



The University Corporation

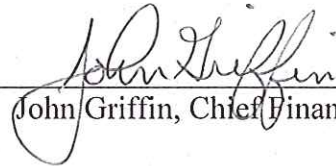
Research, Investments and Commercial Services
California State University, Northridge

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John Griffin, Chief Financial Officer

Title: Fixed Assets Policy & Procedure

1. PURPOSE

The University Corporation, (TUC), has established guidelines for inventorial and capital fixed asset purchases and defined the responsibilities and obligations of TUC and University departments in regard to the custody and control of property including a biennial inventory verification, maintenance of accurate records, property identification (tagging) and to provide guidelines for proper handling of inventorial property and related record keeping.

TUC subscribes to the property management standards as provided in the Office of Management and Budget Circular A-110 for grants and cooperative agreements. This policy assures that government property will be used only for those purposes authorized in contracts and grants.

2. CAPITALIZATION THRESHOLD

Fixed Assets are tangible, non-consumable property that is valued at \$5,000 or more with a useful life of one or more years and is capitalized by the TUC Accounting Department. The valuation (cost) of the fixed asset includes all expenditures reasonable and necessary in acquiring or receiving (donation) the asset including the installation of the fixed asset in a position and condition for its intended use. The valuation of the fixed asset may include incidental charges such as sales tax, use tax, installation charges, consultant services related to acquiring an item, freight, handling charges, etc...

3. ACCOUNTABILITY AND RESPONSIBILITY (excluding Grants and Contracts)

- a) TUC Accounting Department is responsible for maintaining reliable inventory records. TUC Accounting personnel maintain accurate detailed subsidiary ledgers for each fixed asset in use, including fully depreciated assets. The record for each item should include description of the asset, its location, date of purchase or construction end date, cost, and depreciation or amortization method, depreciation/amortization for the period, and accumulated depreciation or amortization. Subsidiary records should be updated for the cost of additions and disposals regularly, and updated for depreciation for the period.

- b) **TUC Accounting Department will reconcile subsidiary fixed asset records/reports to the general ledger at least quarterly. This reconciliation will be forwarded to the Associated Director, Accounting for review and approval. The approval will include signature and date of approval. Fixed Asset reconciliations will be maintained with the other general ledger reconciliations.**
- c) TUC Accounting Department will keep track of theft sensitive items that are less than \$5,000 in the PeopleSoft Fixed Asset System per the request of the Director/Authorized Signer. The item will be expensed in the month purchased. A fixed asset bar coded tag number is assigned to the asset for tracking purposes and records are maintained in non-depreciating categories.
- d) A Fixed Asset Report is printed after month end close by the TUC Accounting Department. This report is by project, asset type, and asset number, with account sub-totals, project, and report totals. The acquired value totals of this report should agree with the general ledger by asset account. The accumulated depreciation column reflects the total accumulated depreciation expense, including the current month depreciation. The net book value column is the acquired cost of the asset less the accumulated depreciation. The Fixed Asset Report will be distributed quarterly to all respective department managers. Managers are required to initial the report and return to Accounting if there are changes/corrections required.
- e) Building Improvements - Building improvements must be distinguished from repair and maintenance expenses, which are not capitalized. The difference between improvements and normal repair and maintenance is based on the following criteria:
1. Remodeling and Betterments - Remodeling to make space more useful to its present application is betterment and shall be capitalized to Building Improvements when expended. Cosmetic remodeling, such as replacement of floor and wall coverings as part of periodic redecorating, is a maintenance and repair activity and shall not be capitalized except when it is incidental to a remodeling or betterment project. The Chief Financial Officer shall approve exceptions to these principles of accounting.
 2. Maintenance and Repair - If an expenditure maintains the original condition of an asset, it should be classified as repair and maintenance expense. For example, a new roof on a building generally maintains the original condition of the building or restores the building to a fit condition. A new roof does not usually make the building more useful for its intended purpose or add to the estimated useful life of the building as a structure. The Chief Financial Officer shall approve exceptions to these principles of accounting.

