

Fixed Asset Policies

Purpose

The University has a significant investment in fixed assets, such as land, buildings, fixed and moveable equipment, which are used to carry on the primary missions of instruction, research and public service. The purpose of this policy is to ensure that the University's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, audit requirements, and generally accepted accounting principles. The policy addresses the following issues related to fixed assets:

General Policies

- Categories of fixed assets
- Definition of fixed assets criteria
- Acquisition/addition of fixed assets
- Tagging
- Disposal or transfer of fixed assets (including surplus property)
- Depreciation of fixed assets
- System used to account for and control
- Equipment Screening
- Ownership of the University's fixed assets
- Inventory of fixed assets
- Procedures to document the transfer of fixed assets to offsite locations
- Equipment qualified for offsite transfer
- Fixed Asset Fines

General Policies

Categories of Fixed Assets

Fixed assets, which meet the appropriate cost and useful life criteria (described in Definition of Fixed Asset Criteria) are grouped in the following categories:

Land

Real estate without any land improvements;

Land Improvements

Onsite sewer and water lines, paving of driveways, parking and other areas, curbs, sidewalks, retaining walls, fences, signs and yard lighting, etc.;

Buildings (includes building components)

Foundations, walls, floors, windows, doors, stairways, skylights, roof, interior fixtures, fire escapes, storm sash, screens, Venetian blinds, linoleum and tile floor coverings, architectural fees, consultation and legal fees, etc., plumbing and sewage systems, heating systems, ventilating systems, air conditioning systems, electrical fire protection systems, building elevators and service systems;

Equipment

Fixed Equipment-equipment affixed to the building, fume hoods, autoclaves and sterilizers, dormant scales, etc.;

Moveable Equipment-office furniture, fixtures, and machines; window and plug in air conditioning units; electric water coolers, operating room equipment; major medical instruments and equipment; laundry equipment; cafeteria and kitchen equipment and furnishing; and vehicles licensed and not licensed for operation on the highway;

Library Books

Periodicals, texts, journals, books of reference and other books for use in the libraries

Definition of Fixed Asset Criteria

Fixed assets are defined as items with a purchase price of \$2,000 or more and a useful life of two years or more; donations with an estimated (or appraised) market value of \$2,000 or more and a useful life of two years or more are also included; and new construction and renovations, with a cost of \$10,000 or more or (for renovations) a significant improvement of the existing asset or the extension of its' useful life. Items representing construction in progress are not entered into the fixed asset system until the construction or renovation is complete. The classification of a renovation as a fixed asset depends upon the significance of the renovation to the structure.

Acquisition/Addition of Fixed Assets

The University follows the same basic procurement policies and procedures for the purchase of equipment and other fixed assets as it does for the purchase of any other goods or services. This policy addresses the basic requirements for fixed assets and does not address specific regulation related to the approval, authorization and appropriation of building construction or capital outlay projects.

Fixed Assets Accounting is responsible for recording all newly acquired fixed assets into the University's Fixed Asset System. The purchasing table in Banner Finance provides information for items paid on purchase orders, which meet specified dollar values and account criteria, and a list of pending assets is generated. Items purchased with a corporate purchasing card are not included. Fixed asset custodians must complete the "Addition to Equipment Inventory" form and forward the completed form to Fixed Assets Accounting. Forms are available at the following web address: <http://www.controller.vcu.edu/finreporting/fixedforms.htm>. The Capital Outlay Accounting Office provides information concerning construction and renovations. The Advancement Division provides information concerning donations of fixed assets coordinated through their office and no action is required by the fixed asset custodian. The department is responsible for providing Fixed Assets Accounting with an "Addition to Equipment Inventory" form for all other circumstances.

All departments receiving a gift in kind (gifts other than cash and securities) should notify the Advancement Division immediately upon receipt as the failure to comply with Internal Revenue Service regulations could result in a loss of the tax deduction to the donor and/or penalties to the University. When the donor's claimed value of the gift exceeds \$5,000, IRS Form 8283 (Noncash Charitable Contributions) must be properly completed and attached to the donor's tax return for the gift to be tax deductible. If the department receives this form from the donor, it must be forwarded to the University Controller's Office for completion of Section B, Part 1 of the form (the donor must have Section B, Part 2 and Part 4 completed as applicable). The department should not complete IRS Form 8283 for the donor.

