DESCRIPTION:	Property Management	INDEX:	6.1
	Overview	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 2 N.N.C. § 51-57 and 12 N.N.C. *et seq.*, CAU-34-11

PURPOSE:

To establish policies, guidelines, and procedures for the acquisition, inventory, depreciation, disposal, and maintenance of property owned or leased by the Navajo Nation (Nation). The Property Management Policies and Procedures Manual is designed for use by the Nation's departments and agencies in fulfilling its responsibilities of administering, accounting for, and safeguarding the investments in property. For the purposes of this manual, the property includes fixed assets, personal property, and controlled items. The purpose of the system in this manual is to provide the necessary recordkeeping and reporting requirements for all funding sources.

OBJECTIVES:

The objectives of this document are as follows:

- To ensure consistent policies and procedures for property accounting, management, control, and accountability.
- To ensure that management has adequately minimized risk to assets through internal controls.
- To ensure proper financial accounting and reporting in accordance with Generally Accepted Accounting Principles (GAAP), the Governmental Accounting Standards Board (GASB), and other applicable government accounting standards.

SCOPE:

All departments and programs must use and comply with the herein policies and procedures. All the Nation's employees shall exercise the utmost care and diligence in the use, maintenance, and protection of all public assets.

RESPONSIBILITIES:

The Nation has a significant investment in property used to carry out its missions. The Nation follows the same basic procurement policies for the purchase of property as it does for any other purchase of goods and services. However, additional special procedures must be followed to meet all state and federal regulations. These policies address the basic requirements for property, but do not address all specific regulations.

Office of the Controller (OOC)/Fixed Asset Section (FAS)

- Maintains the financial accounting records and reports on these resources on behalf of the citizens.
- Establishes general ledger accounts for major asset classes, including applicable depreciation according to established guidelines.
- Establishes property accounting and financial policies that conform to applicable accounting standards.

Property Management Department (PMD)

- Establishes a property management program within the OOC to coordinate the development and dissemination of property management policies and procedures and to facilitate all the necessary activities to establish asset accountability.
- Manages the assets assigned to the Nation.
- Assists in meeting the Nation's custodianship responsibilities (e.g., equipment log-out and location transfer logs).
- Issues a manual containing the Nation's property management accounting and management procedures and revises the manual as necessary.
- Establishes within the department a disposal operation to assist the Nation's departments in the removal, redistribution, and sale of surplus assets.
- Provides training to the Nations personnel involved in physical inventory, acquisition, disposal, and transfer of property based on the property management policies and procedures manual.

Departments/Programs

- Serve as custodians of property, including land, land improvements, buildings, machinery, and equipment, that are assigned to his/her departments/programs.
- Ensure full departmental/programmatical compliance with the established property management accounting policies and procedures.

Chapters

- For property purchased with the Nations fund for the Chapters, the assets should be administered, accounted for, and safeguarded in accordance with this manual.

GUIDELINES:

Designation of Property as a Fixed Asset

Fixed assets are items of property that

- Are tangible in nature;
- Have an economic useful life longer than one year;
- Maintain their identities throughout their useful lives, either as separate entities or as identifiable components of larger conglomerations of property;
- Are not repair parts or supply items; and
- Have significant value.

With respect to the Nation, any fixed asset with an original cost equal to or greater than $5,000 is considered to have significant value and therefore will be capitalized.

Assets acquired with federal grant funds must be capitalized and controlled in accordance with the federal property management standards outlined in the Office of Management and Budget (OMB) 2 CFR 200 Uniform Grant Guidance. Capitalization limits for federal grant-funded assets will conform to the federal guidelines in effect when the assets are acquired.

Designation of Property as Personal Property

Personal property consists of tangible property, specifically movable items that are not permanently affixed to or a part of the real estate with a value of less than $5,000. An item is classified as personal property if it can be removed without causing serious damage to the item or to the real estate. A physical inventory of personal property should be conducted biennially, and sampling is an acceptable method of conducting the physical inventory. Like controlled items, personal property does not meet the threshold for capitalization. Personal property includes those not specifically identified as a controlled item.

Designation of Property as a Controlled Item

Due to their sensitive, portable, or theft-prone natures, certain property items with a value less than $5,000 will be subject to control as if they were fixed assets. This allows for internal control over high pilferage and other items that do not meet all the guidelines for capitalization. Examples of these items include: binoculars, boat motors, boat trailers, boats, cameras, camera lenses, canoes, cellular phones, computers, external computer storage devices, ham radios and receivers, jetpacks, marine band transmitters and receivers, microscopes, musical instruments, scientific equipment, oscilloscopes, printers, projectors, radio scanners, scanners, spectrum analyzers, tablets, televisions, two-way radio transmitters and receivers, vectorscopes, video cameras, video recorders and players, and waveform monitors. This list of examples is not all-inclusive. The designation of property with a value less than $5,000 as a controlled item at the discretion of the PMD Manager. All weapons, regardless of cost, should be considered as controlled items. For management and control purposes, such noncapital controlled items will be tagged and inventoried as controlled items, recorded in the Nation's fixed assets module, and recorded at their original acquisition cost in the Financial Management Information System (FMIS). Unlike fixed assets, controlled items will not be capitalized. Although controlled items are not capitalized, they must be identified and inventoried. A physical inventory of controlled item should be conducted biennially, and sampling is an acceptable method of conducting the physical inventory of the controlled items.

Designation of Property as a Consumable Item

Consumable items are items of expendable nature that are consumed or worn out, deteriorate in use, or are easily broken, damaged or lost. Examples include promotional items, paper, pencils, toner or ink cartridges, batteries, cleaning supplies, nails, bags, and staples. Items that have a relatively short service life (less than one year) and that, therefore, must be replaced frequently are also considered as consumable items. Examples include brooms, tools, and rubber stamps. Consumable items are purchased and expensed in the same period, and therefore, they do not meet the capitalization criteria. The PMD is responsible for the receipt and timely distribution of consumable items.

Classification and Valuation

A fixed asset will be classified into one of the following categories, and its cost or value should be calculated using the method applicable to its specific asset class:

1. **Land** – This classification includes all land parcels purchased or otherwise acquired by the Nation for building sites, street right of way, recreation, future use, etc. Land acquired and intended for public use by the Nation will be capitalized. The amount to be capitalized will be the actual cost at the time of acquisition. Actual cost shall include purchase price including costs such as legal fees, filing, and excavation costs incurred to put the land in condition for its intended use. The cost of the land also includes indefinite land use rights, such as easements, mineral, timber, and water rights, acquired with the purchase of the underlying land. Land use rights acquired separately from land purchase and those

with definite useful lives are classified as intangible assets. For donated land, the fair market value of the land as of the date of acquisition will be capitalized.

2. **Buildings** – This classification includes all buildings and structures that function as buildings (such as movable field offices). Capitalized costs of a building purchased by the Nation will include purchase price, professional fees of appraisers and attorneys, and any related costs necessary to put the building into its intended state of operation including environmental remediation such as asbestos removal. Capitalized original cost on a constructed building will include the cost of constructing the asset, architects' and engineers' fees, permits, insurance, and interest costs during construction and other administrative costs, such as clerical work and appraisals. Land acquisition costs are not included as part of the building costs. In addition to the costs outlined above, the following expense items should be included in the original cost of the asset if they are not included in the primary construction contract or work order:

   - Built-in casework, walk-in coolers and freezers, built-in shelving, etc.
   - Bleachers and fixed gymnasium equipment.
   - Graphics and directories.
   - Bathroom accessories.
   - Carpets (other than moveable rugs).
   - Compressed air systems, plumbing systems, sprinkler systems, heating, venting, and air conditioning systems which are fixed to the structure.
   - Emergency generator systems for building support.
   - Demolition of an existing structure.

   If a building is acquired for specific use by the Nation other than by a Nation-sponsored contract or direct purchase, i.e., donated, it will be recorded at its fair market value as of the day of acquisition and ancillary charges, if any.

   Furniture, fixtures, or other equipment not an integral part of a building is not considered capital improvements and should be classified as equipment. The cost for this asset type reflects the actual or estimated cost of the asset.

3. **Machinery and Equipment** – This classification includes all motor vehicles, rolling stock, construction, and maintenance equipment, office equipment and furnishings, etc., for which one of the following criteria apply:

   - The unit cost exceeds the minimum capitalization amount.
   - The asset has a useful life in excess of one year.
   - The nature and use of the item dictate that groupings of identical smaller items, such as library books or warehouse shelving units, should be capitalized and controlled as group assets.

   Machinery and equipment assets are valued at actual or estimated cost, including ancillary charges. Ancillary costs considered in determining the value of these assets include transportation charges, installation costs, and extended warranty contracts or any other normal or necessary costs required to place the asset in its intended location and condition for use.

