ADS Chapter 629

Accounting for USAID-Owned Property and Internal Use Software

Partial Revision Date: 02/10/2022
Responsible Office: M/CFO/FPS
File Name: 629_021022
Table of Contents

629.1  OVERVIEW.......................................................................................................................... 4
629.2  PRIMARY RESPONSIBILITIES.......................................................................................... 4
629.3  POLICY DIRECTIVES AND REQUIRED PROCEDURES ........................................... 6

629.3.1  Financial Documentation Responsibilities............................................................. 6

629.3.2  Property, Plant, and Equipment (PP&E) ................................................................. 6
629.3.2.1  General Classification of PP&E ............................................................................. 6
629.3.2.2  Capitalization Threshold ......................................................................................... 7
629.3.2.3  Financial Versus Physical Accountability ............................................................... 7
629.3.2.4  Valuation and Recording of PP&E ....................................................................... 7
629.3.2.5  Reporting and Reconciliation .................................................................................. 9
629.3.2.6  Depreciation ............................................................................................................ 9
629.3.2.7  Capitalization of Improvements ............................................................................. 10
629.3.2.8  Depreciation of Capital Improvements ................................................................ 10
629.3.2.9  Leasehold Improvements to Property of Others ................................................... 11
629.3.2.10 Transfer of PP&E .................................................................................................. 11
629.3.2.11 Exchange of PP&E................................................................................................ 11
629.3.2.12 Borrowed or Loaned Equipment .......................................................................... 12
629.3.2.13 PP&E Procured by Grantees .................................................................................. 12
629.3.2.14 Disposal of Capitalized PP&E ............................................................................. 12

629.3.3  USAID Property in the Custody of Contractors .......................................................... 12
629.3.3.1  Title to Property .................................................................................................... 13
629.3.3.2  Property Accounting Systems for Contractors ..................................................... 13
629.3.3.3  Identification of Contractors with Capitalized Equipment ................................. 13
629.3.3.4  Reporting by Contractors ...................................................................................... 13
629.3.3.5  Posting the Value of Contractor-Held Property to the General Ledger. ............... 13

629.3.4  USAID-Owned Operating Materials and Supplies .................................................... 14
629.3.4.1  Valuation of Operating Materials and Supplies .................................................... 14
629.3.4.2  Reporting Requirements ....................................................................................... 14
629.3.4.3  Reporting Threshold .............................................................................................. 14
629.3.4.4  Operating Materials and Supplies Held in Reserve for Future Use .................... 15
629.3.4.5  Physical Inventory of Operating Materials and Supplies ..................................... 15

Text highlighted in yellow indicates that the adjacent material is new or substantively revised.
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>629.3.5</td>
<td>Reserved</td>
<td>15</td>
</tr>
<tr>
<td>629.3.6</td>
<td>Internal Use Software (IUS)</td>
<td>16</td>
</tr>
<tr>
<td>629.3.6.1</td>
<td>Trigger Point for Capitalization</td>
<td>16</td>
</tr>
<tr>
<td>629.3.6.2</td>
<td>Amortization of Internal Use Software</td>
<td>17</td>
</tr>
<tr>
<td>629.3.6.3</td>
<td>Software Property Records, Documentation, and Presentation</td>
<td>22</td>
</tr>
<tr>
<td>629.3.6.4</td>
<td>Physical Inventory</td>
<td>24</td>
</tr>
<tr>
<td>629.3.6.5</td>
<td>Reconciliation of Software Property Records to Financial Records</td>
<td>24</td>
</tr>
<tr>
<td>629.3.7</td>
<td>Depositing Proceeds from Sales of Replacement of Real and Personal Property Sales</td>
<td>24</td>
</tr>
<tr>
<td>629.3.7.1</td>
<td>Real Property</td>
<td>24</td>
</tr>
<tr>
<td>629.3.7.2</td>
<td>Replacement Personal Property</td>
<td>25</td>
</tr>
<tr>
<td>629.3.7.3</td>
<td>Reporting</td>
<td>26</td>
</tr>
<tr>
<td>629.3.7.4</td>
<td>Returning Proceeds to the Field</td>
<td>27</td>
</tr>
<tr>
<td>629.4</td>
<td>MANDATORY REFERENCES</td>
<td>27</td>
</tr>
<tr>
<td>629.4.1</td>
<td>External Mandatory References</td>
<td>27</td>
</tr>
<tr>
<td>629.4.2</td>
<td>Internal Mandatory References</td>
<td>28</td>
</tr>
<tr>
<td>629.5</td>
<td>ADDITIONAL HELP</td>
<td>28</td>
</tr>
<tr>
<td>629.5.1</td>
<td>Optional Forms</td>
<td>28</td>
</tr>
<tr>
<td>629.6</td>
<td>DEFINITIONS</td>
<td>28</td>
</tr>
</tbody>
</table>
ADS 629 – Accounting for USAID-Owned Property and Internal Use Software

629.1 OVERVIEW
Effective Date: 02/10/2022

This chapter provides accounting policies and required procedures for USAID-owned property, plant, and equipment (PP&E), USAID-owned operating materials and supplies (OM&S), USAID property in the custody of contractors, and internal use software (IUS). The Statements of Federal Financial Accounting Standards (SFFAS) were used in developing these policies and procedures.

When accounting treatment for specific circumstances or areas is not discussed in the policy section of this chapter, refer to the mandatory references section (section 629.4) for additional support.

629.2 PRIMARY RESPONSIBILITIES
Effective Date: 02/10/2022

a. All USAID/W and Overseas Operations are responsible for appointing an Accountable Property Officer responsible for maintaining the acquisition, disposal, and itemized cost records for USAID-owned PP&E and OM&S, USAID property in the custody of contractors, and IUS (each software acquired or developed).

b. The Bureau for Management, Office of the Chief Financial Officer, Central Accounts and Reporting Division (M/CFO/CAR):
   - Maintains the general ledger accounts for capitalized property and operating materials and supplies,
   - Issues a quarterly data call to the appropriate offices requesting information on capitalized property and operating material and supplies, and
   - Provides tracking of proceeds retained at Missions for funds control.

c. The Bureau for Management, Office of Management Services, Overseas Management Division (M/MS/OMD) provides data on capitalized motor vehicles and USAID domestic personal and real property (excluding information technology property) to M/CFO/CAR for accounting purposes and financial statement preparation.

d. The Bureau for Management, Office of Management Policy, Budget, and Performance (M/MPBP):
   - Allots replacement property sales proceeds to the appropriate geographic Bureau and/or the Office of Inspector General (IG) in the first quarter of each fiscal year using any appropriate funding source available, and
• Furnishes a listing of the amounts of the sales proceeds by originating offices to the Bureau or IG so that sales proceeds can be returned in the form of an allowance to the field office.

