

QUICK GUIDE

Proper Use of Budget Object Codes for Personal Property Effective FY 2006



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Budget Object Codes

The Office of Management and Budget (OMB) publishes the major budget object categories in OMB Circular A-11, *Preparing, Submitting, and Executing the Budget*. These categories establish a framework to record financial obligations and expenditures according to the nature of the services provided or received.

This guide addresses specific, personal property object class codes used by the Department of Agriculture (USDA). Accounting by object classes identifies obligations and expenditures by the nature of services or articles procured, such as equipment. For the purpose of this guide, object classes are further divided between capital expenditures (purchases of significant dollar amounts that benefit future fiscal periods) and operating expenses (expenditures benefiting the current fiscal period).

Foundation Financial Information System (FFIS) is USDA's Budget Execution and Accounting System. Detailed sub-object class codes are established in the Budget Object Code Table (BOCT) within FFIS. In general, this table is jointly updated by the agencies and the Office of the Chief Financial Officer (OCFO) and has the capability of accepting agency-specific codes. The sub-object class codes, hereinafter referred to as budget object codes (BOC)s, are appropriately assigned to all purchases in order to identify the use of resources.

USDA's property management and accounting functions share common information through linkages between PROP and the general ledger (FFIS) system. Based on the BOC, appropriate transactional records will be created in these systems for accountable and capitalized property. Improper use of the BOC will distort the Department's asset and expense accounts in both the property and accounting systems.

Selecting the Appropriate BOC

Personal Property may be categorized as capitalized, non-capitalized, accountable, or non-accountable. The categories consist of equipment, furniture and fixtures, motor vehicles, aircraft, hardware, software, and other assets of a durable nature. Capitalized items are procured through the feeder systems and updated to FFIS. The FFIS-PROP interface selects the appropriate data based on BOC from the FFIS general journals and creates a file to update PROP. As a general rule, all transactions assigned a 3100 series object class code, except for object class code 3140, will be updated to PROP. Most importantly, agency personnel are responsible for assigning the correct BOC to reduce the likelihood of overstating or understating values and depreciation in PROP and FFIS.

Capitalized property must meet the following criteria:

- ❑ It must be of durable nature,
- ❑ It must have a useful life of two or more years once it is placed into service, and
- ❑ Its initial acquisition cost must be **\$25,000 or more**, or **\$100,000 or more** for internal use software.

The capitalized amount includes the initial installation cost when the installation is performed under contract. The capitalized amount excludes materials used in a conversion process during construction or manufacturing, or materials that form only a minor part of the equipment or fixed property.

Non-Capitalized property must meet the following criteria:

- ❑ It must be of durable nature,
- ❑ It must have a useful life of two or more years once it is placed into service, and
- ❑ Its initial acquisition cost must be **less than \$25,000**, or **less than \$100,000** or more for internal use software.

Accountable personal property is all leased personal property regardless of acquisition cost, and all owned personal property having an acquisition cost of \$5,000 or more. **Accountable property is also any item valued less than \$5,000 and determined to be sensitive by the agency Property Management Officer.** Internal Use Software will be addressed in a separate document.

Non-Accountable personal property is any item valued less than \$5,000 and not determined to be sensitive by the agency Property Management Officer.

Personal property can be capitalized and accountable; non-capitalized and accountable (which includes sensitive property); or non-capitalized and non-accountable using the above criteria.

Feeder systems capture and send capitalized or accountable personal property, which includes sensitive personal property data, to FFIS based on the BOCs used in the procurement documents. Items identified as non-accountable and non-capitalized will not be captured by the FFIS-PROP interface.

FFIS captures the asset value of personal property items directly entered into FFIS as well as through interfaces with PRCH, FEDS, and PCMS. This information is passed to PROP through the FFIS-PROP interface. FFIS captures the accounting impact of depreciation, modifications, transfers and dispositions of personal property items through the PROP-FFIS interface.

