



## DoD INSTRUCTION 5000.76

# ACCOUNTABILITY AND MANAGEMENT OF INTERNAL USE SOFTWARE (IUS)

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| <b>Originating Component:</b> | Office of the Under Secretary of Defense for Acquisition and Sustainment  |
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| <b>Change 2 Approved by:</b>  | Karen Saunders, Chief of Staff, Office of Under Secretary of Defense for Acquisition and Sustainment  |

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**Purpose:** In accordance with the authority in DoD Directive (DoDD) 5134.01, and the July 13, 2018 Deputy Secretary of Defense Memorandum this issuance:

- Establishes policy and procedures to comply with the requirements of Section 11316 of Title 40, United States Code, and the direction in the September 30, 2015 Office of the Under Secretary of Defense (Comptroller), Deputy Chief Financial Officer Memorandum that relate to the lifecycle accountability and management of IUS, to include documenting IUS lifecycle events and transactions.
- Establishes policies, assigns responsibilities, and provides procedures for maintaining property management and accountability of DoD-owned IUS.
- Defines the roles and responsibilities of DoD IUS property managers and other officials with regard to IUS property management and accountability.
- Supplements the accounting and financial reporting requirements contained in Chapter 6, Volume 4 of DoD 7000.14-R and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards Number 10.

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## **SECTION 1: GENERAL ISSUANCE INFORMATION**

### **1.1. APPLICABILITY.** This issuance applies to:

a. OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

b. Property management and accountability requirements for IUS, as opposed to personal accountability for security. Security-related matters are addressed by DoD Instruction (DoDI) 8500.01. This issuance does **not** issue policy for financial accounting or audit of IUS. Financial accounting requirements are addressed by DoD 7000.14-R; audit readiness requirements are addressed through the Financial Improvement and Audit Readiness (FIAR) Guidance.

### **1.2. POLICY.** The DoD:

a. Maintains accountability over all IUS until formally relieved of accountability when IUS is removed from use in accordance with Paragraph 060209.I, Chapter 6, Volume 4 of DoD 7000.14-R.

b. Manages IUS to ensure resources are used efficiently and effectively, in accordance with Subtitle III of Title 40, United States Code (also known and referred to in this issuance as the “Clinger-Cohen Act”).

c. Performs fiduciary reporting of capitalized IUS in accordance with DoD 7000.14-R and the Statement of Federal Financial Accounting Standards Number 10.

d. Maintains property management and accountability of IUS records and performs fiduciary reporting of capitalized IUS using approved accountable property systems of record (APSRs).

### **1.3. INFORMATION COLLECTIONS.**

a. The DD Form 3041, “Accountable Property System of Record (APSR) Requirements Checklist for Internal Use Software (IUS),” referred to in Paragraph 3.1.b., has been assigned report control symbol DD- A&S-2620 in accordance with the procedures in Volume 1 of DoD Manual 8910.01. The expiration date of this information collection is listed in the DoD Information Collections System at <https://apps.sp.pentagon.mil/sites/dodiic/Pages/default.aspx>.

b. The records referred to in Paragraph 3.4.a, does not require licensing with a report control symbol in accordance with Paragraphs 1.b.(7) and 1.b.(10) of Enclosure 3 of Volume 1 of DoD Manual 8910.01.

**1.4. SUMMARY OF CHANGE 2.** This change is administrative and updates references and organizational symbols to reflect the reorganization of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, pursuant to the July 13, 2018 Deputy Secretary of Defense Memorandum.

## **SECTION 2: RESPONSIBILITIES**

### **2.1. UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT (USD(A&S)).** The USD(A&S) establishes:

- a. Property management and accountability policies, standards, and procedures for IUS, in accordance with DoDD 5134.01.
- b. Strategic plans for APSRs in accordance with DoDD 5134.01 for maintaining accountable property records and performing fiduciary reporting of IUS.
- c. Accountable property reporting requirements for an APSR managing IUS records.

### **2.2. UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DEPARTMENT OF DEFENSE (USD(C)/CFO).** The USD(C)/CFO:

- a. Provides accounting and financial management policy and guidance for IUS, including, but not limited to, valuing, depreciating, and reporting of IUS.
- b. Manages audit requirements for IUS and requires that each reporting DoD Component has asserted audit readiness or a plan to be audit ready for auditing IUS and issued appropriate guidance through the annual FIAR Guidance.

