EXECUTIVE SUMMARY OF PROPOSED POLICY: 
Fixed Assets

New Policy ☐ or Substantive Revision ☒
Policy Type: Administrative
Responsible Office: Controller’s Office, Office of the Senior Vice President and CFO
Draft Date: 06/28/18
Initial Policy Approved: Unknown
Revision History: July 30, 2015

Governance Process Tracking:
Integration & Compliance Office Review:
University Counsel Review:
Public Comment Posting:
University Council Academic Affairs and University Policy Committee Review:
University Council Review:
President’s Cabinet Approval:
Board of Visitors Approval (if applicable): N/A

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<td>4. Which other universities’ policies or resources (e.g., laws, regulations, etc.) did you consider when preparing this draft?</td>
<td>Benchmarked against other Virginia public institutions $5,000 threshold meets federal requirements</td>
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<td>5. What is your general assessment of this policy’s impact on the university community?</td>
<td>Low impact to most of the university; eliminates tagging and tracking of low dollar value assets</td>
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[DRAFT] Fixed Assets

Policy Type: Administrative
Responsible Office: University Controller’s Office, Senior Vice President and CFO
Initial Policy Approved: unknown
Current Revision Approved: mm/dd/yyyy

Policy Statement and 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.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any individual who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

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Who Should Know This Policy

All employees (including faculty) and students are responsible for knowing this policy and familiarizing themselves with its contents and provisions.
Definitions

Fixed Assets
Any land, land improvements, and buildings, as categorized herein below. Also, items with a purchase price of $5,000 or more and a useful life of two years or more; donations with an estimated (or appraised) market value of $5,000 or more and a useful life of two years or longer; new construction and renovations with a cost of $10,000 or more, and 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.

Contacts

The University Controller’s Office officially interprets this policy. The University Controller’s Office is responsible for obtaining approval for any revisions as required by the policy Creating and Maintaining Policies and Procedures through the appropriate governance structures. Please direct policy questions to the University’s Controller’s Office.

Policy Specifics and Procedures

Categories of Fixed Assets

Fixed assets are grouped in the following categories:

- **Land**
  - Real estate without any land improvements. The cost of land should include, in addition to the acquisition, ancillary costs as legal and title fees, unpaid taxes assumed, surveying and recording fees, appraisal and negotiation fees, easements, damage payments, site preparation costs (clearing, filling, and leveling) and demolition of unwanted structures.

- **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, etc., plumbing and sewage systems, heating and ventilation systems, air conditioning systems, electrical fire protection systems, building elevators and service systems, etc.

- **Equipment**
  - *Fixed Equipment* – equipment affixed to the building, such as fume hoods, autoclaves and sterilizers, dormant scales, etc.
- Moveable Equipment – office furniture, machines, window and portable air conditioning units, electric water coolers, operating room equipment, major medical instruments and equipment, laundry equipment, cafeteria and kitchen equipment and furnishings, 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

### Acquisition/Addition of Fixed Assets

The university follows the same basic procurement policies and procedures for the purchase of fixed assets, excluding land, land improvements and buildings, as it does for the purchase of any other goods or services.

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. The Capital Outlay Accounting Office provides information concerning construction and renovations. The Development and Alumni Relations 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 Development and Alumni Relations 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 otherwise 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 documentation supporting 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 should be affixed to each asset at the university unless it is not physically practicable. Fixed Asset Accounting staff schedule appointments with departments to tag newly acquired assets or retag assets at the department’s request. During the tagging process, Fixed Asset Accounting staff verify the description of the asset and collect 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 should be identified by a white Virginia Commonwealth University “asset tag” affixed to it. Additionally, any fixed asset purchased with federal funds should have a red “VCU Federal Funded Equipment” tag affixed to it, in
compliance with federal regulations. Any “Higher Education Equipment Trust Fund” asset should have 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 should be 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 with a cost of $5,000 or greater in the Banner fixed asset module within five days of disposal or transfer. Types of disposals and transfers are discussed below:

**Unallowable disposals and transfers**

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

**Types of disposals and transfers**

- **Stolen assets** - The custodian is responsible for contacting VCU Police and retaining a copy of the police report. A copy of the police report must be mailed or faxed to Fixed Asset Accounting. When recording the disposal of the stolen asset in Banner, you must include the police report number in the reference field of the disposal form.

- **Assets destroyed** – (lost due to fire, flood, etc.) must be reported to Safety and Risk Management with date of loss referenced on the disposal screen.

- **University Surplus property** – Go to http://www.fmd.vcu.edu/fmdsurplus/Surpro.htm to request a work order.

- **State surplus property** - 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).

- **Assets removed from service**

- **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 depreciable. 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 provide 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 relevant information about fixed assets (including tag number, ownership, location, condition, cost, model number, serial number, etc.) and 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 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. Equipment Trust Fund (HEETF) assets with a cost of $500 - $2,000 are captured in the fixed asset system for informational purposes as controlled assets.

Federally-funded Equipment

For equipment acquired with federal funds to be used on a project, federal regulations generally require VCU to also make that equipment available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by federal awarding agency that financed the equipment and second preference must be given to programs or projects under federal awards from other federal awarding agencies.

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. Inventory records from the Banner finance system are downloaded annually onto bar code scanners by the Fixed Asset Accounting team. Custodians are responsible for scanning all assets, and the software produces a report of items that are mismatched and need investigation. The custodian is responsible for ensuring that the information regarding the fixed asset is correct and for 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. Departmental fiscal administrators are responsible for reviewing the inventory and certifying on the same form that the inventory was conducted according to university policies and procedures and that it is accurate. During the annual audit performed by staff from the Virginia Auditor of Public Accounts office, departmental inventories are reviewed.

Documenting 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 Personal Computing Equipment Use” form.

Equipment Qualified for Offsite Transfer

The “Request for Offsite PC Equipment Use” form allows the use of PC 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 use for 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 of Virginia rules and custodial responsibilities as on site 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 its own system and a finding that the university failed to achieve management standards if the failure was determined to be “significant” through the audit process.

Similarly, U.S. Office of Management and Budget (OMB) Code of Federal Regulations Title 2: Grants and Agreements Part 200 requires that the university maintain a detailed record of equipment and that not less than every two years a complete and accurate physical inventory be completed.

Compliance with the state and federal policies is mandatory and fines may be assessed against the department for instances where departments are found to have an excessive percentage (five percent or more) of items not properly reflected in the fixed asset records. The 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 is 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 percent
- Documentation not available for disposition of asset disposal within the last 2 years – 25 percent
- Asset location data incorrect – 10 percent
- Asset disposal not through Surplus Property – 25 percent
- Incorrect department number – 10 percent
- Incorrect custodian number – 10 percent
- Willful improper removal of asset from the system – 200 percent
- Diversion of asset for personal use (example: university owned computer at employee home used for personal use) – 200 percent

Fines will be imposed upon the recommendation of the university controller. Fines may be appealed to the vice president who has authority over the department.

Forms

1. Request for Change in Property Custodian (https://controller.vcu.edu/media/controller-office/pdfs/custodianchange.pdf)
2. Addition to Equipment Inventory Form (https://controller.vcu.edu/media/controller-office/pdfs/Addequipinventory.pdf)
3. Request for Offsite PC Equipment Use (https://controller.vcu.edu/media/controller-office/pdfs/offsitequipment.pdf)

Related Documents

3. Fixed Asset Inventory Guide (https://controller.vcu.edu/fixed-assets/fixed-assets-inventory-guide/)

Revision History

This policy supersedes the following archived policies:

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FAQ

There are no FAQ associated with this policy and procedures.