The "Addition to Equipment Inventory" form must be completed by the department to document fixed assets acquired through donation, fabrication, transfers from other universities or agencies, or simply found in the department and not listed on the department's inventory report. The form includes a description of the item, its current location, and (for donations) the donor's name and address; any available documentation, especially if it supports the estimated cost or appraised value of the item, must be attached. The department must submit the form to Fixed Assets Accounting within five days of the receipt (or discovery) of the fixed assets.

Tagging

Asset identification tags are affixed to each asset at the University unless it is not physically practicable. Fixed Assets Accounting schedules appointments with departments to tag newly acquired assets or retag assets at the department's request. During the tagging process, Fixed Assets Accounting verifies the description of the asset and collects additional information such as serial number, model number and location. This information is entered in the Banner fixed asset module. Assets purchased with University funds are identified by a white Virginia Commonwealth University "asset tag" affixed to it. Additionally, any fixed asset purchased with federal funds has a red "VCU Federal Funded Equipment" tag affixed to it, in compliance with Federal regulations. Any Higher Education Equipment Trust Fund asset has a yellow "VCU/VCBA Trust Funded Equipment" tag affixed to it. Assets may also be engraved. Assets that do not have tags or are engraved are identified as such in the Banner fixed asset module.

Components of an asset will be identified with a related asset number in the Banner system. Should a component be moved from one asset to another, Fixed Assets Accounting must be notified to change the fixed asset system record for the component unit.

Disposal or Transfer of Fixed Assets (Including Surplus Property)

Fixed asset custodians are responsible for safeguarding all equipment and other fixed assets assigned to their department, including items no longer needed, until the Surplus Property Report is signed, and the items have been removed by Facilities Management. Custodians are responsible for recording any disposals or transfers of assets in the Banner fixed asset module within five days of disposal or transfer. Unallowable and allowable disposals and transfers are discussed below:

Unallowable disposals and transfers

Sale of assets by a department-only the sale of State assets is through the Department of General Services (DGS) is permitted.

Gift or transfer outside of the University-except for federal research equipment which may be transferred with appropriate federal approval.

Allowable disposals and transfers

Stolen assets-report theft to Campus Police and include the police report number in the reference field on disposal screen.

Assets destroyed-loss due to fire, flood, etc. reported to Risk Management reference date of loss on disposal screen.

Surplus property

Website-<http://www.fmd.vcu.edu/fmdsurplus/Surpro.htm>

Request work order

State surplus property

Trash

Retain copy of "Transfer to DGS-State Surplus Property" form signed by Physical Plant driver-this is the authorization to record disposal reference DGS tag number on disposal screen.

Trade-in for new equipment

Transfers to other University departments

Depreciation of Fixed Assets

The University uses the straight-line method of depreciation for all depreciable fixed assets (land and construction-in-progress are not depreciated). A half year of depreciation is recognized in the year of acquisition. Useful lives are based on information provided by American Appraisal Associates and the Commonwealth Accounting Policies and Procedures (CAPP) Manual, topic number 30605. The useful lives are subject to modification, if facts and circumstances at the University differ from these guidelines. Useful lives will be reviewed annually by the Controller's Office and changes made if deemed necessary.

Fixed Asset System

The University Controller is responsible for the coordination, development, and implementation of the policies and procedures that comprise the university-wide fixed asset system. This system facilitates good business practices and internal controls over the acquisition, disposal and inventory information of the University's fixed assets. Responsibility for maintaining the integrity of the asset data in the system lies with the departmental fixed asset custodian.

The Banner fixed asset module is the software used to record and track fixed assets and provides management with the information to effectively manage and control its fixed assets. This system is the University's official system of record for fixed assets, and it contains all demographic information about fixed assets (including tag number, ownership, location, condition, cost, model number, serial number, etc.) their acquisition, disposal, and date of physical inventories. The Banner fixed asset system enables the University to comply with federal and state regulations and meet regulatory or audit reporting requirements. Updating the fixed asset system on a timely basis to record changes in the operational status, location, or demographic information about fixed assets is the responsibility of the fixed asset custodian.

