U.S. Immigration and Customs Enforcement

Chapter 3: Financial Management and Accounting

Section 3.1 – Property, Plant and Equipment

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Introduction

This policy establishes general principles, standards, and procedures to ensure compliance with statutory requirements for the U.S. Immigration and Customs Enforcement (ICE) Property, Plant and Equipment (PP&E), to include real property, construction-in-progress, personal property, heritage assets and stewardship land.

The policy provides accounting and financial management policy for bulk purchases, deferred maintenance and repairs, leases, and internal use software. This policy also describes financial controls over the acquisition, use, and retirement of property and provides guidelines for distinguishing between charges to capital accounts and charges to expense accounts consistent with the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS).

The following policy promotes effective internal control over ICE owned PP&E, to include the proper stewardship of assets and the prevention of waste, fraud, and abuse.

This policy shall remain in effect until superseded.

Responsibilities

The **ICE Chief Financial Officer (CFO)** establishes, oversees, and updates all financial management activities including, but not limited to, policy development, budget formulation, asset and facilities management, and internal controls consistent with the mission and strategic goals of the Department of Homeland Security (DHS).

The **ICE Office of Financial Management (OFM)** establishes internal controls over financial reporting to ensure proper preparation and fair presentation of financial statements that are free from material misstatement. Effective internal controls also prevent, deter, and detect fraud and ensure compliance with laws and regulations.

The **ICE Office of Assets and Facilities Management (OAFM)** establishes ICE property management systems, automation, and policies while exercising compliance oversight for ICE property, such as audits, evaluations, and recording of the asset. Additionally, OAFM represents ICE with its relationship with federal and non-federal entities with the acquiring of leased space, the design and construction of capital projects, and conducting quality assurance on data stored in the ICE property management systems.

The **ICE Office of the Chief Information Officer (OCIO)** ensures internal use software is properly captured in ICE property management systems and provides asset cost information to OFM for recording and reporting in the financial system.

Policy

The PP&E is defined as tangible assets that have an estimated useful life of two or more years, are not intended for sale in the ordinary course of business and are intended to be used and available for use by the entity. This policy contains accounting and reporting guidance for the two PP&E categories identified for ICE: general PP&E and stewardship PP&E.

This policy applies to capitalization thresholds for ICE assets acquired on or after October 1, 2020. ICE assets acquired prior to October 1, 2020, will continue to be depreciated based on the policy in effect all the time acquired until fully depreciated or removed from service.

1. General Property, Plant and Equipment (PP&E)

General PP&E is any property, plant and equipment used in providing goods or services. All ICE PP&E will be categorized as general PP&E except for heritage assets and stewardship land.

When ICE acquires a general PP&E asset, the purchase cost, and other costs necessary to bring the asset to an operable condition may be capitalized individually or as a bulk purchase if the capitalization criteria are met.

General PP&E acquisition costs are expensed in the period incurred if the general PP&E acquisition costs, including other costs necessary to bring the asset to an operable condition, do not equal or exceed the ICE capitalization threshold.

In the absence of cost information, reasonable estimates of original historical cost may be used to value the asset based on a comparison of similar assets at the time of acquisition, current cost of similar assets discounted for inflation since the time of acquisition, or other reasonable methods.

Most ICE property is either destroyed at the end of its life for security reasons, retired. or transferred to other federal agencies (e.g., DOD), and has no estimable salvage value at the time of acquisition. The salvage value realized by components upon disposition of the property is usually immaterial and incidental in nature.

All general PP&E assets acquired by ICE must be recognized for accountability and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization and depreciation or amortization) and the reporting of capitalized amounts and accumulated depreciation or amortization on ICE's financial statements.

PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity. Constructed PP&E shall be recorded as construction in process (CIP) when it is placed in service, at which time the balance shall be transferred to general PP&E.

If the general PP&E was found and is beyond the period of depreciation, the asset should not be recognized on the general ledger. If the general PP&E found would have substantially depreciated or amortized had it been recorded upon acquisition, ICE will weigh materiality and cost-benefit in considering either recording only improvements made during the period beyond the initial expected useful life of general PP&E or through making an aggregate entry for whole classes of PP&E (e.g., entire facilities rather than a building-by-building estimate) (SFFAS 6, par.42). OAFM and OCIO will provide a monthly report to validate statuses to OFM for facility-type, personal, and Internal Use Software property.

1-1. Real Property

Real property includes land and improvements to land, buildings, structures, and facilities, including improvements and additions thereto, and utility systems. Real property also includes equipment affixed and built into the facility (appurtenances) as an integral part of the facility (e.g., heating systems), but not moveable equipment (such as plant equipment).

a. *Valuation of real property.* Real property (including capital improvements) PP&E will be recorded at original acquisition cost and other costs necessary to bring the asset to a form and location suitable for its intended use. If the acquisition costs, including other costs necessary to bring the asset to an operable condition, do not equal or exceed the ICE capitalization threshold, the costs are expensed in the period incurred.

b. *Capitalization of real property.* Real property assets or capital improvements to an asset are capitalized at the time they are placed in service. This event is defined as the date on which the facility or improvement to a facility is available for use by ICE. ICE Assets that are capitalized will satisfy the following:

    1) All land is capitalized regardless of value

    2) All non-land real property that meets the capitalization threshold of $500,000 is capitalized

    3) Additions, improvements, alterations, rehabilitation, or replacements made to capitalized real property that meet or exceed the capitalization threshold and:

a) Extend the useful life of the original asset by two or more years or

b) Significantly enhance, enlarge, or improve capacity or mission capability of the original asset shall be capitalized and depreciated according to the useful life of the improvement. The improvement will be added to the depreciation value (net book value) of the original asset and depreciated over the adjusted estimated remaining life of the asset. (See Appendix C for more information)

c. *Groups of real property*. If an asset, as originally installed, is part of a group of individual assets, each of which could be standalone as a functional asset, it is subject to the capitalization criteria. For example, a parking lot or stand-alone parking garage may be part of a group of structures making up an office complex. However, it can be standalone as a functional asset (e.g., the parking lot or garage can be used even if the office building is closed). Therefore, it would be subject to capitalization if it meets the capitalization threshold on its own.

If an asset, as originally installed, is part of a group of assets that function only as part of the whole, the asset in total is treated as a single real property asset subject to capitalization criteria. For example, an elevator installed in an office building cannot standalone. Once installed, it is part of the office building. In this case, the entire office building as a whole, including the total acquisition cost of the elevator, is subject to capitalization.

d. *Real property constructed assets.* The cost to construct the asset is recorded as construction-in-progress (CIP) until the asset is placed in service, at which time the construction-in-progress balance is capitalized as the appropriate real property. See sub-section 1-2 *Construction-in-Progress* for the policy procedures.

e. *Leasehold improvements.* The useful life of improvements on a federal building leased from the General Services Administration (GSA) must not exceed the expected period of occupancy of the building. The useful life of improvements on leased non-federal buildings cannot exceed the lease term.

f. *Improvements to real property.* Any improvements made to capitalized real property that meet or exceed the capitalization threshold and extend the useful life of the original asset, or significantly enhance, enlarge, or improve capacity or mission capability of the original asset are capitalized and depreciated according to the remaining useful life of the original asset. If the improvement extends the useful life of the original asset, then the remaining balance of the original asset will be depreciated over its adjusted useful life. Treat all changes to useful life prospectively, with no prior period adjustments to be made in the financial statements.

g. *Depreciation of real property.* All capitalized ICE real property, except land and land improvements that produce permanent benefits, will be depreciated over its remaining useful life using the straight-line method. Components will use consistent and reasonable judgment in determining useful lives of their assets. The acceptable ranges for ICE useful lives are as follows:

1) Improvements to land: 2-50 years.

