

**CAPITALIZATION AND REPORTING OF
GENERAL PROPERTY, PLANT, AND EQUIPMENT**

1. REASON FOR ISSUE: This directive outlines coordinating instructions and timelines to ensure real property and other assets are properly accounted for, capitalized, and depreciated in the financial records.

2. SUMMARY OF CONTENTS: This directive:

a. Defines when Finance Service will capitalize assets, and provides instructions and the required form;

b. Establishes reporting responsibilities of the Finance Service;

c. Identifies information that Design & Construction Service must provide to Finance Service.

3. RESPONSIBLE OFFICE: National Cemetery Administration, Office of Finance and Planning, Finance Service, 810 Vermont Avenue, NW, Washington, DC 20420, is responsible for the contents of this directive. Questions may be referred to the Director, NCA Finance Service.

4. RELATED DIRECTIVES/HANDBOOKS: VA Financial Policy, Volume V, Chapter 9, General Property, Plant, and Equipment (May 2017).

5. RESCISSIONS: None.

6. RECERTIFICATION: This publication is scheduled for recertification on or before November 18, 2024.

/s/ Ronald E. Walters
Principal Deputy Under Secretary for Memorial Affairs

Distribution: Electronic

**CAPITALIZATION AND REPORTING OF
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1. PURPOSE/AUTHORITY:

a. The purpose of this directive is to define NCA roles and responsibilities to implement VA's policy on the capitalization of real property, which includes land acquisitions, improvements, and structures located thereon.

b. Sections 2406 and 2407 of title 38, United States Code (U.S.C.) authorize VA to acquire land and accept gifts, devises, or bequests from donors for the purpose of beautifying or benefitting national cemeteries that would require accounting under VA Financial Policy, General Property, Plant, and Equipment, Volume V, Chapter 9.

2. BACKGROUND:

a. This directive does not impose requirements on external NCA offices that are not otherwise required by VA financial policies. To the extent NCA action offices must be responsible for meeting their financial policy requirements they are referenced in this directive. The directive provides information about external NCA offices that assist NCA Finance Service in meeting the requirements of VA capitalization policies, which apply to all personnel who are involved with the acquisition of, or the accountability of real property. When necessary, NCA, Financial Accountability Division staff will notify NCA managers and executives for assistance in obtaining documentation from NCA and VA offices to ensure timely and accurate capitalization.

b. This directive does not include information regarding the responsibility to report monetary gifts, in-kind goods or services, personal property, commemorative works, standardized memorial monuments and memorial plaques, or carillons to the NCA Finance Service when accepted. Those requirements are included in NCA Directive 3160 and NCA Handbooks 3160.01 through 3160.03, respectively.

3. POLICY:

a. It is NCA policy that NCA will capitalize and record depreciation for each real property acquisition, construction, donation, transfer or upgrade, whether owned or leased, that meets the following capitalization criteria:

(1) Land, regardless of cost.

(2) Property, Plant, and Equipment when it:

(i) Has an estimated useful life of two years or more;

(ii) Has been acquired or constructed with the intention of being used or being available for use by VA;

(3) Has met the VA minimum acquisition cost or fair market value (FMV) thresholds of \$1 million on or after October 1, 2013; and

(4) Is not intended for sale in the ordinary course of VA operations.

b. NCA will record capitalization within the following timeframes:

(1) Acquired land: within 30 days of closing.

(2) Constructed assets: within 90 days of the date the asset is placed in service or the date on which NCA accepts custody of the asset.

4. RESPONSIBILITIES:

a. **Deputy Under Secretary for Finance and Planning (DUSFP)/Chief Financial Officer (CFO)** is responsible for NCA's compliance with the asset capitalization policies and procedures set forth in this directive and in VA financial policies.

b. **Deputy Under Secretary for Management** is responsible for ensuring the compliance of the NCA Design and Construction Service with the asset capitalization policies and procedures set forth in this directive and as required in VA financial policies.

c. **Director, NCA Finance Service** is responsible for developing NCA policy that implements requisite capitalization of NCA construction projects, property, plant, equipment, and other assets.

(1) Obtaining from CFM Office of Real Property the following information on NCA land projects, including land acquisitions, transfers, and donations.

(i) Monthly NCA Land Projects Report.

(ii) Monthly Work in Process (WIP) balances for NCA Land projects

(iii) Project status, project completions, partial completions, and/or changes in estimated project completion dates for oversight of WIP account balances.

