

1 **Attachment E. Real Property Inventory Process Model**

2 The real property inventory process model represents the end-to-end sequence of the real
3 property inventory management business. This process model integrates the touchpoints with
4 real property accountability. For example, the process model defines the time/business event
5 that triggers depreciation. Prior to this work, there seemed to be confusion among the the RPI
6 community with regard to depreciation start date. The process model also defines other business
7 events that effect real property accountability, and will be a key element in implementing the
8 “To-Be” solution for real property inventory.

9 The real property inventory process model does not elaborate or focus on planning, (strategic,
10 operational and tactical), nor does it focus on processes such as Execute Acquisition Strategy,
11 Manage Procurement/Sales or Monitor and Manage the Program. The model focuses on Core
12 Real Property execution functions that enable Asset Accountability and Valuation.

13 The Real Property Functions in the model include:

- 14 • Real Property Construction/Restoration/Modernization (CRM)
- 15 • Real Property Purchase
- 16 • Real Property Lease/Ingrants (Capital and Operating)
- 17 • Real Property Outgrants
- 18 • Real Property Disposal
- 19 • Real Property Physical Inventory
- 20 • Create Initial Asset Record
- 21 • Update Asset Record
- 22 • Archive Asset Record

23 Accompanying the high-level Real Property Asset Accountability and Valuation Model are
24 lower-level decompositions for: Perform Construction/Restoration/Modernization, Perform Real
25 Property Outgrant, Perform Real Property Disposal, Create Initial Asset Record, Update Asset
26 Record, and Conduct Physical Inventory. These decompositions represent further detail of the
27 above processes. A Real Property Asset Accountability Data Model has also been developed.
28 The data model represents data elements, attributes and relationships required to achieve Asset
29 Accountability and Valuation of Real Property.

30 The Real Property Asset Accountability and Valuation model is based on conventions set forth in
31 the Business Process Management Initiative (BPMI) and uses a standard Business Process
32 Modeling Notation (BPMN). BPMN is a notation utilized by business analysts who study the
33 overall business and information needs of an organization in order to develop appropriate
34 solution strategies.

35 The primary goal of BPMN is to provide a notation that is easily understood by all business
36 users, and to standardize a business process modeling notation in the face of many different
37 modeling notations and viewpoints. The business users may include: business analysts that
38 create the initial drafts of the processes, the technical developers responsible for implementing

1 the technology that will perform the processes, and the stakeholders who will manage and
2 monitor those processes. BPMN also serves as a means of communicating process information to
3 other business users, process implementers, customers, and suppliers.

4 BPMN maps the appropriate visualization of the business processes (a notation) to the
5 appropriate execution format, (a BPM execution language), for these business processes. Inter-
6 operation of business processes at the human level, rather than the software engine level, can be
7 solved with standardization of the BPMN.

8 The Business Process Diagram Core Element Set is organized according to graphical elements
9 within specific categories. This provides a small set of notation categories so that when an
10 individual reads a BPMN diagram, they are able to recognize the basic types of elements of the
11 diagram. Within the basic categories of elements, additional variation and information can be
12 added to support the requirements for complexity without dramatically changing the basic look
13 and feel of the diagram. The four basic categories of elements are:

- 14 1. Flow Objects
- 15 2. Connecting Objects
- 16 3. Swim Lanes
- 17 4. Artifacts

18 Flow objects are the main graphical elements to define the behavior of a Business Process.
19 There are three Flow Objects:

- 20 1. Events
- 21 2. Activities
- 22 3. Gateways

23 There are three ways of connecting the Flow Objects to each other or other information. There
24 are three Connecting Objects:

- 25 1. Sequence Flow
- 26 2. Message Flow
- 27 3. Association

28 There are two ways of grouping the primary modeling elements through “Swimlanes:”

- 29 1. Pools
- 30 2. Lanes

31 Artifacts are used to provide additional information about the Process. There are four
32 standardized Artifacts, but modelers or modeling tools are free to add as many Artifacts as
33 required. There may be addition BPMN efforts to standardize a larger set of Artifacts for
34 general use or for vertical markets. general use or for vertical markets. The current set of
35 Artifacts include:

- 36 1. Data Object

- 1 2. Group
- 2 3. Annotation
- 3 The narrative in this document provides detail behind how to read and understand the model.
- 4 The Legend, below, provides the definitions and the symbols depicted in the Model.

