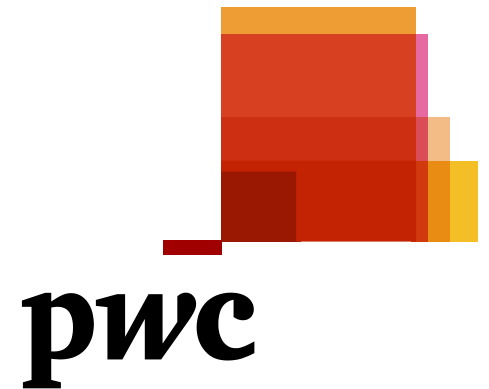


*Innovative Solutions
for
Real Property
Asset Accountability*



***A venture between the
U. S. Coast Guard
and
PricewaterhouseCoopers, LLC.***

***Ms. Margo Sheridan, CDFM
U. S. Coast Guard Comptroller***

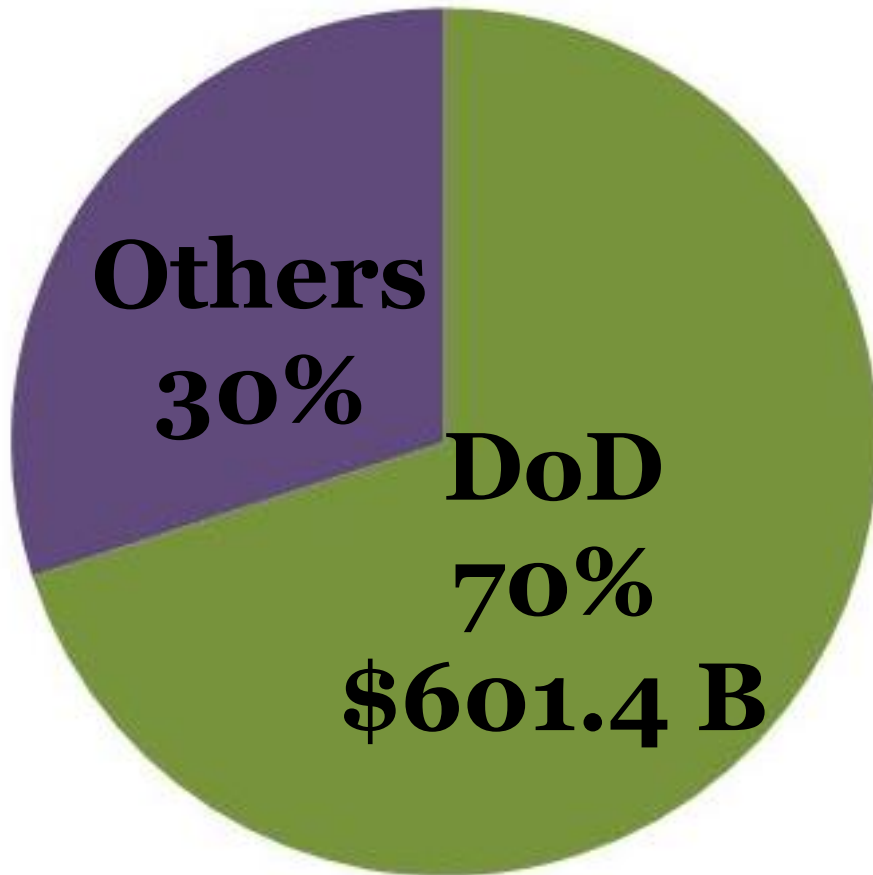
***Mr. G. Scott Hale
Director, PwC***



Framing Real Property

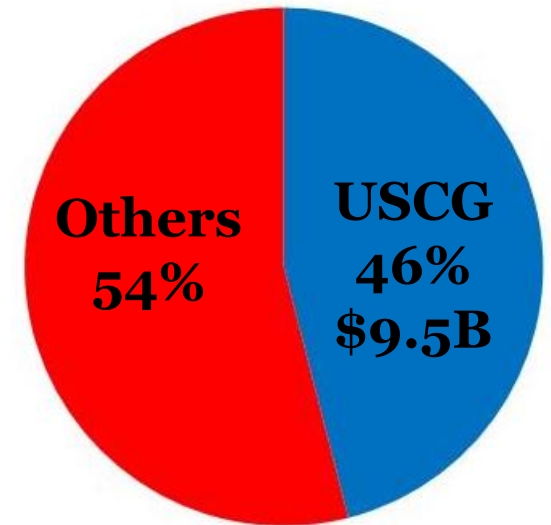
US Gov't GPPE

\$855.0 B

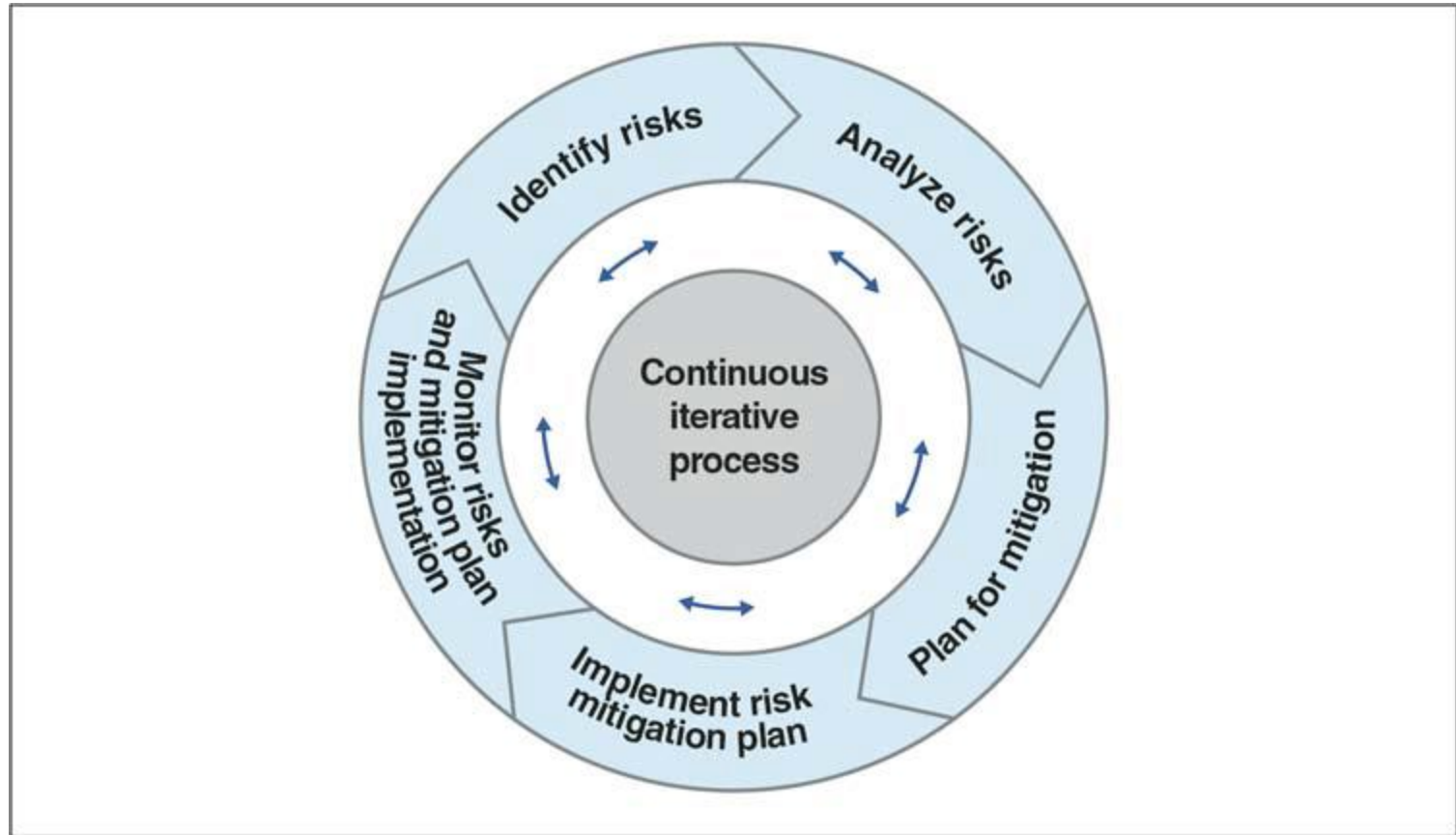


DHS GPPE

\$20.5 B



GAO Presentation of Risk Analysis



Source: GAO.

Financial Audit Assertions

Objectives of Internal Control over Financial Reporting

OMB Circular A-123

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting. Reliability of financial reporting means that management can reasonably make the following assertions:

1. All reported transactions actually occurred during the reporting period and all assets and liabilities exist as of the reporting date (**existence** and occurrence);
 2. All assets, liabilities, and transactions that should be reported have been included and no unauthorized transactions or balances are included (**completeness**);
 3. All assets are legally owned by the agency and all liabilities are legal obligations of the agency (**rights and obligations**);
 4. All assets and liabilities have been properly valued, and where applicable, all costs have been properly allocated (**valuation**);
 5. The financial report is presented in the proper form and any required disclosures are present (**presentation and disclosure**);
- The transactions are in compliance with applicable laws and regulations (compliance);
 - All assets have been safeguarded against fraud and abuse; and
 - Documentation for internal control, all transactions, and other significant events is readily available for examination.