### **2.3. DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER (DOD CIO).** The DoD CIO establishes:

- a. Strategy and policy on the operation and protection of all DoD information technology (IT) and information systems, including IUS, in accordance with DoDD 5144.02. These responsibilities are separate from the property management and accountability responsibilities of USD(A&S) and the financial reporting requirements of USD(C)/CFO.
- b. A sound, secure, and integrated DoD IT architecture by prescribing IT standards, including network and cybersecurity standards that are applicable to all organizations within the DoD and ensuring interoperability of all DoD IT and information systems, including IUS, throughout the DoD, in accordance with DoDD 5144.02.
- c. Budgetary policy for all DoD IT and information systems, including IUS, in cooperation with the USD(C)/CFO.

### **2.4. DEPUTY CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF DEFENSE.** The Deputy Chief Management Officer of the Department of Defense ensures IUS accountability requirements are included in the DoD Business Enterprise Architecture, in accordance with the USD(A&S)'s strategic plan described in Paragraph 2.1.b.

**2.5. DOD COMPONENT HEADS.** The DoD Component heads:

a. Establish and maintain an APSR for the property management and accountability of capitalized IUS assets and provide sufficient managerial systems to maintain property management and accountability of non-capitalized IUS assets, as needed.

(1) Incorporate IUS property management and accountability functionality into their Component's APSRs for capitalized IUS assets, and into their Component's managerial systems for non-capitalized IUS assets, in accordance with the requirements of this issuance.

(2) Use DD Form 3041, in accordance with Paragraph 3.1.b., to document the status of Component APSRs.

b. Appoint, in writing, a single Primary Accountable Property Officer (APO) responsible for all of the Component's accountable property, in accordance with DoDI 5000.64. For audit purposes, the Component head or a representative for the DoD Component will provide requesters (i.e., a recognized audit or other DoD entity) with a copy of the appointment letter within 7 calendar days of their request. If there is no appointed Primary APO, the DoD Component head must carry out the procedures in Paragraph 3.1. of this issuance.

## **SECTION 3: PROCEDURES**

### **3.1. DOD COMPONENT APO ACCOUNTABILITY.** The Primary and Adjunct APOs:

a. Ensure accountable records have the associated auditable information available for examination. This may include substantiating documentation, validating the completeness of records, and proving the IUS exists. Guidance for suitable substantiating or supporting documentation and audit information is provided in the FIAR Guidance.

b. Annually validate the DoD Component APSR by utilizing DD Form 3041.

(1) APOs must address any changes in either the APSR or DD Form 3041.

(2) The APSR program office is the optimal resource to complete the form. It is the responsibility of the Primary or assigned APO to ensure their Component has a copy on hand.

(3) The Primary or a designated Adjunct APO is the recommended approval authority for DD Form 3041.

### **3.2. DOD COMPONENT APOS.**

a. The Primary APO will carry out the procedures in Paragraph 3.1. for the property management and accountability of IUS. This issuance is an extension of the duties of the APO provided by DoDI 5000.64.

b. The Primary APO may appoint Adjunct APOs for IUS to implement this policy. The Adjunct APO for IUS:

(1) May delegate duties to additional APOs to enable execution, but the ultimate responsibility for execution remains with the Primary APO.

(2) May choose to delegate responsibilities to the appropriate functional owner for the types of IUS the DoD Component manages (e.g., appoint, in writing, an Adjunct APO for IUS for software in development from within the acquisition community, and an Adjunct APO for IUS for all other software from the IT community).

(3) Will ensure DoD Component IUS is managed, budgeted for management purposes, and reported in accordance with DoD CIO management policies.

### **3.3. ACCOUNTABILITY.** Accountability of IUS will be:

a. Established and maintained:

(1) At the end of the development phase for government- or contractor-developed IUS. The end of the development phase for major automated information systems will be the Full

Deployment Decision (FDD), as described in DoDI 5000.02. The end of the development phase for IUS that is not designated as major automated information systems will be the date that initial operating capability is established. IUS accountability also applies to National Security Systems, in accordance with DoDD 8000.01. See Paragraph 3.6. of this issuance for IUS license accountability.

(2) Upon government acceptance of commercial off-the-shelf (COTS) IUS.

