



Designation: E2279 – 20

# Standard Practice for Establishing the Guiding Principles of Property Asset Management<sup>1</sup>

This standard is issued under the fixed designation E2279; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reappraisal. A superscript epsilon ( $\epsilon$ ) indicates an editorial change since the last revision or reappraisal.

## 1. Scope

1.1 This practice covers the creation of a set of guiding principles that, when adopted, is endorsed by top management to be applied to the practice of property management. These principles will enunciate the objectives and intent of the property (also known as “asset”) management community, stress simplified procedures, promote less rather than more, judgment rather than “by-the-book” decisions, and encourage the adoption of “best practices.”

1.2 The acceptance of these guiding principles provides the high potential of improved internal controls and governance. It promotes a problem-solving mentality and culture within the property management community, encourages the use of innovative and cost-effective practices, creates greater commonality between government and industry practices, and increases the ability of organizations to respond to changing needs and business conditions.

1.3 This practice adopts the concept that the potential benefits of operating in a manner consistent with a set of standards and guidelines outweigh concerns about the loss of predictability, uniformity, and consistency.

1.4 This practice provides property management standards and guidance that may be used for various types of property including tangible, intangible, personal, and real.

1.5 *This standard does not purport to address all of the safety concerns, if any, associated with its use. It is the responsibility of the user of this standard to establish appropriate safety, health, and environmental practices and determine the applicability of regulatory limitations prior to use.*

1.6 *This international standard was developed in accordance with internationally recognized principles on standardization established in the Decision on Principles for the Development of International Standards, Guides and Recommendations issued by the World Trade Organization Technical Barriers to Trade (TBT) Committee.*

<sup>1</sup> This practice is under the jurisdiction of ASTM Committee E53 on Asset Management and is the direct responsibility of Subcommittee E53.01 on Process Management.

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## 2. Referenced Documents

### 2.1 ASTM Standards:<sup>2</sup>

E2131 Practice for Addressing and Reporting Losses of Tangible Property

E2132 Practice for Inventory Verification: Electronic and Physical Inventory of Assets

E2135 Terminology for Property and Asset Management

E2306 Guide for Disposal of Personal Property Assets

E2378 Practice for the Recognition of Impaired or Retired Property Assets

E2452 Practice for Equipment Management Process Maturity (EMPM) Model

E2453 Practice for Estimating the Life-Cycle Cost of Ownership of Property Assets

E2607 Practice for Cannibalization/Reclamation of Serviceable Equipment Components to Support Demand Requirements

E2608 Practice for Equipment Control Matrix (ECM)

E2811 Practice for Management of Low Risk Property (LRP)

E2936 Guide for Contractor Self-Assessment for U.S. Government Asset Management Systems

E3015 Guide for Management of Customer-Owned Property Assets in Possession of Supplier, Contractor or Subcontractor

### 2.2 Committee of Sponsoring Organizations of the Treadway Commission (COSO):<sup>3</sup>

Internal Control — Integrated Framework (the GAO “Green Book” adapted this framework for a government environment)

### 2.3 Federal Requirements:<sup>4</sup>

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<sup>2</sup> For referenced ASTM standards, visit the ASTM website, [www.astm.org](http://www.astm.org), or contact ASTM Customer Service at [service@astm.org](mailto:service@astm.org). For *Annual Book of ASTM Standards* volume information, refer to the standard’s Document Summary page on the ASTM website.

<sup>3</sup> Available from American Institute of Certified Public Accountants (AICPA), 1345 Avenue of the Americas, 27th Floor New York, NY 10105, <https://www.aicpa.org>.

<sup>4</sup> Available from U.S. Government Publishing Office (GPO), 732 N. Capitol St., NW, Washington, DC 20401, <http://www.gpo.gov>.