The Banner fixed asset system tracks capitalized and controlled fixed assets. Capitalized assets have a purchase price or estimate/appraised value of \$5,000 or more and a useful life of two years or more. These assets are reported in the University's financial statements. Assets with a purchase price or estimated/appraised value of \$2,000 - \$4,999 and a useful life of two years or more are captured in the fixed asset system for information purposes as controlled assets. Also included in controlled assets are Equipment Trust Fund (HEETF) assets with a cost of \$500 - \$2,000. The State council of Higher Education in Virginia (SCHEV) includes information about controlled assets in the overall determination of future Equipment Trust Fund allocations.

Equipment Screening Procedures

Equipment screening is the process of checking for existing available equipment before purchasing additional equipment using federal funds. Equipment screening is required by federal regulations (Office of Management and Budget Circular A-110) mandating the avoidance of unnecessary equipment purchases with federal funds. Use the Banner fixed asset system search features to locate suitable equipment and check availability.

Ownership of Fixed Assets

All fixed assets (land, buildings, fixed and moveable equipment, and infrastructure) are owned by the University and **not** by a specific individual, department or other operating unit. Generally, the University has sole ownership of all equipment acquired regardless of source of funding or method of acquisition with the following exceptions:

Equipment acquired through sponsored projects where the federal government or other sponsor retains title to the equipment or where the sponsor furnishes equipment merely for the duration of the project

Equipment on short-term loan from another institution.

Leased Equipment

Inventory of Fixed Assets

Fixed asset custodians are responsible for conducting an annual inventory of assets in their department. Departmental Inventory Listings are available in the Banner system or through SAS Web Report Studio. The custodian is responsible for ensuring that the information regarding the asset is correct and updating the Banner fixed asset system to reflect changes such as location. Fixed Assets Accounting requires custodians to sign a "Certification of Completion" indicating the date that the inventory is conducted. During the annual audit performed by staff from the Auditor of Public Accounts office, departmental inventories are reviewed.

Procedures to Document the Transfer of Fixed Assets to Offsite Locations

The custodian for each department is responsible for maintaining the appropriate records to track the location of any equipment that is being utilized away from University premises. The proper document for authorizing such use is the "Request for Offsite PC Equipment Use" form. A copy of this form may be secured at <http://www.controller.vcu.edu/finreporting/fixedforms.htm>.

Equipment Qualified for Offsite Transfer

The above form allows the use of equipment off campus, for University business only, when it has been properly executed with the authorizing signature of a supervisor. It does not grant permission for personal use, use by third party contractors, or any non-University purpose. Copies of the completed form should be forwarded to Fixed Assets Accounting prior to any transfer of equipment. Subsequent transfers of the same equipment to a different location should be documented by completion of a new offsite form. Offsite equipment is subject to the same University and Commonwealth rules and custodial responsibilities as on-premise equipment.

Fixed Asset Fines

The Commonwealth Accounting Policies and Procedures (CAPP) Manual requires that all state agencies maintain an accurate inventory of fixed assets, which includes land, buildings, vehicles, and fixed and movable equipment. The failure to maintain proper internal control over fixed assets could result in the University being required to utilize the State's Fixed Asset Accounting System instead of an agency based system and the failure to achieve management standards if the failure was determined to be a significant audit comment.

Similarly, Office of Management and Budget Circular A-110: Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations requires that the University maintain a detailed record of equipment and that no less than every 2 years a complete and accurate physical inventory be completed.

Compliance with the state and federal policies is mandatory and fines will be assessed against the department for instances where our testing or that of the Auditor of Public Accounts identifies departments for which an excessive percentage (5%) of items are not properly reflected in the fixed asset records. The determination of an excessive percentage is calculated by dividing the total assets not in compliance by the total number of assets in the sample of inventory or 20, whichever is larger. The fine would be determined by multiplying the original cost of the assets not in compliance by the applicable percentage for the fine. The type of compliance violations and the applicable fines are outlined below:

- Asset not located – 25%
 - Documentation not available for disposition of asset disposal within the last 2 years – 25%
 - Asset location data incorrect – 10%
 - Asset disposal not through Surplus Property - 25%
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- Incorrect department number – 10%
 - Incorrect custodian number – 10%
 - Willful improper removal of asset from system – 200%
 - Diversion of asset for personal use (example, personal computer at employee home used for personal use) – 200%

Fines will be imposed upon the recommendation of the University Controller. Fines may be appealed to the area Vice President.