(3) Upon the completed transfer to another entity in the DoD Component inventory.

(4) By the acquiring organization in accordance with DoD 7000.14-R. If the acquiring organization does not have exclusive control over the IUS, the DoD Component that controls the IUS will have financial reporting responsibility. Evidence of control can include funding the software maintenance, exercising access control, and prioritizing enhancements.

b. Established for capitalized IUS in an APSR, in accordance with Paragraph 3.8.

c. Established for IUS which does not meet the criteria for capitalization in an APSR or approved managerial systems. Managerial systems must have documented controls and procedures sufficient to withstand potential audit scrutiny and support the audit requirement of a complete universe of assets, as described by the FIAR Guidance. The Primary APO or designated delegate should grant managerial system approval.

d. Established for IUS in development in accordance with Paragraph 3.5. IUS in Development accounts will maintain accountability temporarily until development is completed and the IUS asset is established in the APSR or managerial system, as appropriate.

e. Enabled through unique identification (UID) standards, in accordance with DoDI 8320.03. The IUS identifier within a DoD Component APSR will be composed of the Select and Native Programming Data Input System for IT (SNaP-IT) Unique Investment Identifier (UII); the Product Service Code (PSC) under which the IUS was procured; and a sequential number auto-generated from the DoD Component's APSR. IUS that does not have a SNaP-IT number will use the PSC; the DoD Activity Address Code (DoDAAC) of the requiring activity; and a sequential number automatically generated from or by the DoD Component's APSR.

(1) Format 1 example: 007-000004106.AJ15.a0001( IT budget UII, PSC, sequential number).

(2) Format 2 example: 7030.HQ0000.a0001 (PSC, DoDAAC, sequential number).

(3) A UID is not required for individual licenses. The DoD Component should assign the UID to the application, program, or similar level. Bulk license purchases for COTS software licenses should assign a UID to each distinct manufacturer part number on the purchase order and sum the quantities ordered by manufacturer part number for the APSR records.

f. Maintained by the DoD Component until formal relief of accountability through authorized means, such as transfer or disposal.



g. Implemented with regard to the rights to mark, use, modify, reproduce, disseminate, perform, display, or disclose COTS or contractor-developed IUS and documentation, in accordance with Subpart 227.72 of the Defense Federal Acquisition Regulation Supplement and DoDI 5230.24.

h. Supplemented by entries in the SNaP-IT or DoD Component-equivalent system no later than the development contract award decision point for government- or contractor-developed IUS. The development contract award decision point for major automated information systems is equivalent to Milestone B, as described in DoDI 5000.02.

### **3.4. ACCOUNTABLE RECORDS.**

a. The DoD Components will establish accountable records in an APSR for all capitalized IUS.

(1) A single record will be established for each IUS purchase or acquisition and all costs incorporated in accordance with the DoD 7000.14-R guidance.

(2) A single record will be established for each stand-alone COTS license with a unit cost that exceeds the capitalization threshold and is not a component of a developed system.

(3) A single record will be established for each distinct manufacturer part number on each purchase order for a bulk license purchase for COTS software. The quantity field on the IUS record will represent the total sum of all licenses with the corresponding manufacturer part number on the record. License information associated with the quantity of licenses will be included in the record for the purchase or acquisition, as applicable.

b. The DoD Components will maintain accountable records for non-capital IUS in an APSR or managerial system, as described in Paragraphs 3.3.c., 3.8., and 3.9. of this issuance.

c. The DoD Components will maintain accountable records for the life of the asset and will retain the records in accordance with National Archives and Records Administration's (NARA's) standards, as described in NARA Directive 1571 and supplemented by Chapter 9, Volume 1 of DoD 7000.14-R.

d. Accountable records will contain the data elements defined in Paragraph 3.9. The IUS property records will provide a system transaction history suitable to support an audit and act as the authoritative source for validating the existence and completeness of the IUS inventory.

e. Supporting documentation or evidentiary material suitable for audit will supplement accountable records. The DoD Components will maintain such documentation (hard copy or electronic copy of original documentation) in a readily-available location, during the applicable retention period, to permit the validation of information pertaining to the IUS, such as purchase cost, purchase date, license entitlements, evidence of delivery of developed IUS, and cost of improvements.

