet.
- **Outcome:** On 30 September 2010 Coast Guard supported the completeness, existence and valuation assertions for Vessels, Aircraft and Boats. As of 30 September 2010, the General PP&E line item total was approximately \$9.6 billion, with Vessels, Aircraft and Boats constituting roughly \$5.2 billion.



High-level Strategies



- Vice Commandant Signed Charter, Focusing Dedicated Team on Completeness, Existence, and Valuation of Vessels, Aircraft and Small Boats (OCT 2008 – Sep 2010)
- Release and Implement GAAP-compliant Policies and Procedures
- Assert to Completeness and Existence
 - Two CG-wide Preparatory Inventories (SEP09 & MAR10)
 - Audited Inventory (SEP10)
- Assert to Valuation
 - Rely on auditable supporting documentation if available
 - Estimates based on recently issued SFFAS 35



Completeness & Existence – Physical Inventory Procedure



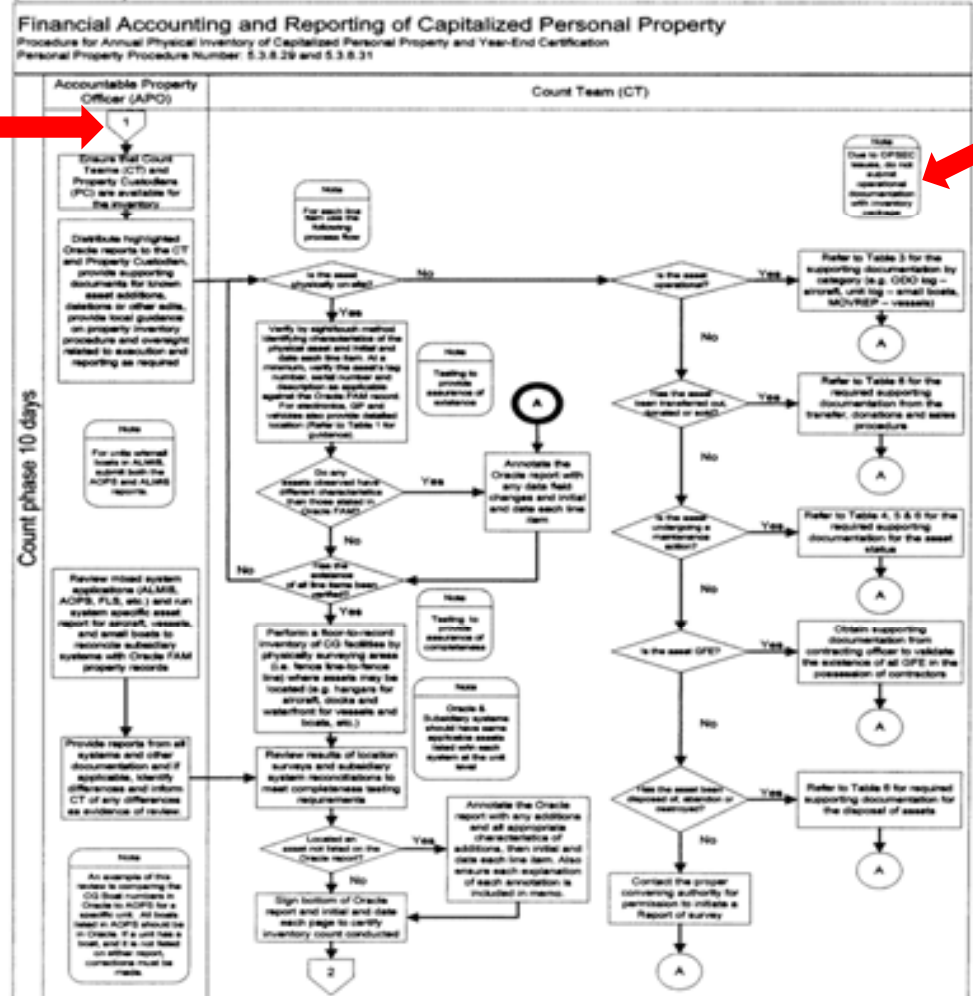
- Develop a CG-wide physical inventory procedure
- Provide adequate training to the field on the procedure
- Implement and revise procedure based on lessons learned and feedback from the field
- Establish a level of expertise in the field to provide resources for all units

Property Officer

Count Team

Property, Plant, and Equipment (PP&E) COMDTINST M7100.4

Figure 10.16 Annual Physical Inventory of Capitalized Personal Property/Year-End Certification (Continued)

