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3.1 Management Guidance

3.1.1 Applicability

This document provides general guidance in administrative and general asset management areas. This document is intended to provide guidance only.

3.1.2 Background

There are certain real estate related asset management principles that are imposed on all agencies and/or have been adopted by the FAA. This asset management guidance section will generally contain information that relates to more than one type of procurement (i.e., land and space or space and utilities, etc.)

3.1.3 Guidelines

3.1.4 Budget Review and Procurement Requests Added 4/2015

Budget Review and Approval

Real Estate Contracting Officers (RECOs) must submit Budget Request Form 3.2.6 to Real Property Division, ALO-200. Once the real property transaction is ready for signature, the Budget Request and Review form should include all monetary terms negotiated.

If multiple lines of businesses (LOBs) and staff offices (SOs) will be using the facility, the RECO must identify the funding responsibility for each LOB/SO on the form. The Budget Request Form must be submitted to ALO-200 by uploading the completed form to the KSN. The KSN is located at: https://ksn2.faa.gov/arc/arc/Logistics/realproperty/Funding%20Request/Forms/AllItems.aspx (FAA only). ALO-200 will acknowledge receipt of the request within 24 hours of submittal.

Procurement Request in PRISM

In addition to Budget Review, prior to awarding the contracting action in PRISM, the RECO must obtain an approved Procurement Request with sufficient funding. If the contract needs to be signed in advance of the fiscal year needed for funds, the RECO must obtain approval from the appropriate budget office.

3.1.5 Contract Management Revised 4/2015

3.1.5.1 System for Award Management (SAM) Revised 4/2015

1. Effective immediately the RECO is responsible for implementing the System for Award Management (SAM) requirements in AMS Procurement Toolbox Guidance T.3.3.1 A-4, System for Award Management. SAM is an E-government initiative to standardize how vendor

information is maintained across all federal agencies. The standardization of maintaining vendor data benefits both the Government and the vendor. The new system streamlines the processing of vendor information changes by requiring the vendor to make the changes. The use of SAM assists compliance with EFT payment requirements.

2. The new clauses "**System for Award Management - Real Property,**" "**Contractor Identification Number - Data Universal Numbering System (DUNS) Number,**" and "**Certification of Registration in System for Award Management (SAM)**" are mandatory for all new cost contracts and for modifications to existing awards, unless the vendor qualifies for an exception under AMS Procurement Guidance T3.3.1.A-4. If a vendor is granted an exception, the alternate clause, "Contractor Payment Information - Non-SAM - Real Property" is included in the contract.

3. Guidance in the AMS Procurement Toolbox T3.3.1.A-4 requires all prospective contractors to be registered in the SAM database prior to award of a contract or agreement. The referenced guidance provides the only authorized exceptions to this requirement. They are the only ones that apply to real estate transactions:

> Exception# 3 - "Contracts awarded by-(b) conducting emergency operations, such as responses to natural or environmental disasters or national or civil emergencies, e.g., Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121)…"
>
> Exception #4 - "Contracts to support unusual or compelling needs. A compelling need is where FAA would be seriously injured if the contract is not awarded." Examples: 1) When a utility vendor refuses to register in the SAM and there is no feasible alternate supplier. 2) When the facility is critical to the FAA's mission, and the only alternative is to relocate the facility to a less effective site at great expense to the FAA.
>
> Exception #6 - "One time/single payment contracts or agreements, such as Real Property purchase and sales agreements, where the seller of the property is not in the practice of offering real property to FAA as a commercial practice and does not anticipate acting as a vendor to FAA in the foreseeable future." Example 1) One time purchase of real property," NOTE this does not apply to leases paid annually or to contracts/agreements with exercisable options (both are recurring payments).
>
> Exception #7 - "Long term leases and utility contracts where a SAM clause is not currently in effect and it is determined by the CO that forcing compliance is impractical." This exemption may be used for utility contracts or leases of any duration. The RECO must make every effort to negotiate compliance with SAM on these existing contracts. However, the enforcement of this requirement is not mandatory and would be prohibited in cases where the enforcement would result in any of the following:
>
> 1) Forced relocation of an existing facility essential to the FAA mission, 2) Loss of a mission critical service, facility or utility or, 3) An unacceptable increase in the cost of maintaining a mission requirement.

4. The rational for all RECO granted exceptions to SAM must be documented in the contract file.

5. Frequent Vendor Concerns and Reponses:

a. Concern: Lessor/Vendor is concerned about posting personal/banking information on an Internet web site (SAM is web-based). Response: The SAM Website and database are well encrypted. Use of the SAM database actually means that less government or contractor personnel see the vendor's sensitive data. Fewer people have access to the encrypted website, than to paper files of the vendor's data.

b. Concern: Lessor prefers to submit changes via the old Vendor Miscellaneous Form. Response: Processing of manual forms wastes both vendor and government resources and is far less secure than the encrypted database.

c. Concern: Lessor doesn't have a computer or Internet access. Response: It is easy to register in SAM through mail or by calling 866-606-8220.