(1) Supporting documentation may include, but is not limited to, purchase invoices, procurement contracts, receiving documents, technical documents, and licensing agreements. Acceptable supporting documentation information is prescribed in the FIAR Guidance.

(2) The DoD Components will maintain records and supporting documentation in accordance with DoDI 5015.02 and Chapter 9, Volume 1 of DoD 7000.14-R.

f. At any point in time, the DoD Components will report an IUS property record in a single APSR for fiduciary purposes. Fiduciary reporting consists of capitalized IUS information to be used in the DoD Component accounting systems. IUS property records may exist in multiple systems for management purposes, to include configuration management or license management.

g. The DoD Components will maintain accountable records for IUS provided by the DoD on contracts. Use of DoD IUS by a contractor does not constitute a change in accountability requirements or formally relieve the DoD of accountability.

### **3.5. ACCOUNTABILITY OF IUS IN DEVELOPMENT.**

a. No formal property accountability (i.e., accountable property record) is established until IUS development is completed, in accordance with Paragraph 3.5.c.

(1) Financial accountability for IUS in development is maintained through the IUS in Development account (United States Standard General Ledger account 183200). Costs are tracked and expensed or capitalized, as appropriate, once the asset is transferred to the IUS account (United States Standard General Ledger account 183000), in accordance with DoD 7000.14-R.

(2) Once the appropriate accounting treatment is applied, the DoD Component will create a property record in an APSR for capitalized IUS or a record in an APSR or managerial system for noncapital IUS.

b. DoD Components will track IUS development costs in the IUS in Development account. The IUS in Development account may reside in the Component's accounting system or the Component's APSR as a sub-ledger to the accounting system.

c. IUS property accountability is established in the APSR at the end of the development phase after the IUS developed has been final tested to verify that it meets specifications. The end of the development phase for major automated information systems will be FDD, as described in DoDI 5000.02. The end of the development phase for IUS that is not designated as major automated information systems will be the date that initial operational capability is established. IUS accountability also applies to National Security Systems, in accordance with DoDD 8000.01.

d. APSR records must be updated to reflect the physical changes made to the IUS and the associated costs when IUS enhancements, improvements, or other modifications occur. DoD 7000.14-R provides guidance on the financial treatment that the DoD Component will record on the IUS property record.

### **3.6. ACCOUNTABILITY OF COMMERCIAL IUS LICENSES.**

a. Property accountability is required for COTS software licenses under this issuance that meet all of the following criteria:

(1) The COTS licenses are purchased for deployment to end user personal computing devices or computer servers. Any COTS license that is embedded or integrated onto a hardware device (i.e., embedded software), such as a voice over internet protocol communication device, air craft, or missile, is not considered IUS but will be accountable as a component of the hardware device in which it is embedded or integrated.

(2) The COTS is purchased through a financial transaction or received as an IUS asset transfer from another entity. Open source software and commercial software licenses that are provided at no cost are not subject to financial accountability requirements.

(3) The COTS is acquired for stand-alone use, not for integration into developed IUS.

b. The IUS asset for a COTS license is the license agreement and record of ownership, such as the purchase order, contract, or assignment of licenses documentation for a transfer. Supporting evidence may also include license keys, installation media, documentation of entitlements, identification of authorized users, inventory of licensed devices, and other procurement and contract documentation.

c. The DoD Components will establish accountability for COTS IUS licenses:

(1) Upon acceptance of the software order by the receiving organization for software licenses procured directly by the government.

(2) Upon receipt of invoice from a contractor for COTS licenses procured by a contractor on behalf of the government and recorded in IUS in Development accounts until acceptance by the government that the product meets the contract requirements.

(3) Upon the date the transfer occurs for COTS licenses received by a DoD Component as an asset transfer from another entity.

d. The DoD Components should record and track bulk license purchases in accordance with Paragraph 3.4.a.(3). For any purchase order or license transfer for which the total value of the COTS software licenses exceeds the capitalization threshold, the bulk license purchase should be capitalized; otherwise, if the cost is below the capitalization threshold, the bulk license purchase should be expensed. For COTS licenses procured through a bulk purchase and intended for use in or integration into developed IUS, the software licenses are accountable as part of the bulk license purchase and should not be allocated or otherwise associated with any developed IUS.

e. COTS software licenses purchased for use in or integration with developed IUS will be included with the developed IUS, unless the licenses are procured through a bulk license purchase, in which case the provisions for bulk license purchases apply. Individual license accountability is not applicable.

f. For COTS software costs that will be capitalized, capitalized costs should include the amount paid to the vendor for the software and material internal costs incurred to implement the COTS software and otherwise make it ready for use. License maintenance, conversion costs, or upgrade purchases should be treated according to the DoD 7000.14-R, and are typically expensed.

g. Accountability for COTS licenses ceases when:

(1) The final term expires and the license owner has complied with the publisher terms and conditions for terminating the license for term license agreements.