Real Property Stratification

The Coast Guard identified specific segments of real property:

- Land
- Buildings
- Structures (streetlights, flag poles, towers, roads, parking lots, athletic fields)
- Construction in Progress
- Aids to Navigation (permanently affixed to land or to the seabed)
- Leases, including office/administrative space as well as family housing and representational facilities and flag officer residences
- Heritage assets
- Leasehold Improvements

Risk assessment application to prioritize work and assign responsibilities.

Common Federal Agency Real Property Issues

- Inability to account for all real property assets with certainty.
- Lack of processes and controls for real property adds & deletes.
- Inability to conduct inventory and reconciliations due to inaccuracies within the systems of record and subsidiary systems.
- Lack of supporting documentation.
- Lack of alternate valuation procedures.
- Lack of communication between Real Property Program and other relevant offices.



Coast Guard & PwC Real Property Strategy

- Identification & inventory of all real property assets.
- Develop alternate valuation procedures.
- Update financial system of record & subsidiary systems.
- Establish periodic inventory of real property assets.
- Transition to full sustainment with controls.
- Combining of assets into recognizable collections.



Coast Guard & PwC Real Property Strategy

Real Property Asset Accountability

Direction

Discover

Enroll

Value

Validate

**Define
Doctrine**

**Determine
Policy
Real Property
Policy Manual**

**Document
Procedures**

**Distinguish
Real Property
from Personal
Property**

**Automate
Reconciliation
of
Property
Databases**

**Enroll Assets
in
Independent
Database with
Specific Fields
Mandated by
the FRPC**

**Populate
Legacy
Databases**

**Cost
Methodology
In-Service Date
Index Value to
Date In Service**

**Determine Net
Book Value**

**Complete
Documentation**

**Initial
“Desktop”
Exercise**

**Full Inventory
of
Real Property
Assets**

Phase 1 - Direction



- Define Doctrine
- Determine Policy
- Promulgate the Real Property Policy Manual
- Document Procedures

Phase 2 - Discover



Discover

- Automated reconciliation process to reduce time necessary to complete a manual real property reconciliation.
- Real Property records were spread across disparate & uncoordinated databases.

Phase 2 - Discover

Use of Data Repository

- A repository database for all Asset Enrollment Templates and other relevant attachments.
- Standardized document that captures all required FRPC information for each asset.
- Managed the workflow as each asset transitioning thru the phases of the Real Property Asset Accountability system.

Phase 3 - Enroll



Enroll

- Asset Enrollment Templates provides FRPC required information (asset type, location, dimensions, and description) for enrollment into the Real Property databases.
- Used various geographic information system (GIS) tools to reconcile property records, enhancing proof of existence for world-wide assets.

Phase 4 - Value



Value

- Once the asset is identified and enrolled, the asset must have a value assigned to it using SFFAS 35 to develop alternate valuation and date-in-service methodologies for all real property .
- SFFAS 35 allows for an estimation of historical cost. May use budget or appropriations documentation, contract files or replacement cost deflated to date in service.
- As an estimate, a critical element was to validate assumptions used in the valuation model.

Phase 4 - Valuation Steps



Value

Step 1 - Select valuation method and determine current value

Step 2 - Establish Date In Service (DIS) Method

Step 3 - Index current value back to the established DIS

Step 4 – Determine gross book value & accumulated depreciation for capitalized assets

Step 5 - Complete valuation package with supporting documentation

Valuation Step 1

Alternate Valuation Methods

Statement of Federal Financial Accounting Standards (SFFAS) No. 35:

Estimating the Historical Cost of General Property, Plant, and Equipment

SFFAS 35 allows federal agencies to use reasonable estimates for valuing property when historical cost and date in service information is unavailable.

Alternate valuation methods differ depending on the asset type. The same method may not always have the necessary information available.

Valuation hierarchy should go from most reliable and easiest to obtain to least reliable and most difficult to obtain.