3.1.5.2 Electronic Fund Transfer (EFT) Revised 4/2015

1. Effective immediately the Real Estate Contracting Officer (RECO) is responsible for implementing the EFT requirements in AMS Procurement Toolbox Guidance T.3.3.1.A-7 Electronic Fund Transfer.

2. The new clause **"Payment by Electronic Fund Transfer - Real Property"** will be included in all new cost leases, utility contracts, agreements, and other awards for real property. The new Electronic Funds Transfer (EFT) clause will also be included whenever a contractual action that on its own would result in a change to the terms and conditions of existing cost leases, utility contracts or agreements. If a vendor is granted a waiver from receiving payments by EFT, the approved waiver request serves as documentation for the file. An alternate payment clause is not required, as the EFT clause contains provisions for non-EFT payment if a waiver is granted. Waivers are considered temporary, so the RECO should consult with vendors from time to time to determine whether the circumstances that justified the waiver is changed.

3. For existing real property and/or utility contracts and agreements where the FAA does not currently make payments by EFT to the vendor, and the vendor does not have a current EFT waiver on file, the RECO will make every effort to include the EFT clause via bilateral contract modification by September 30, 2007. If the lessor/vendor is unwilling or unable to execute a contract modification implementing EFT payments, and the RECO determines it is in the best interest of the government, the RECO will assist the lessor/vendor to apply for a waiver as contained in AMS Section T3.3.1.A-7.

If the lessor/vendor is unwilling or unable to execute a contract modification implementing EFT payments, and the RECO determines it is in the best interest of the government, the RECO will assist the lessor/vendor to apply for a waiver as contained in AMS Section T3.3.1.A-7.

4. Application of waivers to common Real Estate situations. – Procurement guidance in AMS found at T3.3.1 A-7 contains the following waivers that are the only waivers applicable to real property and utility transactions:

#5. "Contracts executed by any contracting officer in the conduct of emergency operations, such as responses to natural disasters or national or civil emergencies may provide for payments by other than EFT where:

a. EFT payment is not known to be possible; or

b. EFT payment would not support the objectives of the operation."

#6. "When the FAA does not expect to make more than one payment to the same recipient within a one-year period and the payment is non-recurring." Real property purchases will generally qualify for this waiver. Land leases with annual payments will not qualify, as the payments are recurring.

#7: "Where the Agency's need for goods or services is of such unusual and compelling urgency that the FAA would be seriously injured unless payment is made by a method other than EFT." The RECO will provide sufficient information on the urgent and compelling need to accounting operations, as outlined in Paragraph # 3 of this guidance, for new acquisitions or existing contracts.

#8: "Contracts where the contractor claims that payment by electronic funds transfer would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship."

5. If the vendor has a U.S. bank account, they can and should receive payment by EFT. So this exemption will seldom be needed. Good business judgment should be used by the RECO when deciding whether or not to seek a waiver.

6. For the waiver request process, the RECO will document the availability of other vendors and costs associated with changing vendors and relocation costs, to the Accounting Operations Division manager. The RECO will document any and all factors supporting the acquisition (e.g., technical location requirements, or single-source vendor), and what **injury** to FAA would occur by not continuing with the current vendor. This will support justification for a waiver under #7 for urgent and compelling need of the government. This documentation will remain part of the contract file, together with the completed waiver request. If the FAA Accounting Operations Division disapproves the waiver, the RECO will consult further with the Accounts Payable Branch Manager and document the file with the resolution reached by the parties. NOTE: The resolution of EFT payment issues should not result in the premature relocation of FAA facilities, or loss of mission critical services/utilities.

7. The assertion that a waiver is required because EFT does not provide sufficient payment data to vendors receiving payment on multiple government contracts is not a valid basis for a waiver. A US Treasury system provides this data to registered vendors delineated by contract. The system is web-based and is provided at no cost to the vendor.

3.1.6 Capitalization Revised 4/2015

Capitalization is not to be confused with accountability. In general, capitalization is the method

of treating an asset as it relates to an agreed upon set of accounting principles. Accountability is keeping track or being aware of assets or items determined important because of their use, value, or significance. Capitalization and accountability of assets will overlap but should not be considered synonymous.