4. **Infrastructure** – This classification includes long-lived capital assets that normally are stationary and can be preserved for a significantly longer period than other capital assets. Examples of infrastructure include roads, bridges, tunnels, sidewalks, lighting systems, and drainage, water and sewer systems. Capitalized original cost on infrastructure will include:

   - The cost of constructing the asset
   - Professional fees of engineers, attorneys, appraisers, financial advisors, etc.
   - Survey fees
   - Appraisal and negotiation fees
   - Damage payments
   - Site preparation costs
   - Costs related to the demolition of unwanted structures

5. **Construction -In-Progress** – This classification includes all partially completed construction projects. Upon completion of construction and placement into service, these assets will be transferred from this category to a permanent fixed assets classification. The following list, while not intended to be all-inclusive, is typical of the costs associated with constructed capital assets:

   - Architect fees
   - Engineering design costs
   - Engineering supervision
   - Purchased materials
   - Stores material
   - Salaries, wages, and related fringe benefits
   - Indirect costs including overhead
   - Equipment rental
   - Transportation
   - Contractor
   - Special machine services
   - Insurance and other protection costs
   - Injuries and damages in connection with construction work
   - Rent for construction quarters

   When construction work is performed by outside parties under contract, many of the above costs are included as part of the payment made to the related contractor. Site preparation costs associated with construction works in progress are accounted for in any one of the following manners:

   - Costs are capitalized as part of the initial cost of the land or buildings;

- Costs are recorded as removal cost, i.e., expensed, if a building previously in operation by the Nation is being retired; or
- If site preparation costs involve the demolition of an existing structure, then those costs are considered part of the value of the new structure. However, if no new structure is to be erected, then these costs are to be expensed.

6. **Capital Leases** – This classification includes all capital lease agreements for the purchase of assets and equipment. If at lease inception any one of the following criteria is met, the lease should be capitalized and considered a capital asset:
   a) The present value of the minimum lease payments at the beginning of the term is 90% or more of the fair market value of the property/capital asset at the inception of the lease;
   b) The lease term of a non-cancelable lease is 75% or more of the asset's estimated economic life;
   c) The lease contains a bargain purchase option; or
   d) Ownership is transferred to the Nation at the end of the lease term.

   Lease transactions not qualifying as capitalized leases are treated as expenses.

7. **Improvements** – This classification includes expenditures to improve the efficiency or significantly extend the life of a capital asset are accounted for as capital improvements. Improvements may result from expansion, betterment, replacement or any similar capital expenditure which is non-recurring in nature. The cost of the improvement should be charged to the appropriate capital asset account, providing the expenditure meets the established criteria for capitalization. Improvements include:
   - Expansion – Buildings, structures and other attachments or annexations which significantly add to the size of an existing facility with relatively few changes to the original unit are defined as an expansion if the improvement is intended to remain so attached or annexed. These expenditures are capitalized in the appropriate capital asset account.
   - Betterment – A betterment is an addition made to, or change made in, a capital asset which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. The capital expenditure improves an existing capital asset with new technology, safety devices and other additional features which did not previously exist. A betterment may only be made to assets that have initially been capitalized. These expenditures are capitalized in the appropriate capital asset account.
   - Replacement – Expenses incurred to replace a portion of any existing capital asset that leaves the retirement unit substantially the same are considered replacement expenses and, therefore, are not capitalized.
   - Maintenance, Repair, and Restoration – Maintenance, repair and restoration expenses are those normal and recurring expenditures which preserve a capital asset in a useful state or condition. These expenses are curative or preventive in nature. Such expenditures are classified as operating expenses and are not capitalized.

Document Retention Policy

The Nation complies with the records retention policy outlined by the Record Management Department. Documents that are not listed but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

Type of Record	**Suggested Retention Period**
Damage reports	7 years

Deeds and title	Permanently
Delivery receipts	7 years
Depreciation schedules	7 years after disposal of the underlying asset
Inventory records	7 years after disposal of the underlying asset
Invoices (fixed assets)	7 years after disposal of the underlying asset
Maintenance and repair records	7 years
Property account ledger	Permanently
Property appraisals	Permanently
Property plans, blueprints, and specifications	Permanently
Property purchases	Permanently
Property sales	Permanently

Exception to Property Management Policies

An exception to policy is a request for an item or service not otherwise covered by the property management policies and procedures. Exceptions to policy may be granted to the OOC rules, but they cannot be granted to rules that are based on federal, state, or Navajo Nation laws. Normal activities may occur that are not covered by the policy. An exception to policy is the last resort request. It should only be requested when all other options have been exhausted.

The department requesting an exception to policy should submit a thorough presentation of facts to the PMD for review. The PMD may consult with other authorities such as the Navajo Nation Department of Justice and forward recommendations to the Controller for final action. Policies that have been approved by Budget and Finance Committee or that appear in the law are not subject to amendment except by the body authorized to amend them.

Training

Training on the property management policies and procedures will be offered on a quarterly basis as a part of new employee orientation. To request additional training, please contact the PMD.

DEFINITIONS:

Acquisition Date – The date the Nation took ownership of the asset.

Capital Asset -- Any fixed asset with an original cost equal to or greater than $5,000. These items have significant value and will be capitalized.

Controlled Item – A property item that meets the criteria for a fixed asset but with a value less than $5,000. These items will be subject to management control.

Consumable Item – An item purchased by the department/program for reissue/reuse/resale which the department/program controls as parts of its ongoing operations (e.g., office supplies, controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, or non-perishable food items that have a long shelf life and are stocked by the department/program).

Contributed Asset – A noncash asset that is donated to the Nation, such as property, food, or supplies.

Fair Value – The estimated value of the asset which it would be exchanged between a willing buyer and seller when neither is forced into the exchange. In addition, both parties should have knowledge of all facts and consider it an equitable exchange. This is generally used in place of historical cost in a donated asset situation.

Fixed Asset – Items of property that are tangible in nature; have significant value; have an economic useful life longer than 1 year; maintain their identities, either as separate entities or as identifiable components; are not repair parts or supply items and are used in the conduct of the Nation's activities.

Fixture – A physical property that is irrevocably attached or affixed to real property. If the items not affixed to real property, then it is known as personal property. Fixtures are treated as a part of real property.

Historical Cost – The value placed on the asset at the time of acquisition, including ancillary costs (value of trade-ins, shipping costs, installation costs, etc.)

Infrastructure – Long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include, but are not limited to, roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and electrical lines.

Personal Property – A tangible property consists of movable items that are not permanently affixed to or a part of the real estate. An item is classified as personal property if it can be removed without causing serious damage to the item or to the real estate.

Promotional Item – An item typically has a logo, design, slogan, or name on them to promote a place, program, event, or idea that is directly mission-related. It is usually inexpensive. Promotional item examples may include, but are not limited to:

- Conference materials, such as agendas, lapel pins, name tags, notepads, pens, and portfolios tent cards.
- Informational or educational items, such as pamphlets, books, and reports, posters, coloring books and games, teacher's guides and video programs.
- Other items, such as plaques, clothing, hats, tote bags, pins, recognition coins, cups, water bottles, USB drives, mouse pads, posters, stickers, commemorative items, key rings, ice scrapers, pencils, decals, lanyards, magnets, bookmarks, bumper stickers, calendars, balloons, and candy.

Real Property – All real estate assets, including land, buildings, and improvements to land or buildings. In legal terminology, land, and items growing on, permanently erected on, or affixed to the land; also, rights to use the land.

Salvage Value – The subsequent value of the asset at the end of its useful life.

Surplus Asset – Assets not in use that are not essential for the operation of the program or department.

Useful Life – The period of time the asset will be of service to the Nation.

THE NAVAJO NATION – Office of the Controller

Accounting Policies Manual

DESCRIPTION:	Property Management	INDEX:	6.2
	Acquisitions	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 2 N.N.C. § 51-56, 12 N.N.C. § 201, *et seq*., CAU-34-11, PMD-95-406

OTHER REFERENCES: 2 N.N.C. §1010 – 1012, 16 N.N.C. §451

PURPOSE:

The purpose of this section is to establish policies and procedures for capitalizing, recording, and accounting for costs related to acquisitions.

RESPONSIBILITY:

OOC/Fixed Asset Section (FAS)

- Coordinates with the PMD and department/programs for capitalization of fixed asset purchases, whether acquired by purchase order (PO) or contract;
- Establishes the initial item records in the FMIS;
- Updates the property record for subsequent transactions, transfers, dispositions, etc., in accordance with applicable property management policies and procedures.

PMD

- Coordinates with department/programs for tagging of property purchases, whether acquired by purchase order (PO) or contract;
- Reviews the purchase requisition (PR) for proper use of object code and the threshold for all property purchases.
- Approves the transfer of property.

Departments/Programs

- Completes the PR for requesting any new purchases and submits the PR to the Procurement department to ensure compliance and availability of funds;
- Once approved by the Procurement department, forwards the PR to the PMD for assignment of object code and threshold;
- Coordinates with the PMD, the FAS, and Navajo Land Department with the purchased activities related to property for proper legislative/administrative review;

POLICY:

<u>Acquisitions:</u>

Acquisition of personal property means the purchase or procurement of an asset for general use. Acquisition of real property means typically the purchase or procurement of land and/or buildings for general use. All purchased assets are done so through the procurement procedures as outlined in the Navajo Nation Procurement Rules and Regulations (budget justification, encumbrance, PR, PO, etc.). The acquisition will typically occur by purchase, but may also include the following:

- *Donation* – Personal or real property given to the Nation without exchanging any compensation.
- *Trading* – Personal or real property received in exchange for property or services of the Nation.
- *Forfeiture* – Any personal or real property acquired via the forfeiture in any manner, including a business site lease.
- *Transfers by contract* – Personal or real property acquired by transfer from the government (638 contracts) and private contracts.
- *Found* – An asset acquired and used in services of the Nation with unclear acquisition and ownership. The asset will be tagged until ownership is proved and determined otherwise.
- *Abandoned* – An asset left in place by previous users and or owners whereby the Nation takes ownership and custody of.

