

## QUICK GUIDE

### Proper Use of Budget Object Codes for Personal Property Effective FY 2004



**Prepared by:**  
**The Department of Agriculture**  
**Office of the Chief Financial Officer**  
**Washington, DC**  
**Revised: March 2004**

## 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

<b>Major Description</b>		<b>EQUIPMENT</b>	
<b>CAPITALIZED/ACCOUNTABLE BOCs</b>			
<b>Use this table when the acquisition cost is &gt;=\$25,000</b>			
<b>3110</b>		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	<b>Cooperative project assets</b>	
	3115	Attaché Furniture & Fixtures – Capitalized. <b>(FAS use only)</b> Includes property held overseas with a cost of \$25,000 or more.	
	3117	<b>Deactivated</b>	
	3118	Telecommunications Equipment – Capitalized. Includes routers, PBXs, switches, bridges, firewalls, gateways, satellites, microwaves, video conferencing equipment, and antennae.	
	3119	<b>Deactivated</b>	
<b>3120</b>		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	<b>Deactivated</b>	
	3128	Snow Telemetry Equipment – Capitalized	
	3129	Engineering Equipment – Capitalized	
<b>3130</b>		Miscellaneous Motor Equipment – Capitalized	
<b>3165</b>		IT Hardware (Personal Computers) – Capitalized. Includes all personal computing devices such as: personal computers, laptops, personal digital assistance, etc.	
	3166	WCF Hardware <b>(Forest Service Only)</b>	
<b>NON-CAPITALIZED/ACCOUNTABLE BOCs</b>			
<b>Use this table when the acquisition cost is \$5,000 - \$24,999</b>			
<b>3150</b>		Equipment (Other) – Accountable, Non-Capitalized. Exclude items in BOCs 3151 – 3157. <b>*NOTE: BOC 3152 has an initial acquisition cost of \$5,000 - \$99,999.</b>	
	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. <b>(FAS use only)</b> . Includes property held overseas with a cost of \$0 - \$24,999.	
<b>NON-CAPITALIZED (ACCOUNTABLE &amp; NON-ACCOUNTABLE) BOCs</b>			
<b>Use this table when the acquisition cost is \$0 - \$4,999</b>			
<b>3140</b>		<b>Non-accountable, Non-Sensitive, Non-Capitalized Property (Personal property deemed <u>not</u> sensitive w/an initial acquisition cost of less than \$5,000)</b>	
	3141	<b>Accountable/Sensitive Property (Personal property determined sensitive by the agency Property Management Officer and valued less than \$5,000 in PROP)</b>	

**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

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

## 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  <b>*The correct BOC is 3150</b>	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 <b>non-capitalized</b> 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  <b>*The correct BOC is 3112</b>	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.