



Asset Management Policies and Procedures

April 2009

Approved by the Chancellor's Cabinet on April 3, 2009

**Inter-Office Correspondence
Los Angeles Community Colleges**

May 26, 2009

Dr. Adriana Barrera, Deputy Chancellor
Jeanette Gordon, Chief Financial Officer/Treasurer

re: Asset Management Policies and Procedures

Dear Adriana and Jeanette,

On April 3, 2009, the Chancellor's Cabinet approved the new Asset Management Policies and Procedures and accepted the workgroup recommendations as presented in the Attachment.

We are please to submit to you the workgroup's recommendations and the new policies and procedures for implementation. We would like to note that in order for the asset management policies and procedures to be successfully implemented these recommendations should be adopted. Furthermore, we believe it is critical that training be provided to relevant staff at the colleges in order to ensure compliance of these newly adopted asset procedures.

We would like to express our thanks and appreciation for participation of the workgroup members.

Submitted by,

Workgroup co-chairs:

Dr. Mary Gallagher, Vice President of Administrative Services
Anne Diga, Associate General Counsel
Vinh Nguyen, Director of Budget

Attachments

Cc: Presidents
Vice Presidents
Senior Staff
Facilities Managers
Stock Control Managers
CFA and Accounting Staff
Workgroup Members

**Inter-Office Correspondence
Los Angeles Community Colleges**

March 20, 2009

To: College Presidents
From: Jeanette Gordon
Chief Financial Officer

SUBJECT: New Asset Management Policies and Procedures

The Asset Management Policies and Procedures completed by the Asset Policies and Procedures workgroup have been vetted with the DAC council since February 2008. In-service training sessions providing a broad overview of these procedures were given to the Vice Presidents of Administrative Services (March 14, 2008) and the Facilities Managers and College Stock Control Supervisors (February 24, 2009) in order to walk them through an understanding of the workgroup recommendations; to assist them in cogently reviewing the new draft policies and procedures, as well as solicit input for any additional revisions and recommendations.

As a result, we believe all eleven sections of the new policies and procedures have been thoroughly reviewed, discussed and vetted through these groups. The Facilities Managers and Stock Control Supervisors strongly recommended the District and colleges address the following concerns:

1. Lack of access to asset inventory records on bond assets to the college receiving staff, which are currently being receiving, tagging and maintaining by Assetek.
2. A need to establish a district-wide asset manager to provide the overall coordination of the district assets among the District Office and colleges.
3. A need to establish integrate the two asset databases into a single database for all assets (bond/non bond) and use SAP capable scanners to update the database directly in SAP.
4. Needs to provide training on use of the scanners to receive and tag bond equipment as an interim solution for tracking until the two databases are merged.
5. A need to deploy district-wide asset management training on new asset procedures once they are adopted and training on any new SAP compatible scanner solutions for asset tracking.

On March 20, 2009, the DAC council approved the Asset Management Policies and Procedures and recommended they be presented to Cabinet for review. Approval is recommended with the understanding that the above 5 items are addressed in addition to implementation of the policies and procedures.

Thank you for your assistance in the review process and your consideration of this request.

Attachments

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WORKGROUP RECOMMENDATIONS

1. District should establish a district-wide Asset Manager under the direction of the Chief Financial Officer or District Facilities, Planning and Development Director to provide overall the management of the Assets including policies, procedures, coordination, overseeing physical inventory, and reconciliations. In addition, each location/college must designate an Asset Coordinator as a college liaison to the Asset Manager to ensure that the District's Asset Policies and Procedures are followed and asset management activities are coordinated appropriately at the campus.
2. All assets loaned to an employee, student or third party for business purposes must undergo a formal check -in/check-out procedure to ensure that assets are appropriately tracked and to prevent loss of the equipment.
3. Physical Inventory must be taken every 3 years. The Asset Manager shall set up a cyclical inventory schedule with the colleges.
4. The asset dollar threshold for computer software assets has been changed to \$2500. (See AM 05-03 page 8 of 11).
5. A specific SFP asset procedure for tracking should be established
6. A specific IT Equipment asset tracking procedure should be established.
7. Need to establish one database for all assets (bond/non-bond) and use scanning devices to update the database. Establish a short term and long term plan for integration of asset data. In the short term, develop a BW report or provide for a batch update between the two existing asset databases. Long term planning would require that all asset data is scanned and maintained in the SAP database. This prospect may require the additional SAP modules and equipment devices.

ASSET POLICIES AND PROCEDURES WORKGROUP MEMBERS

Albert Askew, Stock Control Supervisor..... LAHC

Brelon Bell, Stock Control Supervisor..... LATC

Arnold Blanshard, Director of Internal Audit..... District

Randy Brooks, Operations Manager..... Pierce

Tony Calderon, Office Supervisor District

Sharon Chen, SAP Business Analyst (Finance)..... District

Andres Guerrero, Sr., Director of Accounting..... District

Bruce Hurt, Stock Control Supervisor LAVC

Anil Jain, Accounting Manager..... District

Paul Nieman, Director of College Facilities..... Pierce

James Watson, Contracts Manager..... District

Tania Yanes, Assistant Administrative Analyst..... LATC

Mary Gallagher, Vice President of Administration..... LASC

Vinh Nguyen, Director of Budget and Management Analysis..... District

Anne Diga, Associate General Counsel..... District
(Business Procedure Program Management and Legal Support)



05-00 ASSET MANAGEMENT POLICY

I. POLICY

It is the policy of Los Angeles Community College District (LACCD) to have a comprehensive and centralized Asset Accounting System, under the direction of the Chief Financial Officer, to guide the financial accounting and control of district-wide personal property assets excluding real property. (Real property procedures are set forth in the Facilities Procedures section of the Operations Manual). The Asset Management Policy is governed by the Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) Statement No. 34 and No. 35, California Education Code, and prudent business practices. Physical and custodial control of district-wide assets shall be under the direction of the Director of Facilities Planning and Development Department through the coordination efforts of a district-wide Asset Manager in the Business Services Office.