2) Buildings, other structures, and facilities: 10-50 years.

3) Installed Equipment: 5-30 years.

4) Leasehold improvements: 2-50 years, but not longer than the expected lease term.

1-2. Construction-in-Progress

Construction-in-progress (CIP) is a current asset account used to accumulate the costs of construction projects of capital assets. Included in this category is equipment that is installed as an integral part of the real property and that normally cannot be removed without dismantling the property.

The CIP includes costs incurred in the construction of property for which ICE will be accountable, including direct labor, direct material, overhead, and other costs incurred during construction. CIP is a temporary classification of assets under construction. These assets can include real property, personal property, and multi-use heritage assets.

a. *Valuation of CIP*. Constructed PP&E will be recorded as CIP until it is placed in service, at which time the balance will be transferred to General PP&E and the asset will begin depreciating.

1) The costs to be recorded and capitalized include but are not limited to:

a) Amounts paid to vendors.

b) Transportation charges to the point of initial use

c) Handling and storage costs

d) Direct costs of inspection, supervision and administration of construction contracts and construction work

e) Indirect costs of general administrative services, general research and technical support, rent, equipment, utilities, operating and maintenance costs for buildings

f) Labor and other direct or indirect production costs (for assets produced or constructed)

g) Engineering, architectural and other outside services for designs, plans, specifications, and surveys

h) Acquisition and preparation costs

i) Percentage-of-completion:

An appropriate share of the cost of the equipment and facilities used in the construction work. An appropriate share can be determined using various methodologies, including but not limited to percentage of use and period of use.

The percentage-of-completion method must be used, and the asset amount must be calculated based on the costs of the goods and services acquired to date to fulfill the contract in relationship to the estimated total cost under the contract.

If the time period and estimated total cost are uncertain, CIP recognition should be deferred until a firm basis can be established to assign cost. Goods and services made (or produced) to order include such projects as building construction and ship repair, where costs are incurred over a period of time to provide a particular good or service to a specific customer according to characteristics determined by contract.

j) Fixed equipment and related installation costs required for activities in a building or facility.

k) Legal and recording fees and damage claims.

l) Fair value of facilities and equipment donated to the government.

m) Material amounts of interest costs paid.

2) When a construction project is deemed unsuccessful, cancelled or the capitalization threshold is not met, all associated costs held in a CIP account will be expensed in the period in which it is deemed unsuccessful, cancelled, or completed and placed in service without meeting the capitalization threshold. Associated costs will be expensed less the cost of any equipment that can be reutilized.

3) For PP&E acquired by a contractor on behalf of the agency (i.e., ICE will ultimately hold title to the PP&E), PP&E will be recognized when

title passes or upon delivery (delivery or constructive delivery will be defined based on the terms of the contract), whether to the contractor for use in performing contract services or to the agency.

4) ICE will maintain documentation to support all cost methodologies and cost allocations used.

b. *Reconciliation of construction projects.* The construction projects recorded in the CIP accounting records will be periodically reconciled with construction project records maintained by OAFM.

c. *Reporting*. The costs of construction projects will be captured, tracked, and reported to provide accountability and traceability. The account balances for completed construction projects will be transferred from CIP to General PP&E when construction is completed or when the asset is placed in service.

1-3. Personal Property

Personal property is any property that is movable and is not fixed permanently to a particular location, except real property. Personal property includes equipment, machine tools, test equipment, vehicles, aircraft, and watercraft. Personal property also includes temporary improvements to land such as trailers, garages, modular buildings, and generators. Also, non-consumable goods (e.g., expensive electronics) purchased for official use that meet or exceed the dollar threshold for reporting to an inventory control system.

a. *Valuation of personal property*. Personal property PP&E will be recorded at original acquisition cost. Cost will include all costs incurred to bring the asset to a form and location suitable for its intended use, including but not limited to, payments to vendors, freight, handling and storage, design, engineering, construction, initial training materials, and installation. If the acquisition costs, including other costs necessary to bring the asset to an operable condition, do not equal or exceed the ICE capitalization threshold, the costs are expensed in the period incurred.

   Exceptions to recording personal property at original acquisition cost are:

   1) Interagency transfers, which are booked at net book value.

   2) Items retained from forfeiture, which are booked at appraised or fair market value

b. Capitalization *of personal property;* All acquired ICE personal property meeting the capitalization threshold of $500,000 is capitalized in the Sunflower Asset Management System (SAMS).

If the personal property purchase fails to meet the capitalization threshold individually but is part of a group of purchases of similar assets in the same acquisition contract, it may be eligible for capitalization as a bulk purchase. Bulk purchases will be capitalized when the following criteria are met:

1) The PP&E purchased are like-kind assets, and therefore have similar purpose or utility.

2) The acquisition is on a single obligation or funding document.

3) The PP&E have similar useful lives.

4) The individual items cost less than the capitalization threshold but meet or exceed the bulk purchase capitalization threshold in aggregate ($2 million)

When the four criteria are met, the assets may be grouped and capitalized on the financial statements. However, the thresholds discussed above are not applicable for instances in which adopting them would cause a material misstatement of the financial statements of the entity when taken on a standalone basis, or when the adoption of this policy would cause the entity to be noncompliant with generally accepted accounting principles.

According to SFFAS 6, any improvement (improvements include additions, uplifts, alterations, and replacements) made to a capital asset that meets or exceeds the capitalization threshold and extends the useful life of the original asset, or significantly enhances, enlarges, or improves capacity or mission capability of the original asset will be capitalized and depreciated. Significant enhancement, enlargement or improvement is defined as any change or addition which meets all three criteria:

1) More than trivial (5% of base asset value)

2) Permanently affixed (i.e., not easily removable, or transferrable to another asset)

3) Expected to last for the remaining useful life of the base asset
The improvement will be added to the depreciated value (net book value) of the original asset and depreciated over the adjusted estimated remaining life of the asset. For example:

    1) A $500,000 improvement to a vehicle that extends the useful life of the vehicle by 5 years will be capitalized and added to the book value of the asset. The improvement and asset combined will be depreciated over the remaining useful life plus 5 years, since the

improvement extends useful life.

2) A $500,000 improvement to a machine that significantly improves capacity will be capitalized and added to the book value of the asset. The improvement and asset combined will be depreciated over the remaining useful life of the aircraft, no useful life adjustments are needed because the improvement does not extend the useful life of the original asset.

   If the improvement is not added to the depreciated value (net book value) of the original asset and does not extend the useful life of the original asset, the improvement will be capitalized and depreciated according to the useful life of the improvement.

   Adjustments may be determined by OFM based on recommendations from OAFM.

Certified Under Cover (CUC) Assets; ICE may acquire personal property with certified undercover funds for direct use in certified undercover operations. Property that is acquired with certified undercover funds for use by ICE for undercover operations is not recorded in the asset management system to retain its covert nature. Undercover funds are tracked separately and provided to OFM on a quarterly basis for financial reporting.

At the conclusion of the undercover investigation or operation, the assets are "liquidated" which means they are removed from their covert existence. It is at this time that the assets are transferred out of their covert status and are entered into the asset management system. In the opinion of ICE's Office of the Principle Legal Advisor (OPLA), strict adherence to the ICE Undercover Operations Handbook and statutes 19 U.S.C. § 2081 and 8 U.S.C. § 1363a permits certain assets, acquired under a covert status, to be delayed in meeting the requirements for entry into the asset management system.

1-4. Internal Use Software

Internal use software includes application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program that is used for operational or other internal use. Internal use software does not include software embedded in equipment, nor does it use software used in special test equipment. Internal use software is software that is:

a. Purchased from commercial off-the-shelf (COTS) vendors or ready for use.

b. Developed by employees of ICE, including new software and existing or purchased software that is modified with or without a contractor's assistance.

c. Contractor-developed software that ICE paid a contractor to design, program, install and implement, including new software and the modification of existing or purchased software.

d. Used for acquisition, finance, logistics, personnel, or other business-related systems.

