

## SECTION 800—MANAGING PHYSICAL AND FINANCIAL ASSETS

**Table of Contents**

- 800.1 Introduction
- 800.2 What special terms must I know?
- 800.3 What is the purpose of this section?
- 800.4 Does this section apply to me?
- 800.5 Assessing physical asset management?
- 800.6 Assessing financial asset management

**Summary of Changes**

Adds a new section on managing physical and financial assets.

**800.1 Introduction**

At the end of FY 2001, the U.S. Government held assets carried at over \$900 billion on its balance sheet, including more than \$500 billion in physical assets, and more than \$400 billion in financial assets, of which over \$240 billion were direct loans or guaranteed loans receivable. Assets represent performance potential and capability, so it is important to manage their acquisition, retention, and disposal to get the maximum performance from our investment. It is important to avoid the acquisition and retention of unneeded or poorly performing assets, excess holding costs resulting from vacant and underutilized property, and the disposal of assets at below market values.

This section is designed to be a first step in the Administration's initiative to improve asset management. Benefits of improved asset management include reduced administrative costs, more efficient use of resources, and more accurate cost projections. Agencies should develop and use practices, analytical capabilities, and quantitative measures to help manage assets effectively and, where appropriate, to sell or otherwise dispose of underperforming or unneeded assets.

**800.2 What special terms must I know?**

- **Financial assets** consist of cash and other monetary assets and receivables held by the Federal Government. Examples of financial assets include direct loans, guaranteed loans acquired after default, cash balances, and accounts receivable.
- **Physical assets** consist of real and personal property owned by the Federal Government. Examples of real property include buildings and land. Examples of personal property include computer systems, motor vehicles, and office supplies.

**800.3 What is the purpose of this section?**

This section provides questions for agencies to use in conducting a self-assessment of their ability to manage their physical and financial assets. **Agencies are required to submit this self-assessment along with their budget submission on September 9, 2002.** Where weaknesses are identified in any area, the agency and the OMB representative with primary budget responsibility for the program should discuss planned corrective actions with milestone dates for completion.

There is no prescribed format for preparing the self-assessment; however, it should respond to each of the questions outlined in sections 800.5 and 800.6 below.

#### **800.4 Does this section apply to me?**

These instructions apply to all agencies that have financial and/or physical assets. This section supplements, but does not supersede, guidance found elsewhere on managing physical and financial assets in OMB Circulars A-11 and A-129 and the [Capital Programming Guide](#), a supplement to Part 7 of this Circular.

#### **800.5 Assessing physical asset management**

You should have a physical asset management process that:

- Adequately tracks real property assets through their respective life cycles;
- Determines whether an asset is being utilized properly; identifies assets suitable for disposal; and
- Provides accurate asset valuation information for financial statement purposes.

Your agency's self-assessment in the area of physical asset management should describe capabilities and current practices. The following statements and questions should be addressed in your self-assessment.

1. Agency employs property inventory and management information systems that incorporate the Federal Real Property Asset Management Principles (GSA Bulletin D-240).
  - A. Does your agency maintain accurate information on the location, size, and other relevant characteristics of the agency's real property assets?
  - B. Does your agency clearly define "utilized" and "underutilized" property and conduct portfolio analyses to classify properties into these categories?
  - C. Does your agency effectively restructure activities in "underutilized" properties to free up and dispose of excess property?
2. Acquisition and capital investment cost data in the agency's property management information system is linked to financial statements.
  - A. Do your agency's property management information systems provide information that can be used in the financial statements?
  - B. Are your agency's financial statements supported by or linked to the property management information systems?
  - C. Did your agency receive an unqualified opinion on its financial statements; was your agency cited for material weaknesses in areas related to physical assets? If weaknesses were cited, do you have improvement plans or efforts underway to address those weaknesses?
  - D. Is your agency routinely analyzing and reviewing financial data by performing trend analysis, developing ratios or relationships and benchmarking progress?
  - E. Does your agency have physical assets classified as non-operating, fully depreciated, and/or obsolete? Do you review the status of real property so classified?