(2) A perpetual license is removed from inventory (e.g., uninstalled from computer(s) or upon the appropriate disposal of the hard drive(s) to which the software was installed) and when the disposal of the license is made in accordance with the license terms and the conditions for terminating, transferring, or otherwise retiring the license are completed.

h. The cognizant APO will ensure that documentary evidence is recorded and maintained in accordance with DoD records management requirements in DoDI 5015.02 and Chapter 9, Volume 1 of DoD 7000.14-R. Such evidence must demonstrate compliance with publisher terms and conditions for terminating, transferring, or disposing of each COTS license that is removed from inventory and is no longer an accountable IUS asset.

### **3.7. ACCOUNTABILITY OF IUS DELIVERED AS A SERVICE.**

a. Any license provided to DoD users as a service that may be identified as cloud computing, software as a service, or other “as a service” software subscriptions will only be considered accountable DoD IUS assets if a DoD entity is designated as the licensee and the DoD license owner retains the right to take control of the license independent of the hosting arrangement. Services may be intra-agency, interagency, or commercial.

b. Any license that is provided to DoD users on a DoD computer or on a computer owned by a third party and is not licensed to the DoD will not be accountable as a DoD IUS asset. This includes managed seat or managed service arrangements. Costs for COTS licenses used in these arrangements will be DoD accountable IUS assets only if a DoD entity is the licensee and a DoD entity retains the right to operate the software independent of the commercial service provider or commercial IT infrastructure.

c. COTS IUS that is provided to a DoD entity as a service that meets the requirement for accountability as a DoD IUS asset, in accordance with Paragraph 3.7.a., will be accountable using the provisions for accountability for COTS licenses in Paragraph 3.6.

### **3.8. APSR.** A DoD Component-implemented APSR for IUS will:

a. Act as a sub-ledger to the accounting system of record for the DoD Component in accordance with Chapter 6, Volume 4 of DoD 7000.14-R.

- b. Be updated by the Component, as required, to keep information timely.
- c. Contain (at minimum) the data required for an accountable property record, in accordance with Paragraph 3.9.
- d. Perform accountability functionality, as required of an APSR.
- e. Synchronize data with DoD CIO repository systems (e.g., SNaP-IT, DoD Information Technology Portfolio Repository (DITPR)), as directed by the DoD CIO.
- f. Hold the complete inventory of capitalized IUS assets purchased or developed by the DoD Component.
- g. Hold non-capitalized IUS unless a managerial system(s) with sufficient controls in place is implemented. The DoD Component Primary APO may approve, in writing, such a managerial system only if it meets the requirements of this issuance when used for non-capitalized IUS accountability and includes appropriate managerial controls.

**3.9. DATA ELEMENTS.** A DoD Component’s APSR will maintain the following data elements, at a minimum, for IUS accountable property records. The elements are divided into “general” and “capital” categories for applicability purposes. Both “general” and “capital” elements are required for capital IUS property accountability in the DoD Component’s APSR. Only the “general” data elements are required for non-capital IUS property accountability in either an APSR or approved managerial system.

**a. General.**

- (1) DoD Unique Software Identifier, as described in Paragraph 3.3.e. of this issuance.
- (2) Item name or software title.
- (3) Item description.
- (4) Software type (COTS, modified COTS, modified government off-the-shelf, custom).
- (5) Original manufacturer part number or original manufacturer Stock Keeping Unit number (if applicable).
- (6) Software developer (publisher).
- (7) Version (if applicable).
- (8) Quantity of licenses (if applicable).
- (9) Hosting environment (i.e., cloud-based, client/server, local).
- (10) National stock number or catalog equivalent (if applicable).

(11) Location (e.g., of the hosting server, network, COTS license agreement, purchase order terms and conditions, installation media).