f. The Bureau for Humanitarian Assistance (BHA):

• Manages all disaster assistance-acquired operating materials and supplies, and
• Provides annual reporting of capitalized asset data to M/CFO/CAR for accounting purposes and financial statement preparation.

g. The Bureau for Global Health, Office of Population and Reproductive Health (GH/PRH) manages all population-related operating material and supplies and provides data to the Chief Financial Officer (CFO) for accounting purposes and financial statement preparation.

h. The Mission Executive Officer (EXO), or other designated USAID officer, serves as the Mission Accountable Property Officer, who:

• Provides information on capitalized overseas property (nonexpendable property, information technology property, and real property), excluding capitalized motor vehicles, to the Mission Controller, who is responsible for submitting the capitalized report to M/CFO/CAR;
• Furnishes information required for the data call on operating materials and supplies that meet the reporting threshold; and
• Furnishes information to the Mission Controller on costs applicable to construction work in progress.

i. The Mission Controller ensures that adequate financial controls are in place and financial records and reports accurately reflect the status of Mission PP&E in accordance with these policies. The Mission Controller:

• Responds to M/CFO/CAR’s call for data on capitalized property and operating material and supplies;
• Maintains close liaison with property management and other personnel concerned with property to provide assurance that values reported are accurate;
• Participates in the annual Federal Managers Financial Integrity Act of 1982 (FMFIA) review of internal controls over property as a reasonable option in carrying out the Mission Controller’s responsibilities in this area; and
Follows up with the appropriate Bureau or activity to ensure timely receipt of the allotment for residual proceeds.

j. **Contracting Officer’s Representatives (CORs)** are responsible for obtaining the Annual Report of Government Property in Contractor's Custody from contractors holding USAID-owned capitalized PP&E; reviewing the report for accuracy; and forwarding the report to M/CFO/CAR (see AIDAR 745.107 and 752.245-70(b)).

### 629.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

#### 629.3.1 Financial Documentation Responsibilities

**Effective Date: 02/10/2022**

Financial documentation is any documentation that impacts on or results in financial activity. It is not limited to documentation within the Controllers' or CFO operations but includes any source material causing or resulting in a financial transaction. CORs, Loans/Grants Officers, Development Objective (DO) teams, etc., are responsible for retaining financial documentation and ensuring its availability for audit.

Basic financial documentation retention rules follow:

- If an action will result in a financial transaction, it must be documented;
- Source documentation must be readily available for audit (by either the Office of Inspector General or a responsible audit activity); and
- Retention times may vary, please refer to retention by document type in ADS 502, The USAID Records Management Program (also see the National Archives and Records Administration (NARA) General Records Schedules).

#### 629.3.2 Property, Plant, and Equipment (PP&E)

**Effective Date: 02/10/2022**

PP&E are tangible assets, including equipment, land, land rights, capital leases (including leasehold improvements), and property owned by USAID in the hands of others, that:

a. Have an estimated useful life of two or more years;

b. Are not intended for sale in the ordinary course of business; and

c. Are intended to be used or available for use by USAID.
All USAID PP&E is categorized as general PP&E as defined in SFFAS No. 6 for recognition and measurement principles and disclosure requirements (see SFFAS No. 6).

629.3.2.2 Capitalization Threshold
Effective Date: 07/14/2000

For financial accountability, USAID capitalizes individual items of PP&E that have a unit acquisition cost of $25,000 or more and an estimated useful life of two years or more. PP&E that does not meet this threshold requirement is expensed and not retained in financial accountability records as an asset. The dollar thresholds for physical accountability differ from the above criteria.

629.3.2.3 Financial Versus Physical Accountability
Effective Date: 02/10/2022

PP&E is accounted for in USAID’s accounting system and controlled in property accountability systems or records. Our financial management system utilizes information in property management systems designed and managed by various organizations. Financial records do not duplicate the detailed property records maintained by the responsible property offices. The reporting from property management systems must utilize data elements and standardized formats that support the financial management system and the general ledger structure. These property accountability systems serve as subsidiary ledgers for recording PP&E. For internal control purposes, M/CFO/CAR must reconcile capitalized property balances in the financial accounts quarterly with subsidiary ledgers for recording and reporting of PP&E values. Details on USAID’s overseas personal property accountability system and real property accountability system are contained in ADS 534, Personal Property Management Overseas, and ADS 535, Real Property Management Overseas.

629.3.2.4 Valuation and Recording of PP&E
Effective Date: 02/10/2022

Record all new PP&E assets at cost at least annually in the accounting records. The recorded cost includes all costs incurred to bring the PP&E to a form and location suitable for its intended use in operations. If the required costs, such as shipping charges, are not billed until after the end of the fiscal year, use estimated charges for capitalized assets year-end reporting purposes and adjust when the actuals are known. The basis for the estimated charges must be a reasonable and consistent estimation base, fully supported and documented (see SFFAS No. 6, Paragraph 26, for examples of PP&E costs). For constructed assets, the capitalized value includes all costs incurred to place the asset in service.

a. Real Property. M/CFO/CAR records in USAID’s general ledger accounts real property acquisitions, additions, improvements, alterations, rehabilitations, or replacements that meet the capitalization criteria threshold of $25,000 or more and with
a useful life of two years or more. Accounting records do not duplicate the detailed property records maintained by M/MS/OMD that are primarily based on Mission reporting. M/CFO/CAR maintains the general ledger accounts for real property at a summary level for Land; Structures, Facilities, & Leasehold Improvements; Construction in Progress; and Assets Under Capital Lease to simplify reconciliation with amounts recorded in detailed property records.

b. **Personal Property.** M/CFO/CAR maintains the general ledger accounts for personal property at a summary level for Furniture & Fixtures, Equipment, Vehicles, Contractor-Held Property, and Information Technology Assets to provide information that will help assess the efficiency and effectiveness of asset management. Financial records do not duplicate the detailed property records maintained by the cognizant property offices.

c. **Construction Work in Progress.** The EXO is responsible for furnishing information to identify costs applicable to construction work in progress. The EXO and the Controller must be in agreement at the start of work as to the nature of the work and its proper accounting treatment. Costs of repairs and maintenance are expensed and not included in work in progress, while costs of items to be capitalized in accordance with USAID policy are accumulated in work in progress until the asset is completed. This analysis must extend to individual tasks under the contract where necessary, since some work may be of a capital nature and other work may not.

d. **Capital Leases.** These are leases that transfer substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease meets one or more of the following four criteria, the lease should be classified as a capital lease by the lessee. Otherwise, it should be classified as an operating lease.

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased property at a bargain price.

3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.

4. The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased property.

The last two criteria are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.

USAID capitalizes PP&E under a lease if the terms of the agreement are essentially equivalent to an installment purchase of PP&E and meet the capitalization policy criteria.
in this ADS chapter. Historically, this category of assets has come about through leasing real property abroad with an option to purchase. The option price at which USAID has the right to purchase the real property makes exercise of the option almost certain.