Acquisition through Donation

Donated noncash assets such as property, food, or supplies are considered contributed assets. Contributed assets should be valued at fair value on the date of the receipt, and the quality and quantity of the assets received should be considered in valuing the contributed assets. In the case of contributed assets, the fair market value is defined as, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date," according to GAAP.

When a department/program receives a contributed asset as a gift or in-kind donation, they should contact the PMD to put in place a formal acceptance agreement and to contact the FAS of the OOC to agree on an appropriate valuation for the asset for the purposes of the property record. These valuations are generally based on an appraised or fair market value at the time the donation is accepted. If necessary, an independent appraisal or valuation will be required for assets with an estimated value of $5,000 or more to determine the appropriate valuation and insurance amounts; any appraisal costs incurred will be the responsibility of the department/program accepting the donated asset.

Donors may set restrictions on the use and disposition of donated property. In such instances, the donor's guidelines shall be followed. Supplemental records will be maintained use and disposal approval.

Delivery of contributed assets should be arranged with the PMD.

External Funds Acquisitions:

The Nation will have additional responsibilities and requirements relating to assets which will be purchased with external (federal, state, and other) funds. These areas differ from the standard policies presented in this manual. The responsibilities and requirements will vary depending on who holds title to the asset.

- *Tagging* – For assets to which the external government holds the title, special procedures for tagging shall be followed as outlined in the regulations of that external agency and/or the procedures section of this manual.
- *Tracking* – The assets will be entered and maintained within the system by the FAS. All data contained in the asset record shall meet reporting requirements as dictated by the government agency that funded the purchase of the assets.
- *Reporting* – A listing of assets by government funding agencies will be provided on a periodic basis to the funding agency. The timing of reports will be dictated by the regulations of the appropriate external agency.

- *Surplus/Excess* – Programs externally funded shall report to the PMD in writing any property surplus and excess to their needs and provide a courtesy copy to the funding agency.
- *Disposal* – The PMD shall report to the appropriate external agency in writing any externally-owned personal property that is deteriorated, lost, stolen, damaged beyond repair, or no longer required for the performance of the contract.

  The PMD will coordinate the disposition or acquisition of the property after a decision is made to return the property, dispose of the property or obtain a title to the property. The PMD will notify the appropriate external agency of its intent. The procedures that will be followed to return the property, dispose of the property, or obtain title to the property vary from agency to agency. Therefore, it will be necessary to consult with the funding agency to obtain the necessary guidelines. The PMD will also coordinate with the FAS by providing a copy of a memo & disposition to ensure appropriate removal from FMIS.

Assignment of Government Personal Properties

All government personal property is owned by or leased to the Nation or acquired by the Nation (such as telephones, pagers, computers, fax machines, electronic devices, special equipment, government vehicles, tools, materials, or supplies). Assignment of government personal properties should be based on the nature of the duties and responsibilities of the organization and the need for an assigned personal property to perform the duties. Personal properties should be assigned, based on the position of responsibilities, not the convenience of the employee.

Employees employed by the Nation are responsible for:

- Safely and appropriately use government personal property.
- Sign Property Accountability Statements for assigned government personal property, including when new government personal property is assigned to him/her.
- Know the location and condition of assigned government personal property and make it available for inventory and inspection.
- Report in advance any change in government personal property assignment or location to the PMD.
- Acquire proper documentation before transporting or shipping government personal property from its assigned location.
- Report any unneeded government personal property to the PMD.
- Ensure assigned government personal property is safeguarded and contact his/her manager immediately upon discovering problems in a storage area.
- Notify his/her manager and the PMD before dismantling or cannibalizing any government personal property.
- Protect all government personal property, assigned or otherwise, from loss, damage, destruction, or theft, and report immediately if any of these instances do occur to the PMD.
- Properly and timely report government personal property that is recovered or relocated to the PMD.

Assignment of Office and Operating Facilities

The PMD of the OOC shall be the responsible department for the coordination and assignment of office and structural facilities for all of the Nation's government organizations using inter-governmental space use agreements. The assignments must be for governmental purposes.

An entity is a Navajo Nation government organization if it is identified in the Navajo Sovereign Immunity Act, is eligible for Navajo Nation insurance coverage, and the subject property is on the Nation's list of fixed assets.

These assignments shall apply to new or used facilities either constructed or purchased by and owned by the Nation. This also shall equally apply to those structures that are donated, transferred, conveyed, vacated, relinquished to or repossessed by the Nation.

An organization of the Nation requesting assignment must notify the PMD by a memorandum or correspondence of its requirements. Furthermore, all requests shall have Branch or Division Director approval for consideration for each respective program.

Notification of intent to vacate any of the Nation's office space or structural facility must be submitted a correspondence in thirty (30) days prior to any planned departure, so that fairness may be ensured of available office space or facility to other organizations to include cancellation of utility responsibilities. This shall apply also to departments under any one organization that proposes to trade office space or facility. Assignments are not transferable.

DESCRIPTION:	Property Management	INDEX:	6.3
	Receiving	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq*., CAU-34-11

PURPOSE:

The purpose of this section is to define policies, procedures, and organizational responsibilities for receiving property.

RESPONSIBILITY:

PMD

- Coordinates with the departments/programs so that all purchases of property are properly received and all related paperwork are complete.

Programs/Departments

- Responsible for matching the PO with goods received; create a receiving report, sign to indicate the quantity and quality of goods received and submit required paperwork to the PMD.

POLICY:

All purchases of property shipped directly to the central receiving department in Fort Defiance, AZ for proper receiving. PMD personnel should record and provide a record of receipt. PMD will coordinate to ensure all purchases of property are properly received, and all paperwork is complete.

Because of their nature, the following purchases are exempt from central receiving:

- If the purchased property includes installation and it is impracticable to have the property first delivered to the PMD and then out to the program, the asset will be received and tagged at the installation site, such as furnishing for a newly constructed building purchased under the same contract. The program should work with the PMD in a collaborative nature to arrange for PMD to be on site to tag the property prior to the installation.
- If the asset purchased is so large that it is unreasonably difficult to first deliver the asset to the PMD then deliver it to the program, the property will be delivered and tagged on site. Such as heavy equipment or vehicles. The program must notify the PMD in a timely manner for the receipt of the property.
- If the asset is ordered for delivery to a remote portion of the Nation and it is more efficient and effective than central receiving, the property should be delivered to the program such as heavy equipment or vehicles. The program must notify the PMD in a timely manner to ensure tagging of the property.

Per Navajo Nation Code Chapter 2, Subchapter 2, *Property Controls*, programs are responsible for the proper custody, care, and safekeeping of the Nation's property. Therefore, it is the responsibility of the program to collaborate with the PMD in a timely manner to ensure fixed and controlled assets are properly tagged. Typically, receiving should take place at the central warehouse in Ft. Defiance, AZ. Central receiving at an agency of the PMD office will happen on rare occasions. In these instances, the same procedures should apply.

Programs and central receiving should be familiar with freight and delivery companies to receive or reject goods. Cooperation with the vendor and/or freight companies is critical.

DESCRIPTION:	Property Management	INDEX:	6.4
	Numbering, Tagging, and Delivery	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 2 N.N.C § 59-60 and 12 N.N.C. § 201, *et seq.*, CAU-34-11

PURPOSE:

The purpose of this section is to maintain a positive identification system for all the Nation-owned assets and ensure that all property specified herein are assigned a fixed asset or property numbers and are issued a property tag for identification and inventory purposes.

RESPONSIBILITY:

PMD

- Affixes identification tag numbers to and coordinates the delivery of all properties to the departments/programs.
- Assigns identification tag numbers for non-capitalized (original cost of less than $5,000) fixed assets, controlled items, and personal properties.

OOC/FAS

- Records property records and identification tag numbers to the fixed assets, controlled items, and personal properties in the FMIS.
- Assigns identification tag numbers for capitalized (original cost equal to or greater than $5,000) fixed assets, controlled items, and personal properties.

POLICY:

Tagging is the process of assigning and attaching an identification tag number to the Nation's personal and real property. The primary purpose of a tagging system is to maintain positive identification of assets owned or controlled by the government.

Tagging is important for:

- Providing an accurate method of identifying individual assets;
- Facilitating the inventory process on a current basis;
- Controlling the custodial responsibilities of all fixed assets and personal properties;
- Providing a common ground of communication between the FAS of the OOC, the PMD, and the assets' users or custodians.

The delivery function is the process which ensures that all property items are received by or transported to the departments/programs. The PMD is responsible for ensuring the items are received by departments/programs in a timely and efficient manner and in the best interests of the Nation. Because of the large size of the Nation, it may be necessary to establish delivery schedules to optimize efficiency.

All newly acquired real property should be tagged by PMD. Each division, department, program, enterprise or entity shall formally accept and sign for property. Further, the property should be recorded in the property records as outlined in the section titled "Index 6.5 Accounting and Reporting." This assignment will not be changed without coordination through PMD.