1-4.1 Recognition and Measurement of Internal Use Software

Internal Use Software is recognized and capitalized if it has a useful life of two years or more, provides a significant increase in functionality that is visible to the user (in the case of enhancements) and the cost of the software or enhancement equals or exceeds the ICE capitalization threshold for internal use software. Software enhancements with significant additional capabilities are defined as major or minor releases. An upgrade is not necessarily a capital improvement. If an enhancement modernizes an operating system, it is normally expensed since the user does not see significant increase in functionality. As development work accumulates, the costs will be entered into an internal use software-in-development account.

1-4.2 Capitalization of Internal Use Software

Capitalize internal use software when:

a) The software cost meets the capitalization criteria either individually or as a bulk purchase and has an estimated useful life of two or more years.

b) It is not intended for sale in the ordinary course of operations, and

c) It is intended to be used or available for use by ICE.

The same threshold applies to software enhancements. Capitalized cost includes the full cost (direct cost and indirect cost) incurred during the software development phase. The cost of minor enhancements resulting from ongoing systems maintenance or break/fix releases should be expensed in the period incurred. Also, the purchase of enhanced versions of software for a nominal charge should be expensed in the period incurred. Costs incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities should be expensed.

Internal use software bulk purchases will be capitalized when an acquisition is made and meets the capitalization threshold and useful life threshold of two or more years. All of the following are required for a purchase to be considered a bulk purchase:

a) All items must be like-kind, on a single obligation, and have similar useful lives.

b) The similar items individually must cost less than the threshold for capitalization.

c) The total monetary value of the one-time acquisition of those items is $2,000,000 or more.

Capitalize material internal costs incurred to implement COTS or contractor-developed software. OFM will capitalize and amortize internal use software, the same as other property, plant, and equipment, beginning when the software becomes subject to capitalization by meeting the capitalization criteria.

The following table is provided to help determine which internal use software costs to capitalize and/or expense:

Capitalize	Expense
Commercial off-the-shelf, contractor-developed, and internally developed software to operate programs, produce goods and provide services.	Costs incurred during the preliminary design and post-implementation/ operational phases.
Costs incurred during the software development phase.	Costs incurred solely to repair a design flaw or perform minor upgrades that may extend the useful life without adding capability is expensed.
Software that has an estimated useful life of two or more years, is not intended for sale in the ordinary course of operations, and is intended to be used or available for use by ICE.	Ongoing systems maintenance.

1-4.3 Expensing of Internal Use Software

Expense internal use software as follows:

d) Expense costs incurred during the preliminary design and post-implementation/operational phases. Appropriate direct and indirect costs incurred during the software development phase must be capitalized into work in progress if it is expected that the total project costs to be incurred will exceed the capitalization threshold.

e) When the software project is completed and placed into service, the project costs will be transferred from work in process and recorded into the appropriate software balance sheet account and amortized consistent with the Amortization section, below.

f) Expense costs incurred solely to repair a design flaw or perform minor upgrades that may extend the useful life without adding capability.

g) Expense ongoing systems maintenance in the period incurred.

h) Expense data conversion costs incurred for internally developed, contractor developed, or commercial-off-the-shelf (COTS) software. Include the cost to develop or obtain software that allows for access or conversion of existing data to the new software.

i) When it is more likely than not that a developmental software project will not be completed and placed into service, no further costs should be capitalized and any costs that have been capitalized should be written off.

j) Document procedures for estimating all development costs, both direct and indirect, and determining if the costs are within the dollar threshold for capitalization. Supporting documentation for the cost estimates must be maintained.

1-4.4 Software License

Software licenses can cover periods ranging from the entire estimated service life of the software (a "perpetual" license) to annual or more frequent periods. Bulk purchases of software license agreements should be capitalized when the total cost of the licenses meets the $2 million dollar threshold, and the duration of the license agreement is equal to or greater than two years.

License costs will be capitalized when the value of all license fee payments is equal to or greater than the materiality threshold and the license has an estimated useful life (i.e., license agreement duration) of 2 years or more. One- or two-year licenses should be expensed. The capitalized costs for COTS or licensed software will include amounts paid to the vendor for the new software and the documentation manuals. Material indirect costs (e.g., labor) incurred to implement and/or make the COTS software ready for use will be capitalized.

1-4.5 Integrated Software

Computer software that is integrated into and necessary to operate general PP&E, rather than perform an application, should be considered part of the PP&E of which it is an integral part and capitalized and depreciated accordingly (e.g., airport radar and computer-operated lathes). The aggregate cost of the hardware and software should be used to determine whether to capitalize or expense the costs.

1-4.6 Bundled Products and Services

The ICE agency may purchase software as part of a package of products and services (e.g., training, maintenance, data conversion, reengineering, site licenses and rights to future upgrades and enhancements). ICE allocates the capitalizable and non-capitalizable cost of the package among individual elements based on a reasonable estimate of their relative fair values. Costs that are not susceptible to allocation between maintenance and relatively minor enhancements should be expensed.

1-4.7 Amortization of Software

The OFM division will amortize capitalized software over its established useful life. The useful life of software is normally no more than five years. However, the estimated useful life must be consistent with the estimated useful life used for planning the software acquisition. When it is determined that software is to be replaced due to new technology, the useful life initially established must be reduced to the remaining period of use. The unamortized cost of the old software will be expensed when the new software has successfully completed testing. Likewise, when an enhancement is made that extends the life of the software; the established life must be extended for amortizing the remaining costs.

The ICE agency will begin amortizing the software after final acceptance testing. If the use of a module is dependent upon completion of another module(s), the amortization begins when all modules have successfully completed acceptance testing.

1-5. Transfer of Property

This subsection discusses the transfer of property from other Federal Entities.

a. The cost of general PP&E transferred from other Federal Entities shall be the cost recorded by the transferring entity for the PP&E net of accumulated depreciation or amortization.

    1) The amount of the asset is recorded at book value of the transferring entity as of the transfer date plus all associated costs. If the receiving entity cannot reasonably ascertain those amounts, the cost of the property is its fair market value at the time of transfer. Both Federal entities should record the transfer in the same accounting period for the same amount.

b. ICE transfers will follow SFFAS and the TFM USSGL.

    1) The transferring office will obtain a memo/statement from their applicable legal counsel explaining that they have the statutory

authority to perform the transfer prior to its execution. A copy of the documentation will be maintained by both the transferring and receiving agencies.

2) The capitalized threshold of the agency that initially acquired the asset will still apply to the asset if it is transferred to ICE. If an asset was capitalized by the transferring agency, ICE will record the cost of the in-service capitalized property at the net book value of the transferring agency. The transferring agency is responsible for providing the cost data and related accounting treatment to ICE. Note: If the asset does not meet the transferring agency's capitalization threshold, the fully expensed asset should not be capitalized even if it meets the ICE capitalization threshold.

3) Transfers between agencies with reimbursements for the value of the property are recorded at the amount of reimbursement to the transferor plus all associated incidental costs.

4) For instances where the transferring agency buys/acquires assets and transfers them to ICE without using them, the transferring agency must provide support that they have the authority to acquire assets for ICE and that the transfer of the asset is not augmenting the receiving the agency's budgetary authority.

1-6. Exchanged and Borrowed Property with Non-Federal Entities

Exchanged or borrowed property with non-federal entities is recorded at the fair market value of the asset surrendered at the time of exchange.

If the fair market value of the real property acquired is more readily determinable than that of the property surrendered, the cost is the fair market value of the asset acquired. If the fair market value cannot be determined, the cost of the asset acquired is the cost recorded for the property surrendered, net of any accumulated depreciation.