Start		Flow dimension (e.g.,start, intermediate, end):	
Intermediate		Start (none, message, timer,rule, link, multiple)	As the name implies, the Start Event indicates where a particular process will start.
End		Intermediate (none, message, timer, error, cancel, compensation, rule, link, multiple)	Intermediate Events occur between a Start Event and an End Event. It will affect the flow of the process, but will not start or (directly) terminate the process.
		End (none, message, error, cancel, Compensation, link, terminate, multiple)	As the name implies, the End Event indicates where a process will end.
		Event: An event is something that “happens” during the course of a business process. These events affect the flow of the process and usually have a cause (trigger) or an impact (result). There are three types of Events, based on when they affect the flow: Start, Intermediate, and End.	
		Activity: An activity is a generic term for work that company performs. An activity can be atomic or non-atomic (compound). The types of activities that are a part of a Process Model are: Process, Sub-Process, and Task. Tasks and Sub-Processes are rounded rectangles. Processes are either unbounded or a contained within a Pool.	
		Gateway: A Gateway is used to control the divergence and convergence of multiple Sequence Flow. Thus, it will determine branching, forking, merging, and joining of paths.	



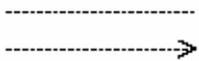
Normal Flow: Normal Sequence Flow refers to the flow that originates from a Start Event and continues through activities via alternative and parallel paths until it ends at an End Event.



Message Flow: A Message Flow is used to show the flow of messages between two entities that are prepared to send and receive them. In BPMN, two separate Pools in the Diagram will represent the two entities.



Conditional flow: A Conditional flow Sequence Flow can have condition expressions that are evaluated at runtime to determine whether or not the flow will be used. If the conditional flow is outgoing from an activity, then the Sequence Flow will have a mini diamond at the beginning of the line (see figure to the right). If the conditional flow is outgoing from a gateway, then the line will not have a mini-diamond (see figure in the row above).



Association: An Association is used to associate information with Flow Objects. Text and graphical non-Flow Objects can be associated with the Flow Objects.



Sequence Flow: A Sequence Flow is used to show the order that activities will be performed in a Process.



Uncontrolled flow: Uncontrolled flow refers to flow that is not affected by any conditions or does not pass through a Gateway. The simplest example of this is a single sequence Flow connecting two activities. This can also apply to multiple

Sequence Flow that converge on or diverge from an activity. For each uncontrolled Sequence Flow a "Token" will flow from the source object to the target object.



Default flow: Default flows are for Data-Based Exclusive Decisions or Inclusive Decisions, one type off low is the Default condition flow. This flow will be used only if all the other out going conditional flow is not true at run time. These Sequence Flow will have a diagonal slash will be added to the

beginning of the line (see the figure to the right).



Message Flow: A Message Flow is used to show the flow of messages between two participants that are prepared to send and receive them. In BPMN, two separate Pools in the Diagram will represent the two participants (e.g., business entities or business roles).



Text Annotations: Text Annotations are a mechanism for a modeler to provide additional information for the reader of a BPMN Diagram.



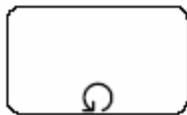
Pool: A Pool represents a Participant in a Process. It is also acts as a “swim lane” and a graphical container for partitioning a set of activities from other Pools, usually in the context of B2B situations.



Lanes: A Lane is a sub-partition within a Pool and will extend the entire length of the Pool, either vertically or horizontally. Lanes are used to organize and categorize activities within a Pool.



Data Objects: Data Objects are considered Artifacts because they do not have any direct effect on the Sequence Flow or Message Flow of the Process, but they do provide information about what activities require to be performed and/or what they produce.



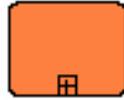
Activity Looping: Activity looping refers to the attributes of Tasks and Sub-Processes that will determine if they are repeated or performed once. There are two types of loops: Standard and Multi-Instance. A small looping indicator will be displayed at the bottom-center of the activity.



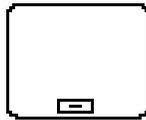
Off-Page Connector: Off-Page Connectors are generally used for printing, this object will show where the Sequence Flow leaves one page and then restarts on the next page. A Link Intermediate Event can be used as an Off-Page Connector.



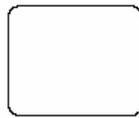
Group (a box around a group of objects for documentation purposes): A grouping of activities that does not affect the Sequence Flow. The grouping can be used for documentation or analysis purposes. Groups can also be used to identify the activities of a distributed transaction that is shown across Pools.



Collapsed Sub-Process: The details of the Sub-Process are not visible in the Diagram. A “plus” sign in the lower-center of the shape indicates that the activity is a Sub-Process and has a lower level of detail.



Expanded Sub-process: The details of the Sub-Process are visible in the Diagram. A “minus” sign in the lower-center of the shape indicates that the activity is an Expanded Sub-Process and the lower level of detail is exhibited.