Most Commonly Used BOCs for Personal Property

Use this list as the first source of identifying the types of equipment covered under
Object Class Code 3100

Major Description	EQUIPMENT
CAPITALIZED/ACCOUNTABLE BOCs	
Use this table when the acquisition cost is >=\$25,000	
3110	Machinery & Equipment (Other) - Capitalized Exclude items in BOCs 3111-3118
3111	Motor Vehicles & WCF Fleet Equipment (Excludes aircraft) – Capitalized
3112	Furniture & Fixtures - Capitalized
3113	Aircraft - Capitalized
3114	Cooperative project assets
3115	Attaché Furniture & Fixtures – Capitalized. (FAS use only) Includes property held overseas with a cost of \$25,000 or more.
3117	Deactivated
3118	Telecommunications Equipment – Capitalized. Includes routers, PBXs, switches, bridges, firewalls, gateways, satellites, microwaves, video conferencing equipment, and antennae.
3119	Deactivated
3120	Machinery & Equipment – Capitalized
3121	Agricultural – Capitalized
3122	Laboratory - Capitalized
3123	Radio Communications – Capitalized. Includes base stations, repeaters, receivers, antennae, dispatch and control systems.
3124	IT Hardware (Except Personal Computers) - Capitalized. Includes Central Processing Units (CPUs), peripheral input/output devices, control units, data storage devices (Direct Access Storage Devices (DASD), tape access, optical storage), servers, and workstations.
3125	Office machines and reproduction machinery and equipment. Include government owned equipment. Do not include equipment leased by the Government.
3126, 3127	Deactivated
3128	Snow Telemetry Equipment – Capitalized
3129	Engineering Equipment – Capitalized
3130	Miscellaneous Motor Equipment – Capitalized
3165	IT Hardware (Personal Computers) – Capitalized. Includes all personal computing devices such as: personal computers, laptops, personal digital assistance, etc.
3166	WCF Hardware (Forest Service Only)
NON-CAPITALIZED/ACCOUNTABLE BOCs	
Use this table when the acquisition cost is \$5,000 - \$24,999	
3150	Equipment (Other) – Accountable, Non-Capitalized. Exclude items in BOCs 3151 – 3157. *NOTE: BOC 3152 has an initial acquisition cost of \$5,000 - \$99,999.
3151	Machinery & Equipment – Accountable, Non-Capitalized
3153	IT Hardware – Accountable, Non-Capitalized. Includes Central Processing Units (CPUs), peripheral input/output devices, control units, data entry machines, PCs, laptops, data storage devices (Direct Access Storage Devices (DASD), tape access, optical storage), servers, monitors, and workstations. PDA not included.
3154	Furniture & Fixtures – Accountable, Non-Capitalized
3155	Motor Vehicles – Accountable, Non-Capitalized
3156	Telecommunications Equipment – Accountable, Non-Capitalized. Includes routers, PBXs, LAN Hubs, switches, bridges, firewalls, gateways, satellites, microwaves, video conferencing equipment, telephone sets, and codecs.
3157	Attaché Furniture & Fixtures – Accountable, Non-Capitalized. (FAS use only) . Includes property held overseas with a cost of \$0 - \$24,999.
3158	Equipment-in-Progress. Includes cost of direct labor, direct materials, and overhead incurred in the construction of general property, plant, and equipment (except information technology) for which the agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item.
NON-CAPITALIZED (ACCOUNTABLE & NON-ACCOUNTABLE) BOCs	
Use this table when the acquisition cost is \$0 - \$4,999	
3140	Non-accountable, Non-Sensitive, Non-Capitalized Property (Personal property deemed <u>not</u> sensitive w/an initial acquisition cost of less than \$5,000)
3141	Accountable/Sensitive Property (Personal property determined sensitive by the agency Property

	Management Officer and valued less than \$5,000 in PROP)
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Most Commonly Used BOCs for Personal Property

Use this list as the first source of identifying the types of equipment covered under
Object Class Code 3100