Exchanges apply only to transactions between ICE and a nonfederal entity. Exchanges within the Department or with other federal agencies are accounted for as transfers.

Any difference between the net recorded amount of the property surrendered and the cost of the property acquired is recognized as a gain or a loss.

In the event that cash consideration is included in the exchange, the cost of property acquired is increased or decreased by the amount of cash consideration surrendered or received.

Borrowed property is not recorded on the ICE's financial records. Loaned property without transfer of title remains an ICE asset.

1-7. Donation, Devise, and Judicial Process Property

The cost of general PP&E acquired through donation, devise (a will or a clause of a will disposing of property), or judicial process will be recorded at the estimated fair value at the time acquired by ICE.

a. Real Property will be recorded at appraised fair value in the appropriate property management system. This will include all other costs incurred by the government related to bringing the donated property to a form and location suitable for its intended use. Real property is subject to the management and controls established by this policy.

b. Personal property will be recorded at estimated fair market value in the property management system as a capital asset, operating material and supplies, or inventory item. This would include all other costs incurred by ICE related to bringing the donated property to a form and location suitable for its intended use. Personal property is subject to the management and controls established by this policy.

1-8. Seized & Forfeited Property

Seized property includes monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of ICE. In some instances, there may be as many as three government entities involved with seized property. The first is the seizing agency, the second is the custodial agency, and the third is the agency responsible for maintaining the Treasury Forfeiture Fund central fund. The central fund, the Treasury Forfeiture Fund (TFF), supports the seizure activities of multiple agencies including ICE, and maintains the financial records.

ICE is designated as the seizing agency and is responsible for coordinating and conducting asset seizures and turning the seized property over to the custodial agency. U. S. Custom and Border and Protection (CBP) is designated as the custodial agency and is responsible for all property management and accounting activities related to seized assets. CBP has a Memorandum of Understanding (MOU) with the TFF that states CBP and TFF agree to a working relationship for accounting services and contract oversight for each fiscal year.
Seized property is either categorized as either prohibited or non-prohibited. Prohibited property refers to items for which no private right of ownership is recognized under U.S. law, or of which mere private possession is prohibited under U.S law. Non-prohibited seized property as well as monetary instruments will be transferred to the Department of TFF. Prohibited property is retained and ultimately destroyed by DHS and is not transferred to the Department of TFF or

other Federal agencies.

Seized property is not considered an asset of ICE, but ICE has a stewardship responsibility until the disposition of the seized items is determined (i.e., judicially, or administratively) to be forfeited or returned to the entity from which it was seized. Seized property other than monetary instruments would not be recognized as an ICE asset since it is not owned by the government. However, the market value of seized property is disclosed in notes to the financial statements in accordance with SFFAS 3, Accounting for Inventory and Related Property. This recognizes that the entity CBP has a fiduciary responsibility for the property.

Seized assets may be subsequently forfeited to the government through abandonment or administrative or judicial procedures. The forfeited property is then sold, converted for use by the government, or transferred to other governmental entities. When a determination is made that property will be placed into official use, transferred to another federal government agency, distributed to a state or local law enforcement agency, or distributed to a foreign government, and not held for sale, CBP will reclassify the property as forfeited property held for donation or use. If forfeited property is transferred to ICE, the asset should be recorded at its fair value less an allowance for any liens or claims from a third party.

Once transferred to ICE, if the property is used for non-undercover operations it is recorded in the ICE asset management system. Forfeited assets transferred to ICE and used for undercover operations are treated as stated in section 1-3.

1-9. Depreciation

All capitalized ICE property (real and personal), except land, will be depreciated over its remaining useful life using the straight-line method ***(Note: if acquired after the 15th calendar day of the month and before the 1st calendar day of the next month half-month convention will be used)*** with no salvage value. ICE estimates its salvage (or residual) value for all assets at zero dollars ($0). Any realized salvage value is recorded as a recognized gain on disposal. ICE will use consistent and reasonable judgment in determining useful lives of their assets.

Under the straight-line depreciation method, the depreciation expense for each period is determined by dividing the depreciable amount (full cost) of the asset over the estimated useful life. The straight-line method ignores fluctuations in usage and economic condition. The net book value is therefore dependent upon time rather than utilization.

Although assets are generally depreciated over the course of their useful life, the depreciation period for any asset under a capital lease should equal that of the lease term not to exceed the period of that asset's useful life. If the lease term is greater than the useful life, the asset should be depreciated over that asset's useful life.

When a purchase is capitalized as a bulk purchase, the depreciation is calculated using the weighted average place in-service date of all assets received in the order. All accumulated depreciation previously recorded for the PP&E is reversed once it is aggregated into a singular asset and an adjusting entry is made to record the depreciation of the new bulk purchase. The depreciation expense and related accumulated depreciation for the bulk purchase is calculated using the straight-line depreciation method, similar to the method used for all ICE personal and real property (except land).

1-10. Impairment

1-10.1 Impairment of Tangible Assets

Impairment is defined as a significant and permanent decline in the service utility of a general PP&E or expected service utility for construction work-in-process. ICE generally holds general PP&E of the services they provide or will provide in the future; consequently, impairments affect the service utility of the general PP&E. That is, at the time the general PP&E was acquired, the event or change in circumstance would not have been (a) expected to occur during the useful life of the general PP&E or, (b) if expected, sufficiently predictable to be considered in estimating its useful life. The events or changes in circumstances that lead to impairment are not considered normal and ordinary.

Impairment losses should be recognized only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and the measure of impairment loss is the difference between the carrying amount and fair market value of the asset. ICE must continue to classify long-lived assets it plans to dispose of by some method other than by sale (e.g., exchange) as held and used until it actually gets rid of them. A long-lived asset that will be abandoned is considered disposed of when the agency stops using it. Long-lived assets to be disposed of by sale will be measured at the lower of their carrying amount or fair market value less costs of sale and will cease to be depreciated.

Beginning in fiscal year (FY) 2015, in addition to the requirements above, recognition of impairment losses is dependent upon a two-step process that entails (a) identifying potential impairments and (b) testing for impairment as specified in SFFAS No. 44, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use.

a. Identifying indicators of potential impairments are not conclusive evidence that a measurable or reportable impairment exists. ICE carefully considers the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

1) Evidence of physical damage.

2) Enactment or approval of laws or regulations which limit or restrict general PP&E usage.

3) Changes in environmental or economic factors.

4) Technology changes or evidence of obsolescence.

5) Changes in the manner or duration of use of general PP&E.

6) Construction stoppage or contract termination.

7) General PP&E idled or unserviceable for excessively long periods.

Other identifying indicators of potential impairments include significant events or changes in circumstances and asset management reviews. However, reduced demand should not be considered a discrete or sole indicator of impairment.

b. Testing for impairment includes a determination whether two factors are present as shown below:

1) The magnitude of the decline in service utility (usable capacity that at acquisition was expected to be used to provide service) is significant. The costs are now disproportionate to the new expected service utility.

2) The decline in service utility is expected to be permanent. The decline is considered permanent when management has no reasonable expectation that the lost service utility will be replaced or restored.

For CIP, the testing of impairment should be performed over the period of expected future service utility rather than current service utility. Impaired general PP&E, which is not expected to provide service, should be accounted for, and reported in accordance with SFFAS No. 6, Accounting for Property, Plant, and Equipment.