(iv) Identification of land projects purchased, transferred, or donated for timely capitalization purposes.

(v) 60-day outlook reported in the Construction Review Board Meeting Agendas and Minutes for all upcoming NCA land acquisitions, transfers, and donations.

(vi) A copy of all closing documents issued for all land projects completed or substantial completions.

(vii) Capitalization form (see Appendix A) that reflects land acquisitions, transfers, and donations within 20 days of closing date.

(2) Capitalizing assets meeting the specified criteria within established timelines, noted above, per VA Financial Policy, Volume V, Chapter 9, General Property, Plant, and Equipment (May 2017).

(3) Reporting to NCA management on monthly construction scorecards to provide status updates on timely completion and submission of capitalization authorization forms and custody receipt or closing documents provided by the following office:

(i) VA Office of Construction and Facilities Management (CFM) for NCA major construction projects;

(ii) VA CFM, Office of Real Property (ORP), for NCA land projects including land acquisitions, transfers, and donations; and,

(iii) NCA Design and Construction Service (DCS) for NCA minor construction projects.

(4) Capitalizing property, plant, and equipment (PP&E), to include obtaining appropriate documentation from NCA and VA offices necessary to support each type of capitalization listed above.

(5) Recording of PP&E for the following types of assets.

(i) Acquired Real Property including, but not limited to, land and improvements, buildings, other structures, and construction work in process; and acquired personal property (e.g., equipment), appropriate for VA reporting.

(ii) Costs for the major classes of PP&E, to include associated accumulated depreciation (as represented in the associated contra asset account for the period), and book value.

(6) Obtaining from VA Office of Construction and Facilities Management (CFM) the following information for major construction projects:

(i) Monthly NCA Major Projects Report.

(ii) Monthly major construction project WIP balances.

(iii) Major construction project status, project completions, partial completions, and/or changes in estimated project completion dates for oversight of WIP account balances.

(iv) Identification of assets created and placed into service as a result of acquisition or construction for timely capitalization purposes.

(v) 60-day outlook reported in the Construction Review Board Meeting Agendas and Minutes for all upcoming major construction project completions, transfers, and acceptances.

(vi) A copy of all Custody Receipts issued for all major construction work completed or substantial completions.

(vii) Capitalization form (see Appendix A) that reflects completed major construction projects. For construction projects completed in multiple phases, transmit capitalization form within 60 days of placed in service or acceptance date for assets meeting the capitalization threshold.

d. NCA Design and Construction Service is responsible for providing NCA Finance Service with the following information:

(1) Monthly NCA Minor Projects Report.

(2) Monthly minor construction project Work in Process balances.

(3) Minor construction project status, project completions, partial completions, and/or changes in estimated project completion dates for oversight of WIP account balances.

(4) Identification of assets created and placed into service as a result of acquisition or construction for timely capitalization purposes.

(5) 60-day outlook reported in the Construction Review Board Meeting Agendas and Minutes for all upcoming minor construction project completions, transfers, and acceptances.

(6) A copy of all Custody Receipts issued for all minor construction work completed or substantial completions.

(7) Capitalization form (see Appendix A) that reflects completed minor construction projects. For construction projects completed in multiple phases, transmit capitalization form within 60 days of placed in service or acceptance date for assets meeting the capitalization threshold.

5. REFERENCES

a. VA Financial Policy, General Property, Plant, and Equipment, Volume V – Chapter 9, General Property, Plant, and Equipment (May 2017).

b. NCA Directive 3160, Gifts and Donations to VA National Cemeteries (December 14, 2018).

c. NCA Handbook 3160.01, Donations of Monetary or In-Kind Gifts or Items of Personal Property (December 14, 2018).

6. DEFINITIONS

a. Buildings: Permanent or temporary structures enclosed within exterior walls and a roof, and including all attached apparatus, equipment, and fixtures that cannot be removed without cutting into ceiling, floors, or walls.

b. Capitalize: To record in the financial accounting system an expenditure or contribution which may benefit a future period as an asset, rather than to treat the expenditure as an expense of the period in which it occurs. Capitalization recognizes the cost of acquiring a tangible resource as an asset, on the balance sheet, for more than one operating cycle.

c. Depreciation: An allocation process that matches the cost of a productive asset (that has a useful life of two years or more) to the revenues earned from using the asset. Depreciation systematically allocates or moves the asset's cost from the balance sheet to expense on the income statement over the asset's useful life.

