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Financial Systems and Interfaces: Acquire To Retire

Office of Primary Responsibility

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Purpose: In accordance with the authority in DoD Directive 5105.64, Defense Contract Management Agency (DCMA), this Manual implements policies and defines procedures as defined in DCMA Instruction 4301 and use of the Acquire to Retire module within the Defense Agencies Initiative program.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to all Defense Contract Management Agency activities unless higher-level regulations, policy, guidance, or agreements take precedence. It further applies to all users of DCMA's financial management system, the Defense Agencies Initiative (DAI).

1.2. POLICY. All DCMA employees have fiduciary responsibilities inherent in their roles as stewards of government resources and must comply with the guidance set forth in this Manual. It is DCMA policy that:

a. Scope. The DAI Acquire to Retire (A2R) Module is the approved agency tool for the financial management system for property acquisition and financial accountability at DCMA. A2R is the process used in acquiring, managing and disposing of accountable property. DAI provides an integration between both DAI and the DoD Property Accountability System (DPAS) through a series of interfaces that create a seamless integration between the property physical accountability system and the financial accountability system DAI.

b. Usage. DAI is the official data entry and repository system for DCMA. It leverages financial management integration and improvement processes by streamlining financial management capabilities and achieving financial statement auditability of Agencies and field activities across the DoD.

1.3. OVERVIEW.

a. Background. The Defense Logistics Agency (DLA) manages DAI, complying with the DoD's transformation goals to modernize the Defense Agencies' financial management systems. DAI is an Enterprise Resource Planning tool, which delivers the basis for an integrated enterprise level solution. The goal of the DAI Architecture is to allow agencies to manage internal and external resources including tangible assets, financial resources, materials, and human resources. The design also facilitates the flow of information between all business functions inside the boundaries of the organization, and manages connections to outside stakeholders.

b. Objective. DAI represents DoD's effort to modernize and standardize Defense Agencies' financial management capabilities to achieve accurate and reliable financial information.

c. Goal. DCMA's primary goal is to improve overall financial management and to comply with the Business Enterprise Architecture, Standard Financial Information Structure, and Office of Federal Financial Management requirements.

d. A2R Module. A2R is one of six DAI modules required for the integrated financial solution. The A2R process area encompasses Acquisition, Cost Accounting (CA), and General Ledger (GL) functions performed by DCMA and the Defense Finance and Accounting Services (DFAS) to:

- (1) Achieve accurate, timely and reliable financial information.

- (2) Acquire property.
- (3) Establish and maintain cost accounting information.
- (4) Report transactions and budgetary impacts through the GL and statutory financial reports.
- (5) Dispose of property.

SECTION 2: RESPONSIBILITIES

2.1. DIRECTOR, DCMA. The Director, DCMA will:

- a. Lead the Agency toward achieving its mission.
- b. Articulate the Agency's vision, set program and budget priorities, approve internal policies, and assess Agency performance.
- c. Retain the final authority over this Manual by demonstrating leadership, receiving guidance and providing decisions as required.

2.2. EXECUTIVE DIRECTOR, FINANCIAL AND BUSINESS OPERATIONS DIRECTORATE/COMPTROLLER. The Executive Director, Financial and Business Operations Directorate/Comptroller (FB) will:

- a. Serve in a leadership role by facilitating and providing oversight for the development of all budgetary and fiscal matters and exercise overall responsibility for the Agency's financial accounts.
- b. Provide continuous reviews of obligations and expenditure rates of appropriated funds, including the consideration and review of reprogramming proposals; and as necessary, submit reports to the Secretary of Defense, Office of Management and Budget, and Treasury Department regarding the status of appropriations and apportionments.
- c. Provide expertise and oversight in the areas of accounting, financial statement preparation and analysis, and financial statement audits and exercise overall responsibility for the Agency's budget process and Financial Management system.
- d. Ensure the information contained in this Manual is accurate and reliable for business processes supporting the A2R module.
- e. Advise the Director, DCMA and Deputy Director, DCMA on financial issues.

2.3. CHIEF FINANCIAL OFFICER COMPLIANCE DIVISION DIRECTOR. The Chief Financial Officer Compliance Division Director will:

- a. Oversee the agency's activities to ensure compliance with federal and DoD regulations.
- b. The Director is responsible for determining the data and reporting requirements within the A2R process.