DESCRIPTION:	Property Management	**INDEX:**	6.5
	Accounting and Reporting	**POLICY:**	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 2 N.N.C § 58 and 12 N.N.C. § 201, *et seq*., CAU-34-11

PURPOSE:

The purpose of this section is to establish accounting policies, procedures, and reporting requirements for the FMIS and to define the guidelines for maintenance, retention, and disposition of property.

RESPONSIBILITY:

OOC/FAS

- Records all new acquired fixed assets and controlled items into the FMIS.
- Removes fixed assets and controlled items from the FMIS as result of disposals or transfers.
- Accounts for capitalization of fixed assets over $5,000.
- Reconciles the activities of procurement and receiving functions within the Nation's departments/programs for fixed assets and controlled items to the fixed asset module.

POLICY:

Capitalization Threshold

Capitalized expenditures are expenditures resulting in the acquisition of or additions to the Nation's fixed assets. A threshold of five thousand dollars ($5,000) per unit is established for a more cost-effective method of managing fixed assets.

Capitalized fixed assets must be recorded using the capital outlay object codes. Non-capitalized assets, supplies and/or materials expense must be recorded using the expense object codes. The capitalization threshold is the amount at which a purchase of an asset will be capitalized and controlled.

The applicable object codes are as follows:

Object Code	Sub	Description	Object Code	Sub	Description
9000		Capital Outlay	9074		CAP-Architecture/Design
9001		Real Property	9074	02	Fees
9010		Land & Improvements	9074	03	Expenses
9012		Land	9076		CAP-Geo Tech Services
9014		Land Improvements	9076	02	Fees
9020		Infrastructure	9076	03	Expenses
9022		Airports	9078		CAP-Other Tech Services
9024		Roads	9078	02	Feasibility Studies
9026		Parking Lot/Sidewalk/Streetlgt	9078	03	Environ Assessmt./Serv.
9028		Bridges	9078	04	Diagnostics/Testing/Evaluation
9030		Dams	9078	05	Inspection/Appraisal Fees
9032		Wells	9078	06	Technical Services Expenses
9034		Windmills	9100		Personal Property
9036		Communications	9110		Furniture & Fixtures
9038		Waterlines	9112		Furniture
9040		Powerlines	9114		Fixtures
9042		Water/Wastewater	9140		Equipment
9044		Gas line Extension	9142		Equipment
9050		Building	9144		Analytical Equipment
9052		Buildings	9146		Computers
9054		Bldg. Improvements	9148		Equipment Capitalized Leases
9056		Leasehold Improvements	9160		Vehicles
9058		Bldg. Capitalized Lease	9162		Automobile
9060		Construction In Progress	9164		Specialized Vehicles
9062		Contingencies	9166		Buses
9070		CAP-Pro Tech Services	9168		Aircraft
9072		CAP-Consulting	9180		Intangible Assets
9072	02	Fees	9182		Intangible Assets
9072	03	Expenses	9190		Other Assets
			9192		K-9

- Furniture, vehicles, and equipment must be capitalized if the cost is $5,000 or more. Assets with a unit cost of $4,999 or less are properly classified as expensed equipment.
- If expenditures are incurred to maintain the original operational condition of an asset, it should be classified as a repair and maintenance expenditure utilizing the repair and maintenance accounts. For example, repairs to damaged vehicles or routine maintenance such as tune-ups or oil changes are considered repair and maintenance.

- Divisions, departments, and programs must be accountable for and record items under the $5,000 capitalization threshold amount for those items that are considered at high risk of theft (such as weapons and computer components) are classified as sensitive items.

Recording Asset Records

All capital assets will be assigned and tagged with a unique number, which remains the same through the life of the assets. A detailed asset record will be maintained by the FAS and PMD for capital assets.

The PMD will tag the assets using standard asset tagging procedures as outlined in the section titled "Property Management – Tagging and Delivery."

A critical step in establishing and maintaining a fixed asset system is to establish procedures that will keep all records current. Therefore, a property record will be established and maintained for all real and personal property of the Nation. All previous work and efforts will be outdated unless the information can be kept current. It is the responsibility of the FAS to create the basic property record. The FAS and PMD are responsible for updating and maintaining property records.

The FAS and PMD will update and maintain a property record for each asset entered into the fixed asset accounting system. Any updates must be kept current so as to maintain a reliable system for control. At a minimum, the property record should contain the following data elements, if applicable:

• Asset identification number (Asset Tag Number)	• Depreciation method
• Description	• Quantity (typically the quantity should always be 1)
• Source acquired from (donor/funding source),	• Unit of measure (example: square feet, acres or square miles)
• Purchase price and/or other costs necessary to bring the asset into service	• Condition
• Fair value (if no purchase price)	• PO number
• Estimated salvage or residual value	• Vendor invoice number
• Date acquired	• Vendor name
• Present location	• Business unit
• Responsible organization (program) and individual	• Funding year(s)
• Information on betterment, improvements, and additions	• Construction type
• Estimated useful life	• Model number
• Status (active, surplus, etc.)	• Extended maintenance agreements, warranty information, or service contracts (if applicable)
• Serial numbers	

The financial recording is essentially the process of recording fixed assets and keeping the fixed asset ledger up to date. The OOC is responsible for working with the PMD and other programs to collect enough financial information to determine the financial value of all property. Also, the OOC is responsible for matching all the documents necessary to record the value of the asset in the fixed asset ledger and to make all necessary vendor payments, including insurance replacements.

For purchases of property, the OOC must have all the required documents (contract, P.O., receiving the report, invoice, etc.) for recording and payment. If they do not have all of the required documents, halt the process until all the required documents are received. Once everything is received, continue with the procedures.

Property Management Department Sections

The Nation's growth and expansion resulted in three distinct sections within the PMD: Personal Property Section, Real Property Section, and Warehouse Receiving Section.

The sections will be responsible for receiving, tagging, distributing, tracking, transfer, reassignment, and disposing of property (including stored surplus property). In addition, any change to the status of the property will be updated to the FMIS. These changes to property include, and are not limited to the following:

	PMD Sections		
Changes	**Personal Property**	**Real Property**	**Warehouse**
Transfers (reassignments)	X	X	X
Disposals	X	X	X
Improvement (partial replacement)	X	X	
Addition	X	X	
Damage	X	X	X
Obsolescence	X	X	X
Theft	X	X	
Inventory adjustments	X	X	X
Trade-in	X	X	
Lost/misplaced	X	X	
Loans	X	X	X
Appraisal	X	X	X

The FAS will also be responsible for determining the classification and ownership and recording the values and disposition of property in the FMIS. This includes the initial data entry and maintenance of the asset records for the overall integrity of each asset record. Only the FAS is authorized to record disposals in the FMIS, including the removal of non-capital equipment. As outlined in a memorandum dated September 10, 2018 by DOJ, PMD is authorized to coordinate building renovations and demolitions with the Capital Projects Management Department ("CPMD") for OOC.

Basis of Accounting for Fixed Assets

The Nation will use either an accrual or modified-accrual basis for accounting. Each accounting method will result in different accounting treatment of fixed assets.

- *Accrual basis of accounting* – Fixed assets acquired with proprietary funds will use the accrual basis of accounting and are considered "proprietary assets." The assets should be accounted for within the appropriate proprietary fund. The accrual method is used because the primary performance measure of these funds is a periodic determination of changes in net position (revenue earned and expenses incurred).

In order to determine the change in net position, we shall satisfy the requirement of GAAP of matching revenues and the costs associated with the production of those revenues. The depreciation of fixed assets used in the generation of revenues will be included in these costs for change in net position determination. Therefore, the fixed assets will be capitalized and depreciated in the fund generating the revenue.

- *Modified accrual basis of accounting* - Fixed assets acquired with non-proprietary funds will use the modified-accrual basis of accounting and are considered "expensed assets." They are recorded (expensed) in the funds which funded the acquisition. These fixed assets represent financial resources which have been used and for which accountability should be maintained. The main purpose of this type of fund accounting will be to reflect the sources and uses of its financial resources. The government-wide financial statements are reported using the economic resources measurement focus, which reflects all long-term assets (e.g., fixed assets). As a result, GAAP requires the exclusion of fixed assets from the fund accounts and records them in the government-wide financial statements. Depreciation is calculated on fixed assets, and accumulated depreciation is recorded in the statement of net position. Depreciation expense must not be recognized in the fund.
- Classification of funds and their basis of accounting:

Fund Type	Fund	Basis of Accounting	
		Accrual	**Modified Accrual**
Proprietary	Enterprise Funds	X	
	Internal Service Funds	X	
Fiduciary Funds	Private Purpose Trust Funds		X
	Pension Trust Funds		X
Governmental	General Fund		X
	Permanent Funds		X
	Grant Fund		X
	Special Revenue Funds		X

Fixed Asset Useful Life

Depreciation of fixed assets is provided by the straight-line method over their estimated useful life.
Estimated useful life of fixed assets are as follows:

Asset Class	Useful Lives
Buildings and improvements	40 years
Vehicles and heavy equipment	4 to 15 years
Equipment	7 years
Data processing equipment	3 to 7 years
Furniture and fixtures	7 years

FMIS Object Codes

Object Code	Description	Useful Lives	Object Code	Description	Useful Lives
9012	Land	40 yrs.	9056	Leasehold improvements	40 yrs.
9014	Land improvements	40 yrs.	9058	Capitalized lease	40 yrs.
9022	Airports	40 yrs.	9060	Construction in progress	40 yrs.
9024	Roads	40 yrs.	9112	Furniture	7 yrs.
9026	Parking lot, Sidewalk, Streetlight	40 yrs.	9114	Fixtures	7 yrs.
9028	Bridges	40 yrs.	9142	Equipment	7 yrs.
9030	Dams	40 yrs.	9144	Analytical equipment	7 yrs.
9032	Wells	40 yrs.	9146	Computers	3 yrs.
9034	Windmills	40 yrs.	9148	Capitalized leases	7 yrs.
9036	Communications	40 yrs.	9162	Automobiles	4 yrs.
9038	Waterlines	40 yrs.	9164	Specialized Vehicles	4 yrs.
9040	Power lines	40 yrs.	9166	Buses	4 yrs.
9042	Water/wastewater	40 yrs.	9168	Aircraft	15 yrs.
9052	Buildings	40 yrs.	9182	Intangible assets	5 yrs.
9054	Bldg. Improvements	40 yrs.	9192	K-9	7 yrs.