Task (Atomic): A Task is an atomic activity that is included within a Process. A Task issued when the work in the Process is not broken down to a finer level of Process Model detail.

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Table 1: The Business Process Modeling Notation Symbols

Table 2: Start Event Triggers

Trigger	Description	Marker
None	The modeler does not display the type of Event. It is also used for a Sub-Process that starts when the flow is triggered by its Parent Process.	
Message	A message arrives from a participant and triggers the start of the Process.	
Timer	A specific time-date or a specific cycle (e.g., every Monday at 9am) can be set that will trigger the start of the Process.	
Rule	This type of event is triggered when the conditions for a rule such as “S&P 500 changes by more than 10% since opening,” or “Temperature above 300C” become true.	
Link	A Link is a mechanism for connecting the end (Result) of one Process to the start (Trigger) of another. Typically, these are two Sub-Processes within the same parent Process.	
Multiple	This means that there are multiple ways of triggering the Process. Only one of them will be required to start the Process. The attributes of the Start Event will define which of the other types of Triggers apply.	

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Table 2: End Event Results

Result	Description	Marker
None	The modeler does not display the type of Event. It is also used to show the end of a Sub-Process that ends, which causes the flow goes back to its Parent Process.	
Message	This type of End indicates that a message is sent to a participant at the conclusion of the Process.	
Error	This type of End indicates that a named Error should be generated. This Error will be caught by an Intermediate Event within the Event Context.	
Cancel	This type of End is used within a Transaction Sub-Process. It will indicate that the Transaction should be cancelled and will trigger a Cancel Intermediate Event attached to the Sub-Process boundary. In addition, it will indicate that a Transaction Protocol Cancel message should be sent to any Entities involved in the Transaction.	
Compensation	This type of End will indicate that a Compensation is necessary. The Compensation identifier will trigger an Intermediate Event when the Process is rolling back.	
Link	A Link is a mechanism for connecting the end (Result) of one Process to the start (Trigger) of another. Typically, these are two Sub-Processes within the same parent Process. A Token arriving at Link End Event will immediately jump to its corresponding target Start or Intermediate Event.	
Terminate	This type of End indicates that all activities in the Process should be immediately ended. This includes all instances of Multi-Instances. The Process is ended without compensation or event handling.	
Multiple	This means that there are multiple consequences of ending the Process. All of them will occur (e.g., there might be multiple messages sent). The attributes of the End Event will define which of the other types of Results apply.	

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4 The following narratives are provided to guide the reader through particular scenarios on the
5 Draft Real Property Asset Accountability and Valuation Model on page 17 of this Attachment.

6 **Narrative 1: Perform Real Property Lease/Ingrants (Operating)**

7 This process starts with an approved acquisition plan, which feeds the Execute Acquisition
8 Strategy Process. This process generates a sourced requirement, which is used to establish and
9 execute the Purchase Contract (Sales/Contract) in the Manage Procurement/Sales process. From
10 this process, a sequence flow “Signed Contract/Order” is generated which triggers the creation of
11 an initial asset record for the Lease/Ingrant. The Create Initial Asset Record process
12 generates/assigns a Real Property Unique Identifier (RPUID) for the leased property. The
13 message flow “Sales Contract/Order Notification” is generated to the Non-DoD Source pool
14 (Lessor).

15 The Lessor provides the Lease/Ingrant through the message flow, “Goods/Asset Tendered and
16 Services Rendered”, which flows into the Monitor and Manage the Program (includes Receipt
17 and Acceptance) process. Within this process, the Real Property asset is inspected, received and
18 accepted. Upon acceptance of the real property, the asset record is updated through the message

1 flow “Real Property Action Accepted”. The acceptance evidence message flow generated from
2 the Monitor and Manage the Program process flows into the Record and Manage Payable
3 process, which determines if the lease costs/terms and conditions meet the capitalization criteria.
4 Operating lease costs flow through the Record and Manager Expense process and the transaction
5 is posted to the General Ledger.

6 Ongoing lease payments are captured in the model when the Non-DoD source tenders an invoice
7 through the message flow “Goods/Asset Tendered and Services Rendered”, which flows through
8 the Monitor and Manage the Program process. The acceptance evidence generated from this
9 process flows into the Record and Manage Payable process, which determines if the lease
10 costs/terms and conditions meet the capitalization criteria. Operating lease costs flow through the
11 Record and Manager Expense process and the transaction is posted to the General Ledger.

