



OFFICE OF THE SECRETARY OF DEFENSE

1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

January 22, 2024

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL OPERATIONS)
ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(ENERGY, INSTALLATIONS & ENVIRONMENT)
WASHINGTON HEADQUARTERS SERVICES
DEFENSE AGENCY AND DOD FIELD ACTIVITY, CHIEF
FINANCIAL EXECUTIVES
DEFENSE AGENCY AND DOD FIELD ACTIVITY, DIRECTORS
OF FACILITIES

SUBJECT: Real Property Construction-in-Progress Accounting Policy (FPM23-05) and Asset Documentation Timeliness

- References:
- (a) DoD Financial Management Regulation (FMR) Volume 4, Chapter 24, "Real Property," October 2019
 - (b) DoD Instruction 4165.70, "Real Property Management," Change 1, August 31, 2018
 - (c) DoD Instruction 4165.71, "Real Property Acquisition," Change 1, August 31, 2018
 - (d) Unified Facilities Criteria (UFC) 1-300-8, "Criteria for Transfer and Acceptance of DoD Real Property," April 3, 2023

This joint memorandum and accompanying attachments provide clarifying guidance for Department of Defense (DoD) Construction-in-Progress (CIP); specifically, policy regarding the timely reporting of CIP costs, reconciliation of CIP costs by DoD Components sponsoring new acquisitions and capital improvements, and proper documentation within the Military Departments (MilDeps) and Washington Headquarters Services (WHS) Accountable Property Systems of Records (APSR). It also provides revised DoD Financial Management Regulation (FMR) policy that will be published in the next update of reference (a).

Reference (a) assigns real property financial reporting responsibility to the MilDeps or WHS when a real property asset is located on their installation, also known as the Host Installation. If a DoD Component other than the Host Installation funds the construction of real property, it is known as the Funding DoD Component for financial purposes or a Project Sponsor for real property documentation purposes. This memorandum provides revised accounting policy (at Attachment 1) to ensure the proper relief of CIP costs by a Funding DoD Component and recording of the completed asset by the Host Installation.

A critical factor for accurate financial and real property accountability reporting is the timeliness of the documentation to include the completion of the Interim and Final DD Form 1354, "Transfer and Acceptance of DoD Real Property." This form is the fundamental basis for documenting real property acquisitions or capital improvements. Detailed guidance is provided in Attachment 2, "Real Property Asset Documentation for Construction-in-Progress," to include

the specific timeframes for all parties, i.e., the DoD Construction Agent, and Real Property Accountable Officer/Installation Management Organization Accountable Official to complete this form with their signatures. This policy memo also establishes direction to develop a mechanism to track compliance with these timelines and develop metrics for management oversight. Adherence to the guidance provided in the attachments will provide both the financial community with timely information to verify and relieve CIP costs and allow the real property community to accurately document the acceptance of constructed assets into the Host Installation's APSR.

This policy is established jointly by the Office of the Under Secretary of Defense (Comptroller) and the Office of the Assistant Secretary of Defense (Energy, Installation and Environment). Relevant financial management provisions of this policy will be incorporated into the next update of reference (a). Relevant real property provisions of this policy will be incorporated into the next update of references (b) through (d).

The staff points of contact are Ms. Dzenana Dzanic (FMR policy) at dzenana.dzanic.civ@mail.mil or 703-508-9277 and Ms. Marianne Petty (Real Property Policy and Data) at marianne.w.petty.civ@mail.mil or 571-372-6839.

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Michael McAndrew
Deputy Assistant Secretary of Defense for
Infrastructure Modernization and
Resilience
Office of the Assistant Secretary of Defense
(Energy, Installations, and Environment)

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Thomas C. Steffens
Deputy Chief Financial Officer
Office of the Under Secretary of Defense
(Comptroller)

Attachments:
As stated

Revised Financial Accounting for Construction-in-Progress
January 2024

This document revises accounting policy for Construction-in-Progress (CIP) journal entries and provides financial reporting guidelines for the relief of CIP and recording of the real property assets.

I. Financial Reporting Responsibilities for Real Property to Include CIP

The DoD Financial Management Regulation (FMR) Volume 4, Chapter 24, “Real Property,” assigns real property financial reporting responsibility to the Military Departments (MilDeps) or Washington Headquarters Services on whose installation a real property asset is located. These DoD Components are also referred to as the Host Installation. In cases when DoD Components other than Host Installation fund the construction of real property, they are referred to as the Funding DoD Component (also known as Project Sponsor). The Funding DoD Components have the responsibility to report CIP until the construction is complete. When the asset is complete and placed in service, it is reported on the Host Installation’s financial statements and depreciated over its useful life.