4. **SALES/DISPOSITIONS/TRANSFERS/STOLEN PROPERTY (excluding Grants and Contracts)**

- a) Sale and Dispositions of Fixed Assets - A Director/Authorized Signer must approve sales and/or disposition of fixed assets. The sale and/or disposition of a fixed asset with a remaining net book value of \$10,000 to \$50,000 must be approved by the CFO or the Executive Director. TUC Board of Directors approval is required for the sale and/or disposition of a fixed asset with a remaining net book value of greater than \$50,000.
- b) Transfer of Fixed Assets – Director/Authorized Signer is responsible for notifying the TUC Accounting Department of all equipment transfers as they occur. The Director/Authorized Signer shall approve all transfer requests.
- c) Lost, Stolen or Destroyed Property – Lost, stolen, or destroyed property must be reported to the TUC Assoc. Director, Accounting and any of the following individuals; Chief Financial Officer, or the Executive Director the next business day following any incidence of actual or suspected theft.

5. **FIXED ASSET ON LOAN (excluding Grants and Contracts)**

If a fixed asset is moved off campus, the Director/Authorized Signer must send written notification to the TUC Assoc. Director, Accounting describing the equipment on loan including why it was necessary, where it will be located, how long it will be off campus, what security measures are being taken, and if the equipment is located at an individual's home, that the equipment is covered by a homeowner's insurance policy.

6. **DONATED FIXED ASSET (except Grants and Contracts)**

A donated fixed asset is valued at its fair market value. A donated fixed asset valued at less than \$5,000, the donor reports the value. An appraiser values a donated fixed asset valued at \$5,000 or more, and an appraisal is required.

7. **FIXED ASSET TAGGING (except Grants and Contracts)**

Effective July 1, 2002, all portable fixed assets whether purchased or donated that are greater than \$5,000 per item will be tagged with a bar coded tag by the Director/Authorized Signer or their designee. Examples of portable fixed assets greater than \$5,000 may include equipment, printers, cash register terminals, refrigerators, etc. If the item is fixed or non-movable, the item should not be tagged, e.g., workstation panels, overheads and file pedestal. Upon request, items of a sensitive nature with a value less than \$5,000 can be tagged for tracking purposes. These tags will be bar coded and visibly different than fixed asset tags.

8. **FIXED ASSET INVENTORY (except Grants and Contracts)**

- a) Director/Authorized Signer or their designee will take a physical count of all portable tagged fixed assets at least biennially (every two years). TUC Accounting Department will send each Director/Authorized Signer the Fixed Asset Report along with a cover letter including the instructions. The Fixed Asset Report is a computer printout that lists information about all portable tagged fixed assets under the control of the Director/Authorized Signer, as shown in the records maintained by the TUC Accounting Department.
- b) Within 90 days of receipt of the Fixed Asset Report, the Director/Authorized Signer or their designee will conduct a physical count of all items valued at \$5,000 or more. They will:
 - 1. Verify that the description (type of item, manufacturer, serial number), and location (building, room number) provided for each tag number listed on the report is correct for each item. If the physical properties, size, or use of any item prohibits attachment of the tag, department records should be used to verify those items.
 - 2. Check off each item listed accurately on the report.
 - 3. Correct any item listed inaccurately by printing the correct data below.
 - 4. If an item is missing, determine the status of the item and follow up with appropriate notification to the TUC Accounting Department. If the aggregate value of the missing equipment is greater than or equal to \$25,000, the Chief Financial Officer in addition to the Director/Authorized Signer must sign the attached documentation.
 - 5. If a portable fixed asset is located but is not listed on the report, indicate the tag number, location, serial number, and description of the item at the bottom of the report or on an attachment. Discrepancies or problems that cannot be resolved within the department should be reported as such to the TUC Accounting Department for further research.
 - 6. If it becomes apparent that the verification cannot be completed within 90 days, arrangements can be made for an adjusted due date with TUC Accounting Department. Second and third requests will be sent by TUC Accounting Department, followed by emails and phone calls until the inventory report is returned to TUC Accounting Department.
 - 7. When the verification process has been completed for all portable tagged fixed assets, the Director/Authorized Signer should sign the letter, certifying that the report accurately represents all inventorial property for which the Director/Authorized Signer is responsible as of that date. The

original report should be returned to the Assoc. Director, Accounting in the TUC Accounting Department with a copy maintained in the department until the next biennial inventory verification is completed.

8. TUC Accounting personnel will verify the physical fixed asset counts on a sample test basis evidenced by a physical confirmation of the items of greatest value within each department. TUC accounting personnel will initial the report that they located and verified the equipment's location within the department.

9. **GRANTS AND CONTRACTS – FIXED ASSETS**

- a) Please refer to the "Procedure for Management of Assets purchased with Grant & Contract Funds."