12 **Narrative 2: Perform Real Property Lease/Ingrants (Capital)**

13 For capital leases, the process is similar to operating leases. The difference between an operating
14 and capital lease is elaborated when the acceptance evidence message is generated from the
15 Monitor and Manage the Program process. The acceptance evidence generated from this process
16 flows into the Record and Manage Payable process, which determines if the lease costs/terms
17 and conditions meet the capitalization criteria. Capital leases meet the capitalization criteria, but
18 do not meet the Construction In Progress account criteria, (costs for capital leases are not
19 accumulated in the construction in progress account), these cost flow to the Book or Record
20 Asset process which post the asset value transaction to the General Ledger and sends an “Asset
21 Value Notification” message to the Update Asset Record process. The Asset Record generates
22 Amortization expense information through the message flow “Depreciation/Amortization
23 Expense notification” that flows to the Record and Manage Expenses. The transactions from this
24 process are posted to the General Ledger.

25 **Narrative 3: Perform Real Property Purchase**

26 This process starts with an approved acquisition plan, which feeds the Execute Acquisition
27 Strategy Process, (for Real Property this process includes but is not limited to identification of
28 the provider of the asset for purchase, conducting pre-purchase tasks such as appraisals and other
29 property acquisition and approval tasks). This process generates a sourced requirement that is
30 used to establish and execute the Purchase Contract “Sales/Contract” in the Manage
31 Procurement/Sales process. From this process, a sequence flow “Signed Contract/Order” is
32 generated which triggers the creation of an initial asset record for the Real Property Purchase.
33 The Create Initial Asset Record process assigns a Real Property Unique Identifier (RPUID) to
34 the property. A message flow “Sales Contract/Order Notification” is also generated to the Non-
35 DoD Source - (provider).

36 The Non-DoD Source provides the Real Property through the message flow “Goods/Asset
37 Tendered and Services Rendered”, which flows into the Monitor and Manage the Program
38 (includes Receipt and Acceptance) process. Within this process, the Real Property asset is
39 inspected, received and accepted, based on the terms and conditions of the contract. Upon
40 acceptance of the real property, the asset record is updated through the message flow “Real

1 Property Action Accepted)". The "Acceptance Evidence" message flow generated from the
2 Monitor and Manage the Program process flows into the Record and Manage Payable process.

3 Since the purchase of a Real Property Asset meets the asset capitalization criteria, but does not
4 meet the Construction in Progress account criteria (costs for purchases are not accumulated in the
5 construction in progress account), the purchase cost flows from the decision gateway "Asset
6 Meets CIP Criteria?" to the Book or Record Asset process. This process posts the asset
7 value/transaction to the General Ledger and sends the Asset Value Notification message to the
8 Update Asset Record process. The Asset Record generates depreciation expense information
9 through the message flow "Depreciation/Amortization Expense Notification" that flows to the
10 Record and Manage Expenses. Transactions from this process are posted to the General Ledger.

11 The Monitor and Manage the Program process also generates a flow "Asset Available" into the
12 decision gateway "Real Property Asset?", the "yes" path indicates that the asset is a Real
13 Property item, which flows to the Real Property Stewardship process.

14 **Narrative 4: Perform Real Property Outgrant**

15 The Perform Real Property Outgrant process includes establishing, renewing, or terminating a
16 contract or agreement (easement, lease, license, permit, or use agreement) that
17 conveys/authorizes the use of a Department of Defense managed real property item to either a
18 government agency or private entity for a specified consideration (rent or other remuneration).

19 This process starts with an "Approved Acquisition Plan", which feeds the Execute Acquisition
20 Strategy Process (for Real Property this process includes but is not limited to negotiating the
21 terms and conditions of the Outgrant and other approval tasks). The Execute Acquisition
22 Strategy process generates a "Sourced Requirement" that is used to establish and execute a Real
23 Estate Instrument "Sales/Contract" in the Manage Procurement/Sales process.

24 The "Sales Contract/Order" sequence flows into a gateway before "forking" out to the Perform
25 Real Property Outgrant process. Upon conveyance/execution of the Outgrant, a conditional flow
26 "Real Property Outgrant Executed" triggers an update to the Asset Record, and the "Outgrant
27 Executed Notification" message flow is provided to the DoD/Non-DoD user. The DoD/Non-
28 DoD user remits rent or other remuneration for the use of the Real Property asset through the
29 "RP Outgrant Payment Received" message that flows to the Record and Manage Revenue
30 process, the process generates a sequence flow to the Manage and Record Receivable process,
31 which posts the Real Property Outgrant transaction to the General Ledger.

32 Upon completion or termination of an Outgrant, the "Goods/Asset Tendered and Services
33 Rendered" message flows into the Monitor and Manage the Program where the Real Property is
34 received and accepted, the contract is closed, the asset record is updated through the "Real
35 Property Asset Accepted" flow and the asset is available for use, represented by the "Asset
36 Available" conditional flow proceeding from the Monitor and Manage the Program process into
37 the decision gateway "Real Property Asset?" The "yes" path in this gateway indicates that the
38 asset is a Real Property item, which flows to the Real Property Stewardship process.

