

Fixed Asset System

Policy 501.17

1 Introduction

1.1 Function

1.2.1 The Fixed Asset System (FAS) was implemented at Appalachian State University on July 1, 1979, in order to more effectively control those assets owned by the University. The function of this system is to:

1. Account for lost or damaged property due to fire, flood or other disaster. This kind of information may be essential in obtaining replacement funds or collecting insurance coverage.
2. Comply with requirements of the State of North Carolina that tangible, long lived assets be accounted for through an inventory control system.
3. Deter theft and aid in tracking property which has disappeared.
4. Facilitate transfer of equipment to fill a requirement on campus in lieu of procuring new equipment.
5. Provide data to departments which will aid in better utilization of equipment.
6. Determine the rate of depreciation on equipment for the purpose of calculating the University's overhead rate to Federal Agency.

2 Scope

2.1 Responsibility

2.1.1 The responsibility for equipment control, or the Capital Assets System, has been assigned to the Fixed Assets Office, a Division of the Controller's Office. The telephone numbers for assistance and information are 262-2636 or 262-2500.

3 Definitions

3.1 Fixed or Capital Assets

Are defined as those tangible items generally costing \$5,000 or more including taxes, shipping, and other costs to make the equipment operative and having an estimated useful life of more than one year. Additionally, purchased intangible assets such as computer software, patents, trademarks, copyrights, web sites, easements, and other intangibles costing more than \$100,000 are also capitalized as assets according to policy set forth by the Governmental Accounting Standards Board (GASB) Statement 51 and Office of the State Controller (OSC) guidelines if the assets have a useful life of more than one year. Internally developed software is also considered a capital asset if applicable costs exceed the materiality threshold set by OSC.

3.2 Non-Capital Assets

Are defined as those tangible items purchased for under \$5,000 and having an estimated useful life of more than one year. Although these items are not tracked in the Fixed Assets System, they are still University owned assets subject to this Policy.

4 Policy and Procedure Statements

4.1 New Equipment

4.1.1 The Purchasing Office routes all purchase orders of applicable assets to the Fixed Assets Office, where an equipment control record is prepared and sent along with a numbered decal to the Central Warehouse. Warehouse personnel apply the decal before forwarding the equipment to the department which placed the order, or in some cases will tag the items after they are assembled by departmental personnel. Maintaining a positive identification of assets is the primary purpose of tagging. Tagging is important to:

1. Provide an accurate method of identifying individual assets,
2. Aid in the taking of physical inventory,
3. Control the location of all physical assets,

4. Aid in maintenance of fixed assets, and
5. Provide a common ground of communication for both the accounting department and the assets' users.

4.1.2 Generally, all capital assets (capitalized and inventory) are tagged. The tag number is kept in the asset record in the Capital Asset Management System.

4.1.3 Some assets are not tagged. The asset number is still recorded in the system, but not physically attached to the asset. A description of the property is recorded, including address and plat location found in the Register of Deeds. Items not needing a tag are:

1. Buildings (record legal description in asset record),
2. Land (record legal description in asset record),
3. Mainframe Software (record description in asset record).

4.1.4 Tags are generally placed in the same location on each similar type asset. If possible, the tags should be accessible for viewing. Tags should be placed where the number can be seen easily and identified without disturbing the operation of the item. This aids in taking inventory.

4.1.5. The Department Head is responsible for the management and oversight of non-capital equipment assets to ensure that they are properly used and maintained for the intended business purposes.

4.2 Use of Assets

4.2.1 University assets, both capital and non-capital, are property of Appalachian State University. Custody, control, and use of this equipment must be in accordance with University policy. As a general rule, removal of University equipment, furnishings, and similar property from campus is not permitted. Specific exceptions may be made when all of the following conditions are met:

1. Relocation is temporary
2. Relocation purpose is for the conduct of University business by a University employee
3. Property, while relocated, will be adequately protected from loss and damage
4. Head of the administrative unit to which the property is assigned must approve the relocation
5. Absence of the property, while relocated, will not hinder normal, on-campus operations

4.2.2 Lending of University property for personal or organizational use by private parties is prohibited.

4.3 Safeguarding Assets

4.3.1 Management is responsible for implementing procedures for maintaining control over and the safeguarding of both capital and non-capital assets. Physical security measures over facilities and authorized personnel must be established and documented.

4.4 Yearly Inventory

4.4.1 Each year, the Fixed Assets Office will send to each department a listing of all capital assets for which that department is responsible. The department will be required to make a physical count of those assets, noting any differences. Also, in case of any disposition of assets; i.e., transferred, traded, stolen, or destroyed, the proper procedures should be followed in notifying the Fixed Assets Office.

4.4.2 The Department Head is responsible for the management and inventory control over non-capital equipment assets. It is recommended that departments maintain internal inventories and conduct annual inspections for non-capital assets, especially for those that are susceptible to being lost or stolen. Methods for tracking items may vary in substance and form for each department.

4.5 Significant Change of Events

4.5.1 If a significant change of events take place such as change in a department head, moving a department or function from one building to another, moving equipment from one location to an offsite location, the transfer of significant assets from a third party, or a natural disaster such as a fire or flood, consideration should be made to perform interim physical inventories at the time of the change event. This is a management decision at the departmental level and should be based on risk factors such as likelihood of assets becoming misplaced, not transferred, or stolen. Fixed Assets personnel will provide an inventory report upon request for this type of change event.