- 41 CFR Federal Management Regulation  
 Federal Accounting Standards Advisory Board (FASAB)  
 Statement of Federal Financial Accounting Concepts  
 1: Objectives of Federal Financial Reporting  
 Title 48 Federal Acquisition Regulations System  
 2.4 GAO Documents:<sup>5</sup>  
 GAO-14-704G Standards for Internal Control in the Federal  
 Government (GAO Green Book is based upon COSO's  
 Internal Control – Integrated Framework)  
 GAO-18-568G Government Auditing Standards: 2018 Revi-  
 sion (The GAO Yellow Book)  
 Title 15, Section 78m (b)(2)(A) (Part of Securities Ex-  
 change Act of 1934)  
 Title 40 of the U.S. Code Public Buildings, Property, and  
 Works<sup>6</sup>  
 Securities and Exchange Commission Staff Account-  
 ing Bulletin No. 99, Materiality (1999)  
 2.5 Financial Accounting Standards Board (FASB) Docu-  
 ments:<sup>7</sup>  
 ASC 360 Property, Plant, and Equipment—Prior to recodi-  
 fication guidance included FASB 144 Accounting for the  
 Impairment or Disposal of Long-Lived Assets  
 FASB Statement Concepts No. 8 Conceptual Framework for  
 Financial Reporting  
 2.6 ISO Standards:<sup>8</sup>  
 ISO 55000 Asset management — Overview, principles and  
 terminology  
 ISO 55001 Asset management — Management systems —  
 Requirements  
 ISO 55002 Asset management — Management systems —  
 Guidelines on the application of ISO 55001  
 ISO 55010 Asset management — Guidance on the align-  
 ment of financial and non-financial functions in asset  
 management

### 3. Terminology

- 3.1 *Definitions*—For definitions relating to property and asset management, refer to Terminology E2135.
- 3.1.1 *acquisition cost, n*—purchase price paid for property and any appropriate subsequent improvements to it; includes cash paid or fair value received and material amounts of preparation cost such as inspection, testing, and installation.
- 3.1.2 *agency, n*—government organization, regardless of level (federal, state, or local).
- 3.1.3 *alignment, n*—deliberate arrangement, relationship, and mutual understanding of common concerns within a particular activity or among activities.
- 3.1.4 *asset, n*—item, thing, or entity that has potential or actual value to an organization; also may be referred to as

property, and asset and property may be used in practice and in documents interchangeably. (For Asset Management purposes.)

3.1.4.1 *Discussion*—Value can be tangible or intangible, financial or non-financial (ISO 55000), and includes consideration of risks and liabilities. It can be positive or negative at different stages of the asset life.

3.1.4.2 *Discussion*—Physical assets usually refer to equipment, inventory, and properties owned by the organization. Physical assets are the opposite of intangible assets, which are non-physical assets such as leases, brands, digital assets, use rights, licenses, intellectual property rights, reputation, or agreements.

3.1.4.3 *Discussion*—A grouping of assets referred to as an asset system could also be considered as an asset.

3.1.5 *asset, n*—assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. (For Financial Accounting reporting purposes. FASB Statement of Financial Accounting Concepts No. 6.)

3.1.6 *best value, n*—expected outcome of an action, in the entity's estimation, which provides the greatest overall benefit.

#### Federal Acquisition Regulations<sup>9</sup>

3.1.7 *care and handling, n*—includes the costs of completing, repairing, converting, rehabilitating, operating, preparing, preserving, protecting, insuring, packing, storing, conserving, and transporting of property, and—in the case of property that is dangerous to public health, safety, and security—destroying or rendering the property useless for its original purpose.

3.1.8 *company, n*—a for-profit organization.

3.1.9 *condoned, v*—a responsible individual “condoned” an act non-compliant with internal controls established by an entity if the individual knew of the non-compliant act or wrongdoing and did not take required or reasonable steps to prevent or terminate the action. **Adapted from United States Sentencing Commission Eight - Sentencing of Organizations (2018)**

3.1.10 *due, n*—what is owed others or a right including due care, due diligence, due process, due processes of governance and operations, undue risk, and what is due in contracts such as acting in good faith and fair dealing.

3.1.11 *entity, n*—an agency, institution, or organization, or any component thereof.

3.1.12 *excess property*—property no longer required by the owning agency or entity.

3.1.13 *exchange or sale of similar items, n*—an arrangement whereby in acquiring personal property, an entity may exchange or sell similar items and may apply the exchange allowance or proceeds of sale in whole or in part payment for the property acquired. **Adapted from 40 U.S. Code § 503**

3.1.14 *expendable property, n*—items that may be expended, used up in service, also items that may be more

<sup>5</sup> Available from U. S. Government Accountability Office (GAO), 441 G St., NW, Washington, DC 20548, <http://www.gao.gov>.

<sup>6</sup> Previously known as the *Federal Property and Administrative Services Act of 1949*.

<sup>7</sup> Available from Financial Accounting Standards Board (FASB), 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116, <http://www.fasb.org>.

<sup>8</sup> Available from International Organization for Standardization (ISO), ISO Central Secretariat, BIBC II, Chemin de Blandonnet 8, CP 401, 1214 Vernier, Geneva, Switzerland, <http://www.iso.org>.