The FAA Financial Manual establishes the threshold value for capitalizing assets. Assets that fit the Financial Manual definition of "capital assets" must undergo a process to ensure that they are properly "capitalized" in agency financial and property records. As of October 1, 2008, FAA Financial Manual Volume 5, Chapter 3 "Property, Plant and Equipment", section 030202 "Capitalization Criteria", requires capitalization of assets meeting certain criteria. Land is always characterized as a capital asset. Generally, a non-land asset must be capitalized if it has an estimated useful life of at least two years and has a total unit cost of $100,000 or more (e.g., roads, perimeter fences, etc.) The FAA is required to capitalize certain improvements in both owned and leased space (See The Accounting Capitalization Desk Guide). Also, the FAA is required to make a determination as to whether leases (including real property leases) are capital or operating leases and insure they are reflected correctly in the financial system. Documentation relating to capital improvements and determinations of capital versus operating leases is to be retained in the appropriate lease file. Documentation, as a minimum, should consist of the form "Evaluation of Real Property Lease to determine Accounting Treatment". Specific information and guidance relating to capitalization and capital leases is contained in Accounting Capitalization Desk Guide and the PRISM/DELPHI Business Process: Capital Lease any conflicts in capitalization guidance will use Accounting Capitalization Desk Guide as the final authority. The Project/Material Management Desk Guide also contains information pertinent to the capitalization of real property asset.

Typically, the determination of whether a lease will be a capital lease is accomplished well in advance of site acquisition because of the possible budget score-keeping (OMB Circular A-11, Appendix B) that may be required. Consultation with the requesting Line of Business (LOB) regarding OMB Circular A-11 requirements should be done prior to any commitment on the part of the FAA. *Land-only leases that do not provide a bargain purchase option and do not result in FAA ownership during the term of the lease are not capitalized. FAA owned land is always characterized as a capital asset*.

There are six criteria to determine whether a lease is capital or operating. Because such phrases as “long duration” and “high payment” are subjective, OMB Circular A-11 sets forth which six criteria listed below to be used by Federal agencies in distinguishing between an operating lease, a capital lease, or a lease-purchase. If either of the first two criteria is not met, the lease is classified as a *lease-purchase.* If the first two criteria are met and one or more of the other four criteria listed below are not met, the lease is classified as a *capital lease*. If and only if all six criteria are met is a lease classified as an *operating lease.*

> *1. Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease term.*
>
> *2. The lease does not contain a bargain-price purchase option.*
>
> *3. The lease term does not exceed 75 percent of the estimated economic life of the asset.*

4. The present value of the minimum lease payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the beginning of the lease term.

5. The asset is a general-purpose asset rather than for a special purpose of the Federal government and is not built to unique specification of the Government as lessee.

6. There is a private sector market for the asset.

Bargain-price purchase options

The test for bargain-price purchase options contains no time restrictions as to when the option might be exercised, whether prior to or years after the expiration of the lease. This can be particularly critical in situations where the improvements themselves are leased for, say, 20 years, but then revert to the Government at little or no cost upon expiration of an associated ground lease after 50 years.

Leases that contain such options are classified as lease-purchases.

90 percent test

For purposes of the 90 percent test, the *minimum lease payment* is the annual net rent (full service rent less all fixed and operating expenses) and specifically does not include real estate taxes. The discount rate to be used in doing the present value computations is specified in the annual update to OMB Circular A-94 Appendix C, as typically published each February. Discount rates are specified for terms of 3, 5, 7, 10, and 30 years, and are used over the next 12 months independent of interest rate fluctuations. Discount rates for lease terms other than 3, 5, 7, 10, and 30 years are established through straight-forward interpolation. The real discount rates appearing in OMB Circular A-94 Appendix C are to be used in conducting the 90 percent test and the subsequent impact on budget authority, as well as for calculating net present values needed to identify the lowest cost space alternative available to the Government. For cost-benefit analyses involving alternative (third-party) financing, however, the equivalent cost of capital for Government funding is to be based on the yield rates for Treasury obligations of similar durations that are published weekly by the Federal Reserve Board in Bulletin H-15 (available online). The lease term used in performing the 90 percent test is to include the firm term of the lease plus all options and extensions

Special Purpose

Any project constructed or located on Government owned land is presumed to be for a special purpose of the Government, and is therefore ineligible for classification as an operating lease. However, as part of the 2003 amendment to OMB Circular A-11, if the Government ground leases property to a non-Federal party and then subsequently leases back the improvements, the leaseback may be treated as an operating lease if it otherwise meets the criteria for an operating lease.