3. Agency meets capital budgeting requirements outlined in this Circular (see especially Part 7) and the Capital Programming Guide, a supplement to Part 7.
  - A. Does your agency use Part 7 of this Circular and the Capital Programming Guide as a capital asset planning tool? Has the agency established a capital asset management process that meets the requirements of Part 7 and all four phases of capital asset management described in the Capital Programming Guide?
  - B. Where applicable, does your agency comply with the requirements of Part 7 of this Circular?

### 800.6 Assessing financial asset management

Good loan portfolio management is essential to ensure accurate cost estimation, minimize defaults, and maximize proceeds after default. OMB Circular A-129 provides additional guidance on portfolio management requirements and techniques. Where applicable, agencies should strive to minimize costs on “back office functions,” such as loan servicing and liquidation.

For many agencies, the Debt Collection Improvement Act of 1996 (DCIA) provided agencies with a number of tools to improve portfolio management and increase collections on delinquent debt. Among these tools are referral to Treasury for cross-servicing and tax refund offset, authorization to sell debt more than 90 days delinquent, and others. OMB Circular A-129 provides guidance on implementing the DCIA, and also provides that agencies should:

- Sell debt more than one year delinquent for which collection action has been terminated; and
- Consider selling performing debt (that which has not defaulted, or has defaulted but is now current).

For further guidance on implementing the DCIA, refer to OMB Circular A-129. For guidance on the budget treatment of loan asset sales, see section [185.7](#) of this Circular. Additional information is also available from the Treasury Financial Management Service’s web-site, at <http://www.fms.treas.gov/debt>.

Your agency’s self-assessment in the area of financial asset management should consider, along with the following, legislative requirements and Government-wide standards and guidance.

1. Agency has appropriate information systems for tracking loan portfolios
  - A. Do your agency’s systems meet the system standards for direct loans and loan guarantees? (Further information is available at [www.jfmip.gov](http://www.jfmip.gov).)
  - B. Does the agency’s systems provide necessary information for calculating subsidy estimates? (For further guidance, refer to the Government-Wide Audited Financial Statements Task Force on Credit Reform issue paper 96-CR-7, “Model Credit Program Methods and Documentation for Estimating Subsidy Rates and the Model Information Store,” available from OMB’s Budget Analysis Branch at (202) 395-3945. Refer also to the OMB Credit Subsidy Calculator and accompanying documentation, available from the OMB representative with primary responsibility for the program.)
2. Financial asset information is linked to financial statements

- A. Did your agency receive an unqualified opinion on its financial statements? Was your agency cited for material weaknesses in areas related to financial assets? If weaknesses were cited, do you have improvement plans or efforts underway to address those weaknesses?
  - B. Do your agency's systems provide loan portfolio information necessary to complete the financial statements?
  - C. Does your agency age its portfolios and calculate and track write-offs on a periodic basis?
3. Agency has conducted loan portfolio analysis to determine whether privatization of functions would produce greater efficiencies.
- A. Has your agency performed in-house portfolio analysis and/or utilized the services of a qualified financial advisor to analyze the portfolio(s) to determine whether delinquent and/or performing loan assets should be sold?
  - B. Has your agency analyzed loan management costs to determine whether outsourcing any functions such as servicing and liquidation would be cost-efficient? What were the results of these analyses?
4. Agency meets the requirements of the Debt Collection Improvement Act of 1996 and OMB Circular A-129 for loan portfolios and other debts, except where waivers have been granted
- A. Does your agency refer debt more than 180 days delinquent to Treasury or a Treasury-designated debt collection center for further collections action and resolution? If not, why not?
  - B. Has your agency begun selling debt more than 1 year delinquent and for which collection action has been terminated? If not, why not?