To value a Capital Lease for accounting purposes, compute the present value of the lease payments plus the option price and compare that amount to the fair value of the property at the time the lease is executed. Use the Treasury Average Interest Rate for Marketable Interest-Bearing Debt in your present value calculations (see Monthly Statement of the Public Debt, Summary Page, for this interest rate). The lower of the two figures will be the amount recorded in the financial records. Fair value should be established using the best method available in the country (cost/benefit should be a factor in getting to fair value) including preferably the use of a bona-fide real estate appraiser. Land is not depreciated but must be estimated separately from the value of the building at the time fair value is developed.

629.3.2.5  Reporting and Reconciliation
Effective Date: 02/10/2022

Quarterly, M/CFO/CAR requests and receives a report from all offices required to report on PP&E (except vehicles). PP&E that no longer provides service in our operations must be identified, since special accounting treatment must be observed in accordance with section 629.3.2.14. Reporting offices must ensure that all capitalized property is accurately reported, and that information is returned to M/CFO/CAR within the reporting deadline.

Missions do not need to report vehicle additions, modifications, or disposals using the quarterly data call. M/CFO/CAR requests and receives all quarterly changes for vehicles from M/MS/OMD. Missions must report all vehicle changes to M/MS/OMD in accordance with current vehicle update processes. Missions are responsible for maintaining auditable supporting documentation for all assigned vehicles, updating the Integrated Logistics Management System (ILMS) property management system, and for Mission Controllers and EXOs to continue their reconciliation efforts to ensure reliable and accurate vehicle records at the Mission, as well as in ILMS.

After posting the additions and deletions to the various PP&E accounts reported by the cognizant property offices, M/CFO/CAR reconciles the amounts recorded in the general ledger and the cognizant property office figures. Any discrepancies must be researched, and appropriate action taken to adjust the records before the audited financial statement is prepared.

629.3.2.6  Depreciation
Effective Date: 02/10/2022

Accounting transactions affecting USAID-owned PP&E that meet the capitalization criteria, whether held by contractors or USAID, must be recorded in USAID's general ledger asset accounts. In accordance with SFFAS No. 6 and OMB directives on the
Form and Content of Agency Financial Statements, USAID’s records and financial statements must reflect depreciation on our capitalized assets. The information on capitalized assets is collected from overseas Missions, Washington Offices, and contractors and then analyzed to calculate depreciation, using a straight-line method of depreciation. Depreciation expense is recognized on all capitalized PP&E except land. M/CFO/CAR collects the following information on capitalized assets from the responsible offices to calculate depreciation:

- A brief description of the asset, including serial number,
- The cost of the asset,
- The date of acquisition,
- The age of the asset (if purchased used),
- The estimated useful life of the asset (this figure can be based on Internal Revenue Service (IRS) guidelines for depreciation adjusted as required to reflect operating conditions), and
- The estimated salvage value of the asset.

**629.3.2.7 Capitalization of Improvements**

Effective Date: 09/20/2019

When material costs are incurred to improve an existing asset, the EXO or Accountable Property Officer must determine whether the costs are recorded as an expense or added to the basis of the asset and capitalized (see section 629.3.6.2b). Determination is based on the following:

- Costs must be equal to or greater than $25,000, and
- Improvements result in one or more of the following conditions:
  - The improvement extends the useful life of the assets by at least three years or 25 percent of the original life, whichever is greater.
  - The improvement increases the fair value of the asset by at least 25 percent.
  - The improvement provides some other benefit that the EXO or Accountable Property Officer determines to be sufficient justification to capitalize the amount.

**629.3.2.8 Depreciation of Capital Improvements**

Effective Date: 02/10/2022
If the capital cost improvement extends the useful life of the asset, depreciate the new book value by the same method previously used over the remainder of the new life. If the material cost improvement does not change the remaining useful life, depreciate the new book value by the same method as previously employed.

629.3.2.9  Leasehold Improvements to Property of Others  
Effective Date: 07/14/2000

Leasehold improvements that equal or exceed $25,000 must be capitalized and depreciated over the life of the improvement or the life of the lease, whichever is less. In general, the government may not make permanent improvements to non-government-owned land. The basic premise for exceptions to the policy against permanent improvements to private property is whether USAID interests in the overall project are adequately protected with respect to such improvements. In making such a determination, the following general criteria must be addressed to allow the use of USAID funds for such improvements:

a. The expenses of the improvements are nominal in comparison with the total price of the contract,

b. The improvements are incident to and essential for the accomplishment of the authorized purpose of the appropriation, and

c. The improvements are used for our principal benefit.

629.3.2.10  Transfer of PP&E  
Effective Date: 02/10/2022

If an asset is transferred to USAID by another Federal agency, USAID must record the cost of the transferred asset at the net book value provided by the transferring agency. If USAID cannot reasonably ascertain the transferred costs, then the fair market value of the asset at time of transfer is used to record the cost. Since the financial treatment of intergovernmental PP&E transfers impact intergovernmental eliminations on the financial reports, check the Treasury FMS web site to ensure the proper accounting treatment is used.

629.3.2.11  Exchange of PP&E  
Effective Date: 07/14/2000

The cost of general PP&E acquired through exchange is the fair value of the PP&E surrendered at the time of exchange (Exchanges between Federal entities are accounted for as transfers). If the fair value of the PP&E acquired is more readily determinable than that of the PP&E surrendered, the cost must be the fair value of PP&E acquired. If neither fair value is determinable, the cost of the PP&E acquired must be the cost recorded for the PP&E surrendered net of any accumulated depreciation. Any difference between the net-recorded amount of the PP&E surrendered and the cost
of the PP&E acquired is recognized as a gain or loss. If cash consideration is included in the exchange, the cost of general PP&E acquired must be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received.

### 629.3.2.12 Borrowed or Loaned Equipment
Effective Date: 07/14/2000

Capitalized equipment borrowed from other organizations is not recorded in USAID’s financial records. Capitalized equipment on loan to other organizations is retained in USAID’s financial records.

### 629.3.2.13 PP&E Procured by Grantees
Effective Date: 07/14/2000

PP&E purchased by grant recipients is not recognized in USAID’s accounting records since these items are not owned by USAID.

### 626.3.2.14 Disposal of Capitalized PP&E
Effective Date: 07/14/2000

PP&E may no longer provide service because it either suffered damage, became obsolete in advance of expectations, or was identified as excess. If prior to disposal, retirement, or removal from service, any capitalized PP&E no longer provides service in our operations, the value of such property along with accumulated depreciation must be removed from the general ledger accounts.

When the asset is disposed of, PP&E must be removed from general PP&E accounts along with associated accumulated depreciation/amortization.