10. **FIXED ASSET DEPRECIATION AND REPORTING (excluding Grants and Contracts)**

- a) All fixed assets are depreciated on a straight-line basis. The number of years over which an asset is to be depreciated is based on government guidelines and past practice. Depreciation expense is started in the month following the purchase of the asset.
- b) Prior to month end closing, the previous month's Trial Balance by Account is compared to the Fixed Asset Report recap by Project for that same month. The fixed asset accounts (accounts 180110 through 180400) and accumulated depreciation accounts (accounts 189110 through 189330) are checked for accuracy. A variance in an asset account should represent the purchase of assets during that month. A photocopy of the vendor check, the invoice and payment request is filed as backup for all new assets.
- c) The Fixed Asset Master file Maintenance Form should be filled out as follows:

Effective Date: The date should always be the first day of the month in which the automatic monthly depreciation expense is to begin.

Asset Number: This number identifies the item by project, asset type and chronological number.

Description: A short description of the asset and other identifying characteristics.

Vendor ID: The Vendor ID and name of the vendor from whom the item was purchased.

Model:	The model of item that was purchased.
Serial Number:	The 15 spaces available for serial numbers
Object Number:	The six digits fixed asset account number used. (Example – 180220 is equipment.)
Project:	The Project number will be noted.
Acquired Date:	The first day of the month following the purchase date.
Acquired Price:	The invoice distribution total, which should be the amount posted to the general ledger and referenced on the payment request copy.
Life in Periods:	The number of years representing the life of the item
Accumulated Depreciation:	The total amount of depreciation expense on the asset including prior year depreciation.

Date: February 20, 2004


Thomas McCarron,
Executive Director

Title: Procedure for Management of Assets purchased with Grant & Contract Funds.

Statement:

The purpose of this is to document the process by which The University Corporation manages assets paid for with grant and contract funding.

The University Corporation (TUC) has a Memorandum of Understanding with The Physical Plant Management/Asset Management Department of California State University, Northridge (PPM/AM), whereby PPM/AM provides, among other things, asset management services to TUC for capital and non-capital equipment purchased by TUC for Sponsored Programs. The services provided are; receipt of equipment, inventory tracking and control and disposal of equipment.

Capital Assets

Capital assets are those assets that have a useful life of more than one year and, have a purchase price of \$5,000 or more.

Non-capital Assets

Non-capital assets are those assets that have a useful life of more than one year and, have a purchase price of \$2,000 to \$4,999.99.

Asset Tracking

Following is the process for asset tracking.

TUC provides Purchase Order copies to PPM/AM when an order is created that will include any asset costing \$2,000 and above.

When a piece of equipment is received by PPM/AM that meets this criteria, PPM/AM matches the Purchase Order with the equipment that is received, bar-codes (tags) it and enters the information into the asset tracking system (BarScan).

TUC sends PPM/AM a monthly report detailing payment of equipment purchases.

PPM/AM reconciles monthly equipment purchases to the BarScan system and forwards an Equipment Monthly Activity Summary to the TUC Sponsored Programs Department.

On a quarterly basis, TUC Sponsored Program staff reconciles the listing from PPM/AM with TUC PeopleSoft records and resolves any discrepancies. The threshold for capitalizing assets for TUC differs from the threshold used by PPM/AM. Consequently, when Sponsored Programs staff does the reconciliation, there will be 3 categories of assets: \$5,000, \$2,000 to \$4,999.99 and \$1,500 to \$1,999.99.

(Note: TUC is revising the asset policy and will submit it to the TUC Board of Directors for approval. The new policy will increase the threshold for capital assets \$5,000.)

INVENTORIES

Following is the process for performing physical inventories of the assets.

A Capital Equipment Inventory is completed every year during the month of January.

Non-capital inventories are done on a perpetual system with no one cycle taking longer than two years.

The inventory is performed by PPM/AM providing a list of equipment and TUC coordinating with the Project Managers/Principal Investigators to verify the location and tag number of all equipment. Once the location is confirmed, TUC staff will perform the physical inventory.

TRANSFER OF GRANT AND CONTRACT EQUIPMENT TO THE STATE:

Following is the process for transferring assets to the state when grants end and are closed out.

When a grant or contract is completed where title to the equipment is to be transferred to the State, TUC completes a Transfer of Location Equipment Form STD 158 notifying PPM/AM. At that time, the asset will be added to the University's asset list and removed from TUC's asset list.

When disposing of a grant or contract asset, TUC completes a Surplus Property Survey Request Form 116 and submits it to PPM/AM. PPM/AM will remove the asset from their records.