(12) Status (e.g., active, pending disposal, transferred).

(13) IT budget UII.

(14) PSC (if applicable).

**b. Capital.**

(1) Requiring (i.e., reporting) DoD Component's DoDAAC.

(2) Parent system (e.g., Enterprise Resource Planning system) by DoD Unique Software Identifier number (as applicable).

(3) System Sub-system (e.g., Enterprise Resource Planning module) DoD Unique Software Identifier (as applicable).

(4) Placed in service date (i.e., acceptance date, FDD).

(5) General Ledger Classification.

(6) General Ledger Accounting Code.

(7) Gross asset value (i.e., full cost, acquisition cost).

(8) Useful life.

(9) Accumulated amortization.

(10) Obligating document number or posting reference.

(11) Accountable or responsible party.

(12) Standard Line of Accounting.

(13) Transaction type.

(14) Transaction date.

**3.10. IUS INVENTORY VERIFICATION.**

a. All DoD Components must maintain up-to-date inventory records of IUS for which they are accountable. In order to support maintenance of an up-to-date inventory of IUS and meet financial reporting requirements, the DoD Components must process all inventory changes (i.e., receipts of IUS, transfers between DoD Components, or disposition) within 7 calendar days or the end of the month in which the financial event occurs, whichever is sooner.

b. The DoD Components must take an inventory of accountable IUS no less than annually by fiscal year end to assess the accuracy of IUS asset records, update IUS asset records, assess any IUS property loss experienced, and provide the status of verified assets for fiduciary reporting purposes in accordance with the voluntary consensus standards in ASTM International E-2132-11. The IUS Adjunct APO may enlist the assistance of custodial officers, as appointed through the DoD Component chain of command to maintain accountability of IUS in specific locations and to resolve the issue of missing or found IUS. The inventory should include any IUS not yet installed. Refer to DoDI 5000.64 for inventory methods.

c. The DoD Components will develop inventory plans to support the inventory method used. These methods may include automated discovery or physical inventory methods. Physical inventories may be subdivided into wall-to-wall, cyclic or by exception methodologies. Given the vast array and complexity of platforms and technologies associated with IUS, it is permissible for advanced software recognition tools to be leveraged to support the inventory process. Inventory plans also must meet the intent of the Section 935 of Public Law 113-66 and Executive Order 13589.

d. The inventory results for capitalized IUS will be reconciled against the APSR. A minimum 98 percent inventory accuracy rate will be achieved and maintained for capitalized IUS asset records. Inability to maintain 98 percent accuracy or large discrepancies in quantities or inventory valuations could indicate the need to revise IUS inventory controls. The date and results of the inventory will be recorded in the APSR.

e. Any property loss discovered during the inventory should be reported in accordance with the standards in ASTM International E-2131, and an inventory adjustment should be performed in accordance with DoD Component procedures.

f. An annual “true-up” of licenses is sufficient for inventory validation of effected IUS licenses. The true-up may be utilized in place of the 98 percent accuracy rate with only those impacted, non-capital IUS assets.

g. Via coordination with the Defense Finance and Accounting Service, the DoD Component will conduct a reconciliation of all capital IUS from the inventory with the corresponding data on the balance sheet, as the official record of IUS existence. Adjustments will be made to the balance sheet, where necessary, in accordance with established DoD Component procedures. This reconciliation ensures controls are in place and effective, syncs the APSR (as a sub-ledger) and general ledger, and provides areas for further analysis, to determine why any discrepancies occurred and identify measures to resolve or mitigate the causes accordingly.

h. DoD Components will retain details of the result of the annual inventory and the reconciliation of the capital IUS documentation of annual IUS inventory reports, inventory verification procedures and results, and procedures and results for IUS balance sheet reconciliation against the APSR with the balance sheet in accordance with DoD 7000.14-R.

### **3.11. DISPOSAL.**

a. To properly transfer, dispose of, donate, or reuse commercial IUS, DoD Components must adhere to product licensing agreements to avoid potential fines or litigation.

(1) Before the DoD Components dispose of commercial IUS, legal counsel should review all IUS licenses for any limitations or potential liability.