2.4. REPORTING AND ANALYSIS BRANCH DIRECTOR/SUPERVISOR. The Director/Supervisor will oversee and be responsible for reporting entity financial processes, financial reporting improvements, audit readiness and the agency's financial statements.

2.5. ACCOUNTABLE PROPERTY OFFICER. The Accountable Property Officer (APO) will:

- a. Provide overall accountability and reporting of all DCMA Automated Data Processing (ADP) Equipment, Internal Use Software (IUS), mission software, and test software regardless of category or location to the Agency Component Property Lead (CPL).
- b. Ensure that the recorded cost of an asset in DoD Property Accountability System includes all amounts captured on the receipt and acceptance documentation.
- c. Provide updates and information to the FB Accountant to ensure items are accurately reflected on the financial records.
- d. The Organizational APOs will create property system due-ins and manage lifecycle transactions of all ADP Equipment, IUS in their assigned accountability area or under their administrative control.
- e. Enter software and license information in the property accountability system. IT APO will run a monthly report to make sure that the software licenses are depreciating in the property system (IT Only.)

2.6. FACILITIES PROPERTY MANAGER. The Facilities Property Manager (FPM), who resides under DCMA Corporate Operations, will:

- a. Notify the APO in writing when Fixed Assets including leasehold improvements are projected to become DCMA property.
- b. Notify the APO within five days of receipt of items.

2.7. A2R PROPERTY CUSTODIAN. The A2R Property Custodian will:

- a. Establish and maintain accurate financial accountable property records.
- b. Review and correct DAI Capitalization.
- c. Record Asset Additions, Adjustments and Dispositions.

SECTION 3: DAI ROLE DESCRIPTIONS

3.1. ROLE DESCRIPTIONS. DAI has established roles created to support the A2R process area. These roles enable DCMA users to perform queries and activities identified in Table 1. DAI DCMA Roles.

Table 1. DAI DCMA Roles

DAI Role	Responsibility:	Provides Ability To:
Projects Budget All	DCMA FBB Budget Analyst	<ul style="list-style-type: none"> • Create and Maintain Projects and Tasks • Distribute Budgets • View Project Status, Capital Project Summary and Expenditures • Capitalize Project-Task
Project Capitalization All* *Similar to Project Budgets All responsibility without the budget access	DCMA FBL Accountant	<ul style="list-style-type: none"> • Create and Maintain Projects and Tasks • View Project Status, Capital Project Summary and Expenditures • Capitalize Project-Task
A2R Property Custodian	DCMA FBL Accountant	<ul style="list-style-type: none"> • Review and correct DAI Capitalization • Record Asset Additions, Adjustments and Dispositions
P2P Inquiry		<ul style="list-style-type: none"> • Query all types of P2P transactions (i.e., commitments, obligations, payments and invoices)
OBIEE Dashboards		Run and export OBIEE Dashboard reports

SECTION 4: BUSINESS PROCESSES

4.1. OVERVIEW. The A2R solution supports property acquisition and financial accountability processes associated with:

- Acquisition Property
- Determination of Capitalization Threshold
- Maintain Software and Development
- Work in Process Accounting
- Recording of Capitalization when property is placed in service
- Recording Depreciation or Amortization associated with Capitalized Property including IUS

4.2. PROPERTY ACCOUNTABILITY. A2R will provide functionality to achieve fully integrated and financial accounting capabilities for property. Properties, including IUS are critical to DCMA’s mission. It is important for DCMA to understand where property is located, how it is being utilized, and who is responsible for its financial reporting. Property management includes both physical and financial accountability and control of assets that are considered accountable property as well as those that are capitalized and included as assets on DCMA’s financial statements. In order to achieve an integrated property accountability process, DAI has designed and developed in cooperation with the DoD Property Accountability System Program Office, a series of interfaces that create a seamless integration between the property physical accountability system and the property financial accountability system DAI.