Any difference in the book value of the PP&E and its expected net realizable value must be recognized as a gain or a loss in the period of adjustment. The expected net realizable value must 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 may be taken once such assets are removed from general PP&E in anticipation of disposal, retirement, or removal from service.

### 629.3.3 USAID Property in the Custody of Contractors
Effective Date: 02/10/2022

In accordance with the Federal Acquisition Regulations (FAR) Subpart 45, contractors’ records are the official records created and maintained in support of its stewardship responsibilities for the management of Government property in their hands. The Annual Report of Government Property in Contractor’s Custody is the official document for contractor reporting of USAID PP&E in their possession. USAID’s financial records and statement account balances are updated based on the annual report for capital items.
629.3.3.1 Title to Property
Effective Date: 02/10/2022

When property is acquired by a contractor for use overseas and the contract funds were obligated under a Development Objective Agreement or Project Agreement, title to all nonexpendable property is normally vested in the cooperating government. The terms of the contract must clearly identify where title to any property acquired under the contract is vested. The COR must exercise care to ensure that only those Annual Reports of Government Property in Contractor's Custody that contain USAID-owned property, as opposed to cooperating country property, are forwarded to the CFO or the Mission Controller.

629.3.3.2 Property Accounting Systems for Contractors
Effective Date: 02/10/2022

USAID does not prescribe a specific system of property accounting for contractors. However, any system employed by a contractor requires written approval by the EXO or designee. This process ensures adequate contractor control, accuracy, and consistency in reported information. CFO financial personnel can assist as required in assessing the contractor's property accounting system.

629.3.3.3 Identification of Contractors with Capitalized Equipment
Effective Date: 02/10/2022

The Contracting Officer at the time of contract execution or extension must determine whether the particular contractor is likely to purchase property with contract funds having a unit value equal to or in excess of $25,000 and a useful life equal to or in excess of two years and that is titled to the government (see section 629.3.3.1 and AIDAR Part 745). Based on this determination, the COR is responsible for ensuring that the Annual Report of Government Property in Contractor's Custody is submitted on time by contractors holding capitalized PP&E and that the reports are materially accurate. The COR must furnish copies of contractor reports with capitalized property to the CFO or the Mission Controller.

629.3.3.4 Reporting by Contractors
Effective Date: 02/10/2022

The reporting clause in USAID contracts for U.S. Government property held by USAID contractors must be followed (see AIDAR 752.245-70(b)). Currently, the CAR quarterly data call requests information that is required for financial reporting and is slightly different from the annual contractor reporting.

629.3.3.5 Posting the Value of Contractor-Held Property to the General Ledger
Effective Date: 07/14/2000
Since the Annual Report of Government Property in Contractor’s Custody reports data as of the end of the contract year and is not due from contractors until 30 days after the end of the contract year, M/CFO/CAR may need to update the general ledger balances.

629.3.4  USAID-Owned Operating Materials and Supplies  
Effective Date: 07/14/2000

Operating materials and supplies consist of tangible personal property to be consumed in normal operations of the Agency. USAID’s financial records show these values as

a. Operating materials and supplies held for use,

b. Operating materials and supplies held in reserve for future use, or

c. Excess, obsolete, and unserviceable operating materials and supplies.

629.3.4.1  Valuation of Operating Materials and Supplies  
Effective Date: 07/14/2000

Operating materials and supplies must be recognized and reported as assets when produced or purchased. They are reported as an operating expense in the period they are issued to an end user for consumption in normal operations. Operating materials and supplies must be valued on the basis of historical cost or any other valuation method whose results reasonably approximate historical cost. Examples of valuation methods that approximate historical cost and that are acceptable to the CFO are first-in, first-out (FIFO); weighted average; moving average; standard cost; and latest acquisition cost. Any valuation method other than those listed above must have the concurrence of the CFO before it may be used.

629.3.4.2  Reporting Requirements  
Effective Date: 02/10/2022

M/CFO/CAR sends a data call to the appropriate Washington and field offices, requesting the value of USAID-Owned Operating Materials and Supplies at the end of each reporting quarter. Negative reports are required from those geographic locations where the value is less than $25,000.

629.3.4.3  Reporting Threshold  
Effective Date: 07/14/2000

If –

a. Operating materials and supplies are not significant amounts,

b. Operating materials and supplies are in the hands of the end user for use in normal operations, or
c. It is not cost-beneficial to apply the consumption method of accounting,

Then –

expense the operating materials and supplies when purchased and do not report them in the financial records or statements as an asset.

USAID's policy is that operating materials and supplies at any one geographical location that do not equal or exceed $25,000 are insignificant in amount and are not considered a reportable asset of the Agency.

629.3.4.4 Operating Materials and Supplies Held in Reserve for Future Use
Effective Date: 07/14/2000

USAID has significant operating materials and supplies for foreign disaster assistance and for population planning purposes held in reserve for future use. M/CFO must disclose in the annual financial statement the criteria considered by program management for holding operating materials and supplies in reserve for future use.

Examples of factors to be considered in developing the criteria are

a. All relevant costs associated with holding these items (including storage and handling costs);

b. The expected replacement cost when needed;

c. The time required to replenish operating materials and supplies;

d. The potential for deterioration or pilferage; and

e. The likelihood that a supply of the item will be available in the future.

629.3.4.5 Physical Inventory of Operating Materials and Supplies
Effective Date: 06/19/2020

The value of operating materials and supplies accounts must be confirmed periodically through a physical inventory. Mission physical inventories of operating materials and supplies are covered in ADS 535, Real Property Management Overseas. The Program Managers for BHA and the GH/PRH are responsible for determining the frequency and nature of the physical inventory necessary to ensure that accurate inventory accounts are maintained and that the inventory is physically safeguarded.

629.3.5 Reserved
629.3.6 Internal Use Software (IUS)
Effective Date: 07/14/2000

The USAID policy on internal use software has been drafted to implement the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software, dated June 1998, concerning the capitalization of software. This standard requires the capitalization of the cost of internal use software, whether it is commercial off-the-shelf (COTS), contractor developed, or internally developed.

The standard covers costs related to the design, program, installation, and implementation of software. For COTS software, only costs incurred following delivery should be considered. Costs prior to delivery are included in the COTS package costs.

This standard will assist Chief Financial Officers (CFOs) and Chief Information Officers (CIOs) in carrying out the responsibilities enumerated in the Clinger-Cohen Act of 1996 with respect to the acquisition and accountability of information systems software. SFFAS No. 10, paragraph 24, requires that “each Federal entity should establish its own threshold.”