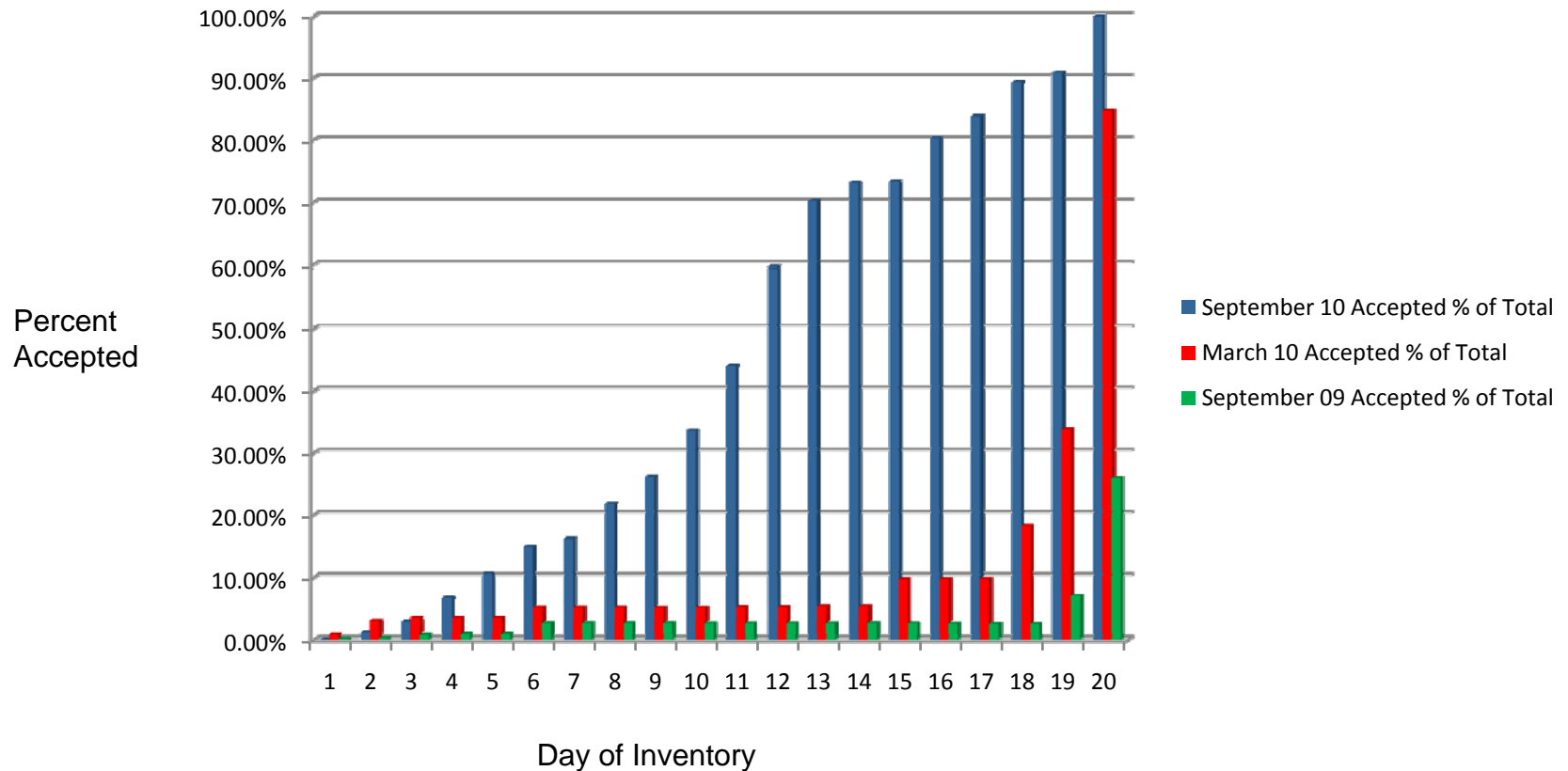




Completeness & Existence – Physical Inventory Procedure Results



- The following shows the improvement in the inventory from the initial Q4 FY09 to Q4 FY10:





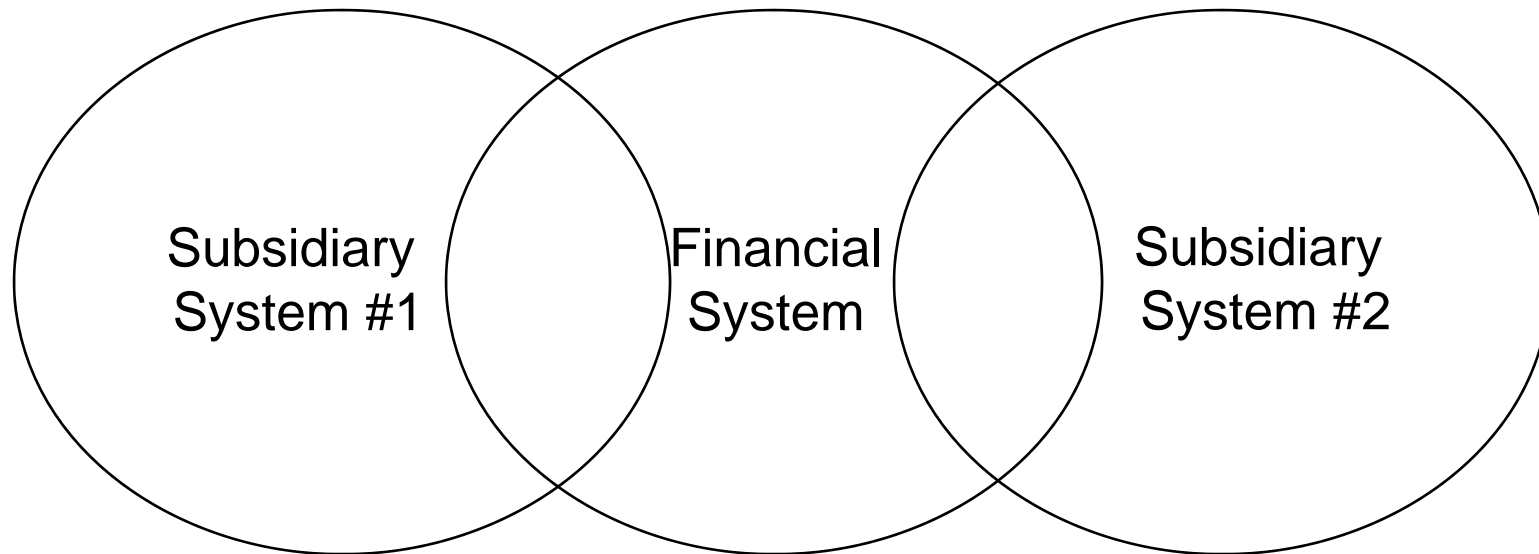
Completeness & Existence – Physical Inventory Procedure Reconciliation