d. Improvements: An enhancement, renovation, expansion, or reconstruction of an existing asset to improve operating performance which may or may not increase the useful life of the associated asset. Also used as a synonym for betterment. An improvement is distinguished from maintenance and repair, which merely keep an asset in an efficient operating state without expected added future benefits.

e. Land: The solid part of the surface of the earth distinguishable by boundaries or ownership; excludes natural or depletable resources related to land.

f. Major construction project: A construction, alteration, extension or improvement of any VA facility, including planning, architectural and engineering services, construction management services, maintenance or guarantee period services costs associated with equipment guarantees provided under the project, services of claims analysts, offsite utility and storm drainage system construction costs and site acquisition, where the estimated cost of the project is greater than \$20 million or where funds for a project were made available in a previous appropriation.

g. Minor construction project: A construction, alteration, extension, or improvement of any VA facility, including planning and assessments of needs which may lead to capital investments, architectural and engineering services, maintenance or guarantee period services costs associated with equipment guarantees provided under the project, services of claims analysts, offsite utility and storm drainage system construction costs and site acquisition, or for any of the purposes where the estimated cost of the project is \$20 million or less. A series of minor construction projects that exceed the statutory threshold may not be used in lieu of a single major construction project, since incremental-type construction violates the intent of Congressional appropriations.

h. General Property, Plant, and Equipment (PP&E): Tangible assets which (1) have an estimated useful life of two or more years, (2) are not intended for sale in the ordinary course of operations and (3) are intended to be used or available for use by the entity. PP&E includes land and land rights owned by the Federal Government acquired for or in connection with items of PP&E.

i. Property:

(1) Personal: Property other than real property, which is owned by VA, is moveable and not affixed or associated to land. Includes VA-owned expendable supplies and materials (Budget Object Code 20, Supplies and Materials) and other non-expendable controlled property (Budget Object Code 31, Equipment). Personal property excludes items such as military equipment, implements of war (e.g., weapons, vehicles, artillery, etc.), or ordnance, including donations featuring actual or realistic replicas of military equipment, implements of war, and ordnance, whether for use or display. Exceptions may be made for weapons incorporated in the Fallen Soldier displays, in accordance with NCA policy.

(2) Real: All land, buildings, facilities, or other structures (including constructed assets), and firmly attached and integrated equipment. Integrated equipment includes those items permanently installed or attached, and that have become part of a building or other structure for making the building habitable or useable.

APPENDIX A – NCA Capitalization Form Instructions and Sample Form**Capitalization Form Instructions**

NCA program managers must capitalize construction projects using the NCA Capitalization Form, which is located in Appendix G of VA Financial Chapter 9 and accessible using this link: <https://www.va.gov/finance/docs/VA-FinancialPolicyVolumeVChapter09.pdf>. Page A-2 of this Appendix includes a depiction of NCA's capitalization form with a sample segment completed using the instructions below.

Generated assets must be reported on each line of the spreadsheet by categories that may include the following: new assets, additions/improvements (also referenced as betterments), or asset removal. For a betterment or removal project, NCA program managers must first verify that the asset has been capitalized by checking the FA04 report (Fixed Assets Report) and then entering the FA (Fixed Asset) name and number in the spreadsheet.

For each type of asset, NCA program managers must complete the columns that relate the following information:

- STATION: Provide the Cemetery Station
- DESCRIPTION of ASSET: Itemize all assets that were generated from the project such as committal shelter, site excavation, columbarium, etc.
- BOC (Budget Object Codes for Real Property): Enter the applicable BOC for the asset (3210 Land, 3215 Improvements to Land, 3220 Buildings and Improvements 3240 Other Structures and Facilities)
- TOTAL COST: Enter total cost per asset (refer to detail tab in worksheet for obligations regarding project)
- BFY (Budget Fiscal Year): Enter budget fiscal year (refer to capitalization worksheet tab)
- DATE CAPITALIZED: Enter date when construction project was completed