PRISM/DELPHI

In the PRISM/DELPHI procurement and financial system, tests 5 and 6 are generally considered to be met and that normally is the case with FAA leases. However the CO should be aware of

the criteria in the event of a rare circumstance, where those criteria may apply. Any questions regarding tests 5 or 6 should be referred to Real Property Policy for a determination. The CO completes the "Evaluation of Lease to Determine Accounting Treatment" form and submits to their accounting office with their lease package. NOTE: There is a form for both real property and personal property leases). The form is designed to screen out certain leases that can automatically be considered operating leases or capital leases, and provide necessary information for performing the remaining tests. Also in the DELPHI system, the determination must be completed in DELPHI Fixed Assets Module by the servicing accounting office, unless it is automatically classified as an operating lease. See the PRISM/DELPHI Business Process Solution: Capital Leases for further information on processing of lease evaluations, operating and capital leases.

Fair Market Value

Fair Market Value – The highest priced in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and sell, each acing prudently, knowledgeably and assuming the price is not affected by undue stimulus.

- **Determining Fair Market Value (FMV) for Lease Evaluation Purposes**

The lease evaluation must be as of the date of lease inception and use the FMV as of lease inception date. For new leases, FMV is best determined during the market survey. The CO will also need to determine the FMV of certain modifications that change the term and/or scope of the lease, since they must be evaluated separately from the original lease.

Per OBM Circular A-11, the market approach is most preferable, followed by replacement cost. Circular A-11 does not discuss income approach but this is also an acceptable approach per real property appraisal practice. Property tax assessment can be used to help establish FMV if it is tied directly to a reasonable fair market value – with the caveat that some adjustments may be needed, depending on the taxing districts policies. Discussions with real estate brokers in the area can reveal correlations between tax-assessed value and fair market value.

When determining FMV of the real property under lease, remember that this is a reasonable estimate of FMV to be used for internal accounting purposes only – so do not contemplate using this estimate for formal appraisal/legal purposes. There is no one single method to arrive at this estimate, and COs should remember the three approaches to estimating FMV – Market, Replacement Cost and Income approaches. The CO should make an effort to make an estimate using at least two of these approaches and then make a judgment (**do not average**) as to *the appropriate* FMV when comparing the values arrived at by different approaches. It should be noted that the full value of the building or asset being leased is used for lease evaluations, even when the FAA is only leasing a portion of the building/asset.

- **Accepted Method for Retroactive Determinations of FMV:**

The accepted process for estimating FMV in those cases where there is not sufficient documentation available to establish original FMV on retroactive evaluations of existing leases, is to establish FMV for the property under lease as of the new evaluation date (now), and then discounting the FMV using the Consumer Price Index (CPI). Use the same CPI Index used for

Lease Services and Utilities CPI Adjustment. Utilize CPI schedule for Wage Earners and Clerical Workers, Not Seasonally Adjusted, US City Average. Base Period 1982-84=100. Multiply current FMV x Inception CPI value /Current CPI value to arrive at an adjusted FMV for lease inception. This shall be the standardized method of estimating the FMV for prior years in absence of actual documentation of FMV at lease inception.

- **Estimated Useful Life For Capitalization:**

In determining whether a lease is operating or a capital lease you will need to know the estimated useful life of a particular asset. The FAA has made a determination for the following types of assets:

- 40 yrs. Offices and Warehouse buildings (including commercial, governmental, air traffic control towers and enroute air traffic control centers) and residential properties.
- 20 yrs. Mobile Homes
- 15 yrs. Other Structures (i.e., Roads, Sidewalks, Parking Lots, etc.)
- 10 yrs. Capital improvements, Facility Modifications, Leasehold Improvements (or expiration of lease, whichever comes first).

- **Amortization**

When a lease is considered capital because FAA will during or at the end of the lease term take title to the property or the lease contains a bargain purchase option, the asset is amortized over the estimated useful life of the asset, not the lease term.

When a lease is considered capital because the 75 percent of the estimated useful life or 90 percent of fair value criteria is met, the asset is amortized over the term of the lease.

Leasehold improvements are amortized over:

- The remaining term of the lease OR
- The useful life of the asset (the improvement), which ever is less.

All capital leases and capitalized improvements will need to be reported to your local accounting organization.

- **Liquidated Damages**

If lease contract requires some form of liquidated damages clause (where the FAA agrees to pay some form of damages for ending the lease early) the Real Estate Contracting Officer must coordinate with the LOB to ensure they understand that funds for any potential liquidated damages must also be scored in the LOBs budget, to ensure there would be no shortfall of funds, should the FAA terminate early. Information on Liquidated Damages is contained in: OMB Circular A-11, Appendix B.

