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Standard Practice for Establishing the Guiding Principles of Property Management¹

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1. Scope

1.1 This practice covers the creation of a set of guiding principles to be applied to the practice of property management. These principles will enunciate the objectives and intent of the property 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 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.

1.4 The intent of this practice is to provide property management guidance for tangible personal property; however, many of the principles appropriately apply to other types of property.

2. Referenced Documents

2.1 ASTM Standards:²

[E2131 Practice for Addressing and Reporting Loss, Damage, or Destruction of Tangible Property](#)

[E2132 Practice for Inventory Verification: Electronic and Physical Inventory of Assets](#)

[E2135 Terminology for Property and Asset Management](#)

¹ 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 For referenced ASTM standards, visit the ASTM website, www.astm.org, or contact ASTM Customer Service at service@astm.org. For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

2.2 Federal Standards:³

[Federal Accounting Standards Advisory Board \(FASAB\) Statement of Federal Financial Accounting Concepts 1: Objectives of Federal Financial Reporting](#)

[Federal Acquisition Regulations](#)

[Federal Management Regulations](#)

[Public Law 107-217 Codified as “Title 40 of the U.S. Code”⁴](#)

[Securities Exchange Act of 1934 Title 15, Section 78m\(b\)\(2\)\(A\)](#)

[Securities and Exchange Commission Staff Accounting Bulletin No. 99, Materiality \(1999\)](#)

2.3 Financial Accounting Standards Board (FASB) Documents:⁵

[FASB 144 Accounting for the Impairment or Disposal of Long-Lived Assets](#)

[FASB Statement Concepts No. 2 Qualitative Characteristics of Accounting Information](#)

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

Federal Acquisition Regulations⁶

3.1.4 *care and handling, n*—includes the costs of completing, repairing, converting, rehabilitating, operating,

³ Available from U.S. Government Printing Office Superintendent of Documents, 732 N. Capitol St., NW, Mail Stop: SDE, Washington, DC 20401, <http://www.access.gpo.gov>.

⁴ Previously known as the *Federal Property and Administrative Services Act of 1949*.

⁵ Available from Financial Accounting Standards Board (FASB), 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856, <http://www.fasb.org>.

⁶ The definition of the term *best value* is adapted from Federal Acquisition Regulations, Part 2.1: Definitions of Words and Terms, available online from <http://farsite.hill.af.mil>, 1 August 2009.

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.

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

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

3.1.7 *excess property*—property no longer required by the owning entity.

3.1.8 *expendable property, n*—items that may be expended, used up in service, also items that may be more easily, safely, and economically replaced than applying significant efforts and resources to rescue, salvage, maintain, control, or protect.

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

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

Federal Acquisition Regulations

3.1.10 *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 144

3.1.10.1 *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.

3.1.11 *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.

3.1.11.1 *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 (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).

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

3.1.13 *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.

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

3.1.14.1 *Discussion*—These processes represent sound practice and are compliant with applicable standards, policies, regulations, and contractual requirements.

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

Securities Exchange Act of 1934

3.1.16 *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.

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

4. Significance and Use

4.1 The intent of these principles is to provide guidance for an effective and efficient system for (1) the acquisition of personal property, (2) the utilization of available personal property, and (3) the disposal of personal property (Public Law 107-217).

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 an operating policy.

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

4.5 Often the key property management functions are based on compliance with quantitative measures and, therefore, 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 (Securities Exchange Act of 1934).

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