Quarterly Expenditure Review

The capital and repair and maintenance expenditure object codes must be reviewed by the FAS on a quarterly basis to determine if the expenses are properly expensed or capitalized. Any questionable charges must be brought promptly to the program/department's attention, and, if needed, corrected by an appropriate transfer. Transfers should be initiated as soon as possible after a need has been identified.

DESCRIPTION:	Property Management	INDEX:	6.6
	Construction in Progress	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, CAU-34-11

PURPOSE:

The purpose of this section is to establish policies and procedures for accumulating capitalization costs for construction projects and recording in the FMIS. This includes calculating the amount of construction-related interest to be capitalized on an annual basis.

RESPONSIBILITY:

OOC/FAS

- Records costs associated with all phases of a construction project in the appropriate CIP project cost records.
- Identifies the appropriate asset classification and balance sheet account distribution of such costs in project cost summaries.
- Reviews and approves all cost documentation submitted by the departments/programs.
- Monitors the consistency of information being provided by the departments/programs.

PMD

- Tracks constructed assets that have been placed in service, based on the information provided by the departments/programs.
- Coordinates with the departments/programs to communicate all costs associated with the construction project to the FAS.

Departments/Programs

- Provides the FAS with the total capitalized costs associated with a construction project.
- Accumulates and provides costs associated with all phases of a construction project.
- Tracks and reports all CIP for projects that have not yet reached 100% completion.
- Submits documentation to the FAS and the PMD for all projects that have reached 100% completion or are placed in service.

Design and Engineering Services (DES)

- Provide the itemized list of total product costs associated with a construction project.

POLICY:

Real Property Constructed (CIP)

The OMB and the OOC will be responsible for establishing separate budgets and accounts for each project during construction within a CIP object code(s). The OOC will accumulate all applicable costs and expenditures on the project. These costs include, but are not limited to the following:

• Purchased materials	• Utilization of equipment
• Construction supplies	• Interest expense
• Direct labor	• Any allocated overhead and indirect costs
• Contracted services	• Any internal costs associated with the asset

CIP includes all partially completed projects for the construction of an asset. The cost of CIP will not be capitalized until the construction is complete and/or the constructed asset is placed into service.

For purposes of capitalization (placement into service or capitalization within the system), a constructed asset will be considered completed when occupied or upon acceptance by the Nation of the total project construction cost. Prior to capitalization, project expenditures should be charged to CIP in the appropriate capital project fund.

All labor and material costs directly associated with the construction project may be charged to CIP and subsequently capitalized as a cost of the new asset. The following criteria should be applied to determine whether such project-related costs should be capitalized or treated as normal periodic expenditures:

- Costs are chargeable to a capital project if they would not have been incurred during the specified period in the absence of the project.
- Costs for dismantling, removal, or disposition of existing the Nation's-owned equipment and improvements in preparation for a new project may be capitalized by the project.
- In addition, overhead costs, such as licenses, permits, and project management costs directly associated with the construction, will be capitalized. Other elements of the Nation's overhead that are difficult to measure, such as insurance and utilities, will be allocated and expensed as operating charges rather than added to the capitalized cost of the constructed asset.
- Interest costs incurred during the construction phase of projects undertaken on behalf of a proprietary fund may be capitalized as part of the cost of the fixed asset if the amount is considered material. Ordinarily, interest costs incurred during the construction of general government fixed assets are not subject to capitalization. Interest costs will not be capitalized on assets acquired through grants or gifts unless the grant or gift permits such capitalization and the funding are provided through the grant or gift.

The total value of the constructed capital asset will be accumulated in CIP object code(s) during construction. Upon completion of the project, the amounts accumulated in the CIP account will be reclassified to the proper fixed asset object code(s).

Groups of Assets or Resources

Groups of assets or resources that may be purchased together or that are identical in nature, such as groups of desks, groups of chairs, etc., should be treated as individual resources or assets. A software acquisition consisting of a number of licenses for or units of potentially independent or stand-alone applications, such as word processors or electronic spreadsheets, is to be considered a group of resources. Each unit or each user license is to be treated as an individual intangible resource and capitalized or expensed accordingly.

Modular furniture systems including desktops, shelves, partitions, storage drawer pedestals, etc., are considered independently functioning tangible resources and, therefore, are not collectively evaluated for capitalization. Thus, it should be considered as a single item rather than a group of resources or assets and is to be capitalized or expensed.

A group of assets that in total cost $5,000 or more (e.g., 10 chairs costing $500 each or 5 desks costing $1,200 each) is not capitalized except for major new construction and renovation projects where the $5,000 threshold is waived for the purchase of moveable equipment and furnishings provided they meet the following requirements:

- The equipment must be non-expendable, tangible personal property having an economic useful life of more than one year. During the normal course of business, these items would be expensed solely because they did not meet the Nation's $5,000 capitalization threshold. This exception allows for the capitalization of an original complement of low-cost equipment and furnishings for the initial outfitting of a tangible capital asset or operational unit, or an expansion or renovation to either.
- These assets should be assigned an appropriate, useful life and not depreciated over these lives of the new construction or renovation.
    - Example 1 - The Nation constructs a hall with a budgeted project cost of $1 million dollars. Tangible equipment and furnishings are budgeted at $100,000. Assets that individually meet the capitalization threshold of $5,000 were purchased on the project totaling $20,000. These items should be capitalized as individual assets. The remaining assets purchased from the equipment and furnishings budget, which individually do not meet the $5,000 threshold, would be expensed.
    - Example 2 - The Nation upgrades a classroom that includes computer and media equipment. Individually, the components do not meet the threshold, but the combined costs exceed $5,000. This would typically not be considered a major capital project since it is an upgrade and not a significant alteration or renovation; therefore, all movable equipment/furnishings would be expensed.

See the Numbering, Tagging, and Delivery section above for instructions on tagging multiple property items under one contact/project.

Even when individual items within a group of assets need not be capitalized, they may individually or collectively represent a significant investment of the Nation's resources. Departments are to employ measures to safeguard items within a group of assets commensurate with the value of the assets and the risk of loss.

DESCRIPTION:	Property Management	INDEX:	6.7
	Improvements, Betterments, and Maintenance	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, CAU-34-11

PURPOSE:

The purpose of this section is to establish procedures for recording and accounting for costs of improvements, betterments, and maintenance expenditures as additions and alterations to the existing property.

RESPONSIBILITY:

OOC/FAS

- Updates the property record for subsequent transactions such as improvements and betterments in accordance with applicable property management policies and procedures.

PMD

- Coordinates with the FAS to determine if the expense should be classified as improvements, betterments, or maintenance and repair.
- Verifies the completion of the improvement and partial replacement and notifies Risk Management Program to add to insured properties.

POLICY:

Improvements and Betterments:

Improvements include additions of new components to previously capitalized assets that either increase the assets' value, extend the useful life, increase the normal rate of output, lower the operating cost, or increase the efficiency of the existing assets. Replacements of components of existing capitalized assets with improved or superior units, such that the value or useful life of the assets is increased, are also classified as improvements. A project or activity will qualify as an improvement if it involves any of the following:

- The addition of a new component to a previously capitalized asset that either increase the asset's value extends its useful life, increases its normal rate of output, lowers its operating cost or increases its efficiency
- The addition of new and separate units or extensions or expansions to noncapitalized assets that increase the asset's value or estimated useful life, such that the original asset, including the addition, now meets the capitalization threshold
- The replacement of a component of an existing capitalized asset with an improved or superior unit, such that the value or useful life of the asset is increased

  Examples

  - Construction of a new wing on a building
  - Installation of an air conditioning system where there previously was none

- Installation of a crane on a truck that did not previously have on
- Removal of a major part or component of equipment and the substitution of a new part or component that increases either the value or the useful life of the asset

Additions are extensions or expansions of an existing asset. Adding a wing to an existing hospital would be an addition to that building. Adding an additional feature to an existing machine is an addition to equipment. An addition is clearly a capital expenditure that is debited to the capital outlay accounts at full acquisition cost and capitalized in the statement of net position (non-proprietary funds) or applicable proprietary fund.