- OMB Review Certain Requirements

Effective with publishing of this document, the RECO must be aware that OMB now requires review of certain Leases, as outline in OMB Circular A-11, Appendix B long before they are

awarded. The types of projects are shown below as follows:

- Any proposed lease where total Government payments over the term of the lease (including any options) will exceed 50 Million dollars.
- All Non-Routine financial proposals, such as:
  - Outlease-Leaseback arrangements
  - Establishment of public-private partnerships
  - Issuance of debt by a 3rd party that includes an explicit "full faith and credit" guarantee of the United States of America.
  - Special purpose assets for which there is no real market.
  - Enhanced –use leases with leasebacks, with manual payments that exceeds the following annual rent threshold:
    - 2006 - $2,410,000
    - 2007 - $2,600,000
  - Projects constructed on Public land
  - Service Contracts that require the contractor to acquire or construct assets greater than $50 Million.
  - Share in Savings proposals that result in the acquisition of real property.
  - Any financing proposal for which requires OMB approval of the scoring or compliance with OMB Circular A-11.
  - Arrangements that grant special tax status
  - Leases that involve options that can be conveyed to a third party in exchange for future consideration.

3.1.7 Real Property Physical Inventories and Records Revised 4/2015

This section is to provide guidance and outline responsibilities for conducting real property inventories and for updating real property records to reflect the inventory results.

Authority
Conducting physical inventory is necessary to achieve appropriate accountability and control over the FAA's real property assets. The physical inventory establishes a direct relationship between actual and recorded assets and ensures that asset transactions have been properly recorded in the real property records database. In compliance with the President's Management Agenda initiative and the Federal Real Property Council (pursuant to the Executive Order 13327), the Department of Transportation is required to submit valid real property data at the end of each fiscal year to the Office of Management and Budget.

Standard
A physical inventory of 1/3rd of a service area's (legacy regions under them)/center's real property assets (defined as Properties and Improvements) should be conducted annually. The first cycle (FY 2008) Inventory was performed beginning with the most valuable facilities defined by the total Value of that Facility (the Facilities needed to have at least one Property valued at $200,000) – this Value being defined as the Plant Replacement Value for Owned Assets and the Annual Rental for Leased Assets - then pick up subsequent assets for years 2 and 3. Additionally, all assets on any location (defined by the ATID) should be inventoried simultaneously so that there are no repeated visits to the same location. This will result in a 100% inventory of all FAA's owned and leased assets every 3 years in the Real Estate

Management System (REMS).

Responsibilities
The FAA organizations/personnel involved in the annual physical inventory effort should include:

Applications and Inventory Division (ALO-300) at Headquarters initiates the annual physical inventory and assigns a national real property inventory coordinator (NRPIC).

National Real Property Inventory Coordinator (NRPIC) coordinates the overall physical inventory, issues detailed instructions to the service areas (legacy regions under them)/centers, supports the service areas (legacy regions under them)/centers real property inventory coordinators, reports on the final results, and coordinates with ATC Facilities Office (AJW-2) regarding ATO inventory tasks.

ARC Service Areas (legacy regions under them)/Centers Logistics Division appoints a real estate staff member as Service Area (legacy regions under them)/Center Real Property Inventory Coordinator (RPIC).

Service Area (legacy regions under them)/Center Real Property Inventory Coordinators (RPIC) coordinate the physical inventory effort in their area/region/center with ARC's Business Services Group Team member, distribute inventory asset lists and instructions to Business Services Group Team Member, follow up on results, adjust the real property records database to reflect the results, and verify results from a sample of 10% of inventoried assets for accuracy.

ATO Headquarters Real Property Inventory Coordinator (AJW-24) identifies ATO offices involved with inventory validation, coordinates with NRPIC on inventory tasks, and provides Inventory Taker/technician support.

ATO Service Center (AJV2-E/AJV2-C/AJV2-W) designates a Business Service Group real property inventory team member.

Business Services Group (BSG) Team Member (AJV-E4/AJV-C4/AJV-W4) identifies contacts to ARC Service Areas/Centers Real Property Inventory Coordinators, distributes inventory asset lists and detailed instructions to Program Operations Group (POG) NAS Logistics Managers and District Office (DO)/System Support Center (SSC) Managers, collects inventoried asset lists results from Logistics Management Specialist / Logistics Program Coordinator assigned to assist and advise the Custodians in the District Offices / System Support Centers, and follows up on issues related to getting the job done.

Program Operations Group (POG) NAS Logistics Managers (AJW-W23 / AJW-C23 / AJW-E23) assigns a Logistics Management Specialist (LMS) / Logistics *Program Coordinator (LPC)* to advise and assist the District Office/System Support Center Manager, who are the custodians, in validating, researching and documenting any changes to the asset records. Once an assignment is made, the BSG, ARC and custodians work with that designated LMS/LPC on any issues. The LMS/LPC reviews the inventoried list for clarity and completeness and returns it through the BSG to ARC. In some cases, the LMS/LPC may also be the Inventory Taker.

