

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

1. REASON FOR ISSUE: This issuance updates National Cemetery Administration (NCA) policy and guidance for capitalization and reporting of NCA real property and other assets.

2. SUMMARY OF CHANGES:

a. Defines NCA's adherence to VA Financial Policy, Volume V, Chapter 9 (latest version) to eliminate \$20M threshold references for major and minor construction projects;

b. Defines how NCA land will be accounted for; and

c. Establishes responsibilities for the Design and Construction Service.

3. RESPONSIBLE OFFICE: National Cemetery Administration, Office of Finance and Planning, Finance Service (42C), 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 PUBLICATIONS:

a. VA Financial Policy, Volume V, Chapter 9, General Property, Plant, and Equipment.

b. NCA Directive 3160, Gifts and Donations to VA National Cemeteries.

c. NCA Handbook 3160.01, Donations of Monetary or In-Kind Gifts or Items of Personal Property.

d. NCA Handbook 3160.02, Processing Donations of Standardized Memorial Monuments, Plaques, Benches and Trees; Fallen Soldier Displays.

e. NCA Handbook 3160.03, Processing Donations of Non-Standardized Commemorative Works and Carillons.

5. RESCISSIONS: This issuance supersedes NCA Directive 4001, Capitalization and Reporting of General Property, Plant, and Equipment (November 18, 2019).

6. RECERTIFICATION: This directive is scheduled for recertification not later than five (5) years from the date of issuance.

/s/

Ronald E. Walters

Acting Under Secretary for Memorial Affairs

Distribution: Electronic Only

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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. NCA will adhere to VA Financial Policy Volume V, Chapter 9—General Property, Plant and Equipment to capitalize and record depreciation for general property, plant, and equipment (PP&E), whether owned or leased. Note: NCA will follow VA Financial Policy Volume V, Chapter 9 guidance to ensure application of current and accurate information as it relates to the capitalization limit for major construction projects.

b. NCA land will be accounted for in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) 59, issued July 30, 2021, as described in VA Financial Policy Volume V, Chapter 9—General Property, Plant and Equipment (paragraph 090511).

(1) For fiscal years 2022 through 2025, VA will follow required disclosures in the Required Supplementary section of the U.S. Department of Veterans Affairs Fiscal Year 2023 Agency Financial Report.

(2) Beginning in fiscal year 2026 and beyond, VA will remove general PP&E and land from the balance sheet and recognize on the statement of net cost for the period in which the cost is incurred.

(3) Beginning in fiscal year 2026 general PP&E land, permanent land rights, and stewardship PP&E will be expensed and not capitalized.

c. In accordance with VA financial policy, NCA will capitalize PP&E when it:

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

(2) 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, as applicable; and

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

d. NCA will record capitalization within the timeframes required by VA financial policy with the following additional requirements:

(1) Acquired land will be capitalized within 30 days of closing.

(2) Constructed assets will be capitalized as soon as possible but not later than 90 days, after the date the asset is placed in service or the date NCA accepts custody of the asset. All such assets must be capitalized within the same fiscal year as the asset was placed in service.

4. RESPONSIBILITIES.

a. Deputy Under Secretary for Finance and Planning (DUSFP)/Chief Financial Officer (CFO) is responsible for NCA 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:

(1) Developing NCA policy that implements requisite capitalization of NCA minor construction projects, property, plant, equipment, and other assets.

Note: Major construction projects are managed by the VA Office of Construction and Facilities Management (CFM) and the VA Financial Service Center (FSC) (not under NCA Finance Service).

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

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

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

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

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

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

(5) 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.

(6) 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.

d. NCA Design and Construction Service is responsible for:

(1) Leading a monthly meeting with NCA Finance to discuss all open and recently closed minor project completions, partial completions, and/or changes in estimated project completion dates for oversight of Work in Process (WIP) account balances.

(2) Reviewing monthly minor construction project WIP balances provided by NCA Finance Service.

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

(4) Providing the following items to NCA Finance Service:

(i) A 90-day outlook reported in the Construction Review Board meeting agendas and minutes for all upcoming minor construction project completions, transfers, and acceptances. This meeting is held quarterly with the districts.

(ii) A copy of all custody receipts issued for all minor construction work completed or substantial completions Custody receipt must be provided to NCA Finance within 60 days of date placed in service.

(iii) Updated capitalization form (see Appendix A) that reflects completed minor construction projects. For construction projects completed in multiple phases, transmit capitalization form within 45 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 (March 26, 2024).

b. U.S. Department of Veterans Affairs Fiscal Year 2023 Agency Financial Report.

c. OMB Circular A-136, Financial Reporting Requirements-Revised (August 10, 2021).

d. Statement of Federal Financial Accounting Standards (SFFAS):

(i) SFFAS 6, Accounting for Property, Plant and Equipment (November 30, 1995).

(ii) SFFAS 59, Accounting and Reporting of Government Land (July 30, 2021).

6. DEFINITIONS: The following definitions are a subset of those provided in VA Financial Policy Volume V, Chapter 9-General Property, Plant and Equipment, and are repeated here for convenient reference.

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. 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.

e. 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.

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

g. 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 the threshold established by law. Note: NCA will follow VA Financial Policy Volume V, Chapter 9 guidance to ensure application of current and accurate information as it relates to the capitalization limit for major construction projects.

h. 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 less than the threshold established by law. 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. Note: NCA will follow VA Financial Policy Volume V, Chapter 9 guidance to ensure application of current and accurate information as it relates to the capitalization limit for minor construction projects.

i. Personal Property: Property other than real property, which is owned by VA, is moveable and not affixed or associated to land. Personal property Includes VA-owned expendable (Budget Object Code 26, Supplies and Materials) and other non-expendable controlled property (Budget Object Code 31, Equipment).

j. Real Property: All land, buildings, facilities, or other structures, firmly attached, and integrated equipment owned by VA. Integrated equipment includes those items permanently installed or attached, and that have become part of the building or structure for the purpose of making the building habitable or useable.

APPENDIX A – NCA Capitalization Form Instructions and Sample Form

NCA program managers must capitalize construction projects using the NCA Capitalization Form (VA Financial Policy Volume V, Chapter 09, Appendix H). VA Financial policy documents are available here: <https://department.va.gov/financial-policy-documents/>.

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) to include future payments and retainage/holdback funds
- **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

Capitalization Authorization:			Project Manager:														
Cemetery:			Sent to PM:														
Project Name:			Date received the CAP from PM :														
Project Number:			Custody Receipt (CR) Date :														
			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	A SSET CODE	A O	BFY	FUND	Funding Project	ASSET CODE	FA Group	FA LOC	ESTIMATED LIFE		
Total Cost of Betterments			\$0.00														
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	A SSET 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 overhead 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