39 **Narrative 5: Create Initial Asset Record**

1 The Create Initial Asset Record process is established based on the execution of a
2 contract/order/real estate instrument for a Real Property Acquisition, or the performance of a
3 physical inventory, which results in the identification of an asset that does not exist in the
4 inventory system. It contains basic physical, legal and financial characteristics of an asset. For
5 Real Property assets, it includes the assignment of a unique identifier.

6 The “Signed Contract/Order” sequence flow from the Manage Procurement/Sales process,
7 triggers the following Create Initial Asset Record processes:

8 1. Aggregate Initial Asset Record: The process of accumulating all asset physical, legal
9 and financial information into the initial asset record.

10 2. Assign/Generate Unique Identifier: The Assign/Generate UID process assigns a unique
11 identifier (UID) for a Real Property asset upon the award of a contract, order or
12 instrument for actions such as a Real Property, Construction, Purchase, Ingrants or
13 Transfer of an asset. The UID enables total asset visibility and accountability.

14 3. Validate Asset Data Elements: The Validate Asset Data Elements process ensures asset
15 information correlates to the established data elements in the inventory system, and
16 verifies the asset information is correct and complete. Two conditional flows are
17 generated from this process, “Complete” and “Incomplete”.

18 The “Incomplete” conditional flow illustrates that certain data elements do not already
19 exist in the inventory system, therefore, the following processes must be followed;

20 3a. Define Asset Data Elements: The Define Asset Data Elements process creates and
21 defines asset data elements, which do not already exist in the inventory system.

22 3b. Define/Validate Asset Data Structure: The Define/Validate Asset Data Structure
23 process defines and validates the data structure for asset data elements that do not exist in
24 the inventory system.

25 3c. Define/Validate Asset Data Relationships: The Define/Validate Asset Data
26 Relationships process defines and validates the relationships of asset data elements that
27 do not already exist in the inventory system.

28 4. Populate Asset Data Elements: The Populate Asset Data Elements process assigns
29 asset information to data elements fields. Once the asset date elements are populated, the
30 creation of the Initial Asset Record is complete.

31 The “Complete” conditional flow from the Validate Asset Data Elements process illustrates that
32 all the required data elements are complete and validated. This message flows to the Populate
33 Asset Data Elements process. Once the asset date elements are populated, the creation of the
34 Initial Asset Record is complete.

35 **Narrative 6: Conduct Physical Inventory**

1 The Conduct Physical Inventory process verifies the existence, location, quantity, interest and
2 condition of Real Property assets to ensure accountability and enable accurate valuation.

3 The “Physical Inventory Required” event, which may be ad-hoc or temporal, triggers the
4 following Conduct Physical Inventory processes:

5 Count Assets: The Count Assets process physically counts/verifies assets to ensure
6 accountability (existence, location, quantity, interest and condition) and enable accurate
7 valuation. The physical inventory count is based on a developed inventory control methodology
8 and plan. During the Count Assets process if an asset is discovered which does not exist in the
9 inventory, an initial asset record is created for the asset, and the process is continued.

10 Aggregate Asset Inventory Count Results: The Aggregate Asset Inventory Results process
11 accumulates the results of the physical inventory for analysis of variance (ANOVA).

12 Review Asset Inventory Count Results: The Review Asset Inventory Count Variance process
13 determines the cause of variances during the execution of a physical inventory. If the variance is
14 unacceptable, based on preset statistical inventory control criteria, a conditional flow
15 “Unacceptable Variance” is sent to the Perform Root Cause Analysis and Reform Inventory
16 Control Procedures process. If the results of the inventory count are acceptable, a message flow
17 is generated to the Approve Asset Inventory Count Information.

18 Perform Root Cause Analysis and Reform Inventory Control Procedures: The Perform Root
19 Cause Analysis and Reform Inventory Control Procedures process determines the source and
20 reason for inventory variances resulting from the execution of a physical inventory, and
21 determines appropriate modifications to the inventory control procedures as required.

22 Approve Asset Inventory Count Information: The Approve Asset Inventory Count Information
23 process results in the acceptance of the physical inventory count by an authorized official. Once
24 the physical inventory is completed, the asset record is updated.