A betterment materially renovates or enhances a previously capitalized asset without the introduction of a completely new unit. Alterations that change the physical structure of assets (e.g., cutting new entry and exit openings or closing old ones; erecting new walls, windows, and partitions or removing old ones) but neither materially add value to the asset nor prolong its expected life by at least 1 year.

Examples

- Tuck-pointing of a building
- Enhancement of an old shingle roof through the addition of modern, fireproof tiles
- "Major catch-up" repair or rehabilitation of an existing neglected asset that extends the useful life or increases the value of the asset

Real Property – Structural Renovation Management Use

Structures intended to be occupied by the Nation's programs whether they are general, or contract funded shall assure the structures capabilities for renovation, management, and uses.

- Renovation - A structure(s) cost-efficient repair shall be determined through the use of those programs organized to render such services of advice, architectural, sources of funding, projections and resources. This determination shall consist of:
  - upgrade
  - repair
  - funds
- Management - Establish a structure for continued and consumed services for janitorial, custodial, repair & maintenance, states of excess, states of occupancy, states of surplus, disposition, insurance, funding, safety, resources, etc.
- Use - Establish a criterion for the employment of structural uses projections.
- Assistance for determination shall be made through existing programs structural capabilities for occupancy. These programs may be and not be limited to:
  1. Property Management Department, Division of Finance
  2. Facilities Maintenance Department, Division of General Services
  3. Insurance Services Department, Division of General Services
  4. Navajo Occupational Safety & Health Administration, Division of Human Resources
  5. Historic Preservation Department, Division of Natural Resources

6. Environmental Health Program, Division of Health
7. Capital Projects Management Department (CPMD), Division of Community Development

This policy is essential to maintain structural integrity, safety, funding, ethical standards, liability, and adequate planning.

The areas of structural responsibilities apply to lease(s), use permits, and occupancy of structures that the Nation's programs enter into or occupy.

1. Utilities: electricity, gas or LPG, water, wastewater
2. Communication: telephone, fax, Internet
3. Insurance: property (building), equipment, personnel, public liability
4. Maintenance: upkeep, repair, janitorial, custodial

Accounting Treatment of Improvements and Betterment

An improvement or betterment that individually meets the capitalization threshold should be added to the value of the existing capitalized asset. If the value of the improvement or betterment is added to the value of the existing asset and the useful life has been increased, depreciation charges for future periods should be revised based on the new book value and the new estimated remaining useful life.

Improvements and betterments (partial replacements) to a fixed asset and will be capitalized if it meets the following criteria:

- Improvements or betterments of noncapitalized assets that do not involve replacements will be capitalized as part of the original asset only if the total cost of the original asset, including the improvement, is equal to or greater than $5,000. Otherwise, the improvement will be expensed as maintenance and repairs.
- Betterments add material value to the asset and materially extend the useful life of the asset beyond the useful life originally estimated. The material value in the case of betterments is considered all items over the established $5,000 threshold.
- Improvements or betterments that involve replacement of an existing component will be capitalized only when the value or useful life of the asset is increased. In such cases, the value of the replaced component should be deleted to prevent an overstatement of the asset's value.
- Costs incurred for major repairs or rehabilitation to certain property should be capitalized based on their contribution to the extension of the useful life and increase in the value of those affected assets. An example of this is the replacement of the roof on a building. If the new roof extends the life of the building for a material period past the originally estimated life and adds material value to the building, then the cost could be capitalized. The cost of the roof plus the remaining net book value of the building will be depreciated over the new life.

When the project is placed into service, the appropriate personnel of the FAS will accumulate all the relevant costs of the project. Included are the costs of construction and supplies, repair labor and related items (any cost used to place the asset in service).

Partial replacements of a relatively minor nature, made during maintenance of the equipment, will be considered an operating expense necessary to keep the asset in good operating condition. Included are the costs of cleaning, repair parts and supplies, repair labor, and related items.

<u>Maintenance and Repair</u>

Maintenance and repairs are not intended to alter or change the asset or to increase the useful life of the asset, but rather to sustain the asset in its present condition.

Maintenance and repair costs incurred to keep the property in normal operating condition will be expensed.

Maintenance costs are not capitalized and are not recorded as part of the associated asset in the property record. Departments/programs are responsible for tracking assets sent for repair to vendors and for maintaining appropriate documentation.

A project or activity will qualify as maintenance if it:

- Recurs on an ongoing basis (scheduled maintenance) and keeps the asset in a useable condition;
- Simply restores the property to its former condition, addressing normal wear and tear associated with the use of an asset;
- Does not add substantially to the value of the asset;
- Facilitates asset utilization for its original estimated useful life; and
- Does not significantly extend the useful life of the existing asset.

  Examples

  - Engine overhaul in a vehicle
  - Compressor replacement in an air conditioning unit that is not componentized
  - Resurfacing roof gravel or reflashing a roof

DESCRIPTION:	Property Management	INDEX:	6.8
	Physical Inventory	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 2 N.N.C § 59 and 12 N.N.C. § 201, *et seq*., CAU-34-11

OTHER REFERENCES: 2 CFR 200.313

PURPOSE:

The purpose of this section is to establish policies and procedures for conducting and reporting the periodic physical inventory of property and to ensure the accuracy of property records.

RESPONSIBILITY:

OOC/FAS

- Updates the FMIS to ensure that the information regarding property is correct.
- Coordinates with the PMD to add/delete the property from the FMIS as necessary.
- Coordinates reconciliation meetings between the program/department and the PMD, which must occur at the same time.

PMD

- Establishes general physical inventory procedures and an inventory schedule that includes all departments and causes the least amount of disruption to normal operations.
- Ensures appropriate reporting to assist the program in conducting and reconciling inventory.
- Updates the property listing to ensure that the information regarding property is correct.
- Assists departments/programs in investigating and resolving all significant differences between the current physical inventory and the existing asset files.
- Reviews and compiles final inventory results of all departments/programs; coordinating with the FAS to add/delete the property from the FMIS, as necessary.

Departments/Programs

- Coordinates the physical inventory with the FAS to ensure that it is completed within the scheduled time frame.
- Conducts a thorough inventory in accordance with the procedures presented in this section.
- Ensures the information regarding property is correct in the master property listing.
- Reconciles any exceptions to ensure that the inventory result provides a complete accounting of all assets recorded in the department/program.
- Documents the inventory results and forward a written report, signed by the program director, to the PMD, indicating completion of the inventory and any exceptions.

POLICY:

Inventory Frequency

The PMD will establish physical inventory intervals and schedules for the inventory of all property. All departments will perform physical inventories in accordance with these established inventory schedules.

Random Sample Inventory Counts

The PMD schedules and conducts random sample cycle counting of inventories in lieu of single annual inventory for risk assessment purposes. The PMD notifies the property custodians (departments/programs) of the date of the random sample inventory, the items to be inventoried, and the procedures that will be used. Sample counting is the process of counting only a portion of the Nation's inventory.

Biennial Inventory Counts

The perpetual inventory of all assets is the responsibility of the PMD on at least a biennial basis. Moreover, federal funded property inventories should be conducted at least once every two years to comply with federal regulations. The inventory process is in effect the gathering and assembly of the data which ultimately drives the property accounting system. Planning the physical inventory should be responsive to the needs and provide for an orderly and efficient manner to collect, record and organize the needed data.

Ultimately, it is the responsibility of PMD and program/department that is responsible for the control and management of all assets.

Real-Property Inventory

The life cycle management of real property must take a data-driven, risk-informed, performance-based approach to align the real property portfolio with the Nation's governmental needs. Real property must be managed in a safe, secure, cost-effective, and sustainable manner to ensure the real property portfolio is appropriately sized, aligned, and in the proper condition to support efficient mission execution.

1. The property custodians (departments/programs) must follow in preparing and submitting real property inventory information for real property to the PMD. All real property owned, leased, or otherwise managed by the Nation shall be inventoried once every two years. The inventory of real property should include the following: the size, the location, and any other appropriate description of each real property;
2. an assessment of the physical condition of each real property;
3. a determination of whether each real property should be retained for the Nation's mission requirements;
4. any other information the property custodian considers appropriate.

DESCRIPTION:	Property Management	INDEX:	6.9
	Relocation	POLICY:	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq*., CAU-34-11

PURPOSE:

The purpose of this section is to establish policies and procedures for transferring property between department, programs, or physical locations within the Nation. By providing timely reporting of property transfers, these procedures ensure custodial responsibility, accountability, and the maintenance of accurate property records.

RESPONSIBILITY:

PMD

- Reviews and approves the appropriate forms for transfer/reassignment of fixed assets or controlled item from the Department/Program to the PMD.
- Updates the property listing/record to record the transfer/reassignment.

Department/Program

- Provides a statement indicating that the asset is surplus/transfer and no longer needed with the fixed asset or controlled item to the PMD;
- If necessary, obtain proper approval from the funding source if the fixed asset or controlled item need to be returned;
- Submits appropriate forms for transfer/reassignment of fixed assets or controlled items to the PMD for approval;
- Submits appropriate forms for transfer/reassignment of land to the Navajo Land Department for approval;
- Coordinate with the PMD to update the property listing/record the transfer/reassignment fixed assets or controlled items.