1-10.2 Impairment of Internal Use Software

a. ICE will recognize impairment of internal use software which should be recognized and measured when one of the following occurs and is related to post-implementation of operational software (or a module thereof):

1) The software is no longer expected to provide substantive service potential and will be removed from service, or

2) A significant reduction occurs in the capabilities, functions, or uses of the software (or a module thereof).

b. If the impaired software is to remain in use (i.e., partial impairment), the loss due to impairment should be measured as the difference between book value and either:

1) The cost to cost to acquire software that would perform similar remaining functions (i.e., unimpaired functions) or, if not feasible,

2) The portion of book value attributable to the remaining functional elements of the software.

The loss should be recognized upon impairment, and the book value of the asset reduced accordingly. If neither "1" nor "2" above can be determined, the original value of the asset continues to be amortized over the remaining useful life of the software.

If the impaired software is to be removed from use (i.e., full impairment), the loss due to impairment should be measured as the difference between the book value and the net realizable value, if any (presumed zero in most cases). The loss should be recognized upon impairment, and the book value of the asset reduced accordingly. The net realizable value, if any, should be transferred to an appropriate asset account until such time as the software is disposed of and the amount is realized.

When discontinuing a software project prior to its completion, ICE must notify appropriate parties to coordinate necessary adjustments to the general ledger. Generally, the related book value accumulated for the software (or the balance in a work in progress account, if applicable) will be reduced to reflect the expected net realizable value, if any, and the loss recognized (SFFAS 10 Accounting for Internal Use Software).

1-11. Removal from Service

Removal from service is defined as an event that terminates the use of a general PP&E asset. Property, along with associated accumulated depreciation is removed from the general ledger upon disposal of an asset, retirement, or removal from service. Any difference in the net book value of the asset and its expected net realizable value is recognized as a gain or loss in the period of adjustment. The expected net realizable value is adjusted at the end of each accounting period (no less than annually) and any further adjustments in value recognized as a gain or a loss. No additional depreciation is taken once such assets are removed from general PP&E in anticipation of disposal, retirement, or removal from service.

General PP&E assets that have been temporarily removed from service, with the expectation that such assets eventually will be returned to service, continue to depreciate during periods of non-use (e.g., an unoccupied building). Permanent removal from service is evidenced by management's documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset.

There are two business events necessary for permanent removal from service:

a. Asset's use is terminated, and

b. There is documented evidence of management's decision to permanently remove the asset from service.

If only one of the two business events have occurred, permanent removal from service has not occurred and there is no change in the general PP&E reported value and depreciation continues.

1-12. General PP&E Disclosure

At a minimum, ICE makes the following financial statement disclosures about general PP&E:

a. The cost associated accumulated depreciation, and book value by major class (e.g., buildings and structures, fixtures, equipment),

b. The use and general basis of any estimates used,

c. The estimated useful lives for each major class,

d. The method(s) of depreciation for each major class,

e. Capitalization threshold(s) including any changes in threshold(s) during the period, and

f. Restrictions on the use or convertibility of general PP&E (SFFAS #6, par. 45; OMB Bulletin 01-09, p. 77, section 9.10).

Appendix A provides general guidance regarding capitalization thresholds. When establishing capitalization thresholds and useful life for an asset, refer to the specific part of this policy that applies to the asset.

2. Stewardship PP&E

Stewardship PP&E consists of tangible assets classified as either heritage assets or stewardship land.

2-1. Heritage Assets

Heritage assets are PP&E of historical, natural, cultural, educational significance, artistic importance, or significant architectural characteristics. Heritage assets are referenced as a note on the balance sheet with no dollar amount. Except for multi-use heritage assets, the cost of improving, reconstructing, or renovating heritage assets is recognized as a cost in the period incurred. If heritage assets are acquired or constructed, the cost is recognized as a cost in the period incurred. The costs will include all costs incurred to bring the asset to its current condition and location.

Entities with heritage assets should reference a note on the balance sheet that discloses information about heritage assets, but asset dollar amounts should not be shown. The note disclosure related to heritage assets should provide the following:

a. A concise statement explaining how they relate to the mission of the entity,

b. A brief description of the entity's stewardship policies for heritage assets,

c. A concise description of each major category of heritage asset, and

d. A quantification in terms of physical units. The appropriate level of aggregation and physical units of measure for each major category should be meaningful and determined by the preparer based on the entity's mission, types of heritage assets, and how it manages the assets. For each major category of heritage assets, the following should be reported:

    1) The number of physical units by major category; major categories should be classified by collection or non-collection type heritage assets for which the entity is the steward as of the end of the reporting period.

    2) The number of physical units by major category that were acquired and the number of physical units by major category that were withdrawn during the reporting period; and

    3) A description of the major methods of acquisition and withdrawal of heritage assets during the reporting period. This should include disclosure of the number of physical units (by major category) of transfers of heritage assets between Federal entities and the number

physical units (by major category) of heritage asset acquired through donation or devise, if material. In addition, the fair value of heritage assets acquired through donation or devise during the reporting period should be disclosed, if known and material.

Entities must also report the condition of the heritage assets (which may be reported with the deferred maintenance information) as required supplementary information. Entities should include a reference to the condition and deferred maintenance information if reported elsewhere in the report containing the basic financial statements.

2-2. Multi-Use Heritage Assets

The cost of acquisition, improvement, reconstruction, or renovation of multi-use heritage assets should be capitalized as general PP&E and depreciate over its estimated useful life. Multi-use heritage assets acquired through donation or devise should be recognized as general PP&E at the assets' fair value at the time received, and the amount should also be recognized as "non-exchange revenues" as defined in SFFAS 7, Accounting for Revenue and Other Financing Sources.

Transfers of multi-use heritage assets from one Federal entity to another are transfers of capitalized assets. The receiving entity should recognize a transfer-in as an additional financing source and the transferring entity should recognize a transfer-out. The value recorded should be the transferring entity's book value of the multi-use heritage asset. If the receiving entity is not provided the book value, the multi-use heritage asset should be recorded at its estimated fair value. Entities should disclose that multi-use heritage assets are recognized and presented with general PP&E in the basic financial statements and that additional information for the multi-use heritage assets is included with the heritage assets information.

2-3. Stewardship Land

Stewardship land includes both public domain and acquired land and land rights owned by the Federal Government intended to be held indefinitely. Land and land rights owned by the Federal Government and not acquired for or in connection with items of general PP&E should be reported as stewardship land.

a. The acquisition cost of stewardship land will be recognized as a cost in the period incurred. The cost will be disclosed as "cost of stewardship land." The cost will include all costs incurred to bring the PP&E to its current condition and location. Any costs to prepare stewardship land for its intended use (e.g., razing a building) will be expensed as part of the cost of stewardship land.

b. Land may be acquired along with existing structures. In this case the following treatments may apply:

   1) If the structure is significant in and of itself, the entity will use its judgment as to whether the acquisition cost will be treated as the cost of stewardship land, heritage asset, or both.

   2) If the structure is to be used in operations (e.g., as general PP&E), the cost will be treated as an acquisition of stewardship land in its entirety if:

      a) The value of the structure is insignificant as compared to the value of the land;

      b) It is merely a byproduct of the acquisition of the land; and/or

      c) It has little or no inherent value

   3) Only significant structures that have a significant operating use (e.g., a recently constructed hotel or employee housing block) will be treated as general PP&E by identifying the cost attributable to general PP&E and segregating it from the cost of the stewardship land acquired.

c. No amounts for stewardship land acquired through donation or devise will be recognized as a cost on the statement of net cost. Its fair value, if known and material, will be disclosed in notes to the statement of net cost. If fair value is not estimable, information related to the type and quantity of assets received will be disclosed in the year received. Stewardship land must be referenced as a note on the balance sheet disclosing information but no dollar amount as detailed in SFFAS No. 29, Heritage Assets and Stewardship.

d. Transfers of stewardship land from one Federal entity to another does not affect the net cost of operations or net position of either entity. The transferring and recipient entities should properly adjust for estimated acres of land information.

e. Required Supplementary Information (RSI)

   The following RSI should be provided for stewardship land and permanent land rights:

      1) A concise statement defining federal land and explaining how stewardship land relates to the mission of the entity.

