



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240



OCT 5 1998

Financial Statement Guidance Memo No. 98-02

To: Bureau Chief Financial Officers

From: R. Schuyler Leshner *R. Schuyler Leshner*
Deputy Chief Financial Officer

Subject: Capitalization Threshold for Personal Property

A task force working under the Department's Finance Officers' Partnership and Property Management Partnership has reviewed Interior's policy on the capitalization threshold for personal property. The objective of this review was to determine an appropriate maximum Department-wide capitalization threshold which captures a significant portion of the personal property value in the financial statements, while reducing the number of items capitalized.

Based on an analysis of the personal property of individual Bureaus, it is determined that a capitalization threshold of \$15,000 would capture over 70% of the value of personal property (before depreciation) while reducing the number of items tracked by approximately 68%.

Policy

All personal property with an original acquisition cost of \$15,000 or more must be capitalized in Bureau finance systems unless (a) the item of personal property has a useful life of two years or less, or (b) the item of personal property is intended for sale by the Bureau. If a bureau increases the value of a non-capitalized item of property above \$15,000 through "betterments," the property item should then be capitalized.

Specific exceptions for capitalization thresholds above \$15,000 may be granted by the Office of Financial Management with appropriate justification. Approval is not needed if a bureau wishes to apply a capitalization threshold less than \$15,000 for all or a portion of a bureau or for a specific category of assets. Current capitalization thresholds at the Fish and Wildlife Service are not impacted by this policy.

Approach

Bureaus may implement this policy prospectively or retroactively. Prospective implementation involves applying the \$15,000 threshold to new personal property (however acquired) while retaining the current threshold for existing capitalized personal property. Retroactive implementation involves applying the threshold to new and existing personal property valued

above \$15,000 and reclassifying personal property below \$15,000. Either method has financial statement implications and must be fully disclosed in notes to the Bureau's financial statements.

Accountable Property

This increase in the capitalization threshold for financial records will not affect the \$5,000 accountability threshold. Bureaus will continue to maintain accountability records for all sensitive items and those non-sensitive items at or above the accountability threshold. When the accountability and capitalization thresholds are identical, there is an automatic "general ledger" control to ensure that all accountable property acquired is appropriately entered on records for tracking. With the increase in the capitalization threshold, this control no longer exists for property costing under \$15,000. Therefore, bureaus must establish specific internal control procedures to ensure that property acquired during the year has appropriately been included on accountability tracking records.

Effective Date

This \$15,000 threshold for personal property will be effective October 1, 1998.

Please contact Debra Carey on 202-208-5542 if you have any questions concerning this policy.

cc: Deputy Chief Financial Officers
Bureau Finance Officers
Financial Statement Guidance Team