SAMPLE CAPITALIZATION FORM

| | | Project Manager: | | | | | | | | | | | | | | | |
|--|---------------------------|------------------------------------|------------|------------------|--|------------------------------|--------------------------------|-----|-----|------|-----------------|-----------------|------------|----------|----------------|----------------|--|
| Capitalization Authorization: | | Sent to PM: | | | | | | | | | | | | | | | |
| Cemetery: | | Date received the CAP from PM : | | | | | | | | | | | | | | | |
| Project Name: | | Custody Receipt (CR) Date : | | | | | | | | | | | | | | | |
| Project Number: | | Date received the CR from PM : | | | | | | | | | | | | | | | |
| | | Date capitalized the project : | | | | | | | | | | | | | | | |
| | | Capitalization status: | | | | | | | | | | | | | | | |
| NEW ASSETS | | To be completed by Project Manager | | | | | To be completed by NCA Finance | | | | | | | | | | |
| Station | DESCRIPTION OF ASSET | BOC | TOTAL COST | BFY | Date Completed | Assigned FA NUMBER | Assigned FA NAME | FA | A O | BFY | FUND | Funding Project | ASSET CODE | FA Group | FA LOC | ESTIMATED LIFE | |
| | | | | | | | | | | | | | | | | | |
| Total New Assets | | | \$0.00 | | | | | | | | | | | | | | |
| BETTERMENTS to EXISTING ASSETS: | | To be completed by Project Manager | | | | | To be completed by NCA Finance | | | | | | | | | | |
| Station | DESCRIPTION OF ASSET | BOC | TOTAL COST | Date Completed | FA NUMBER of Existing Asset from FA04 RSD Report | FA NAME from FA04 RSD Report | ASSET CODE | A O | BFY | FUND | Funding Project | ASSET CODE | FA Group | FA LOC | ESTIMATED LIFE | | |
| | | | | | | | | | | | | | | | | | |
| Total Cost of Betterments | | | \$0.00 | | | | | | | | | | | | | | |
| SUB-TOTAL | | | | | | | | | | | | | | | | | |
| ASSETS TO BE REMOVED: (Assets that were demolished or rebuilt to the point where they no longer are the same asset - i.e. a former storage building that is now a computer lab) | | | | | | | | | | | | | | | | | |
| | | To be completed by Project Manager | | | | | To be completed by NCA Finance | | | | | | | | | | |
| Station | DESCRIPTION OF ASSET | BOC | TOTAL COST | DATE CAPITALIZED | FA NUMBER of Existing Asset from FA04 RSD Report | FA NAME from FA04 RSD Report | ASSET CODE | A O | BFY | FUND | Funding Project | ASSET CODE | FA Group | FA LOC | ESTIMATED LIFE | | |
| | | | | | | | | 40 | | | | | | | | | |
| | | | \$0.00 | | | | | | | | | | | | | | |
| HAZARDOUS WASTE and HISTORICAL ASSET REPAIR: Clean up cost for Hazardous Waste AND any costs associated with work on Historical Assets | | | | | | | | | | | | | | | | | |
| | | To be completed by Project Manager | | | | | To be completed by NCA Finance | | | | | | | | | | |
| Station | DESCRIPTION OF Work/Asset | BOC | TOTAL COST | DATE Expensed | | | | A O | BFY | FUND | Funding Project | ASSET CODE | FA Group | FA LOC | ESTIMATED LIFE | | |
| | | | | | | | | 40 | | | | | | | | | |
| | | | \$0.00 | | | | | | | | | | | | | | |
| Notes And Reconciliation with WIP to be completed by NCA Finance | | | | | | | | | | | | | | | | | |
| WIP | Project | BFY | FUND | Amount | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| WIP Total | | | | \$ | - | | | | | | | | | | | | |

EXAMPLE OF COMPLETED CAPITALIZATION OF NEW ASSETS

| NEW ASSETS | | To be completed by Project Manager | | | |
|------------|---|------------------------------------|----------------|-----|------------------|
| Station | DESCRIPTION OF ASSET | BOC | TOTAL COST | BFY | DATE CAPITALIZED |
| 839 | Committal Shelter | 3240 | \$1,200,000.00 | 19 | 10/19/2018 |
| 839 | Site excavation | 3215 | \$1,108,638.00 | 19 | 10/19/2018 |
| 839 | Grading | 3215 | \$1,125,000.00 | 19 | 10/19/2018 |
| 839 | Furnishing & installing water & electrical service & sanitary sewer | 3215 | \$1,618,061.42 | 19 | 10/19/2018 |
| 839 | Relocation of over-head electric line | 3240 | \$1,150,000.00 | 19 | 10/19/2018 |
| 839 | New burial monuments | 3240 | \$2,050,000.00 | 19 | 10/19/2018 |
| 839 | Restroom | 3220 | \$2,030,000.00 | 19 | 10/19/2018 |
| 839 | Maint Building | 3220 | \$1,931,923.00 | 19 | 10/19/2018 |