      2) A brief description of policies for stewardship land. Policies for land are the goals and principles the entity established to guide its

acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land.

3) The estimated number of acres of land and permanent land right at the beginning of the reporting period and at the end of each reporting period. Acres should be reported by sub-category: commercial use land; conservation and preservation land; and operational land based on predominant use.

4) The estimated acres of land held for disposal or exchange and their predominant use. Stewardship land is considered held for disposal or exchange when the entity has satisfied the statutory disposal authority requirements specific to the land in question.

5) Stewardship land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary and amounts paid during the year to maintain such rights.

3. Deferred Maintenance and Repairs (DM&R)

Deferred maintenance and repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be and therefore, are put off or delayed for a future period.

For purposes of this policy, maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventative maintenance, replacement of parts, systems and/or other activities needed to preserve or maintain the asset.

Maintenance and repairs, as distinguished from capital improvements, exclude activities directed toward expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

The ICE agency must report material amounts of DM&R on PP&E in the financial statements as Required Supplemental Information for General PP&E.

3-1. Measuring and Reporting of Deferred Maintenance and Repairs

The method used to determine the estimated amounts of DM&R must be reported in the narrative statement to the RSI. SFFAS No. 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Standards 6, 14, 29, and 32, permits the use of the following measurement methods:

a. Condition assessment surveys.

b. Life cycle cost forecasts.

c. Other methods that are similar to the condition assessment survey or life-cycle costing methods.

The DM&R should be measured and reported for capitalized general PP&E and stewardship PP&E. DM&R also may be measured and reported for noncapitalized or fully depreciated general PP&E. DM&R should include funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs. DM&R on inactive or excess PP&E should be included to the extent that it is required to maintain inactive or excess PP&E in acceptable condition.

3-2. Required Supplementary Information

The DM&R reporting should provide (1) DM&R beginning and ending balances for the reporting period and (2) narrative information related to DM&R activities. Entities are required to present both qualitative and quantitative information. At a minimum, DM&R will be presented in the financial statements as RSI for all general PP&E. The following will be included for each category of PP&E (e.g., general PP&E):

a) A summary of the components M&R policies and brief description of how they are applied (i.e., method of measuring DM&R).

b) Policies for ranking and prioritizing maintenance and repair activities.

c) Factors the entity considers in determining acceptable condition standards.

d) Whether DM&R relates solely to capitalized general PP&E and noncapitalized stewardship PP&E or also to amounts relating to noncapitalized or fully depreciated general PP&E.

e) Capitalized general PP&E, and non-capitalized heritage assets and stewardship land for which Agencies do not measure and/or report DM&R and the rationale for the exclusion.

f) If applicable, explanation of any significant changes to the policies and factors subject to the reporting requirements established and DM&R amounts from the prior year.

g) Estimates of beginning and ending balances of DM&R for each major category of PP&E for which maintenance and repairs have been deferred.

Procedures

The ICE agency has developed the Capitalized Property Directive and Capitalized Property SOPs to comply with this policy and ensure the following:

a. Tangible assets are properly classified for accounting and reporting purposes as general or stewardship PP&E.

b. Capitalization and depreciation/amortization of tangible assets in accordance with established ICE useful lives.

c. Prior to transfers of property, transferring Agencies obtain a memo/statement from their applicable legal counsel explaining that they have the statutory authority to perform the transfer.

d. Reporting of material amounts of DM&R in the financial statements.

Authorities and References

Authorities

FASAB, SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal* Government.

FASAB, SFFAS No. 5, Accounting for Liabilities of the Federal Government.

FASAB, SFFAS No. 8, *Supplementary Stewardship Reporting.*

FASAB, Technical Release No. 5, *Implementation Guidance on SFFAS No. 10: Accounting for Internal Use Software*.

FASAB, SFFAS No. 16, *Amendments to Accounting for PP&E: Multi-use Heritage Assets*.

FASAB, SFFAS No. 23, *Eliminating the Category National Defense Property, Plant, and Equipment*.

FASAB, SFFAS No. 35, *Estimating the Historical Cost of General Property, Plant, and Equipment.*

FASAB, SFFAS No. 40, *Definitional Changes Related to Deferred Maintenance and Repairs.*

FASAB, Technical Release No. 14*, Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*.

FASAB, Technical Bulletin No. 2003-1, Certain Questions and Answers Related to the Homeland Security Act of 2002.

41 CFR Part 102-42, “Utilization, Donation, and Disposal of Foreign Gifts and Decorations.”

Title 6, U.S. Code Section 453, “Use of Appropriated Funds.”

References

Chief Financial Officers Act of 1990, Pub. L. 101-576, 2005.

OMB Circular A-11, “Preparation, Submission, and Execution of the Budget”

OMB Circular A-123 Appendix D, "Compliance with the Federal Financial Management Improvement Act of 1996"

Section 507 of Public Law 108-90, the ICE Appropriations Act of 2004.

FASAB, SFFAS No. 3, Accounting for Inventory and Related Property

FASAB, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*.

FASAB, SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

FASAB, SFFAS No. 10, *Accounting for Internal Use Software*.

FASAB, SFFAS No. 42. *Deferred Maintenance and Repairs.*

FASAB, SFFAS No. 44, *Accounting for Impairment of General Property, Plant and Equipment Remaining in Use.*

5 U.S.C. §7342, "Foreign Gifts and Decorations Act of 1966," as amended.

FASAB, SFFAS No. 29, *Heritage Assets and Stewardship Land*.

Appendix A: Table of Capitalization Thresholds

TYPE OF ASSETS	CAPITALIZATION THRESHOLD
Real Property - land	All land
Real Property - non-land	$500,000
Leasehold improvements	$500,000
Heritage Assets	No asset valuation
Stewardship Land	No asset valuation
Personal Property	$500,000
Internal Use Software	$500,000
Bulk Purchases	$2,000,000
Vehicles (Prior to 2018)	Capitalized regardless of value

Appendix B: Estimated Useful Life of Capital Assets by Class

a. Estimated Useful Life of Capital Assets by Class – Current

ASSET CLASS	USEFUL LIFE
Vessels above 65' in Length	30 Years
Internal Use Software	2 Years
Vessels up to, and including, 65' in Length	20 Years
Non-Standard Vessels	5 Years
Aircraft	20 Years
Construction Equipment	15 Years
Buses	8 Years
All Other Vehicles	5 Years
All Other Personal Property	5 Years
Buildings, Other Structures, and Facilities	20-40 Years
Leasehold Improvements	Life of the lease or 10 years when no expiration date is provided

b. Estimated Useful Life of Capital Assets by Class – FY2008-FY2020

ASSET CLASS	USEFUL LIFE
Vessels above 65' in Length	30 Years
Internal Use Software	3 Years
Vessels up to, and including, 65' in Length	20 Years
Non-Standard Vessels	5 Years
Aircraft	20 Years
Construction Equipment	15 Years
Buses	8 Years
All Other Vehicles	5 Years
All Other Personal Property	5 Years
Buildings, Other Structures, and Facilities	20-40 Years