Currently, the DoD FMR directs Funding DoD Components to relieve the CIP account when the asset is placed in service (i.e., Placed in Service Date) and recognize (i.e., debit) the completed asset before transferring it to the Host Installation. This causes the Funding DoD Component to carry real property assets on their financial books before they are ultimately transferred to the Host Installation. Since Funding DoD Components are not the ultimate owners of real property, recognizing (i.e., debiting) assets on their financial books, even for a short period before transfer to the Host Installation, is not in accordance with *Statement of Federal Financial Accounting Standards 6: Accounting for Property, Plant, and Equipment* (SFFAS 6). Real property is a subset of property, plant, and equipment (PP&E). As per SFFAS 6 paragraph 34, “PP&E shall be recognized when the title passes to the acquiring entity.” Since Funding DoD Components do not hold title to real property assets, they should not recognize it; only the Host Installations should recognize DoD real property assets. The purpose of this policy is to revise the journal entries required for the Funding DoD Components and the Host Installation so that the financial reporting of the asset reflects the flow of legal ownership of the asset. In cases when funding is sub-allotted to the DoD Construction Agent (DCA) by the Funding DoD Component, the DCA is responsible for the same journal entry requirements as the Funding DoD Components.

If additional costs are incurred after the asset or improvement is placed-in-service, those costs will continue to be accumulated in the Funding DoD Component’s CIP account, in the same manner as the previous CIP costs were accumulated. Upon final contract closeout and the receipt of the signed Final DD Form 1354, the Funding DoD Component will relieve the additional accumulated CIP in the same manner as the previous CIP costs were relieved, and the Host Installation will adjust the original acquisition cost of the asset or improvement for this amount. The revised amount will be depreciated by the Host Installation over the remaining useful life of the asset.

II. Journal Entry

The following General Ledger (G/L) journal entries must be recorded to relieve CIP costs expended for the construction of real property assets or capital improvements when the Funding DoD Component is not the Host Installation:

Funding DoD Component*	G/L Entry – Transfer Out of CIP by the Funding DoD Component (Transaction Code E510) Debit 573000 Financing Sources Transferred Out Without Reimbursement Credit 172000 Construction-in-Progress
Host Installation	G/L Entry – Transfer In of General Property, Plant and Equipment by the Host Installation (Transaction Code E606) Debit 173000 Buildings, Improvements, and Renovations Debit 174000 Other Structures and Facilities Credit 572000 Financing Sources Transferred In Without Reimbursement

* The DCA is responsible for following the same journal entry requirements in cases when funding is sub-allotted by the Funding DoD component to the DCA and the DCA is recording the journal entries on behalf of the funding DoD component.

The following are CIP illustrative examples and the associated G/L journal entries. The specific Funding DoD Components, DCAs, and Host Installations in these examples are only illustrative, and the policy shown applies to all Funding DoD Components, DCAs, and Host Installations:

Example 1:

Defense Logistics Agency (DLA) funds the construction of a new building on an Army installation using United States Corps of Engineers (USACE) as the DCA. DLA sub-allots funding to USACE. USACE accumulates costs during construction and reports the costs to DLA. These costs are reflected in DLA's CIP account and reported on its financial statements. When the building is placed in service (as described in Attachment 2), USACE provides all the relevant supporting documentation (i.e., signed Interim DD1354 by USACE and Army) to the Army and DLA. With this documentation, USACE relieves CIP on DLA's behalf and the Army records the asset in its Accountable Property System of Record (APSR). The Army also reports the facility on its financial statements and depreciates it over its estimated useful life. Illustrated below are journal entries that must be recorded for DLA and Army upon the building's placement in service and the receipt of the completed documentation from USACE.

DLA	G/L Entry – Transfer Out of CIP by DLA (Transaction Code E510) Debit 573000 Financing Sources Transferred Out Without Reimbursement Credit 172000 Construction-in-Progress
Army	G/L Entry – Transfer In of General Property, Plant and Equipment by the Army (Transaction Code E606) Debit 173000 Buildings, Improvements, and Renovations Credit 572000 Financing Sources Transferred In Without Reimbursement

Example 2:

The Defense Health Agency (DHA) funds the construction of a capital improvement to a building on an Air Force installation using Naval Facilities Engineering Systems Command (NAVFAC) as the construction agent. DHA accumulates costs during construction and reports these costs in the CIP account on its financial statements. When the capital improvement is placed in service, NAVFAC provides all the relevant supporting documentation (i.e., signed Interim DD1354 by NAVFAC and Air Force) to the Air Force and DHA. With this documentation, DHA relieves CIP and the Air Force records the capital improvement to a building in its APSR. The Air Force also reports the capital improvement to a building on its financial statements and depreciates it for its estimated useful life. Illustrated below are journal entries that must be recorded for DHA and Air Force upon the capital improvement's placement in service and the receipt of the relevant documentation from NAVFAC.