Table 2. Property Accountability

Step	Action	Transaction Description	DAI-DOD PROPERTY ACCOUNTABILITY SYSTEM Model
1	Project Budget Distribution	Sub-allotment	Projects
2	Procurement Request/Military Interdepartmental Purchase Request (MIPR)	Commitment	iProcurement
3	Contract/MIPR Acceptance	Obligation	Contract Lifecycle Management (CLM) Award
4	Receipt/Invoice	Expenditure / Construction in Progress (CIP) Cost Accrual	Wide Area Workflow (WAWF)/ Defense Cash Accountability System (DCAS) Interface to P2P & Projects
5	DAI Capitalization	Project CIP Clearing/Relieve CIP	Projects
6	Asset Receiving	Record Asset Cost/Valuation	Property Accountability System

Step	Action	Transaction Description	DAI-DOD PROPERTY ACCOUNTABILITY SYSTEM Model
7	Depreciation Calculation	Record Depreciation Expense /Accumulated Depreciation	Property Accountability System
8	Disposition	Disposal/Transfer-Out/Loss	Property Accountability System

4.3. PROPERTY, PLANT, AND EQUIPMEN. The acquisition costs for items classified as national defense (ND) Property, Plant and Equipment (PP&E) are expensed in the period in which it was incurred. Included in this classification are land, buildings, machinery, office equipment, vehicles, furniture and fixtures used in a business.

a. The IT or Facilities Requestor will begin the process by preparing a Purchase Requisition (PR) in DAI using the P2P module and attach required documentation.

(1) Before the Requestor enters the PR in DAI, they will perform a check to ensure sufficient funds are available for the purchase.

(2) The Requestor will submit the PR for approval through a workflow process.

(3) Within the property accountability system, the “Due In Record” will be created from the PR.

(4) Once the receiving of all equipment is completed in the system and DAI simultaneously, the capitalization process is initiated. The CIP will automatically take place in DAI and the expenses will be adjusted accordingly.

(5) Within the property accountability system, depreciation will be calculated and sent to DAI via an inbound interface.

(6) Asset additions will be posted from the property accountability system on a daily basis.

(7) Depreciation will be posted from the system on a monthly basis. While performing month end activities, CIP Clearing journal entries will be posted.

4.4. ACQUISITION OF PROPERTY PLANT AND EQUIPMENT. The DoD has an obligation to safeguard its property from theft, abuse, waste, and unauthorized use and otherwise oversee the property efficiently and effectively. DoD is liable for all property acquired, leased or otherwise acquired throughout the asset’s lifecycle: from initial acquisition and receipt; through accountability and custody by authorized means, as well as disposition; or all through a completed evaluation and investigation for lost, damaged, destroyed, or stolen property. There are four categories for PP&E:

a. Useful life of two years or more.

b. Not intended for sale.

c. Acquired or constructed for entities use.

d. Have an initial Acquisition Cost, book value or estimated fair market value that equals to or exceeds capitalization threshold (not to exceed \$250k per order for General Fund and Working Capital (WCF)); real property assets threshold of \$250k.

4.5. ACQUISITION OF PROPERTY VIA A LEASE. DCMA is authorized to acquire property via a lease. The Acquiring Organization in cooperation with the Procurement Center will evaluate whether it is more advantageous for DCMA to acquire property as a lease versus a purchase. Additionally, acquisitions will evaluate whether the lease meets the terms and conditions of a Capital Lease as prescribed in DoD 7000.14-R, “DoD Financial Management Regulations (FMRS),” Volume 4, Chapter 6, Paragraph 060206 and therefore will be capitalized or whether it does not and is classified an operating lease.

a. The acquiring organization completes a PR Funding document and a draft lease agreement and processes it following the DAI P2P Process which includes the appropriate funds approval/certification.

b. Acquisitions will evaluate the completeness of the acquisition package and upon receiving funds certification, enters into a lease agreement with the lessor.

c. For leases deemed Operating, the Acquisitions office essentially enters into a rental agreement with the lessor and agrees to make periodic payments to satisfy the lease.

d. For leases deemed Capital, the Acquisitions office essentially enters into a rental agreement as they do for an operating lease, but the accounting treatment is different. The property is received following the appropriate DCMA physical custody and control process.

e. After the acquiring organization receives confirmation that the property is received, they will process the appropriate financial receipt within WAWF. The WAWF invoice and receipt are interfaced into DAI through the Global Exchange (GEX) interface.