629.3.6.1 Trigger Point for Capitalization
Effective Date: 02/10/2022

Costs are recognized for capitalization when the project manager believes the total costs to completion and implementation will reach or exceed the capitalization threshold. Specific costs to be captured are enumerated in section, 629.3.6.2b. When the software has been successfully tested and accepted for operation, the amounts must be included in general ledger account 183000.11 as Internal Use Software (IUS), and Operating Expenses must be recorded in 610000.11 as capitalization entries. 671000.11 records Amortization Expenses and 183900.11 records Accumulated Amortization on IUS.

M/CFO/CAR sends out quarterly data calls for capitalized IUS information through the Bureau for Management, Office of the Chief Information Officer (M/CIO).

a. Capitalization Threshold

The capitalization threshold for internal use software costs for appropriated fund accounts is $300,000 or above. Costs below the threshold level must be expensed. When determining if the amount of the development effort meets the threshold, do not limit the project cost by fiscal year. Use the total constructed cost data of the entire project.

b. Useful Life
The useful life of the software is normally no more than five years. However, the estimated useful life must be consistent with the estimated useful life used for planning the software acquisition. The useful life for software acquired or developed exclusively for research projects must be determined by the expected length of the research. When it is determined that a software is to be replaced due to new technology, the useful life initially established must be reduced to the remaining period of use. Likewise, when an enhancement is made that extends the life of the software, the established life must be extended for amortizing the remaining costs.

c. Date Software Is Put in Place

The date that the software is put in place is the date the software is both successfully tested and accepted for operation. Amortization of the software costs must begin on this date.

629.3.6.2 Amortization of Internal Use Software

Effective Date: 02/10/2022

Internal use software must be amortized over its useful life on a straight-line basis. A half-year convention may be used. For example, for software estimated to have a five-year useful life, one-tenth of the value would be amortized in year one; one-fifth in years two through five; and the remaining one-tenth in year six. For each module or component of a software project, amortization begins when that module or component has been successfully tested. If the use of a module is dependent on the completion of another module(s), the amortization of that module must begin when both that module and the other module(s) have successfully completed testing. Any additions to the book value or changes in useful life must be accounted for during the period of the change and future periods. No adjustments should be made to previously recorded amortization.

a. Software Design Phases

Software life-cycle phases include the preliminary design phase, the software development phase, and the post-development phase. The identification of the software life-cycle phase will determine which costs are expensed or capitalized. Costs occurring during the preliminary design and post-implementation/operational phases will be expensed. Costs incurred during the software development phase should be capitalized if it is envisioned that total costs will meet or exceed the capitalization threshold.

In the preliminary design phase, Bureaus/Missions will likely do the following:

- Make strategic decisions to allocate resources between alternative projects,
- Determine performance requirements of the software,
• Invite vendors to perform demonstrations of the software,
• Explore alternative means of achieving performance requirements (make or buy decisions, choosing the platform that the software will run on, etc.),
• Determine the technology needed to achieve performance requirements,
• Select a vendor for COTS software, and
• Select a consultant to assist in software development or installation.

In the **software development phase**, Bureaus/Missions will likely do the following:

• Use a system to manage the project,
• Track and accumulate life-cycle cost and compare it with performance indicators,
• Determine the reasons for any deviations from the performance plan and take corrective action, and
• Test the deliverables to verify that they meet the specifications.

In the **post-development phase**, Bureaus/Missions will likely do the following:

• Operate the software, undertake preventive maintenance, and provide ongoing training for users;
• Convert data from the old to the new system;
• Undertake post-implementation review comparing asset usage with the original plan; and
• Track and accumulate life-cycle cost and compare it with the original plan.

### b. Costs Captured for Capitalization

Capitalized cost must include the full cost (direct and indirect costs) incurred during the software development stage.

Bureaus/Missions whose systems cannot identify indirect cost with developmental software must allocate costs as prescribed in USAID guidance on Managerial Cost Accounting. Such costs should be limited to costs incurred after management:

1. Authorizes and commits to a computer software project;
2. Believes that it is more likely than not that the project will be completed;

3. Believes that the software will be used to perform the intended function with an estimated service life of two years or more; and

4. Completes the conceptual formulation, design, and testing of possible software project alternatives (the preliminary design stage).

Such costs include those for new software (e.g., salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants’ fees; rent; and supplies) and documentation manuals. For COTS software, capitalized cost also includes the amount paid to the vendor for the software (but excludes any maintenance costs built into the agreement). For contractor-developed software, capitalized cost also includes the amount paid to a contractor to design, program, install, and implement the software. Material internal costs incurred by the Agency to implement the COTS or contractor-developed software and otherwise make it ready for use must be capitalized. The acquisition cost of enhancements to existing internal use software (and modules thereof) should be capitalized when it is more likely than not that they will result in significant additional capabilities.

Major enhancements to software that add new capability or functionality to the existing software must also be capitalized. Additional capability or functionality extends the ability of a computer software system to perform tasks and/or makes the application easier to use.

c. Costs That Must Be Expensed

The following costs are expensed:

1. Data conversion costs incurred for internally developed, contractor-developed, or COTS software, including the cost to develop or obtain software that allows for access to or conversion of existing data to the new software;

2. Costs incurred after final acceptance testing has been successfully completed. Where the software is to be installed at multiple sites, capitalization ceases at each site after testing is complete at that site;

3. Training costs;

4. Maintenance costs;

5. Minor enhancements resulting from ongoing systems maintenance;

6. Enhanced versions of software for a nominal charge;
7. Costs incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities; and

8. The un-amortized cost of the old software must be expensed when testing on the new replacement software has been successfully completed.

d. **Expenditures That Extend the Life of a Software Application**

Costs that extend the useful life of a software application must be added to the value of the asset. The aggregated cost, net of any previous amortization, must be amortized over the remaining useful life of the software.

e. **Impairment**

Impairment is recognized and measured when one of the following occurs and is related to post implementation/operational software and/or modules:

1. The software is no longer expected to provide substantive service potential and will be removed from service; or

2. A significant reduction occurs in the capabilities, functions, or uses of the software (or a module).

If the software remains in use, the loss due to impairment is measured as the difference between the book value and either

- The cost to acquire software that would perform similar remaining functions; or

- The portion of book value attributable to the remaining functional elements of the software.