System Reconciliation Between Financial and Operational Systems:

Previously, there was no interface and/or reconciliation between Oracle Fixed Asset (OFA) databases and Operational Reporting Systems (e.g. AOPs, ALMIS, etc). This resulted in a high probability that the CG had two different sets of property assets and was potentially unaware of disposal of assets. Implementing this reconciliation resolved this problem.

Reconciliation





Completeness & Existence - Physical Inventory Certification Memorandum



The Certification Memo is completed and signed by each unit as evidence that the procedure was conducted.

Enter the name of CO/OIC here.

U.S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard

[Enter unit specific address
Phone
Fax
Email]
4500
[08] Mar 2010

MEMORANDUM

From: [Enter unit specific CO/OIC/Unit-level Supervisor] Reply to [Enter unit specific APO] Attn of:
To: COMDT (CG-842)
Subj: PHYSICAL INVENTORY OF CAPITALIZED PERSONAL PROPERTY
Ref: (a) Property Management Manual, COMDTINST M4500.5(series)
(b) Financial Resource Management Manual, COMDTINST M7100.3(series)
(c) Coast Guard Acquisition Procedures (CGAP) COMDTINST 4200.1(series)
(d) Procedures for Physical Inventory and Year-End Certification of Capitalized Personal Property, Personal Property Procedures 5.3.8.29 and 5.3.8.31

Enter the name of APO here.

1. I certify an annual physical inventory of capitalized personal property was conducted in accordance with ref (d).

a. The physical inventory of assets was conducted by:

(1) Count Team Member #1:

(Rank/Rate, First Initial, Last Name)

(Signature)

(2) Count Team member #2:

(Rank/Rate, First Initial, Last Name)

(Signature)

[If multiple count teams were utilized, expand this section]

b. The following capitalized items are held by my unit;

[select the appropriate capitalized categories for property held by your unit by checking the box with an 'x' if your unit has property within the category and with an 'n/a' if your unit does not have property within the capitalized category. All boxes should be filed in.]

Certified	Major Personal Property Category	Certified	Major Personal Property Category
	Vessels		General Purpose
	Aircraft		Vehicles
	Small Boats		Internal-use Software
	Electronics		No Capitalized Personal Property Present

2. For existence testing, and in accordance with references (a) through (d), all capitalized personal property recorded on the Oracle Fixed Asset *Physical Inventory Report* as of _____ were;

(Date)

[For para. 2 and after, select the appropriate column in the below tables (accurate vs. inaccurate, no unrecorded assets were identified vs. unrecorded assets were identified, corrections vs. no corrections) by checking the appropriate 'Certified' box with an 'x']

Certified		Certified	
	Accurate (no deletes or edits required to official system of record)		Inaccurate (See Enclosure 4 for supporting documentation for deletes and edits to official system of record)



Completeness & Existence – Physical Inventory Procedure Strengths



- Uses chain of command to ensure accountability
- Reinforces historical existence-based testing
- Establishes subsidiary system reconciliation and wall-to-wall steps that provide two completeness checks
- Segregation of duties demonstrated at procedural transaction level





Valuation – Overall implications of SFFAS #35



- Clarifies that reasonable estimates are an accepted method to determine the value of general property, plant and equipment along with related depreciation
- Establishes the acceptable documentation that can be relied upon to support estimates
- Amends previously issued standards



Valuation – Impact of SFFAS #35



- Amends SFFAS #6 and #23 to allow the use of the following in establishing the historical cost of existing G-PP&E
 - Reasonable estimates
 - Budget appropriations, engineering documents, contracts, or other reports reflecting “amounts to be expended”
 - Current replacement cost estimates of similar items and deflating those costs through the use of price-level indexes





Valuation – Hierarchy of Alternate Valuation Methods



- The hierarchy was established to flow from least costly/least effort expended to most costly/most effort expended:
 1. Published Price List
 2. Like Item
 3. OEM Price Certification
 4. Budgetary Estimates
 5. Appraisal



Questions