4.6 Separation of Duties

4.6.1 Fixed asset responsibilities should be distributed among several positions. This separation is necessary for adequate internal control. The Controller has the custodial and supervisory duties of the system. He/she assigns both supervisory and clerical positions to control the assets. The Fixed Asset Officer makes the entries in the system. He/she also issues tags for assets and records the assets in the system. A separate employee in the Purchasing area receives the assets and checks them in and personnel in this area also affix the fixed assets tag to the items. Departmental personnel, who are separate from the above mentioned positions perform the annual inventory. After inventory, these positions research any missing assets. The responsible departmental supervisor approves the Physical Inventory Worksheets before the Fixed Asset Officer makes any changes to the Capital Assets Management System (see Transferring Assets).

4.7 Depreciation

4.7.1 The University uses the straight-line method of depreciation for capital assets using the half-year convention and an assumed salvage value of zero. Straight-line is a time-based method used when the service life of an asset is affected primarily by the passage of time. A useful life is assigned to each asset class based on historical information, industry data, and/or other factors and falls within a range set forth by the Office of the State Controller. The useful life assigned to each class is assessed annually and adjusted as needed to more accurately reflect actual useful lives of each asset class.

4.8 Fixed Asset

4.8.1 Inventory of Fixed Assets

4.8.1.1 Annual Physical Inventory - The Fixed Asset System (FAS) is a system of control over the location, condition, and disposition of fixed assets. Therefore, the State Auditor's Office requires each agency to take an annual physical inventory of those assets.

4.8.1.2 University Department Inventory - Each University department is responsible for completing a yearly inventory of those assets assigned to that department. At an appointed time, worksheets listing each department's assets will be distributed (Fixed Asset System Form 090.)

4.8.1.3 Inventory Procedure - The following is the procedure for conducting the department inventory with the FAS worksheet:

1. For each item on the FAS worksheet which is on hand, enter a checkmark in the comments column. Any changes for the building room number location should be entered in the comments column.
2. If items on the worksheet cannot be located, enter "missing" in the comments column and prepare a Movable Equipment - Notice of Disposal or Change in Location form for each missing item.
3. Items not on the inventory list should be added, noting the FAS number (if available), description, location, manufacturer, serial number, and condition.

4.8.1.4 The FAS worksheet and disposal forms should be returned no later than May 31 of the year of the inventory to the Fixed Asset Office, located in the Finance and Operations Annex Building, on State Farm Road. Questions concerning inventory should be directed to the Fixed Asset System Officer, telephone number 262-2636.

4.8.1.5 Assets Traded or Sold - Assets traded or sold between departments must be reported to the FAS Office through the use of the Movable Equipment - Notice of Disposal or Change in Location form. Assets traded or sold to other agencies must have prior approval from the FAS Office and the State Surplus Property Officer.

4.8.1.6 Missing Assets - For each asset on the FAS worksheet which cannot be located, enter "missing" in the comments column and prepare a Movable Equipment - Notice of Disposal or Change in Location form for each missing item. If there is suspicion that an asset was stolen, see policy 4.8.1.8.

4.8.1.7 The form must be signed by the department head. Even though an item is reported missing, it will remain on that department's inventory listing until found or for two years. Items not located at the end of this two year period will be written off after obtaining approval from the Vice Chancellor for Finance and Operations (Chief Financial Officer).

4.8.1.8 Stolen Assets - If items are suspected or known to be stolen, notify the University Police to report the theft and request a copy of their investigation report. Then notify the FAS Office by completing the Movable Equipment - Notice of Disposal or Change in Location form. The form must be signed by the department head and appropriate Vice Chancellor, accompanied by an investigation report and forwarded to the FAS Office.

4.8.1.9 Damaged Or Destroyed Assets - Assets damaged beyond use should be reported to the FAS Office through the use of the Movable Equipment - Notice Of Disposal Or Change In Location Form. Two persons from the Physical Plant and/or the Central Warehouse and/or the FAS Office will verify that the item is damaged beyond repair and should be scrapped.

4.8.1.10 Disposal Forms Filed - The FAS Officer photocopies each lost/stolen disposal form and accompanying reports. The forms are then filed numerically by the department's assigned department number (org code).

4.8.1.11 Yearly Report - The FAS Officer sends a report to the Chancellor, all Vice Chancellors, Associate Vice Chancellor for Fiscal Operations, Director of Purchasing, Director of Office of Internal Audits, and Controller, indicating total assets lost/stolen for the year.

4.8.1.12 Fixed Asset System Questions - Any questions concerning the FAS should be directed to the FAS Office, telephone number 262-2636.

4.9 Capital Assets Management System Procedures

4.9.2.1 Recording Fixed Assets - All additions and disposals of fixed assets must be recorded in the Capital Asset Management System by the end of the accrual period each year. Detailed instructions on these and other system procedures are included in the Capital Assets Manual. This manual is primarily used by the Fixed Assets Officer, who is responsible for all changes to the Capital Asset Management System. The Capital Asset Management System is balanced to Banner Finance by the end of the accrual period and before the submission of the CAFR reports and Financial statements. This is important in order to maintain accuracy of reporting.

5 Additional References

6 Authority

7 Contact Information

Fixed Assets Office: 262-2636 or 262-2500.

8 Original Effective Date

9 Revision Dates

January 5, 2010
January 5, 2011
February 17, 2012
May 31, 2016
April 11, 2017