<sup>9</sup> The definition of the term *best value* is adapted from Federal Acquisition Regulations, Part 2.1: Definitions of Words and Terms.

easily, safely, and economically replaced than applying significant efforts and resources to rescue, salvage, maintain, control, or protect.

3.1.14.1 *Discussion*—The timing and level of control is circumstantial. Examples in a production environment expendable property may include drill bits and grinding wheels. As an adjective, able to be sacrificed to achieve an objective, especially a military one.

3.1.15 *institution*, *n*—a not-for-profit, non-governmental organization. **Federal Acquisition Regulations**

3.1.16 *impairment or impairments*, *n*—is a condition that exists when the carrying amount of a long-lived asset (asset group) exceeds its fair value. **FASB ASC 360**

3.1.16.1 *Discussion*—An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value.

3.1.17 *materiality*, *n*—magnitude of an omission or misstatement of accounting data that misleads financial statement readers or decision makers; materiality is judged both by relative amount and by the nature of the item.

3.1.17.1 *Discussion*—Materiality is circumstantiality. Facts omitted or misleading may harm the decision-making process. The U.S. Supreme Court and Accounting Standards Organization have provided guidance. Small things can make a difference, for example, even a small theft by the president of a company is material. If an item is material, it should be disclosed in the body of the financial statements or footnotes (Securities and Exchange Commission Staff Accounting Bulletin).

In determining whether items or amounts of cost are material or immaterial, the following quantitative and qualitative criteria should be considered where appropriate but no one criterion is necessarily determinative: (1) the absolute dollar amount involved, (2) the relationship between a cost item/occurrence and a cost objective, (3) the criticality of an item in terms of importance or use, (4) the cumulative impact of individually immaterial items, and (5) the cost of administrative processing. (Federal Acquisition Regulations)

3.1.18 *personal property*—property owned or subject to ownership other than real estate, includes items determined to be non-real estate moveable property.

3.1.19 *property management*—monitoring and control function charged with assuring that organizational processes related to the lifecycle management of property support organization objectives represent sound business practice and are compliant with applicable regulations, contract requirements, standards, and policies.

3.1.20 *property management system*, *n*—subset of existing organizational processes related to the lifecycle management of property.

3.1.20.1 *Discussion*—These processes represent sound practice and are compliant with applicable standards, policies,

regulations, and contractual requirements. The property management system may be referred to as a property management business system.

3.1.21 *reasonable detail and reasonable assurance*, *n*—that level of detail and assurance as would satisfy a prudent and knowledgeable asset manager.

**Adapted from Title 15, Section 78m (b)(2)(A)**

3.1.22 *sensitive items*, *n*—items for which under the conditions, circumstances and regardless of value, there is a reasonable and worthwhile need for an enhanced level of security, accountability, and control.

3.1.23 *surplus personal property*, *n*—any excess personal property not required for the needs and discharge of responsibilities of any entity.

3.1.24 *willfully ignorant of non-compliance with internal controls*, *v*—a responsible individual was “willfully ignorant of non-compliance with internal controls” if the individual did not investigate the possible occurrence of non-compliance of such conduct despite knowledge of circumstances that would lead a reasonable person to report or investigate whether non-compliance had occurred.

#### 4. Significance and Use

4.1 The intent of these principles and desired outcomes is to provide requirements and guidance for an effective and efficient system for (1) the acquisition of property, (2) the utilization of available property, and (3) the disposal of property. (40 U.S. Code § 101)

4.2 Asset management practices shall seek, when viewed in totality, to be effective and efficient, to the point at which benefits exceed the costs of operation.

4.3 The requirements and guidance in this practice shall be used to establish property management plans that strategically address organizational objectives including: scope, management system, management structure, process flows, alignment, internal controls, enforcement, risks, accountability, and resources to collectively realize optimal value from assets.

4.4 The intent of this practice is to promote the right sizing and scope of the asset management activity to appropriately manage organizational assets.

4.5 To establish a learning and innovative culture with continuous self-assessments and process improvements.

4.6 To establish policies, systems, and processes to timely prevent, detect, and correct operational weaknesses and deficiencies in internal controls that may result in waste, fraud abuse, mismanagement, and corruption.

#### 5. Management of Property

5.1 The entity’s management shall establish internal controls, plans, policies, processes, and management systems for the acquisition, use, and disposal of property, regardless of its location for the benefit of, and what is due, stakeholders.

5.2 Entities shall devise and maintain a system of internal controls sufficient to provide reasonable assurances of achieving: (1) effective and efficient operations, (2) reliable