4.6. IT ACQUISITION OF IUS. IUS is critical to DCMA’s primary mission where a significant amount of systems support DCMA’s mission focused directorates.

a. DCMA IT Directorate is responsible for the acquisition of IUS. IUS includes application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program that is owned for operational or other internal use.

b. IUS has several unique accounting treatments. The primary activities include:

(1) Completion of the ‘in development’ activities and placing the software into use “Internal Use Software,” and

(2) Software in Development, a Work in Process (WIP).

c. IUS is recognized and capitalized if it has a useful life of two years or more and the cost of the software equals or exceeds the DoD capitalization threshold of \$250,000.

d. The capitalized cost of internally developed software must include the full cost (direct and indirect costs) incurred during the software development stage. Full cost includes the costs of 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.

e. Such costs should be limited to costs incurred after:

(1) Management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated service life of two years or more, and

(2) The completion of the conceptual formulation, design and testing of possible software project alternatives (the preliminary design stage).

f. Various activities must occur within FBL to facilitate the property accountability system to DAI integration and they must occur in a specific order to ensure accurate and complete processing of transactions between the accountability system and DAI. These activities are in addition to the P2P activities that will occur to record obligations/expenses to the appropriate Capital Projects for future capitalization.

4.7. DISPOSAL OF PROPERTY. The disposition of personal property within the Federal Government is assigned to the Administrator of General Services Administration (GSA) who in turn delegated responsibility for the disposition of DoD property to the Secretary of Defense. The Secretary of Defense has further delegated authority to manage the Defense Disposition Services to the DLA. DLA maintains full responsibility for managing the disposition of excess property for all of the DoD. All disposition of property for DCMA will be handled through DLA Defense Disposition Services.

a. This includes formal disposal, transfer of the property to another Federal agency and donation of computer equipment through the Computers for Learning (CFL) program. The only transfers of equipment that will not go through DLA will be that which is transferred within DCMA.

(1) This process is initiated by the APO who identifies items that are to be disposed.

(2) The APO updates the property accountability system with disposal code/information.

(3) The APO notifies DLA electronically of the disposal and coordinates the physical removal of the item.

(4) The APO will notify the FB Fixed Assets Accountant in FBL of disposed property and provide documentation to ensure items are accurately reflected on the financial records.

(5) The APO will remove property from the accountability system.

b. PP&E assets that have been identified for permanent removal from service must no longer be depreciated once the asset no longer contributes to the operation of the entity.

c. Depreciation/Amortization of PP&E assets will stop on the disposal date.

d. When PP&E is disposed, retired or removed, supporting documentation must be provided to the FB Fixed Assets Accountant.

e. Upon receipt, the FB Fixed Assets Accountant will verify the goods have been removed from DAI.

f. The next activity, involves the running of the A2R DPAS Accounting Transaction Inbound Interface which includes all newly placed in service asset items and the depreciation for these and previously placed in service asset items as well as assets whose status is updated to disposed (or turned into the DLA), transferred out to another Federal Agency, or donated under the Computer to Schools program. These are interfaced into DAI using the Project and Task combination assigned to the individual asset. This records the property in the DCMA GL property accounts or financial statement presentation.

SECTION 5: FINANCIAL ACCOUNTING PROCEDURES

5.1. ACCOUNTING FOR ACQUISITION OF PP&E.

a. The recorded cost or value must include the amount(s) paid to bring the property to its form and location suitable for its intended use and are identifiable and material to the value of the asset.

b. In addition to the amount paid to the vendor, additional ancillary costs that are identifiable must be included in the recorded cost. Examples include:

- (1) Amounts paid to vendors.
- (2) Transportation charges to the point of initial use.
- (3) Handling and storage costs.
- (4) Labor and other direct or indirect production costs (for assets produced or constructed).
- (5) Engineering, architectural and other outside services for designs, plans, specifications, and surveys.
- (6) Acquisition and preparation costs of buildings and other facilities.
- (7) An appropriate share of the cost of the equipment and facilities used in construction work.
- (8) Fixed equipment and related installation costs required for activities in a building or facility.
- (9) Direct costs of inspection, supervision and administration of construction contracts and construction work.
- (10) Legal and recording fees and damage claims.
- (11) Fair value of facilities and equipment donated to the Department.
- (12) Interest paid (not including late payment interest penalties).