Major Description	SOFTWARE
CAPITALIZED/ACCOUNTABLE BOCs	
Use this table when the acquisition cost is >=\$100,000	
3116	IT Software - Capitalized (Except Personal Computers). Includes internal-use software (1) purchased off-the-shelf, (2) contractor-developed software, or (3) internally developed software.
3160	IT Software - Capitalized (Personal Computers). Includes internal-use software (1) purchased off-the-shelf, (2) contractor-developed software, or (3) internally developed software.
<i>3161</i>	WCF Software (Forest Service Only)
<i>3167</i>	Deactivated
3180	FFIS Internal Developed Software (NFC Only)
NON-CAPITALIZED/ACCOUNTABLE BOC	
Use this table when the acquisition cost is \$5,000 - \$99,999	
3152	IT Software – Accountable, Non-Capitalized. Includes internal-use software (1) purchased off-the-shelf, (2) contractor-developed software, or (3) internally developed software.
NON-CAPITALIZED (ACCOUNTABLE & NON-ACCOUNTABLE) BOCs	
Use this table when the acquisition cost is \$0 - \$4,999	
3140	Non-accountable, Non-Sensitive, Non-Capitalized Property (Personal property deemed <u>not</u> sensitive w/an initial acquisition cost of less than \$5,000)
<i>3141</i>	Accountable/Sensitive Property (Personal property determined sensitive by the agency Property Management Officer and valued less than \$5,000 in PROP)

Here are some common scenarios impacting PROP and FFIS

Scenario	Use of BOC	Threshold (>\$25,000)	Effect on		Corrective Actions
			FFIS	PROP	
Printer purchase of \$26,447 Selects BOC 3124	Correct	Yes	Printer amount is correctly stated. Asset is recorded and depreciation expense will be generated.	Printer amount is correctly stated. Asset is recorded and depreciation expense will be generated.	No further action required.
Printer purchase of \$23,770 Selects BOC 3125 *The correct BOC is 3150	Incorrect	No	Assets are overstated and expenses are understated by \$23,770. Depreciation expense will be incorrectly recorded as a result of the underlying asset. Based on threshold amount, an expense rather than an asset should have been recorded.	Assets are overstated and expenses are understated by \$23,770. PROP will generate depreciation, which will overstate depreciation expense.	Recheck dollar amounts and BOC. If the dollar amount is correct, and BOC is wrong, after an item is updated in PROP, change BOC to a non-capitalized one. If BOC is correct and dollar amount is wrong, after the item has been updated to the PROP system, modify the acquisition amount to reflect the correct figure.
Desk purchase of \$23,770 Selects BOC 3154	Correct	No	No effect on assets because it did not meet the capitalization threshold. No depreciation will be generated. An expense is properly recorded.	No effect on assets because it did not meet the capitalization threshold. No depreciation will be generated.	No further action required.
Desk purchase of \$26,447 Selects BOC 3141 *The correct BOC is 3112	Incorrect	Yes	Assets are understated by \$26,447 because the wrong BOC was used. No depreciation will be generated. Current period expenses are overstated.	Assets are understated by \$26,447 because the wrong BOC was used. No depreciation will be generated. Current period expenses are overstated.	Recheck dollar amounts and use of BOC. If the dollar amount is correct, and BOC is wrong, change BOC to a capitalized BOC after the item has been updated in PROP. If BOC is correct and dollar amount is wrong, update the cost in PROP after the item has been added to the system.

Changing a:

Capitalized BOC to
Non-capitalized BOC

Net Results

Takes \$\$\$ out of the asset account and adds \$\$\$ to the expense account in PROP which updates the general ledger. The items will remain in the PROP system if the BOC is in the 3100 BOC series (other than 3140).

Non-capitalized BOC to
Capitalized BOC

Puts \$\$\$ in the asset account, automatically generates depreciation, and takes \$\$\$ out of the expense account in PROP which updates the general ledger. If the BOC was in the 3100 BOC series (other than 3140), it remains in PROP.