Leasehold Improvements	Life of the lease or 10 years when no expiration date is provided

c. Estimated Useful Life of Capital Assets by Class – FY2004-FY2007

ASSET CLASS	USEFUL LIFE
Vessels above 65' in Length	30 Years
Aircraft	20 Years
Electronics Systems	8 Years
Internal Use Software	3 Years
Boats, Standard	20 Years
Boats, Non-Standard	5 Years
Construction Equipment	15 Years
Buses	8 Years
All Other Vehicles	5 Years
All Other Personal Property	5 Years
Buildings	40 Years
Improvements to Land	N/A
Land	N/A
Other Structures and Facilities	N/A
Leasehold Improvements	10 Years

d. Estimated Useful Life of Capital Assets by Class – FY2001-FY2003

ASSET CLASS	USEFUL LIFE
Aircraft	20 Years
Boats	18 Years
Computer (Office Equipment)	5 Years
All Other Equipment	5 Years
Radios	5 Years
Internal Use Software	2 or more Years
Vehicles – Sedans, Minivans and Vans	4 Years
Vehicles – Sport Utility Vehicles	3 Years
Vehicles – Trucks/Construction Equipment	6 Years

Vehicles - Buses	8 Years
Other Vehicles	6 Years

e. Estimated Useful Life of Capital Assets by Class – FY1998-FY2000

Asset Class	Useful Life
Aircraft	20 Years
Boats	18 Years
Computer (Office Equipment)	5 Years
All Other Equipment	5 Years
Radios	5 Years
Internal Use Software	5 or more Years
Vehicles – Sedans, Minivans and Vans	4 Years
Vehicles – Sport Utility Vehicles	3 Years
Vehicles – Trucks/Construction Equipment	6 Years
Vehicles - Buses	8 Years
Other Vehicles	6 Years

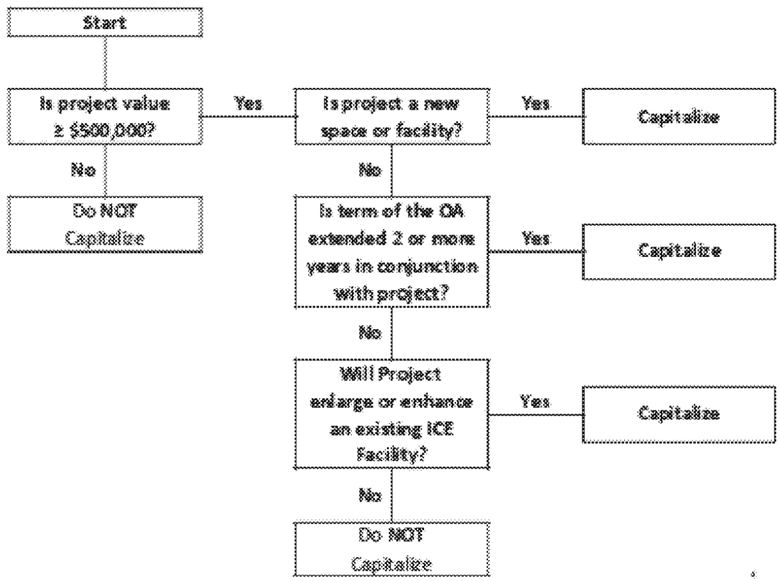
f. Estimated Useful Life of Capital Assets by Class – FY1997 and Prior

Asset Class	Useful Life
Aircraft	20 Years
Boats	7 Years
Computer Equipment	10 Years
All Other Equipment	10 Years
Radios	12.5 Years
Vehicles	7 Years
Buildings	40 Years

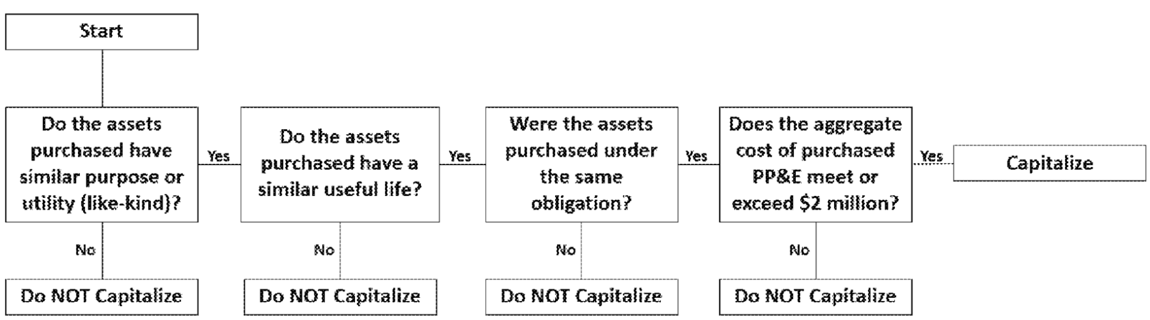
Appendix C: Capitalization Decision Tree

OAFM Capitalization Decision Tree

Note: This tree is for reference purposes for OFM. Reference to OA in this chart is for "Occupancy Agreements". Refer to OAFM for updates.



Bulk Purchases Capitalization Decision Tree



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Glossary

The following tables contain definitions of the acronyms and terms used in this policy.

Acronym	Definition
CBP	Custom and Border and Protection
CFO	Chief Financial Officer
CIP	Construction in Process
COTS	Commercial Off-The-Shelf
CUC	Certified Under Cover
DHS	Department of Homeland Security
DM&R	Deferred Maintenance and Repairs
DOD	Department of Defense
FASAB	Federal Accounting Standards Advisory Board
FY	Fiscal Year
ICE	Immigration & Customs Enforcement
MOU	Memorandum of Understanding
OAFM	Office of Assets and Facilities Management
OCIO	Office of the Chief Information Officer
OFM	Office of Financial Management
OMB	Office of Management and Budget
OPLA	Office of the Principle Legal Advisor
PP&E	Property, Plant and Equipment
RSI	Required Supplementary Information
SAMS	Sunflower Asset Management System
SFFAS	Statement of Federal Financial Accounting Standards

TFF	Treasury Forfeiture Fund
TFM	Treasury Financial Manual
TSA	Transportation Security Administration
USSGL	United States Government Standard General Ledger

Term	**Definition**
Acceptance Testing	Testing of the software prior to being released for use to ensure the software is functioning as desired. Costs associated with acceptance testing should be capitalized (not expensed).
Accumulated Depreciation	The total, at a given point in time, of the annual depreciation expense charged for a particular depreciable asset or a class of assets.
Acquisition Date	The date on which the receiving entity, or an agent of the receiving entity, physically takes possession of the asset. The acquisition date is not the same as the purchase date.
Amortization	Process of allocating the development costs of internal-use software in a systematic and rational manner over the estimated useful life of the software. Amortization begins after final acceptance testing has been successfully completed on the module or component. If the use of the module is dependent upon completion of another module(s), the amortization begins when both the first module and the other module(s) have successfully completed acceptance testing.
Bulk Purchase	The single purchase of like-kind items in a lot, with the cost of each individual item being below the capitalization threshold but above the bulk purchase capitalization threshold of $2 million in the aggregate.
Capitalized Asset	An asset with an economic or useful life that extends beyond the length of one full accounting period. ICE policy requires a useful life of 2 years for an asset to be capitalized.
Capitalization	Recording and carrying forward any expenditure into one or more future periods (useful lives of two years or more) which results in expensing the cost of an asset over the remainder of its useful life by matching the benefits gained from that expenditure with the associated cost.