The loss must be recognized upon impairment and the book value of the asset reduced accordingly. If neither (1) nor (2) can be determined, the book value continues to be amortized over the remaining useful life of the software. If the impaired software is to be removed from use, measure the loss due to impairment as the difference between the book value and the net realizable value (NRV), presumably zero. The NRV, if any, must transfer to the Equipment Pending Disposal account until such time as the software is disposed of.

f. **Developmental Software**

In instances where the Project Manager concludes that it is no longer more likely than not that the developmental software (or a module) will be completed and placed in service, the costs accumulated in general ledger account 183000.11 must be reduced.
to reflect the expected NRV, if any, and the loss recognized. The following are indications of this:

1. Expenditures are neither budgeted nor incurred for the project;

2. Programming difficulties cannot be resolved on a timely basis;

3. Major cost overruns occur;

4. The cost of developing the software will significantly exceed the cost of COTS software available from third party vendors and management intends to obtain the product from vendors rather than completing the project;

5. Technologies that supersede the developing software product are introduced; and/or

6. The organization or project for which the product was being created is being discontinued.

g. Software License

If the term of software license(s) is two years or more with periodic payments, the license should be evaluated against lease criteria to determine if it is a capital or operating lease. If the license(s) is perpetual with an upfront cost to use the software for its entire lifetime, then the entity is purchasing IUS and should apply its existing policy for capitalization thresholds to determine if the license should be capitalized or expensed. If lease capitalization criteria and thresholds are met, software license capitalization amounts may be derived from the payment schedule contained in the license agreement.

A license agreement may include executory costs for maintenance and technical support.

h. Cloud Computing

If a cloud computing arrangement includes a software license, USAID will account for the software license element of the arrangement consistent with the acquisition of other software licenses in accordance with the lease criteria. The accounting standards in SFFAS No. 10 do not apply to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The organization that develops and owns the software, platform, or infrastructure that is used in the cloud computing arrangement would account for the software development in accordance with SFFAS No. 10. If the funding to develop cloud computing is shared without clear ownership, the service provider organization that receives funding and is
responsible for maintaining the software, platform, or infrastructure should account for the software in accordance with SFFAS No. 10 and SFFAS No. 4.

i. Shared Services

For intra-agency shared services, a cost allocation methodology could be developed in accordance with SFFAS No. 4. For interagency shared services and commercial shared services, the service provider that owns (receives funding/responsible for maintaining) the software will account for the software in accordance with SFFAS No. 10. In the event the organization receiving the service (the customer) has the contractual right to take possession of the software at any time during the hosting period without significant penalty, and it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software, then the customer must account for the software in accordance with SFFAS No. 10.

If the shared service arrangement includes a software license, the customer will account for the software license element of the arrangement consistent with the acquisition of their other software licenses. SFFAS No. 10 is not applicable to a shared service arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license.

629.3.6.3 Software Property Records, Documentation, and Presentation

Effective Date: 02/10/2022

The inventory record, which is based on itemized costs, must include, at a minimum:

1. Name of software;
2. Method of acquisition (COTS, contractor developed, internally developed);
3. Cost of capitalized software (separately for costs in development and in-use);
4. Useful life of capitalized software;
5. Amortization per accounting period;
6. Cost of expensed software; and
7. Enhancement costs to software (both capitalized and expensed).

The files to support the property records must include copies of invoices and contracts, labor cost methodologies, licensing arrangements, and other necessary documentation to support the software costs. This also would include constructed cost data developed and maintained by the property officer to support internally developed software capitalization.
All projects for which capital assets are procured must track actual costs and maintain records. CORs/AORs will ensure that contractors provide the Accountable Property Officer with costs for all capitalized items to formulate allocations for each accounting period. If the Property Officer maintains the allocations for each accounting period, the contractor is not required to provide a break-down of all capitalized items on their invoices. These allocations should be traceable back to invoices or obligations.

Documentation must be readily available to support USAID’s property records.

a. **Capitalization Based on the Fiscal Year**

Software costs must be capitalized according to the Federal government fiscal year (October 1 – September 30).

b. **Accrual Basis**

In accordance with generally accepted accounting practice on accruing costs, all costs incurred during an accounting period must be capitalized in the respective period regardless of the fiscal year associated with the funding source. They must be recorded quarterly in both the General Ledger and the Constructed Cost Data, which are or may serve as Property Records for Internal Use Software.

After being capitalized, the internal use software is amortized quarterly once it is put into use.

c. **Adjusting Accounting Records to Meet Capitalization Thresholds**

The accounting entries and initial adjustments to implement SFFAS No. 10 will be different depending upon the following:

1. Whether the software was obtained by appropriated funds or revolving funds; and

2. Whether the Bureau/Mission implemented the previous policy to capitalize at $25,000 and above.

Record the accounting entries as one-time adjustments. These adjustments will be fully supported by work papers that must be readily available to auditors for review.

d. **Disclosures**

The disclosures required by SFFAS No. 6, paragraph 45 (see SFFAS No. 10, par. 35), for PP&E are applicable to internal use software. For material amounts, the following must be disclosed in the financial statements regarding the software:

*Text highlighted in yellow indicates that the adjacent material is new or substantively revised.*
1. The cost, associated amortization, and book value;

2. The estimated useful life for each major class of software; and

3. The method of amortization.

**629.3.6.4 Physical Inventory**  
Effective Date: 07/14/2000

An inventory of all accountable software must be taken annually. The software Accountable Property Officer may enlist the assistance of custodial officers, who may be appointed to maintain accountability of software in specific locations and to resolve the issue of missing (or found) software. The inventory also includes any software not yet installed. Based on the results of the inventory, the Bureau/Mission accounting office makes adjustments, as necessary, for capitalized software not in-use, abandoned, or donated to other organizations (see [ADS 547, Property Management of Information Technology (IT) Resources](#), for details on the physical inventory procedures).

**629.3.6.5 Reconciliation of Software Property Records to Financial Records**  
Effective Date: 07/14/2000

The constructed cost data maintained for capitalized software in development and in-use must be reconciled with the general ledger accounts quarterly.

**629.3.7 Depositing Proceeds from Sales of Replacement of Real and Personal Property Sales**  
Effective Date: 02/10/2022

Proceeds result from the sale or exchange of assets purchased with either appropriated fund dollars or foreign currency originally funded by appropriated fund dollars.

**629.3.7.1 Real Property**  
Effective Date: 07/14/2000

USAID has authority under Section 585 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 to deposit the sales proceeds of real property purchased overseas into a property management fund. Funds deposited to the property management fund will remain available to the Agency until expended for real property purchased using 636(c) authority of the Foreign Assistance Act of 1961. The Treasury established the Property Management Fund as account 72X4175. Deposit real property proceeds (other than Working Capital Fund (WCF)-funded, project-funded, or trust-funded real property) in this account.

**Depositing Real Property Proceeds.** Real property proceeds, other than WCF-funded, project-funded, or trust fund-funded real property, are deposited as follows:
1. Dollar proceeds must be deposited to 72X4175, Property Management Fund.

2. Local currency proceeds must be deposited to the United States Disbursing Officer’s (USDO) local bank account. Credit the dollar equivalent amount to 72X4175 after checking with the USDO to ensure that the local currency proceeds can be used in a reasonable time. When the amount of the local currency proceeds from the sale cannot be used in a reasonable time, the USDO will provide guidance on how the deposit is to be handled. The speed with which local currency proceeds can be converted to dollars should be factored into the decision on selling the property.