DHA	<p>G/L Entry – Transfer Out of CIP by the Funding DoD Component (Transaction Code E510)</p> <p>Debit 573000 Financing Sources Transferred Out Without Reimbursement Credit 172000 Construction-in-Progress</p>
Air Force	<p>G/L Entry – Transfer In of General Property, Plant and Equipment by the Host Installation (Transaction Code E606)</p> <p>Debit 173000 Buildings, Improvements, and Renovations Credit 572000 Financing Sources Transferred In Without Reimbursement</p>

Revised Real Property Asset Documentation for Construction-in-Progress
January 2024

This document revises real property Construction-in-Progress (CIP) documentation responsibilities, Accountable Property System of Record (APSR) entries, and timeliness requirements for the financial relief of CIP and recording of the real property asset. The responsibility for the timely execution of this guidance lies equally with all parties involved. It is understood that simply establishing timelines will not improve the process, but it will provide guidelines by which to measure progress and identify concerns in the process to prioritize for mitigation.

I. Background

Only the Military Departments (MilDeps) and the Secretary of Defense are accountable for ownership interest of real property on behalf of the Department of Defense and the Federal Government. Real property reporting responsibility is assigned to the MilDeps (i.e., Department of the Army; Department of the Navy, which includes the U.S. Marine Corps; and Department of the Air Force, which includes the U.S. Space Force) or as delegated by the Secretary of Defense, Washington Headquarter Services (WHS), on whose installation a real property asset is located. The MilDep or WHS is designated as the Host Installation and is accountable for all real property assets on an installation and will report all required data elements, record all costs incurred for construction or acquisition, and account for depreciation of each real property asset. MilDeps and WHS may legally document, acquire, transfer, demolish or sell (when authorized) real property assets. The Host Installation Master Planning office, in conjunction with the Defense Construction Agent (DCA), develops, plans, and works with the Project Sponsor (also known as the Funding DoD Component) design entity to create specifications that are used for the Draft DD Form 1354 “Transfer and Acceptance of DoD Real Property” during project execution. When construction is complete, only the MilDeps or WHS can report legal accountability of real property in their appropriate APSRs and sign the Interim DD Form 1354 for acceptance from the DCA, regardless of the appropriation used.

The DCA is responsible for the issuance of the Draft, Interim, and Final DD Form 1354s as well as providing copies (including Key Supporting Documents (KSD)) to all appropriate parties. When a Defense Agency or Field Activity is the Funding DoD Component or Project Sponsor for the construction or acquisition of real property, using Military Construction (MILCON) or Operations and Maintenance (O&M) funds, all expended funds for CIP are accumulated in the Defense Agency’s or Field Activity’s CIP account. The DCA ensures the accumulated cost is entered on the Interim DD Form 1354 which is then signed and accepted by the Host Installation. Receipt by the Installation Management Organization Accountable Official/Real Property Accountable Officer (IMOAO/RPAO) of the Interim or Final DD Form 1354 signed by the DCA is the trigger for the DCA or Project Sponsor to relieve the CIP account.

II. Purpose

The purpose of this guidance is to assist the DoD financial and real property communities with the reconciliation of CIP balances and accountability of assets in the APSR. It establishes timeliness requirements for the accurate completion of the Interim and Final DD Form 1354s and supporting documentation as required by DCAs, the acceptance of real property by the IMOAO/RPAO, and the recording of real property in the Host Installation APSR. Furthermore, this guidance reinforces the DCA responsibility to provide copies of the Interim and Final DD Form 1354s to the Project Sponsor upon completion of the signatures, serving as the trigger to initiate the movement of accumulated CIP funds to the Host Installation for accountability and financial reporting. Finally, this guidance establishes a framework to monitor compliance with these requirements by establishing five new Real Property Information Model (RPIM) data elements. The addition of these new data elements must be captured in the Host Installation's APSR and transmitted to the Data Analytics and Integration Support (DAIS) platform. This reporting will focus on the importance of meeting specified timelines for the completion of the documentation. Capturing the actual signature dates on the DD Form 1354s in the APSRs and DAIS ensures compliance with the specified timelines and can be tracked with metrics.