Capitalization Threshold	The dollar amount at which property and improvements become subject to capitalization.
Commercial off-the-Shelf	Software that is purchased from a commercial vendor and ready to be used with minimal or no changes. This is usually in the form of a license. License costs will be capitalized when the value of all license fee payments is equal to or greater than the materiality threshold, and the license has an estimated useful life (e.g., license agreement duration) of 2 years or more. One- or two-year licenses will be expensed. Capitalized costs for COTS software will include amounts paid to the vendor for the new software and the documentation manuals. Material indirect costs (e.g., labor) incurred to implement and/or make the COTS software ready for use will be capitalized.
Condition Assessment Surveys	Periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies. It is desirable that condition assessment surveys be based on generally accepted methods and standards consistently applied.
Construction-in-Progress (CIP)	Construction-in-progress includes costs incurred in the construction of property for which the agencywill be accountable, including direct labor, direct material, overhead, and other costs incurred during construction. Construction-in-progress is a temporary classification of assets under construction. These assets can include real property, personal property, and multi-use heritage assets. The costs of new construction and capital improvements are accumulated in a CIP account, which includes all costs incurred to bring the asset to a form and condition suitable for its intended use. The sum of the individual costs in the CIP account will determine the total cost of the asset that is then recorded in the appropriate Property, Plant, and Equipment (PP&E) account.
Data Conversion Costs	The cost to develop or obtain software that allows for access or conversion of existing data to the new software. ICE will expense all data conversion costs in the period incurred for internally developed, contractor-developed, or COTS software.
Deferred Maintenance and Repairs	Maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period.
Depreciation	Systematic and rational allocation of the historical cost of the estimated productive capacity of a tangible capital asset to the fiscal period benefited.

Depreciation Date	At ICE, for real property the date used to begin calculating depreciation is based on the in-service date and the half-month convention, and for personal property is based on the acquisition date and the half-month convention
Devise	A will or clause of a will disposing of property.
Direct Cost	Cost of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities. Direct costs may be specifically identified with a single cost objective.
Discount Rate	Effective rate of interest applied to the net present value of the lease liability to calculate interest expense.
Enhancement	Changes to software that provides additional capabilities or functions.
Expensing	Recognizing the use or consumption of assets or the incurring of liabilities (or a combination of both) during a period, from rendering services or carrying out ongoing major or central operations of ICE.
Fair Market Value	The estimated amount that can be realized by disposing of an item through arm's length transactions in the marketplace; the price (usually representative) at which bona fide sales have been consummated for products of like kind, quality, and quantity in a particular market at any moment of time.
Forfeited Property	Consists of (1) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.
Full Cost	The practice of capturing both direct and indirect costs when recording an asset.
Half-Month Convention	Property acquired on or before the 15th calendar day of the month will be depreciated for a full month. Property acquired after the 15th calendar day of the month and before the 1st calendar day of the next month will be depreciated in the next month.
Heritage Assets	PP&E assets that are unique or historical for one or more of the following reasons, (1) historical or natural significance, (2) cultural, educational, or artistic (e.g., aesthetic) importance, or (3) significant architectural characteristics.

Indirect Cost	Costs that cannot be identified specifically with or traced to a given cost object in an economically feasible way. Examples include employee salaries, utilities, and space rental costs.
In-Service Date	The date when the PP&E is first put into a condition or state of readiness and availability for a specifically assigned function. The date a property begins providing benefit or when personal property is first "used" and real property is first "occupied".
Impairment	Impairment is defined as a significant and permanent decline in the service utility of a general PP&E or expected service utility for construction work-in-process.
Internal Use software	Software that is purchased from commercial vendors "off the shelf," internally developed, or contractor- developed solely to meet the entity's internal or operational needs.
Like-Kind Assets	Assets with similar purpose or utility are considered like-kind assets. Assets typically recorded in the same subledger accounts are considered like-kind assets. However, this process may require judgment on the part of the preparer.
Land Rights	Interest and privileges ICE holds in land owned by others, such as leaseholds, easements, and rights-of-way.
Legal and Regulatory Requirement	Laws and regulations approved as of the balance sheet date, without regard to their effective date.
Life-Cycle Costing	An acquisition or procurement technique which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in a forecast of maintenance expense, these forecasts may serve as a basis against which to compare actual maintenance and estimated deferred maintenance.
Maintenance	The act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural Agencies, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected useful life. Maintenance excludes activities aimed at expanding the capacity of an asset or extending the useful life of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.
Measurable	A relevant attribute an item has that can be quantified in monetary units with sufficient reliability to be reasonably estimable.

Multi-Use Heritage Asset	Heritage assets that serve two purposes – a heritage function and general government operations. A heritage asset is considered multi-use if the predominant use of the asset is in general government operations (e.g., the main Treasury building used as an office building). Heritage assets having an incidental use in government operations are not multi-use heritage assets; they are simply heritage assets.
Net Book Value	The recorded historical cost of an asset, net of any accumulated depreciation or amortization.
Non-Prohibited Seized Property	Includes monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency
Percentage of Completion	Method used to calculate an asset's capitalizable costs, based on the costs of the goods and services acquired to date to fulfill the contract in relationship to the estimated total cost under the contract.
Personal Property	Any property except real property, personal property includes equipment, machine tools, test equipment, and vehicles; temporary improvements to land such as trailers, garages, modular buildings, and generators; and non-consumable goods purchased for official use that meet or exceed the dollar threshold for reporting to an inventory control system.
Prior Period Adjustment	An accounting entry that corrects a material error in the financial statements from a prior fiscal year as a result of a mistake, error, oversight, or misapplication of accounting principle (please see "Valid Business Reason for Proposed PPA Entry" column in the table for "Proposed Prior Period Adjustment" for valid business reasons for making a PPA entry). ICE PPAs are considered "proposed PPAs" until DHS determines that the cumulative effect is significant enough to alter the true position of the financial statements and will likely warrant a restatement.
Prohibited Seized Property	Items for which no private right of ownership is recognized under U.S. law, or of which mere private possession is prohibited under U.S law.
Property, Plant and Equipment (PP&E)	Tangible assets that have an estimated useful life of two years or more, are not intended for sale in the ordinary course of operations and have been acquired or constructed with the intention of being used or being available for use by the entity. PP&E includes internally developed software as well as property acquired under a capital lease. PP&E excludes consumable items such as

	operating materials and supplies.
Real Property	The category of Property, Plant, and Equipment that specifically includes land and improvements to land, buildings, structures, and facilities, including improvements and additions thereto, and utility systems. Real property also includes equipment affixed and built into the facility as an integral part of the facility (such as heating systems), but not moveable equipment (such as plant equipment).
Salvage Value	The estimated value of an asset at the end of its useful life.
Software Lifecycles	Generally divided into three broad phases: planning, development, and operations. The planning phase generally consists of conceptual formulation, evaluation, testing of alternatives, and selection of a specific alternative. The development phase generally includes configuration, coding, hardware installation, and testing, including parallel processing. The operations phase includes data conversion and application maintenance. Only costs incurred during the development phase are capitalized. All other costs (planning and operations) are expensed in the period incurred.
Stewardship Land	Land and land rights not acquired for or in connection with items of general PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing.
Time Tracking	Enables the accurate tracking of time, costs, and progress. Labor hours can be tracked in detail, and there can be measurements as to whether the construction or software development projects are on target.

Summary of Changes

Revision Date: October 24, 2023

Revision Type: Technical

Changes:

- Updated capitalization threshold guidance to reflect current standards and to be consistent with the DHS Chapter [*Policy*]
- Added clarification on depreciation to be consistent with the DHS Chapter [*Section 1-1*]
- Deleted section on Leases (leases guidance is now covered in FMPM 3.1.1, "Leases" policy)
- Added exception of multi-use heritage assets [*Section 2-1*]
- Updated definition of stewardship land [*Section 2-3*]
- Added guidance on transfers of stewardship between federal entities [*Section 2-3*]
- Added RSI requirements for stewardship land for consistency with the DHS Chapter [*Section 2-3*]
- Revised title from Method for Measuring Deferred Maintenance and Repairs to Measuring and Reporting of Deferred Maintenance and Repairs. for consistency with DHS guidance [*Section 3-1*]
- Removed "Capital Leases" language from Appendix B
- Made formatting and editorial changes, including removing hyperlinks throughout the policy, to be in accordance with the ICE FMPM Style Guide
- Updated Authorities and References and aligned policy content for clarity