POLICY:

If a program determines that they no longer need an asset, then it should be transferred back to the PMD for either reassignment or disposal. This will ensure that all the Nation's assets will be efficiently and effectively utilized, resulting in the reduction of unnecessary purchases. Please note that the asset number must not be changed when the property is reassigned or transferred. For equipment purchased with federal or federal-Pass-Thru funds, the reassignment or disposal must comply with federal awarding agency's instructions and requirements. Please refer to Section 6.10 Retirement and Disposition for further information.

- *Surrendered* – The actual surrendering of real property is turning the building or facility back over to the PMD for reassignment or disposal. When a program determines that they no longer need the use of any real property, then it should be transferred back to the PMD for either reassignment or disposal. The PMD will have the sole authority to reassign or disposal of real property such as office spaces, buildings, yards, etc. This will ensure that all of the Nation's real property will be efficiently and effectively utilized.

- *Surplus* – Represents excess or surrendered property that has been transferred back to the PMD for either reassignment or disposal. The PMD is responsible for maximizing the use of all assets of the Nation by making available for viewing by programs all surplus property that can be reassigned or reassignment of all idle buildings in an efficient and timely manner. This should help minimize additional purchasing and result in the maximum use of the Nation's assets.
- *Transfers* – A transfer of personal property is the movement of any asset that will result in a change in the location, either by a branch of government, division, business unit, program, building or custodian. Any transfer shall be approved by the immediate supervisor and accepted by the transferee (recipient). Also, the PMD must be notified in writing prior to the transfer, so that the asset record can be properly updated and maintained.

  A transfer of real property is a reassignment that results in a change in the occupants or custodian of any building. Any transfer for governmental purposes shall be reviewed, approved and coordinated by the PMD. The transfer of real property generally means that a program is transferring the property back to the PMD for reassignment, or the PMD reassigns the property to a program for its use. Any transfer of real property should include any required paperwork so that the asset record can be properly updated and maintained.

Attention should be paid by the PMD for any surplus assets or transferred assets that are unassigned. Specifically, attention should be paid to those assets that have remained unused for a year or more. The list of unused assets should be forwarded to the OOC to determine if these assets are impaired and document this determination as part of the annual close out/financial statement preparation process. An impaired asset is an asset that has a market price less than the value listed on the entity's balance sheet. If impaired, these should be disposed of.

Installed equipment and buildings from all programs that have ended should be retrieved at the end of each fiscal year. Subsequently, reassignment will be arranged by the PMD either to the same division or other departments. The PMD shall obtain all contract, sub-contract copies including the scope of work, account number utilized, purchase orders, and purchase records for all equipment to be installed.

The following should be considered to coordinate and implement requests for excess real property from the federal, state, and local agencies.

- Through a combined effort by those Navajo Nation departments immediately affected by any transfers or conveyances and upon recommendations will such requests be considered favorable for the Nation's real property.
- At no time will any division, department, branch, program, enterprise or entity formally initiate any real property request from any of the agencies mentioned without initially establishing contact or consulting with the PMD.
- Those factors to be considered for transfers, conveyances, and donations will be based upon and not limited to personnel safety (hazardous materials, stability, etc.), projected life expectancy, historical significance, renovation and maintenance projections, and acquisition through questionable ownership.
- At no time will any real property designated as the Nation's property be dismantled, razed, sold, transferred, leased or occupied without prior approval or notification through the PMD.

At no time will any division, department, branch, program, enterprise or entity arbitrarily conduct any movement of facilities and equipment identified as the Nation's property nor will same occupy any available or vacated office space within any building without prior approval of the PMD. The request for reassignment of facilities or equipment should be submitted to the PMD for proper approval or notification.

To initiate real property additions for expired business site leases, forfeited leases, and abandoned business sites through controlled coordination with the Division of Economic Development and affected departments to include any and all personal property related equipment and identified accordingly. The divisions, departments, branches, programs, enterprises or entities may request these business sites be reassigned provided a proposal be submitted to the Division of Economic Development.

DESCRIPTION:	Property Management	**INDEX:**	6.10
	Retirement and Disposition	**POLICY:**	X
		PROCEDURES	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 2 N.N.C. § 57(C), 2 N.N.C. § 60 and 12 N.N.C. § 201, *et seq*., CAU-34-11, BFJY-114-86

OTHER REFERENCES: 2 CFR 200.313

PURPOSE:

The purpose of this section is to govern the removal of a property item from the Nation's records and to account for the resulting gain or loss. To achieve this purpose, policies and procedures are provided for processing and recording retirements and dispositions of all property.

RESPONSIBILITY:

OOC/FAS

- Record lost or stolen property in the FMIS.
- If proceeds result from the disposal, assign and record the proceeds to the specific asset retired (if identifiable) in the FMIS, in accordance with established data entry procedures

PMD

- Responsible for the ultimate disposal of the Nation property that is either no longer needed (excess, obsolete) or found to be unserviceable (worn, scrap) by the departments, in accordance with the Nation policies and other legal mandates.
- Takes possession of the property from the department or program through transfer and attempts to transfer the property to another department or program, sell the asset through bid or auction, or otherwise dispose of the property, in accordance with the Nation policies and procedure.
- If proceeds result from the disposal, ensures that revenue is properly assigned in accordance with this procedure.
- Review trends and analyze asset disposals on a regular periodic basis to determine the proper use of resources to the full extent of their useful lives.

Department/Program

- Identify and process appropriate assets for retirement or disposal through trade-in, transfer to the PMD, scrap metal/refuse contracts or sale—only with the approval of the Controller.

POLICY:

Disposal – A disposal is considered an asset (real and personal property) sold, traded-in, scrapped, or which becomes unavailable for service to the Nation. The disposal of assets through donation, sealed bid, and direct sale must be specifically authorized by the Navajo Nation Council utilizing its directive authority. The PMD will be charged with the responsibility of disposing of all assets. The PMD Manager will have the authority to set monetary levels for excess real and personal property.

The PMD will dispose of the Nation's assets in the following methods of disposition:

• Reassignment (transfer, not disposal)	• Donation
• Auction	• Salvage
• Sealed bid	• Direct sale

The asset is the property of the Nation and should be disposed of in its best interest. All disposal of personal property requires the approval of the PMD Manager. Any disposal of personal property by any method other than sealed bids, trade-in, auction or waste requires additional approval of the Controller or his/her designee for items equal to or greater than $1,000. Any disposal of real property with a fair value greater than the established threshold (as set by the Controller or his/her designee) or by any method other than sealed bids or public auction require additional approval of the Controller or his designee.

The established threshold for real property is set at $5,000.

The PMD will be charged with the responsibility of providing guidance and technical assistance to previous occupants in obtaining funds for disposal of real property.

- *Proceeds* – The PMD will be responsible for verifying business units to credit proceeds. Contract Accounting and General Accounting will be responsible for crediting the appropriate business unit for asset disposals, including proceeds from assets whose original business unit cannot be verified.
- *Damage* – Damage will be considered to be any impairment of the asset's ability to provide service. If property (real or personal property) is damaged, the PMD and the FAS will be notified immediately. The PMD shall make the determination to repair, replace or dispose of the asset (approval will be necessary depending upon the value of the asset and the type (real or personal)). If the asset is repaired and its estimated useful life is still impaired, then the PMD shall notify the FAS of any change in estimated useful life so the asset record can be updated.
- *Obsolescence* – The PMD will provide a report to the FAS to justify the disposal of an obsolete property. Approval for the disposal of obsolete property shall meet the criteria in the aforementioned policy for disposal. The FAS will then adjust the property records accordingly.
- *Loss* – Loss of property either through accident, break-in, internal stealing or pilferage. All loss of property will be reported immediately by the custodian of the asset to his/her immediate supervisor and to local law enforcement programs where the theft occurred. Notification to law enforcement agencies will be followed by written notice to the PMD, FAS, and Risk Management Program. The FAS will then adjust the property records accordingly.

Disposal Methods

The property will be retired or disposed of in the FMIS using one of the following methods:

- *Departmental, Interdepartmental, or Intrafund Transfer*

  Excess or obsolete property that is no longer required by one department (sending department) will be transferred either to another group within the same department or to another department in need (receiving department), in accordance with Section 6.9 Relocation, if a department in need can be immediately identified by the sending department.

- *Transfer to the PMD*

Excess or obsolete property that is no longer required by one department will be transferred to the PMD if another department in need is not immediately identifiable, in accordance with Section 6.9 Relocation.

- *Sale*

  The property will be sold whenever reasonable proceeds from such a process are anticipated. Sale and pricing methods will be subject to the approval of the Controller for items equal to and greater than $1,000 and may include direct negotiation, sealed bid invitation, spot bidding, fixed-price sale, public auction, out-of-cycle sale, employee sale, or sales to the general public. Sales will be conducted by the sole discretion of the PMD Manager for items less than $1,000. All sales will be final where there will be no exchanges or refunds allowed. Remote location sales will be allowed when it is not economically feasible to move an item to a yard to conduct a sale.

- *Trade-In*

  Property that is traded in or exchanged for a similar asset will be recorded as a sale (original asset) and acquisition through purchase (new asset) by the department in the FMIS.