Valuation Step 1

Alternate Valuation Methods

Coast Guard determined the Valuation Method Hierarchy to be:

1. Like-item
2. Published Price List
3. Existing Construction Cost Estimate
4. Tax Assessment
5. Price Certification
6. Parametric Model
7. Plant Replacement Value (PRV)
8. Budgetary Estimates
9. Third-Party Appraisal



Valuation Step 2

Establish Date In Service

Coast Guard determined the Date In Service (DIS) method hierarchy to be:

1. Tax Assessor
2. Dedication Plaque
3. Cornerstone
4. Construction or Build Date in Legacy Database Systems
5. Earliest Site Plot or Asset Drawing
6. Earliest Maintenance Record of Asset
7. Other Third-Party
8. DIS from Major Asset on Site



Valuation Step 3

Index cost back to Date In Service

Once the asset has been alternatively valued, it will be necessary to index the estimated value back to the selected Date In Service.

- Select appropriate index
- CPI – Consumer Price Index
- ENR-BCI, ENR-CCI – Building and Construction cost indices
- The Base Year will be the year of the alternate valuation

Example

Real Property		
Land	Buildings	Structures
CPI	ENR-BCI	ENR-CCI

Valuation Step 4

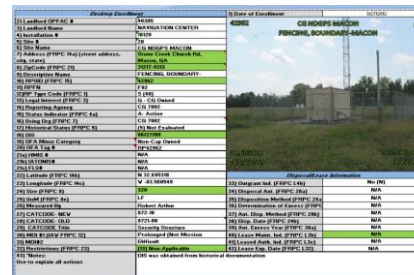
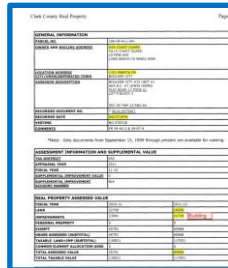
Determine Gross Cost & Accumulated Depreciation

- Once an initial Date In Service value has been fixed – the Gross Cost, it must be determined whether that asset should be capitalized or not.
- If the real property asset is capitalized, then all non-land assets must be depreciated based on a standard schedule.
- The calculated amount is the accumulated depreciation.



Valuation Step 5 Complete Valuation Package

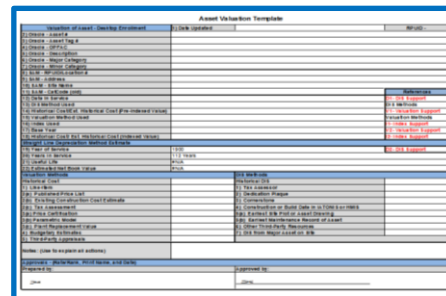
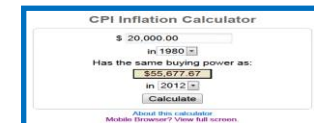
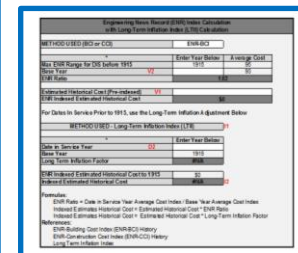
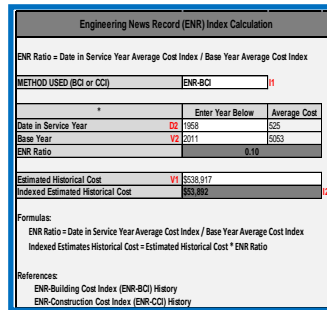
- Alternate Valuation Summary



- DIS Support

- Index Support

- Valuation Support



Phase 5 – Validation - Inventory

Validate

- A full inventory of remote real property assets is forthcoming.
- An initial "desktop" exercise has been constructed to overcome challenges of traditional "site-touch" requirements for remote assets.

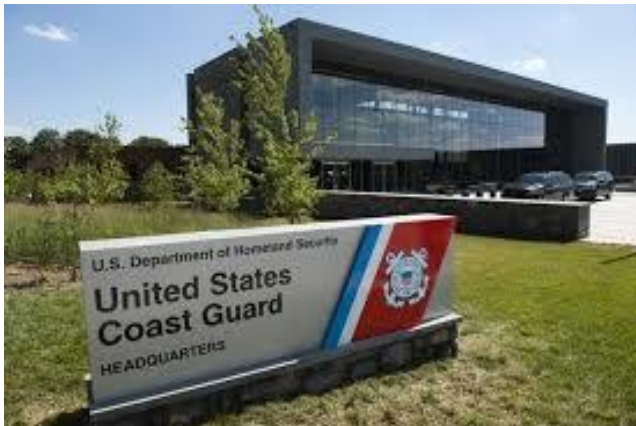


Phase 5 - Validation - Inventory

Validate

The **Real Property Asset Accountability** project establishes:

- A mature process for managing & accounting for a real property portfolio for financial reporting.
- A process for tracking & reporting real property assets against defined goals & objectives to facilitate management's decisions.
- A process for monitoring that internal controls perform as designed.



Questions?

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