District Office (DO) / System Support Center

Representatives (SSC) (i.e., the real property custodians in their field facilities): distribute inventory asset lists to their designated inventory taker(s) that will physically observe the sites to be inventoried; and return the inventoried asset lists results to BSG Team Member. In some cases, the SSC Manager might be the inventory taker, or they may request assistance from the Program Operations Group Manager to have an LMS or LPC take the inventory.

Inventory Recorders (authorized and trained on the REMS Inventory Module System) in the regions record observations from the inventory data collection sheets received from Inventory Takers. It is possible that the Inventory Recorder and the Inventory Taker is the same person. In that regard, the Inventory Recorder will record their inventory results directly in the Inventory Module System.

Inventory Takers in the regions physically observe the inventory sites and record observations on the inventory data collection sheets. The inventory data collection sheets are then returned to the assigned LMS/LPC, who reviews for accuracy, and forwards through the BSG to ARC for processing.

Facility Management Staff at the Mike Monroney Aeronautical Center (AMC) and William J. Hughes Technical Center (ACT) physically observe the inventory sites and record observations in the REMS Inventory Module.

Office of Financial Management - Property Control and Analysis Division (AFM-500) updates the real property records in Delphi to reflect inventory results.

Procedures

The annual inventory should be comprised of the following five key procedures. The first three procedures are the responsibility of the service areas (legacy regions under them)/centers, lead by the ARC Real Estate organization in each service area (legacy regions under them)/center. The final two processes are the responsibility of the Applications and Inventory Division in Headquarters (ALO-300).

1. Conduct a physical inventory of 1/3rd of a service area (legacy regions under them)/centers real property assets.
2. Conduct an internal verification of the inventory results.
3. Verify updates of the real property records in the REMS database and Delphi database, when requested, to ensure inventory results are reflected.
4. Coordinate with the Office of Financial Management – Property Control and Analysis Division (AFM-500) to ensure those found-on-site assets, and other assets requiring DELPHI recordation assistance are updated in Delphi.
5. Consolidate and report on the results and initiate corrective action where necessary to address opportunities identified as a result of the inventory.

Each of these key procedures is described in detail, in order of occurrence, below.

Procedure 1

Inventory Takers (and where applicable, Inventory Recorder) for each site in the region (facilities management staff at the centers), follow the instructions and determine if the listed land, buildings

and other structures still exist, and if they do, whether they are in use. If the Inventory Taker/Facilities Management Staff determines that an asset status needs to be changed to excess, because it is no longer in use or that an asset should be deleted because it has been removed or sold, then the name of a contact person that could provide the appropriate paperwork should be listed in the remarks column. And when possible, forward the supporting disposal form with the completed inventory spreadsheet. The Inventory Taker/Facilities Management Staff also indicates on the list (or REMS Inventory Module) any corrections to the information for each asset. The Inventory Taker/Facilities Management Staff looks to see if there are any buildings, land assets, or other structures on the site that are not on the inventory list. If (found) assets are identified, they are added to the bottom of the list, if spreadsheet is provided (or to the appropriate section in the REMS Inventory Module) and with as much information known about the asset as outlined on the list's data elements (e.g. installation date, etc.) The Inventory Taker/Facilities Management Staff will forward the completed inventory list through the DO/SSC to the Service Areas (legacy regions under them)/Centers Real Property Inventory Coordinators. The Facilities Management Staff at the AMC and ACT forward the completed inventory list -- via the REMS Inventory Module -- directly to the National Real Property Inventory Coordinator.

Procedures 2 and 3
Service Area (legacy regions under them)/Center Real Property Inventory Coordinator then updates REMS to:

1. validates and records corrections to asset/improvement information;
2. retires assets/improvements that no longer exist;
3. changes the status of assets no longer in use to excess;
4. adds assets/improvements found on inventory;
5. forwards documentation, if necessary, to support adjustments to the accounting records; and
6. ensures quarterly milestones of completed inventory are met.

Procedures 4 and 5
National Real Property Inventory Coordinator at headquarters:

1. tracks responsiveness
2. reviews and summarizes the results of the physical inventory;
3. identifies opportunities to improve the inventory taking process;
4. identifies opportunities to improve asset management practices; and
5. issues a report to ALO management and the service areas (legacy regions under them)/centers administrators, commenting on the apparent strength of current management control processes and recommending changes, if deemed appropriate.

3.1.8 Accountability Revised 4/2015

Objectives

This guidance is to assist in the accountability of real property assets (inventory). This further provides guidance that augments FAA Acquisition Management System (AMS) Real Property

policy found at AMS Section 4.2.