- *Lost or Stolen*

  Property that has been lost or stolen and that have been properly recorded and deemed unrecoverable will be retired.

- *Scrap*

  Property that has been transferred to the PMD and is found to be damaged, destroyed, or in any other way having no recoverable value will be accumulated and disposed of in accordance with existing scrap metal/refuse contracts or as otherwise directed by the Controller.

Disposal of Equipment Acquired with Federal or -Pass-Thru Funds

Disposal of equipment purchased with federal or federal-pass-thru funds must comply with the appropriate federal regulations. Depending upon the fair market value of the equipment (usually at the time the award terminates) and the federal awarding agency's instructions, disposition must occur following specific rules:

- If the equipment has a unit fair market value of $5,000 or less, it may be retained, sold or otherwise disposed of with no further obligation to the federal awarding agency.
- If the equipment has a unit fair market value of more than $5,000, the Nation must obtain disposition instructions from the federal awarding agency. The Nation may be permitted to retain the equipment for use under other non-federally sponsored projects, but it may also be instructed to sell or transfer the equipment back to the agency or another entity.
  - If the Nation is instructed to sell the equipment, the Nation must remit to the federal awarding agency's pro-rated share of the proceed from the sale of the equipment.

There may be additional requirements that vary by the awarding agency. Please refer to grant and contract agreements for any additional requirements.

Disposal of Property with Hazardous Materials

Items such as refrigerators, freezers, sterilizers, underground tanks, and similar equipment may contain Freon, mercury switches, batteries, or other potentially hazardous components. Before disposing of surplus equipment, the PMD must certify that reasonable means have been taken to clean and decontaminate the equipment by removing radioactive materials, biohazardous materials, chemical materials, and any embedded hazardous materials. With coordination with the Navajo Nation Environmental Protection Agency (EPA), the PMD is responsible for ensuring that all hazardous materials have been properly removed and that the equipment has been decontaminated.

All hazardous, radioactive, infectious, and any other regulated waste or material should be disposed of in accordance with federal, state, and the Nation's regulations.

- No person shall dispose of any hazardous waste, radioactive waste, infectious/medical waste, or any other regulated waste or material except in accordance with established Navajo Nation waste disposal procedures.
- Hazardous materials and wastes shall be properly identified and labeled according to the Nation's procedures. Departments/programs shall be responsible for the identification of unknown waste.
- Departments/programs shall purchase and use hazardous materials in quantities that minimize waste generation but are consistent with operational needs.
- The EPA will coordinate the disposal of hazardous, radioactive, and infectious waste.
- The EPA shall maintain all manifests and documentation required by federal, state, and the Nation's regulations. Departments/programs shall forward the required documentation to EPA.

Disposal of Firearms and Ammunition

With authorization from the PMD, firearms that are no longer required for the needs and the discharge of, the responsibilities of the department/program may be destroyed or transferred to the other Navajo Nation department/program authorized to carry firearms for official use in accordance with applicable laws and regulations.

Disposal of Computer Equipment and Data Storage Devices

Computers that were purchased with the Nation funds or grant funds, donated to the Nation, or acquired for the Nation through other means are the property of the Nation and do not belong to specific individuals. The Nation must manage surplus computers in an environmentally responsible and fiscally responsible manner that ensures the safeguarding of sensitive data and licensed software.

Used computers contain stored data and licensed software that are at risk of unauthorized use. These risks are related to potential violation of software license agreements and inadvertent release of password combinations, financial information, and other personal or sensitive information. All information must be rendered unreadable and unrecoverable through secure erasure or destruction before any form of disposal, recycling or reuse occurs. With coordination with the Navajo Nation Department of Information Technology and the PMD, the department/program is required to erase data stored on the Nation computers before their relocation, disposal, or transfer to another employee.

Computers, including monitors, CRTs, CPUs, and related components, contain toxic elements such as lead, cadmium, and other heavy metals that are harmful to the environment when improperly disposed of. Computers are prohibited from disposal as solid waste in landfills and as scrap metal in conventional recycling programs.

Departments/programs with permission from the PMD may allow redeployment of surplus computers in the following instances:

- Transfer internally to another of the Nation's department/program. The original department/program must ensure that the disk is erased and the operating system (or current version of the original operating system, if appropriately licensed) is reinstalled before transfer.
- Donate a computer to a recognized 501(c)(3) charitable organization such as a school, religious institution, or similar non-profit. The original department/program must coordinate with the PMD for the details of the exchange and receive proof of 501(c)(3) status of the recipient. The department/program must ensure that the disk has been erased and that the original licensed operating system and bundled software has been reinstalled before transfer. After the hard drive has been erased, the department/program may only reinstall the original operating system software that was licensed with the original computer.
- All surplus computers that have not been redeployed through one of the above instances must be delivered to the PMD for proper recycling and disposal. All equipment must be unplugged and disconnected before pick-up or delivery. The department/program must ensure that the disk has been erased and that the original licensed operating system and bundled software has been reinstalled before transfer.

The PMD will ensure environmentally safe disposal of computer equipment and data storage device with assistance from EPA.

Disposal of Wireless Devices

- Obsolete or damaged wireless devices will be returned to the PMD for proper disposal.
- The Navajo Nation Telecommunication & Utilities (NNTU) will verify the funding source of each wireless devices to ensure proper disposition.
- Usable wireless devices will be retained by the NNTU and will be kept in inventory for temporary assignment to departments. A listing of these devices will be provided to the PMD and will be assigned to the NNTU. If a department chooses to keep the device, the NNTU will notify the PMD to reassign wireless devices to said department.
- When a wireless device is returned to the NNTU, a factory reset will be performed. A factory reset is a software restore of an electronic device to its original system state by erasing all the information stored on the device in an attempt to restore the device's software to its original manufacturer settings.
- No wireless devices will be sold to the Nation's employees.

Disposal of Surplus Vehicles

The PMD of the OOC is authorized by the Navajo Nation Budget & Finance Committee to sell surplus vehicles on a sealed bid basis. Sales are governed by the laws of the Navajo Nation, and the proceeds from the surplus vehicle sales are credited to Fleet Management to purchase new vehicles or to a specific funding source as required by the respective grant agreement terms and conditions.

The PMD is authorized to use the National Automobile Dealers Association (NADA) Blue Book average trade-in value as the base value; deducts for mileage; adds the NADA value for 4-wheel drive, deducts for wear and tear to arrive at a minimum (threshold) fair value and adds 1.25% for a maximum value.

The Fleet Management Department issues vehicle condition reports that are for classification of mechanical operation only and do not warranty for purposes of any general or particular use and driving, which shall be the sole responsibility of the purchaser, who accepts the vehicle in its condition "as is." All sales are in "as is" condition and final.

Surplus vehicles are categorized into two condition groups: operational (numeric): non-operational (alpha). The condition report, the fair value, maximum value, vehicle number, and item number are displayed on the vehicles for sale.

- **Sale Notice** – The PMD posts the sale notice, provides 10 working days for inspection and bid submittals and schedules a time and date for bid opening. The notice consists of: item number, vehicle identification number (VIN), description (year, make, model), fleet number, mileage, fair value, the maximum value, and condition group. Upon bid opening, bids are sorted and tabulated from high to low bid. The results are posted at the PMD for viewing by bidders.
- **Bids** – Each bidder is only authorized to place two (2) bid forms. Bid forms submitted in excess of this limit will invalidate all bid forms. Bid forms shall be filled out completely and accurately. Incomplete and inaccurate bid forms will be rejected. Rejected bids are not negotiable. Further, bids are not transferable to other vehicles and not negotiable. When bids are unsealed from the bid box, changes to the bid forms are not permitted. Bid forms placed into the sealed bid box shall not be retracted for viewing, corrections or withdrawals.
- **Tied Bids** – In the event of a tie bid or successive ties, the PMD shall accept the bid of the bidder who submitted the bid first.
- **Sole Bid** – In the event of a sole bid received where the bid amount was below the minimum price, the PMD can accept the sole bid. It may be the best interest of the Nation to sell the surplus vehicle even if it is below the minimum price considering the removal of the liabilities based on a cost-benefit analysis.
- **Payment** – Acceptable payments are cash, money order, or cashier's check only. Personal checks are not accepted. Successful bidders make payment at the Cashiers Office by notice provided by the PMD. Cashier's checks and money orders shall be made payable to The Navajo Nation. Full payment in the prescribed method of payment is due within 24 hours after the bid results are posted. The PMD is authorized to notify the next high bidder when a bidder fails to pay the bid amount when due without recourse.
- **Title Transfer, Bill of Sale and Notary** – The PMD processes title transfer, bill of sale, and notary on all vehicles sold. There is no fee for title transfer, bill of sale, and notary in the initial processing of forms. In the event of loss or change to original documents, the PMD is authorized to require a $2.00 notary fee for each document and a $4.00 title duplicate fee. Title transfers are processed completely with all required information. The PMD is not authorized to release incomplete title transfers and bill of sale.
- **Sold Notice** – The PMD electronically transmits "Sold Notice" to Motor Vehicle Departments as required by state law for all vehicles sold. Buyers are responsible for fees and related costs for registering and titling vehicles in the required time allowed in his/her state of residence.