III. Policy

Effective immediately, current policy is supplemented to ensure a standard timeline for processing the required Interim and Final DD Form 1354, "Transfer and Acceptance of DoD Real Property" as shown in the tables in section IV and V and will be outlined in UFC 1-300-08. Since the DCA cannot relieve the CIP without an acceptance by the Host Installation in the form of a signed DD Form 1354, each step is sequential, and it is crucial to follow required timelines. Meeting these timelines ensures the accurate accounting of funds expended for financial purposes and ensures proper documentation in the real property inventory.

Upon construction completion, as determined by the DCA, the IMOAO/RPAO, and Project Sponsor (if applicable), an Interim DD Form 1354 must be prepared and signed by the DCA. The form will be forwarded to the IMOAO/RPAO for acceptance in accordance with the established timelines shown in sections IV and V. The Interim DD Form 1354 will contain all known expenditures and appropriately expensed capital costs to date for proper annotation into the Host Installation's APSR. Once final costs have been assigned and the contract closeout completed, a Final DD Form 1354 with all additional financial information will be similarly provided and signed by the DCA and forwarded to the IMOAO/RPAO for their signature and acceptance in accordance with the established timelines in section IV and V. It is the responsibility of the DCA to provide final signed copies of the Interim and Final DD Form 1354s to the Project Sponsor. Training and specific in-house procedures to ensure this policy is followed are the responsibility of the MilDeps and WHS. MilDeps and WHS may establish more stringent procedures and guidance. Timelines established for the completion of the DD Form 1354s are effective as of the date of this memo for all currently contracted projects

that have not yet received a PISD and all future construction projects. Understanding that the system changes for implementation of the new data elements will take longer, there will be a gradual implementation of system updates to be completed by the end of calendar year 2025.

IV. Interim DD Form 1354

Prior to the established inspection date at the completion of new construction or capital improvement, the DCA will prepare an Interim DD Form 1354 for all accountable real property assets as determined by each MilDep. The DCA will verify all assets (even those below the capitalization thresholds, to include distributed indirect costs) are captured on the Interim DD Form 1354 and all CIP costs expended to date are accurately captured in column 19, Cost, along with the Placed in Service Date (PISD) in block 7a. Equipment and non-capital construction costs must be listed in block 28, Project Remarks, and Construction Deficiencies noted in block 27. Then the DCA will sign the Interim DD Form 1354 and forward the Interim DD Form 1354 to the IMOAO/RPAO in accordance with the below established timeline. The IMOAO/RPAO will sign the Interim DD Form 1354 and ensure all facilities listed on the form are recorded in the Host Installation APSR. The DCA will provide copies of the signed Interim DD Form 1354 to the Project Sponsor. Upon receipt of the signed copies of the Interim DD Form 1354, the DCA or Project Sponsor will relieve the CIP and the IMOAO/RPAO will post to the Host Installation’s APSR in accordance with the below established timeline.

Table 1: Interim DD Form 1354 Timeline

Initiation Responsibility	Timeline
DCA signs Interim DD Form 1354 and provides signed copy to IMOAO/RPAO	Within 20 calendar days (see Note 1) after Placed in Service Date (PISD) but must be complete by 10 th day of the last month of the fiscal year quarter regardless of PISD.
IMOAO/RPAO signs Interim DD Form 1354 and provides signed copy to DCA. IMOAO/RPAO records/updates Interim DD Form 1354 into Host Installation’s APSR.	Prior to the end of the next month after the date of the DCA signature and no later than the 20 th day of the last month of the fiscal year quarter. (See Note 2)
DCA provides copy to Project Sponsor. DCA or Project Sponsor relieves CIP costs to date after receipt of Interim DD Form 1354 signed by both DCA and IMOAO/RPAO.	Prior to the end of the next month after the date of the DCA signature and no later than the end of the fiscal year quarter. (See Note 2)

Notes:

1. MilDeps and WHS may establish more stringent requirements but not less stringent than under this policy. Metrics will be generated from OSD policy, regardless of MilDeps or WHS timelines.