25 **Narrative 7: Perform Construction/Restoration/Modernization (CRM)**

26 The Perform Construction/Restoration/Modernization (CRM) process incorporates real property
27 construction, restoration and modernization activities such as engineering and architectural
28 design, scheduling, executing construction tasks, inspection as specified by a contract, updating
29 the Real Property construction-in-progress account and providing associated non-financial
30 transactions. It utilizes resources for improving facilities and replacement work to restore
31 facilities damaged by actions such as inadequate sustainment, excessive age, natural disaster,
32 fire, accident, or other causes and facilitates the alteration of facilities solely to implement new
33 or higher standards (including regulatory changes), to accommodate new functions, or to replace
34 building components that typically last beyond overall service life (such as foundations and
35 structural members).

36 This process starts with an “Approved Acquisition Plan”, which feeds the Execute Acquisition
37 Strategy Process. A “Valuation Template Request” is generated from this process to the
38 Establish and Update Valuation Conventions process - (The process of identifying the valuation
39 methodology to be used based on approved valuation policies to capture direct and indirect costs

1 of program assets. The methodology will take into consideration: the type of funding (R&D,
2 procurement, O&M), the types of program costs (direct and indirect), types of assets (capital and
3 expensed), the useful lives of end-items and major components, which costs are to be aggregated
4 into the end item cost (e.g. direct labor, government furnished parts), which items are to be
5 valued separately (e.g. support equipment) and whether government furnished material is being
6 provided to the contractor.) Once the valuation template is updated, and becomes part of the
7 Execute Acquisition Strategy process, through the “Valuation Template Notification” message.

8 The Execute Acquisition Strategy process generates a “Sourced Requirement”, that is used to
9 establish and execute the Purchase Contract (Sales/Contract) in the Manage Procurement/Sales
10 process. From this process, a sequence flow “Signed Contract/Order” is generated which triggers
11 the creation of an initial asset record for the Real Property asset to be constructed. The create
12 initial asset record process assigns a Real Property Unique Identifier (RPUID) to the property.
13 The “Sales Contract/Order” flows into a gateway from the Manage and Procurement and Sales
14 process before “forking” out to the Perform Construction/Restoration/Modernization process.

15 A message flow “Contract/Order Award Notification and CIP Request” triggers the Create CIP
16 Subsidiary Ledger process. The Real Property Unique Identifier (UID) and the Valuation
17 Template are associated with this process.

18 During the Construction/Restoration/Modernization process, the message flow, “Government
19 Furnished Materiel Required Request” triggers the provision of materiel and supplies required to
20 perform or complete a construction/restoration/modernization project. The sequence flow
21 “Goods/Asset Tendered and Services Rendered” from the DoD/Non-DoD User/Source pool
22 represents the government furnished materiel (GFM) which flows into the Monitor and Manage
23 the Program process. Once the GFM is inspected, received and accepted it is provided to the
24 construction/restoration/modernization process through the message flow “Asset Available”
25 which flows into the decision gateway “Real Property Asset?”

26 The “Government Furnished Materiel Provided” message from the gateway flows to the “
27 Perform Construction/Restoration/Modernization process”. During the CRM process the
28 invoices/progress payments including designs cost are remitted through the “Asset Tendered or
29 Services Rendered” message that flows to the Monitor and Manage the Program process.

30 Upon acceptance of the service, the acceptance evidence message flow generated from the
31 Monitor and Manage the Program process flows into the Record and Manage Payable process.
32 Since the CRM process meets the asset capitalization criteria, and meets the Construction in
33 Progress (CIP) criteria the costs flow from the decision gateway “Asset Meets CIP Criteria?” to
34 the Update Valuation CIP process. This process posts the Construction in progress information to
35 the General Ledger. If a Real Property design is not approved upon milestone review, a “CIP
36 Cancellation Notice” is generated from Monitor and Manage the program process to the Relieve
37 CIP. These design costs are non-capitalized and consequently flow to the Record and Manage
38 Expenses process. The transactions from this process are posted to the General Ledger.

39 Upon interim acceptance of an asset, the “Asset Placed in Service Notification” from the
40 Monitor and Manage the Program process triggers an update to Asset Record through the flow
41 “Real Property Action Accepted”, and triggers the “Relieve CIP” process. The “Capitalized

1 Cost” flows into the “Book or Record Asset” process that generates an “Asset Value
2 Notification” to the Update Asset Record process. The Asset Record generates depreciation
3 expense information through the message flow “Depreciation/Amortization Expense
4 notification” that flows to the Record and Manage Expenses. Transactions from this process are
5 posted to the General Ledger.

6 The Monitor and Manage the Program process also generates a flow “Asset Available” into the
7 decision gateway “Real Property Asset?”, the “yes” path indicates that the asset is a Real
8 Property item, which flows to the “ Real Property Stewardship process”.