The primary objectives of the real property inventory system are to:

a. Maintain the official agency accountability records for real property assets;
b. Maintain electronic records for all real property assets that the FAA leases, owns, occupies, or outleases using the Real Estate Management System (REMS);
c. Provide detailed data to augment the FAA's subsidiary real property accounting system;
d. Provide FAA program, financial managers, and others the ability to manage and account for real property assets;
e. Provide the means to produce reports to satisfy requirements of regulating agencies, the Department, and intra-agency management; and
f. Report annual inventory to Federal Real Property Profile as mandated under the President Management Initiative and in compliance to Executive Order 13327.

General

Accountability for real property is the process of ensuring the recordation of real property assets for all FAA owned, leased, and utilized real property assets. Functions of real property accountability may include, but are not limited to, the documentation, verification, and confirmation of the existence of real property records and are to be documented in an automated information system.

Please note: Accountability is not to be confused with capitalization as described in Real Estate Guidance, Management, Section 3.1.5 Capitalization. Nor is this section to be confused with Inventory as described in Real Estate Guidance, Management, Section 3.1.6 Inventory

Roles and Responsibilities

Program managers and/or their designee(s) must manage FAA inventory (real property assets). Management will be accomplished by ensuring the integrity of the data. Data management will enable managers to formulate sound financial decisions. This includes the ability to collect accurate, timely, complete, reliable and consistent information; to provide for adequate reporting to support government and agency decision-making; to support the preparation and execution of agency budgets, and to facilitate the preparation of financial statements providing a complete audit trail. Aviation Logistics Organization (ALO-300) under the Administrator for Regions and Centers (ARC) has been mandated by the Office of Management and Budget to report the Department of Transportation's Real Property inventory through the REMS system.

Provided below are the roles and responsibilities for ARC Headquarters (i.e., ALO-300), Service Areas, and Centers.

A. ALO-300 will:

a. Manage REMS nationwide.

b. Provide advice and assistance to Service Areas (legacy regional offices under them) and Centers regarding functions of REMS.

c. Monitor the REMS database and periodically report findings as needed or requested.

d. Maintain oversight and control of the REMS database reflecting the content, and recommend corrective actions.

e. Identify systemic weaknesses through review of reported deficiencies and recommend policy and/or guidance actions to be taken.

B. Service Areas (legacy regional offices under them) and Centers will:

a. Conduct and document by electronic input in the REMS database all relevant acquisition, management, and disposal of real estate.

b. Ensure that REMS data are consistent with data housed on DELPHI

c. Monitor data periodically for accuracy.

d. Enter corrective actions for inaccuracies.

e. Provide data and information to Headquarters as needed.

f. Conduct annual rolling inventory.

g. Where assistance is required or desired, request assistance from ALO-300.

<u>REMS Roles and Responsibilities</u>

ALO-300 has overall responsibility for the REMS application. As such, ALO-300 has designated a Headquarters' System Administrator. Additionally, Service Areas (legacy regional offices under them) and Centers have designated System Administrator for local automated data processing (ADP) issues. The Service Areas (legacy regional offices under them) and Centers System Administrators are responsible for maintaining information about their regions or centers including, but not limited to:

1. Assign User level capability.
2. Issue (or remove) user access to REMS.
3. Make global changes to the REMS data that affects multiple Assets (transferring Properties or merging Facilities, etc.)
4. Make other significant changes to a Property (like Property Code change) that results in a further effect on the Value of the Property.
5. Merge facilities.

To effectively manage the overall functioning and to keep REMS as useful as possible, a workgroup has been formed which also functions as the configuration control board.

This workgroup is headed by the ALO-300 HQ management and comprises of REMS technical personnel and Regional REMS System Administrators. This workgroup meets fortnightly to discuss the immediate data issues, decide the functionality of REMS, and the future course of

action for REMS technical team.

Real Estate Management System (REMS)

REMS is a web-based, consolidated nationwide database and complies with all requirements from Federal Real Property Council. The REMS database contains detailed information for all FAA real property assets. The web page offers other related databases, a log on screen, contacts, and the REMS User Guide. This information, "REMS Online", can be found at https://rems.faa.gov (FAA only). All FAA real property assets are recorded and managed in a database identified as REMS. REMS captures all FAA leased and owned real property (land, buildings, and structures), all GSA owned or leased real property utilized by the FAA, and all Property owned by other Federal Government agencies but controlled by FAA.

Owned FAA Assets

- All FAA real property assets are initially populated in DELPHI if the asset is owned. FAA owned assets are first documented in DELPHI by the User and then downloaded to REMS through an automated interface.
- Data management for DELPHI procedures for owned assets has been developed in consultation with ALO and AFM and disseminated by AFM. DELPHI maintains the financial data for assets. DOT/OIG auditors review DELPHI financial data.

FAA Leased Assets

- FAA leased assets are populated by the User directly into the REMS application.
- Improvements to Owned or Leased Assets.