629.3.7.2 Replacement Personal Property
Effective Date: 02/10/2022

Replacement property encompasses practically all nonexpendable personal property that USAID purchases. Replacement property is normally disposed of by sealed bid sale or public auction and the proceeds used for the purchase of similar property. The Federal Property and Administrative Services Act of 1949, as amended, gives all agencies the authority to collect proceeds from the sale of personal property, which can be applied to replace similar property during the fiscal year in which the property is sold and one fiscal year after that. The purchase of new property and sale of old property can occur over a period of time and at different physical locations.

The Agency uses a broad interpretation of “similar property.” The intent of the Federal Property and Administrative Services Act of 1949, as amended, is to allow proceeds to purchase items comparable to those that were authorized for purchase with the original funds. The limitations on what can be bought with the proceeds are only those that would apply to the original funds. For example, if the original funds were OE, then the proceeds are limited to any property that OE could purchase.

USAID has a replacement property account established with the U.S. Treasury. The proceeds from the sale of replacement property are credited to account 72F3845, Proceeds of Sale, Personal Property.

The proceeds from the sale of overseas nonexpendable property will be allowed back to the Mission or Regional Inspector General (RIG) that generated the sale proceeds in the year following the sale. Collections of replacement property proceeds have to be shown as an offsetting collection on line 3 of Standard Form 133, Report on Budget Execution and Budgetary Resources (SF-133) and apportioned by OMB before they can be made available for use by USAID, which contributes to the delay in getting the proceeds to the Mission sooner.
Sales proceeds will not be returned to Offices that are in the process of closing. Instead, these proceeds will be used as part of the worldwide availability of nonexpendable replacement funds.

Sales proceeds generated by field offices will not be a factor in establishing the Operational Year Budget (OYB) level for those offices that have sold replacement property.

**a. Replacement Personal Property Exceptions.** Project-funded non-expendable personal property titled in the host country is usually not sold or disposed of by the Mission. The agreement titling the property in the host country ordinarily provides specific disposal instructions and such provisions must be observed. If project-funded property with the title vested in USAID is sold, the proceeds of the sale must be deposited back to the respective appropriation used for the procurement and not to 72F3845. The proceeds of trust-funded non-expendable personal property that is sold must be deposited back to the trust fund unless there are other instructions from the host country. The proceeds of WCF non-expendable personal property that is sold must be deposited back to the WCF for further processing.

**b. Depositing Nonexpendable Replacement Property Proceeds.** Deposit nonexpendable replacement property proceeds, other than WCF-funded, project-funded, or trust fund-funded, as follows:

1. Deposit dollar proceeds to 72F3845, Proceeds of Sale, Personal Property.
2. Deposit local currency proceeds into the United States Disbursing Officer’s (USDO) local bank account and credit the dollar equivalent amount to 72F3845.

When the amount of the local currency proceeds from the sale cannot be used in a reasonable time, the USDO will provide guidance on how the deposit is to be handled. The speed with which local currency proceeds can be converted to dollars should be factored into the decision on selling the property.

**629.3.7.3 Reporting**

**Effective Date:** 07/14/2000

The EXO must prepare a separate **OF-132**, Property Disposal Authorization and Survey Report (PDA), for the disposal of property acquired with operating expense funds, funds made available to the Inspector General (IG), or other appropriations. The Mission Controller is required to report each year to M/CFO/CAR, with a courtesy copy to M/MS/OMD, all dollar credits made to 72X4175 and 72F3845. The breakout of sale proceeds by deposit account and then by regular operating expense funds, IG operating expense funds, and other appropriations is essential as part of the fiscal year-end closing. This data allows M/CFO/CAR to reconcile the individual Mission totals with the
Treasury Department’s worldwide total of deposits to these accounts and to seek OMB apportionment.

629.3.7.4 Returning Proceeds to the Field
Effective Date: 02/10/2022

M/CFO/CAR will furnish a listing of sales proceeds by Bureau and by individual country and RIG office to the Bureau for Management, Office of Financial Management, Central Accounts and Reporting Division/Funds Control-General Ledger Team (M/CFO/CAR) and M/MPBP early in the first quarter of FY 2004 and each fiscal year after that. M/CFO/CAR will take action to have the reported replacement property sales proceeds apportioned by OMB and will notify M/MPBP when OMB has completed the apportionment. M/MPBP will ensure that replacement property in at least the amount of the sales proceeds was purchased on a worldwide basis in the fiscal year that just ended. M/MPBP must use any appropriate funding source available in the first quarter, including deobligated no-year OE funds, to initiate an allotment to each geographic Bureau and to the IG. A copy of the listing by individual country to the Bureau or the IG will be provided so that funds can be allowed to the field office that generated them.

Proceeds from the sale of real property are not returned to Missions for their use but are retained for centralized Agency utilization.

629.4 MANDATORY REFERENCES

629.4.1 External Mandatory References
Effective Date: 02/10/2022

a. Federal Acquisition Regulations (FAR), Part 45 - Government Property
b. Federal Property and Administrative Services Act of 1949, as amended
c. Monthly Statement of the Public Debt, Summary Page
d. OMB Circular A-11, Appendices A and B
e. SFFAS No. 6 - Accounting for Property, Plant and Equipment
f. SFFAS No. 10 - Accounting for Internal Use Software (Effective 10/1/2000)
g. SFFAS No. 48 - Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials
h. SFFAS No. 50 - Establishing Opening Balances for General Property, Plant and Equipment: Amending SFFAS No. 6, 10, 23, and Rescinding SFFAS No. 35
ADS Chapter 629

i. **SFFAS No. 54 - Leases: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government and SFFAS No. 6, Accounting for Property, Plant, and Equipment**

j. **SFFAS No. 58 - Deferral of the Effective Date of SFFAS No. 54, Leases**

k. **Statement of Federal Financial Accounting Standards (SFFAS) No. 3 - Accounting for Inventory and Related Property**

l. **USAID Acquisition Regulation (AIDAR) (48 CFR Chapter 7)**

629.4.2 **Internal Mandatory References**

   **Effective Date:** 02/10/2022

   a. **ADS 302, USAID Direct Contracting**
   b. **ADS 502, The USAID Records Management Program**
   c. **ADS 534, Personal Property Management Overseas**
   d. **ADS 535, Real Property Management Overseas**
   e. **ADS 547, Property Management of Information Technology (IT) Resources**

629.5 **ADDITIONAL HELP**

   **Effective Date:** 02/10/2022

   a. **The Federal Accounting Standards Advisory Board (FASAB), Standards & Guidance**
   b. **Treasury Financial Manual (TFM), United States Standard General Ledger (USSGL)**

629.5.1 **Optional Forms**

   **Effective Date:** 07/14/2000

   a. **OF-132, Property Disposal Authorization and Survey Report**

629.6 **DEFINITIONS**

   **Effective Date:** 02/10/2022

See the **ADS Glossary** for all ADS terms and definitions.