(2) DoD Components must consult all relevant parties before any IUS disposition activity. In all instances of IUS disposal, the IUS Adjunct APO should document the disposal processes used and update property records to reflect the date and manner of disposition or archival of IUS removal from the active DoD IUS inventory.

b. The IUS disposal process involves turn-in to the Defense Logistics Agency Disposition Services and, in some cases, destruction. The disposal process should be executed in accordance with DoD Manual 4160.21, unless there is a conflict with the terms and conditions of the software license agreements or contracts, in which case the software license agreement and contract will take precedence.

c. When IUS is transferred, reassigned, exchanged, or sold to government or non-government organizations, the original documentation and media disks for the IUS must accompany it if the IUS was acquired commercially. In these instances, the original owner of the IUS must execute proper license transfer documentation with the manufacturer.

d. Disposal is not complete unless all copies of the targeted IUS are uninstalled from the DoD Component network through uninstall procedures or proper disposition of the computer hardware or hard drive upon which the software is installed. It is unethical to allow IUS or other software for which the DoD has terminated its rights or contracts to remain installed on a server, network, or individual computer.

e. The DoD Component will document the destruction, or vendor return, of IUS and report it to an adjunct APO. This will include a statement verifying that all media, licenses, and documentation have been destroyed or returned to the vendor.

**3.12. VALUATION.** IUS will be capitalized at full cost, which is comprised of the acquisition cost and other applicable costs. When acquisition cost is unknown, reasonable estimates of the historical acquisition cost may be used. See DoD 7000.14-R for IUS valuation procedures.



## **GLOSSARY**

### **G.1. ACRONYMS.**

|            |  |
|------------|--|
| APO        | Accountable Property Officer   |
| APSR       | accountable property system of record  |
| COTS       | commercial off-the-shelf   |
| DITPR      | DoD Information Technology Portfolio Repository  |
| DoDAAC     | DoD Activity Address Code  |
| DoD CIO    | Department of Defense Chief Information Officer  |
| DoDD       | DoD directive  |
| DoDI       | DoD instruction  |
| FDD        | Full Deployment Decision   |
| FIAR       | Financial Improvement and Audit Readiness  |
| IT         | information technology   |
| IUS        | internal use software  |
| NARA       | National Archives and Record Administration  |
| PSC        | Product Service Code   |
| SNaP-IT    | Select and Native Programming Data Input System  |
| UID        | unique identification  |
| UII        | Unique Investment Identifier   |
| USD(A&S)   | Under Secretary of Defense for Acquisition and Sustainment                                 |
| USD(C)/CFO | Under Secretary of Defense (Comptroller)/Chief Financial Officer,<br>Department of Defense |

**G.2. DEFINITIONS.** Unless otherwise noted, these terms and their definitions are for the purpose of this issuance.

**acceptance.** Defined in DoDI 5000.64.

**accountability.** Defined in DoDI 5000.64.

**accountable property.** Defined in DoDI 5000.64.

**accountable property record.** Defined in DoDI 5000.64.

**amortization.** The process of allocating the cost of an intangible asset (such as IUS) over its estimated useful life.

**APO.** Defined in DoDI 5000.64.

**APSR.** Defined in DoDI 5000.64. For this issuance, APSR refers specifically to IUS and IUS requirements.

**bulk license purchase.** A one-time purchase against one particular purchase order or delivery order for the acquisition of a quantity of identical items, where the total monetary value of the one-time acquisition is greater than or equal to the capitalization threshold and the IUS being purchased has a license term that is greater than or equal to 2 years or has a perpetual software license. The one-time acquisitions of IUS which fail to meet or exceed the capitalization threshold or have a license term of fewer than 2 years will not be considered for bulk license purchase accounting treatment. Accounting guidance is located in Volume 4 of DoD 7000.14-R.

**capitalized IUS.** IUS which meets or exceeds the capitalization threshold. Capitalized IUS must be maintained in an APSR, amortized, and reported annually on the DoD balance sheets.

**commercial services.** Services provided by private vendors.

**contractor-developed software.** Software that a federal entity is paying a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software.

**DITPR.** An unclassified inventory of the DoD's mission critical and mission essential IT systems and their interfaces. It contains basic overview information regarding all non-intelligence community DoD IT systems, to include: system names, acronyms, descriptions, sponsoring components, points of contact, linkage to the IT budget, and other basic information required for any analysis of DoD inventory, portfolios, or capabilities. It supports the Clinger-Cohen Act inventory requirements, as well as the capital planning and investment processes of selection, control, and evaluation.