9 Upon final acceptance of an asset, the “Asset Placed in Service/Contract Closed Notification”
10 from the Monitor and Manage the Program process triggers an update to Asset Record through
11 the flow “Real Property Action Accepted”, and triggers the “Relieve CIP” process. The
12 “Capitalized Cost” for the Real Property asset flows into the “Book or Record Asset” process
13 that generates an “Asset Value Notification” to the Update Asset Record process. The Asset
14 Record generates depreciation expense information through the message flow
15 “Depreciation/Amortization Expense notification” that flows to the Record and Manage
16 Expenses. Transactions from this process are posted to the General Ledger.

17 The Monitor and Manage the Program process also generates a flow “Asset Available” into the
18 decision gateway “Real Property Asset?”, the “yes” path indicates that the asset is a Real
19 Property item, which flows to the “ Real Property Stewardship process”.

20 **Narrative 8 Perform Real Property Disposal**

21 The Perform Disposal process includes all the activities associated with the final disposition of
22 an asset. It includes but is not limited to reassignment to other DoD entity, transfer to another
23 DoD or Non DoD entity, exchange, donation, loss by disaster, demolition, and sale.

24 This process starts with the conditional flow “Excess Real Property Declared” from the Real
25 Property Stewardship Process into the Perform Real Property Disposal Process. From this
26 process the flow, “RP Operation Ceased” updates the asset record upon the cessation of Real
27 Property operations or the occurrence of natural disaster. Once the disposal method is identified,
28 represented by the Off-Page Connector “Disposal Method Identified”, the disposal action is
29 planned, and sourced through the Execute Acquisition Strategy Process. This process generates a
30 sourced requirement, which is used to establish and execute the “Sales Contract/Order” from the
31 Manage Procurement/Sales process. This message flows into a gateway from the “Manage and
32 Procurement and Sales” process before “forking” out to the Perform Real Property Disposal
33 process where the identified disposal action is executed. For a demolition action, the Real
34 Property Installed equipment is recovered and sent to another entity such as an item manager
35 within a logistics warehouse/depot and the demolition service “Goods Tendered/Services
36 Rendered” is received and accepted.

37 Upon acceptance the asset record is updated through the message flow (Real Property Action
38 Accepted), the acceptance evidence message flow generated from the Monitor and Manage the
39 Program process flows into the Record and Manage Payable process, which determines if the
40 lease costs/terms and conditions meet the capitalization criteria, and because this is a demolition,

1 the costs flow through the Record and Manager Expense process and the transaction is posted to
2 the General Ledger. For Donations, Transfers and Exchanges, only the asset record is updated,
3 through the message “Real Property Action Accepted” For sale of a Real Property Asset, the
4 message flow “ Procurement Evidence” feeds the process the process Manage Financial Record
5 of Sale and Status of the Asset from Monitor and Manage the Program process. The “receivable
6 file” conditional flow from the Manage Financial Record of Sale and Status of the Asset process
7 flows to the Record and Manage Receivable process. Transactions from this process are posted
8 to the General Ledger.

9 Furthermore, a conditional flow “Potential Gain or Loss” flows from the Manage Financial
10 Record of Sale and Status of the Asset process to the Book or Record Asset (Gain/Loss) process.
11 If there is a loss from the sale of an asset, the conditional flow “Loss on Sale of Asset” flows to
12 the Record and Manage Expenses. Transactions from this process are posted to the General
13 Ledger. If there is a gain from the sale, the conditional flow “Gain on Sale of Asset” flows to the
14 Record and Manage Revenue. This process generates a sequence flow to the Manage and Record
15 Receivable process, which posts the transaction to the General Ledger.

16 **Other Process I&E and Non I&E Definitions:**

17 **Archive Asset Record (I&E)**

18 The Archive Asset Record process stores/flags asset records that are no longer in active
19 status. These records can be retrieved upon request for future liability issues, reporting
20 and audit trail purposes. This process is triggered by the message “Asset Records Meet
21 Archive Criteria” from the “Update Asset Record” Process.

22 **Update Asset Record (I&E)**

23 The Update Asset Record process updates asset records with information based on a
24 change to the location, quantity, and condition interest/ownership of an asset. For Real
25 Property this includes but is not limited to actions such as Construction/Restoration/
26 Modernization, Demolitions, Purchase, Transfer, Sale, Ingrants, Outgrants, Donations or,
27 Exchanges. The value of a Real Property asset is recorded in the inventory/accountability
28 system upon interim or final acceptance. Information provided by the
29 inventory/accountability system includes but is not limited to valuation information (such
30 as depreciation, amortization), inventory adjustments information, asset specifications,
31 status of asset, ownership and other non-financial data.