2. Recordation must occur before the end of each quarter for the purposes of financial accounting accuracy.

V. Final DD Form 1354

Any additional costs incurred for the asset or improvement after the PISD will continue to be recorded in the CIP account by the DCA and/or accounted for by the Project Sponsor. Upon final contract closeout, all additional construction costs will be accounted for by the DCA and posted in column 19, Cost of the Final DD Form 1354. The DCA will sign the Final DD Form 1354 and provide it to the IMOAO/RPAO for signature, in accordance with the below timeline. At this time, the IMOAO/RPAO will ensure all additional costs for all facilities listed on the final form are recorded in the Host Installation APSR, sign the Final DD Form 1354, and return it to the DCA for distribution and final CIP relief. Once the Project Sponsor receives the duly signed Final DD Form 1354, any remaining funds accounted for in the Project Sponsor’s CIP account must be moved by the appropriate entity to the Host Installation for accountability per financial guidance (see Attachment 1). The IMOAO/RPAO will update the original acquisition cost of the asset or improvement in the Host Installation’s APSR, and the final amount will be used for depreciation over the remaining useful life of the asset. All these actions must be completed in accordance with the timeline below.

Table 2: Final DD Form 1354 Timeline

Initiation Responsibility	Timeline
DCA determines all costs are accumulated, financially closes contract, processes claims, completes all outstanding items, and provides a signed Final DD Form 1354 to the IMOAO/RPAO	Within 20 calendar days (see Note 1) after final costs are determined but must be complete by the 10 th day of the last month of the fiscal year quarter.
IMOAO/RPAO signs Final DD Form 1354, provides signed copy to the DCA, and ensures all accumulated construction costs are recorded in the Host Installation’s APSR.	Prior to the end of the next month after the date of the DCA signature on the final DD Form 1354 and no later than the 20 th day of the last month of the fiscal year quarter. (See Note 2)
DCA provides a copy of the signed Final DD Form 1354 to the Project Sponsor. DCA or Project Sponsor relieves remaining CIP costs.	Prior to the end of the next month after the date of the DCA signature and no later than the end of the fiscal year quarter. (See Note 2)

Notes:

1. MilDeps and WHS may establish more stringent requirements but not less stringent than under this policy. Metrics will be generated from OSD policy, regardless of MilDeps or WHS timelines.

2. Recordation must be not later than the end of each quarter for the purposes of financial accounting accuracy.

VI. Metrics

New RPIM data elements (see Table 3) will be used to provide metrics to track the timeliness of the real property documentation process discussed in section IV and V. The date the government assumes ownership and liability for a newly constructed facility, or a capital improvement is known as the PISD and is captured on the Interim DD Form 1354, entered into the Host Installation’s APSR as the “RPA Placed In Service Date”, and transmitted to Data Analytics Integration Support (DAIS) system. The additional data elements will be added to the RPIM to capture the two required signature dates on both the Interim and Final DD Forms 1354 as well as the date the new facility or capital improvement was entered into the Host Installation’s APSR. Metrics will be developed to track the MilDeps and WHS’ adherence to the timelines stipulated in this policy, so the delays in processing can be identified and corrective action implemented accordingly. The Office of Deputy Assistant Secretary of Defense for Real Property (DASD RP) will use DAIS Business Intelligence (BI) reports to monitor the CIP documentation timelines.

These new data elements will be introduced as Engineering Change Proposals (ECPs) to the RPIM Configuration Support Panel for the next update to RPIM. Adequate time will be allowed to make any appropriate systems changes to the Host Installation’s APSR and DAIS to capture this data going forward. Final systems implementation must be completed by the end of 2025. More details about the proposed metrics will be provided in the future guidance.

The chart below shows the new RPIM data elements being created.

Table 3: Proposed RPIM Data Elements

Proposed new RPIM data elements	Data to populate new RPIM data elements
RPA Date of Interim DD Form 1354 DCA Signature	Date from Block 24c of the Interim DD Form 1354.
RPA Date of Interim DD Form 1354 IMOAO/RPAO Signature	Date from Block 25c of the Interim DD Form 1354.
Date Entered into APSR	System generated date based on change of Operational Status Code of TBA to ACTIVE or creation date of new facility, or date Capital Improvement is recorded into the ASPR.
RPA Date of Final DD Form 1354 DoD DCA Signature	Date from Block 24c of the Final DD Form 1354.
RPA Date of Final DD Form 1354 IMOAO/RPAO Acceptance Signature	Date from Block 25c of the Final DD Form 1354.

These RPIM data elements will be submitted in an Engineering Change Proposal to the RPIM Configuration Control Board in October 2023, as a part of the FY24 Update to RPIM version 11.0.

Timelines established for the completion of the DD Form 1354s are effective as of the date of this memo for all currently contracted projects that have not yet received a PISD and all future construction projects.