**Defense Logistics Agency Disposition Services.** The Defense Logistics Agency organizational entity having accountability for and control over disposable property. Formerly called Defense Reutilization and Marketing Office (DRMO).

**intra-agency services.** Services provided within the boundaries of a DoD organization to that organization's internal units.

**interagency services.** Services provided by one DoD organization to other DoD or federal organizations that are outside of the provider's organizational boundaries.

**IT budget UII.** A persistent numeric code applied to an investment that allows its identification and tracking across multiple fiscal years of DoD's IT portfolio. The UII is composed of a three-digit agency code concatenated with a nine-digit unique investment number generated by SNaP-IT.

**IUS.** Software that is:

Acquired or developed to meet the entity's internal or operational needs (intended purpose);

A standalone application, or the combined software components of an IT system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity's internal or operational needs (software type);

Used to operate an entity's programs (e.g. financial and administrative software, including that used for project management);

Used to produce the entity's goods and to provide services (e.g., maintenance work order management, loan servicing); or

Developed or obtained for internal use and subsequently provided to other federal entities with or without reimbursement.

**Not** software that is integrated into and necessary to operate property, plant, and equipment rather than perform an application.

**managed seat.** Arrangements where a commercial provider owns, sustains, or operates computing infrastructure and COTS licenses that are made available under contractual arrangement for use by DoD personnel. Also referred to as "managed service."

**managerial system.** A system used to manage IT and information system assets, including National Security Systems. It is an authoritative source of information regarding assets, asset usage, management support, portfolio support, or as defined in the system documentation. It supports the tracking and management of the DoD's existing processes for IT portfolio management; acquisition and procurement management; and financial management (i.e., planning, programming, budgeting, and execution).

**National Stock Number.** Defined in DoDI 5000.64.

**parent system.** A system comprised of multiple applications, modules, or other germane units which may be separately identified (e.g., system sub-systems). For example, system ABC is a legacy system that was subsequently migrated into system DEF. System DEF is the parent; system ABC is the system sub-system.

**physical inventory.** Defined in DoDI 5000.64.

**property loss.** Defined in DoDI 5000.64. For IUS, loss may include corruption due to virus, accidental destruction of installation media, loss of license information, or other incidents germane to software becoming unusable.

**reconciliation.** Defined in DoDI 5000.64.

**SNaP-IT.** The electronic system used by the DoD CIO to collect IT Budget and Cyberspace Operations Budget data and generate reports mandated by the Office of Management and Budget and Congress.

**system sub-systems.** Applications, modules, or other germane units collectively operating under a parent system. System sub-systems may have a DoD Software Unique Identifier, DITPR number, or other assigned identifier. For example, system ABC is a legacy system that was subsequently migrated into system DEF. System DEF is the parent; system ABC is the system sub-system. System ABC may have had a DITPR number assigned prior to migration.

**useful life.** The period during which an asset is expected to be usable for the purpose it was acquired. The useful life of IUS is 5 years unless otherwise established through engineering estimates or other acceptable methods (e.g., useful life tables found in DoD 7000.14-R, determined by the Program Office).

## REFERENCES

- ASTM International E-2131, “Standard Practice for Addressing and Reporting Loss, Damage, or Destruction of Tangible Property,” current edition<sup>1</sup>
- ASTM International E-2132-11, “Standard Practice for Inventory Verification: Electronic and Physical Inventory of Assets,” current edition<sup>1</sup>
- Defense Federal Acquisition Regulation Supplement, Subpart 227.72, “Rights in Computer Software and Computer Software Documentation,” current edition
- Deputy Secretary of Defense Memorandum, “Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment,” July 13, 2018
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- National Archives and Records Administration Directive 1571, “National Archives and Record Administration – Part 1234 Electronic Records Management,” February 21, 2006

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<sup>1</sup> Available on the internet at: <http://www.astm.org/>.

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Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, “Financial Improvement and Audit Readiness (FIAR) Guidance,” current edition

Office of the Under Secretary of Defense (Comptroller), Deputy Chief Financial Officer Memorandum, “Strategy for Internal Use Software Audit Readiness,” September 30, 2015

Public Law 113-66, Section 935, “National Defense Authorization Act for Fiscal Year 2014,” December 26, 2013

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