



Designation: E 2279 – 03

Standard Practice for Establishing the Guiding Principles of Property Management¹

This standard is issued under the fixed designation E 2279; 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 reapproval. A superscript epsilon (ϵ) indicates an editorial change since the last revision or reapproval.

1. Scope

1.1 This practice covers the creation of a set of guiding principles to be applied to the practice of property management. Such principles will enunciate the objectives and intent of the property 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 guiding principles has the potential to foster a problem-solving mentality within the property management community, encourage the use of innovative and cost-effective practices, create greater commonality between government and industry practices, and increase the ability of organizations to respond to changing needs and business conditions.

1.3 The potential economic and practical benefits of operating in a manner consistent with a set of guidelines outweigh concerns about the loss of predictability, uniformity, and consistency.

2. Referenced Documents

2.1 ASTM Standards:

E 2131 Practice for Assessing, Loss Damage, or Destruction of Property²

E 2132 Practice for Physical Inventory of Durable, Moveable Property²

E 2135 Terminology for Property and Asset Management²

E 2219 Practice for Valuation and Management of Moveable, Durable Property²

E 2220 Practice for Establishing the Full Valuation of the Loss/Overage Population Identified During the Inventory of Movable, Durable Property²

E 2221 Practice for the Administrative Control of Property²

2.2 NPMA Standard:

The NPMA Standard Property Book, Second Edition, August 2001³

2.3 Federal Standards:

GAO Manual for Guidance of Federal Agencies, Title 2, Accounting⁴

Federal Property and Administrative Services Act of 1949⁴

Federal Property Management Regulations⁴

Federal Management Regulations⁴

The Budget and Accounting Procedures Act of 1950⁴

Federal Acquisition Regulations⁴

Securities Exchange Act of 1934 (Title 15 Section 78m

(b)(2)(A)⁴

Securities and Exchange Commission Staff Accounting Bulletin No.99, Materiality (1999)⁴

Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant, and Equipment⁴

FAR Part Appendix Part 9900, Cost Accounting Standards⁴

3. Terminology

3.1 Definitions of Terms Specific to This Standard:

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 *best value, n*—expected outcome of an action, in the entity’s estimation, which provides the greatest overall benefit (adapted from FAR 2.1).

3.1.4 *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 such property useless for its original purpose.

3.1.5 *company, n*—for-profit organization.

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

3.1.7 *institution, n*—not-for-profit, nongovernmental organization.

⁴ Available from U.S. Government Printing Office Superintendent of Documents, 732 N. Capitol St., NW, Mail Stop: SDE, Washington, DC 20401.

¹ This practice is under the jurisdiction of ASTM Committee E53 on Property Management Systems and is the direct responsibility of Subcommittee E53.01 on Process Management.

Current edition approved May 10, 2003. Published May 2003.

² Annual Book of ASTM Standards, Vol 04.12.

³ Available from the National Property Management Association, Inc., 1102 Pinehurst Rd., Oaktree Center, Dunedin, FL 34698.

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

3.1.8.1 *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.

3.1.9 *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.

3.1.9.1 *Discussion*—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. 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.

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

3.1.11 *sensitive property, n*—Sensitive personal property includes all items, regardless of value, that require special control and accountability due to unusual rates of loss, theft or misuse, or due to national security or export control considerations. Items include, but are not limited to, classified property or records, information technology equipment and components with memory capability, cameras, and communications equipment or anything else that an entity determines to need special control or is subject to unusual rates of loss, theft, or misuse. The above classifications do not preclude entities from developing additional personal property categories to effectively manage their programs.

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

4. Significance and Use

4.1 It is the intent of these principles to provide guidance for an economical and efficient system for (1) the supply of personal property, (2) the utilization of available property, and (3) the disposal of property.

4.2 Historically, property management practices have often reflected organizational or management processes that did not reflect “best practices.”

4.3 One of the greatest challenges facing property managers is how to ensure that overly detailed and costly practices used or proposed for the oversight of property assets are not adopted as representing “best practices” or established as operating policy.

4.4 Property management practices must seek, when viewed in totality, to be effective and efficient, to the point at which benefits exceed the costs of operation.

4.5 Often the key property management functions are based on compliance with quantitative measures and, as such, compliance with “process” has become more important than the goals that property management systems should seek to achieve.

5. Management of Property

5.1 Entities shall establish policies and management systems for the acquisition, use, and disposal of property.

5.2 Entities shall devise and maintain a system of internal management controls sufficient to provide reasonable assurances that: transactions are executed in accordance with management’s general or specific authorization; transactions are recorded as necessary in conformity with generally accepted accounting principles; access is limited; and the recorded accountability for property assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

5.3 The maintenance of adequate property records is a fundamental responsibility of property asset managers.

5.4 Property management and accountability books and records shall be kept in reasonable detail that accurately and fairly reflects the transactions and dispositions of the assets of the owner or owner’s agent.

5.5 Property management activities should strive for and adopt best-in-class management practices and integrated management systems and withstand external audit of their management systems.

5.6 Property management systems will be designed to deliver on a timely basis the “best value” product to the organization and its customers, while preserving the confidence of internal and external stakeholders.

5.7 The degree to which property is controlled and the costs of control must be commensurate with the practical consequences of a shortage (non-availability of inventory) and the criticality of an item’s loss, all in accordance with Practice E 2221.

5.8 Property management officials are to exercise personal initiative and sound business judgment in providing the “best value” services to meet the organization’s needs.

5.9 Property management officials may assume that if a specific strategy, practice, policy, or procedure is in the best interest of the agency, company, institution, and stakeholders and is not addressed in operating policies, a consensus standard nor prohibited by law, Executive Order or other regulation, that action, in accordance with the strategy, practice, policy, or procedure, is an acceptable exercise of responsibility and authority.

5.10 For purposes of financial accounting, all property acquired or listed in an inventory should be identified as a capital expenditure, held in future inventory, or as an operating expense.

5.11 The process of performing a physical inventory of controlled assets is a vital part of a property control system.