  For all purposes, Improvements are 'child' owned assets attached to a 'parent' Asset (owned or leased). All improvements to real property assets (either owned or leased) are initially populated in DELPHI. Improvements (including leasehold) are first documented in DELPHI by the User and then downloaded to REMS through an interface.
- Data Management for DELPHI procedures for all improvements has been developed in consultation with ALO and AFM and disseminated by AFM. DELPHI maintains the financial data for improvements. DOT/OIG auditors review DELPHI financial data.

REMS Data

Data Elements

- Data standards for REMS are established by ALO-300. Users must supply established minimum data standards as identified by the mandatory fields in REMS for each asset.
- The data elements are reviewed quarterly and approved changes are affected which include, but are not limited to, removing redundant elements, addition of new elements and keeping the data definitions current.

Data Accuracy

- Data accuracy requires constant review. Data accuracy control responsibility lies with

Service Areas (legacy regional offices under them) and Centers Logistics Divisions. The real property inventory is to be modified as necessary to reflect accurate findings. Real property physical inventories are conducted annually for verification. See Real Estate Guidance, Management, Section 3.1.6 Inventory for guidance on conducting real property inventories and for updating real property records to reflect the inventory results.

Procedures for data management in REMS are found in the REMS User Guide. REMS Online, containing the REMS User Guide, can be found at https://rems.faa.gov (FAA only)

Quality Assurance

The following procedures have been established by ALO-300 for the REMS application.

- Costing Data – Costing data for FAA owned real property is located in DELPHI. The Office of Financial Management (AFM) will validate this data within DELPHI before non-financial data are uploaded into REMS.
- Data Elements – A data dictionary containing all the REMS data elements is available in the REMS User Guide found at website https://rems.faa.gov (FAA only). The REMS schema database is also available upon request from ALO-300.
- Data Controls – The REMS application has various validations checks built into the application to prevent the user from entering invalid data. Many data controls have been programmed for the following fields: dates, currency and numeric fields. For instance, the number of characters is limited by logic rules programmed for each field. Other such controls include: lease expiration dates must always be greater than the lease start dates; facilities cannot have the duplicate Air Traffic Identifiers (ATID), General Services Administration Number (GSA), or Facility Contractions (FC) combinations as this combination is a unique and key identifier in REMS for a facility; and, the use of codes with matching text descriptions that enable the User to verify that accurate data is being menus to select the appropriate data for entry into the fields.
- Backup Procedures – All real estate data in REMS is backed up daily. Moreover, there are complete weekly backups. Backup is done by ALO-300 REMS support. As of this date, the contingency plan includes retaining a copy of the backed up data at an off-site location.
- Security Procedures – The REMS Online version and the database reside within FAA intranet and are secured within the FAA firewall. At the application level, there are three levels of access – read-write, read only, and administrative. Only authorized Users with valid User IDs and passwords within FAA firewall will be able to access the application.
- A file transfer protocol (ftp) site has been created to share the relevant REMS documents and data with the DOT personnel. Documents are openly available to all at the ftp site ftp://rems.faa.gov/documents (FAA only). Data availability is restricted to the people having a valid access to REMS application.

REMS also provides the following services to interested DOT personnel:

- As mentioned above, User Guides and Data definition documents are updated quarterly and available on REMS ftp site.
- Flatfiles Reports and databases are posted on a monthly basis on REMS ftp site (available

only after signing in REMS)

- Flatfile databases consist of Service Areas (legacy regions under them)/Centers data sets in MS Access and MS Excel format and a copy of the consolidated REMS database for future reference.
- Flatfile Reports (formatted details and summary reports) consist of Expiring Leases, On Airport No Cost Land Leases, Active Cost Leases, and other real property activity.
- Snapshots on the REMS homepage are available to reflect the current real property inventory numbers as well as for the activities undertaken by ALO-300 for data improvement projects like data validation, rolling inventory, and other real property asset monitoring.

3.1.8.1 Lease Scanning and Documentation Procedure Revised 4/2015

Effective July 1, 2007

All new and renewal Lease documents must be scanned at the point of origin (i.e., region-level, etc.) once the lease has been activated. The lease must be uploaded to the REMS server, and attached to the respective lease number. The lease document will be available for viewing from REMS screens.

INSTRUCTIONS:

1. Scan the lease document
2. Save the document on a local computer as a ".pdf" file. For example, "lease1234.pdf" lease screen.
4. Select Fiscal Year on the Lease Screen for the lease period
5. Click on <UPLOAD & ATTACH> button to upload the scanned document from the local computer to REMS server
6. REMS will store the document using the "lease contract number" entered on the Lease Screen under a folder created for the Region and the selected Fiscal Year
7. <VIEW DOCUMENT> button will bring up the document for future viewing
8. *If acceptable, <ACCEPT>*