32 **Book or Record Asset (Gain/Loss)**

33 The process of posting the amount paid for an asset and the calculated gain to revenue or
34 loss to expense as a result from the disposal of an asset.

35 **Create CIP Subsidiary Ledger**

36 The Create CIP account process establishes a construction in progress account to
37 accumulate design and construction costs. These costs will be associated with a unique
38 identifier for the asset. Construction-in-progress is the accounting term that refers to the

1 temporary classification of assets that are being built before being placed in service.
2 Each CIP account may track one to hundreds of items. Each item may represent the sum
3 of numerous expenses or invoices. The sum of the individual expenses for an item in the
4 CIP account that is associated with a unique identifier will determine the value of the
5 fixed asset when placed into service.

6 **Record and Manage Revenue**

7 The process of recognizing and recording amounts earned and unearned by the
8 Department of Defense for providing goods and services, within a specified accounting
9 period to include reimbursable earnings as supported by legislative actions. The
10 management of revenue includes the use of application of revenue collections according
11 to treasury regulations.

12 **Record and Manage Expense**

13 This process includes the timely posting of authorized expense transactions and the cost
14 of assets consumed to their appropriate account and cost objects for the use in the
15 organizations mission within the designated accounting g period. The management of
16 expense includes recognizing the appropriate accruals and deferrals for the accounting
17 period.

18 **Relieve CIP**

19 The Relieve CIP process includes transferring the accumulated balance from the CIP
20 account to the asset account at the time the asset is placed in service. For the constructed
21 real property assets, at the time the facility or improvement to a facility is available for
22 use by DoD, an interim Transfer and Acceptance of Military Real Property document (i.e.
23 DD1354) is signed. Title for what is listed on the acceptance form is transferred, and the
24 punch-list of additional work and certificate of occupancy by local authorities are
25 attached to the acceptance form. Once all the final payments are made, claims are settled
26 and the contract is closed out, the CIP account shall be relieved and any transferred
27 balance to the asset account upon placing the asset in service should be adjusted for the
28 final payments accumulated in the CIP account.

29 **Update Valuation CIP**

30 The Update Valuation CIP process accumulates construction costs in the CIP account.
31 For real property assets, the balance will remain in the CIP account till the asset is placed
32 in service. Cost shall include all costs incurred to bring the asset to a form and location
33 suitable for its intended use as follows: (1) Cost of contract work, (2) Direct cost of
34 labor, (3) Direct cost of materials and supplies, (4) Cost of Supervision, Inspection and
35 Overhead (SIOH), (5) Cost of transportation, (6) Cost of handling and storage, (7) Cost
36 of injuries and damages, (8) Cost of legal and recording fees, (9) Cost of architecture and
37 engineering studies, (10) Cost of facility and site preparation, (11) Cost of installed
38 equipment, (12) Cost of government furnished equipment or material (GFE, GFM) and
39 (13) Cost of donated assets.

1 **Book or Record Asset**

2 The process of assigning the original cost basis; the asset is either for use in the mission
3 or developed for resale.

4 **Manage Financial Record of a Sale and Status of Assets**

5 This process records the information from a Contract Sale/Order into revenue,
6 receivables, or cash. It also records the status of assets based on the sale/exchange,
7 disposal of available goods. The management of financial information related to assets
8 and inventories includes transaction aging and valuing at the beginning and ending of the
9 accounting period to arrive at the cost of goods sold.

10 **Record and Manage Receivable**

11 Process of recognizing and recording a claim to cash or other assets against other entities,
12 either based on legal provisions, such as payment due date, for goods tendered or services
13 rendered and debts due to the Department of Defense, within a specified accounting
14 period. The management of receivables is the collection of amounts due including
15 administrative fees, interest and penalties. The process will also include aging, write-offs
16 and debt adjudication.

17 **Execute Acquisition Strategy**

18 The process of executing the critical events that govern the management of a program to
19 include: development, testing, initial production, and life-cycle support. Contracts shall
20 support the acquisition strategy. It also includes supporting the determination of the
21 source to satisfy a requirement and preliminary decisions leading to the business process
22 to follow (internal, external, exchange, lease, contract, HR, etc.) Processes include: pre-
23 solicitation notices, draft RFP/RFI, develop new or identify existing sourcing vehicle,
24 prepare the requisition. Asset accountability plays here in decisions such as lease/buy,
25 GFE/GFP, matching requirements with known HR capabilities, etc.

26 **Monitor and Manage the Program**

27 This process includes managing and tracking requisition and subsequent execution of a
28 purchase contract (obligation), modification, contract monitoring, administration, and
29 receipt & acceptance.