5.2. ENHANCEMENTS.

a. The acquisition cost of enhancements to existing internal use software (and modules thereof) must be capitalized when such costs exceed the DoD capitalization threshold of \$250,000 and when it is more likely than not that such enhancements will result in significant additional capabilities.

b. The cost of minor enhancements resulting from ongoing systems maintenance must be expensed in the period incurred. Also, the purchase cost of enhanced versions of software for a nominal charge is properly expensed in the period incurred.

5.3. SOFTWARE ACQUISITION PHASES/WIP. See Table 3.

Table 3. Software Acquisition Phases/WIP

PRELIMINARY DESIGN PHASE	SOFTWARE DEVELOPMENT PHASE	POST-IMPLEMENTATION/ OPERATIONAL PHASE
EXPENSE COSTS	CAPITALIZE COSTS	EXPENSE COSTS
<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Determination of existence of needed technology • Conceptual formulation of alternatives • Evaluation and testing of alternatives • Final selection of alternatives 	<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Design of chosen path, including software configuration and software interfaces • Coding • Technical documentation • Development of user manuals • Installation on hardware • Testing, including parallel processing • Training development 	<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Data conversion (includes cleansing, deleting, and repackaging data) • Application maintenance • Implementation assistance (e.g., troubleshooting, system analysis, producing and printing users manuals desk procedures, and similar support to the project's customers)
<p>This phase includes all actions leading to source selection of a COTS or other commercial source. For internally developed software, this phase includes all actions prior to System Requirements Specification (SRS).</p>	<p>Software development starts after the Preliminary Design Phase and includes all development actions such as design, programming, and installation.</p>	<p>Post-implementation includes all operational testing and evaluation, as well as other functional testing conducted after technical acceptance and includes costs incurred to make customer ease of use changes.</p>
<p style="text-align: center;">PROGRAM MANAGEMENT</p> <p>The costs of program management and the Program Management Office (PMO) that may be incurred during each phase of software development or acquisition are indirect costs. PMO indirect costs shall be expensed or capitalized, depending on: 1) their materiality to overall cost of individual software development projects and 2) in which phase the costs were incurred.</p>		



5.4. FINANCIAL STATEMENT DISCLOSURE. DCMA's financial activity is reported in the financial statements of the DoD. Financial statement disclosures for PP&E include the following:

- a. The cost, accumulated depreciation and net book value.
- b. The estimated useful life.

c. The method of depreciation (straight-line).

5.5. CAPITAL PROJECT SERVICE TYPES (USSGL). See Table 4.

Table 4. Capital Project Service Types (USSGL).

 Capital Project Service Types 	
Service Type	CIP USSGL
CAP GENERAL EQUIPMENT	1720.020011
CIP BLDGS IMPROVEMT RENOVATION	1720.020011
CIP INTERNAL-USE SW IN DEV	1832.900011
CIP LAND IMPROVEMENTS	1720.020011
CIP OTHER FACILITIES	1720.020011
CIP OTHER PPE	1720.020011
WIP OP MATERIAL AND SUPPLIES	1516.900011

Construction In Progress USSGL Account will be default based on Service Types on Capital Task.

GLOSSARY

G.1. ACRONYMS.

A2R	Acquire To Retire
ADP	Automated Data Processing
APO	Accountable Property Officer
CA	Cost Accounting
CFL	Computers for Learning
CIP	Construction In Process
COTS	Commercial Off The Shelf
DAI	Defense Agencies Initiative
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DPAS	DoD Property Accountability System
FB	Financial and Business Operations Directorate
FBB	FB, Budget Division
FBL	FB, Chief Financial Officer Compliance Division
FPM	Facilities Property Manager
GEX	Global Exchange
GL	General Ledger
GSA	General Services Administration
IT	Information Technology
IUS	Internal Use Software
MIPR	Military Interdepartmental Purchase Request
OBIEE	Oracle Business Intelligence Enterprise Edition
P2P	Procure to Pay
PP&E	Property, Plant & Equipment
PR	Purchase Requisition
WAWF	Wide Area Workflow
WIP	Work In Progress

REFERENCES

- DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
DoD 7000.14-R, "DoD Financial Management Regulations (FMRS), Volume 4, Chapter 6,
"Property, Plant, and Equipment," June 2009