**Accountable Property Officer (APO)**
An official appointed by Agency Property Management Officers or EXO, or their designee, who is responsible for nonexpendable property or information technology (IT)
property. The IT APO is separately designated by the designated Senior Official for Information-Resources Management (IRM). This official is charged with budgeting, accountability, receipt, storage, issuance, record keeping, inventory, reporting, and certification of all property resources records and reports within the accountable area. For IT property this pertains to all Federal Information Processing (FIP) resources. (Chapter 629)

**Assets**
Tangible or intangible items owned by USAID that would have probable economic benefits that can be obtained or controlled by a USAID entity. (Chapter 629)

**Book Value**
The net amount at which an asset or liability is carried on the books of account (also referred to as carrying value or amount). It equals the gross or nominal amount of an asset or liability minus an allowance or valuation amount. (Chapter 623 and 629)

**Capital Leases**
Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease transfers ownership of the property to the lessee at the end of the lease term or contains an option to purchase the leased property at a bargain, the lease should be classified as a capital lease. (Chapter 629)

**Capitalize**
To record and carry forward into one or more future periods any expenditure from which the benefits or process will then be realized. (Chapter 629)

**Cloud Computing**
A model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction. (Chapters 502, 508, 629)

**Constructed Cost Data**
Cost data extracted from various sources (usually parts of various contractors' invoices) which is used to accumulate expenses associated with a particular internal software development effort. Once the data is accumulated, and if the capitalization criteria are met, the constructed cost data becomes the source documentation for recording the accounting entry. This requires the worksheet (usually an electronic spreadsheet) and the supporting documentation to be readily available for audit and retained in accordance with the requirements for retention of financial documentation in ADS 502. (Chapter 629)

**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. (Chapter 629)
**Fair Value**
Fair value is the price for which an asset could be bought or sold in an arm's-length transaction between unrelated parties (e.g., between a willing buyer and a willing seller) or the price (usually representative) at which bona fide sales have been consummated for products of like kind, quality, and quantity in a particular market at any moment of time. (Chapter 629)

**First-in, First-out (FIFO)**
A cost flow assumption; the first goods purchased or produced are assumed to be the first goods sold. (Chapter 629)

**Historical Cost**
Historical cost is the cash equivalent price of operating materials and supplies and property, plant, and equipment (PP&E) including all appropriate purchase and production costs to bring the items to their original condition and location, at the date of acquisition. This cost does not change over time. (Chapter 629)

**Information Technology Property**
Any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. It includes, but is not limited to "computers, ancillary equipment, software, firmware, and similar procedures, services (including support services) and related resources." (Chapter 629)

**Internal Use Software**
Software that is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet USAID's internal or operational needs. (Chapter 629)

**Land Rights**
Land rights are interests and privileges held by USAID in land owned by others, such as leaseholds, easements, water and waterpower rights, diversion rights, submersion rights, rights-of-way, and other like interests in land. (Chapter 629)

**Latest Acquisition Cost**
Includes all amounts, except interest, paid to a vendor to acquire an item. (Chapter 629)

**Leasehold Improvements**
Leasehold improvements include, but are not limited to, the cost of acquiring and installing new ceilings, permanent walls, lighting, carpeting, air conditioning, and safety and protective devices with a useful life longer than two years, and additions and betterments to buildings and other facilities. (Chapter 629)
Moving Average
An inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. (Chapter 629)

Non-expendable Personal Property
Property such as furniture, office machines, information technology (IT) equipment, and communications equipment that: (1) is complete in itself; (2) does not lose its identity or become a component part of another item when used; and (3) is of a durable nature with an anticipated useful life of over two years. (Chapter 534 and 629)

Operating Lease
Operating leases of PP&E are leases in which the Federal entity does not assume the risks of ownership of the PP&E. (Chapter 629)

Operating Materials and Supplies
Consist of tangible personal property to be consumed in normal operations. Examples are computer paper and general office supplies for operating materials and supplies held for use and tents, blankets, cots, and contraceptive materials for operating materials held for future use. (Chapter 629)

Personal Property
Includes such items as vehicles, furniture, equipment, supplies, appliances, and machinery. It refers to all property not otherwise classified as land, land improvement, buildings, and structures that are normally referred to as real property. (Chapter 534 and 629)

Program Manager
Senior member of a Development Objective Team or Mission Technical Office who is responsible for the management of an entire program, if not individual projects, activities and/or awards who may not be the same as the Program Manager designated in GLAAS. (Chapter 300 and 629)

Property Administrator
The authorized representative of the Contracting Officer assigned to administer the contract requirements and obligations relating to government property. (Chapter 629)

Property, Plant, and Equipment (PP&E)
Tangible assets, including, equipment, land, land rights, capital leases (including leasehold improvements), and property owned by USAID in the hands of others (e.g., contractors) that

a) Have an estimated useful life of two or more years,
b) Are not intended for sale in the ordinary course of business, and
c) Are intended to be used or available for use by USAID. (Chapter 629)
Real Property
A parcel or plot of land and any structures contained thereon, including, but not limited to, offices, garages, warehouses, residences, schools, and recreational facilities. (Chapter 535 and 629)

Recognize
To record an amount in entity accounts and to report a dollar amount on the face of the Statement of Net Costs or the Balance Sheet either individually or so that the amounts are aggregated with related amounts. (Chapter 629)

Replacement Property
Any personal property for which there is a continuing need on a worldwide basis by the parent agency, such as office furniture and equipment; household furniture, furnishings, and equipment; motor vehicles and automotive spare parts; tires; and any other property having a continued general use. The proceeds of sale of replacement property are used to purchase similar property. Replacement property is not declared excess by the post except as noted in 6 FAM 227.1-2. (Chapters 534, 536, 629)

Shared Services
A mission or support function provided by one business unit to other business units within or between organizations. The funding and resourcing of the service is shared and the providing organization effectively becomes an internal/external service provider. There are three types of shared service structures in the Federal Government: intra-agency, interagency, and commercial. (Chapter 629)

Standard Cost
Predetermined expected unit costs, which are acceptable for financial reporting purposes if adjusted periodically to reflect actual results. (Chapter 629)

Useful Life
The normal operating life of the asset in terms of utility to the owner. (Chapter 629)

Weighted-Average
A periodic inventory costing method where ending inventory and cost of goods sold are priced at the weighted-average cost of all items available for sale. (Chapter 629)

Working Capital Fund
A revolving fund that operates as an accounting entity. In these funds, the assets are capitalized and all income is in the form of offsetting collections derived from the funds' operations and available in their entirety to finance the funds' continuing cycle operations without fiscal limitation. A working capital fund is a type of intragovernmental revolving fund. (Chapter 629 and 635)