II. ASSET MANAGEMENT PROCEDURES GENERALLY

The responsibility for district-wide asset management is shared among the District Office and each college specifically. The College Vice President of Administrative Services is responsible for managing assets located at the college and the Director of Business Services is responsible for the physical management of assets at the District Office. As such, when the responsibility of overseeing assets at a location is identified as being the responsibility of the Vice President of Administrative Services, it should be inferred that the same responsibility for asset management shall fall on the Director of Facilities Planning and Development Department at the District Office.

A. Asset Recording and Accounting

General guidelines for identifying the required assets that must be tracked are as follows:

1. All asset values are based on a per single unit item value, including taxes and shipping.
2. All capital assets greater than or equal to \$5,000 ($\geq \$5,000$) must be capitalized and tracked in the asset database system and charged to the 640100 G/L account.
3. All low value assets \$250 or greater but less than \$5,000 ($< \$5,000$) are also tracked in the asset database system and charged to the 642300 G/L account.
4. Any assets below \$250 are tracked at the discretion of each college until the Geographical Information System (GIS) is implemented. Specially funded (SFP) assets and information technology assets have additional tracking and accounting considerations identified in sections 05-08 and 05-10 of the asset procedures.
5. Assets are recorded into the "Asset Master Record" in the financial accounting and procurement system to provide basic information for administrative and financial control and insurance valuation purposes. The Asset Master Record contains the following information:

- Asset purchased New or Purchased used
 - Business Area
 - Cost Center
 - Description
 - Amount (Value)
 - Fund and Fund Center
 - Inventory Number (inventory tag number)
 - Manufacturer
 - Plant
 - Quantity and Unit of Measure
 - Serial Number
 - Vendor
 - WBS Element
6. Assets are categorized into asset classifications for the purpose of capitalization and depreciation ([Asset Classifications](#)).
 7. The Associated Student Organizations and the Foundations are required to maintain their asset records in accordance with the district-wide asset management policies and procedures.
 8. The Bond Project Manager will maintain all bond assets and tag all bond equipment assets greater than or equal to \$75 ($\geq \75) until completion or acceptance by the Board and the District assumes processing responsibility for these assets.
 9. Works of art include book collections, paintings, historical treasures, and other similar assets.

B. Physical Inventory

1. Every three (3) years, the District Office and each college will perform a physical inventory of equipment. The results are reconciled with the asset equipment records in the asset database system. The responsibility for completion of a physical inventory for each college and the District Office rests solely at each location.

In collaboration with each college, the Asset Manager will coordinate the efforts for physical inventory with each college and the District Office to create an Inventory Plan district-wide.

III. DISPOSITION OF ASSETS

A. Disposal of Surplus Furnishings and Equipment

The District may dispose of personal property which is unusable, obsolete, or no longer needed. The College Vice President of Administrative Services or the Director of Business Services at the District Office shall be responsible for reviewing assets identified by staff as being obsolete, surplus, or scrap.

Disposition of assets will vary depending upon the category which the furnishings or equipment is classified; however, the following provisions must apply:

1. The College President or designee (Vice President of Administrative Services or Director of Plant Facilities) must approve all declarations of surplus property.
2. Any proposed disposal of the district owned furnishings and equipment, regardless of value, must be processed through the College Plant Facilities or the District Office Contracts and Purchasing Section, in accordance with Board policy and the requirements of the California Education Code. These departments will assist in the following:
 - a) Transfer claimed property to another location.
 - b) Determine the probable sale value of the college or District Office assets.
 - c) Process and/or post the asset item for offering to other District locations and then to the Public Surplus Auction website (www.esurplusauction.com) in accordance with asset procedures.
3. Once an asset is approved internally for disposal and is being offered for disposal to an external party, the asset must be reported to the Board of Trustees and authorized for disposal prior to the transaction. However, if the asset is being disposed of through public surplus, the disposal approval by the Board may take place as a ratification item.
 - a) Assets approved for surplus will be posted internally for fourteen (14) calendar days for viewing by other District locations. The college/District Office will then post the available items via www.esurplusauction.com for 14 calendar days. There is no limit as to how long the items can remain on www.esurplusauction.com. The money received from the sale shall be credited to gain/loss on sale of the asset income in the college Unrestricted General Fund.
 - b) District and college employees may bid on items posted for surplus except if the item posted for surplus originates for disposal at that employee's department at the college or District Office.

B. Transferring Assets

1. Transfers of Assets from Building to Building:
 - a) All capital asset transfers greater than or equal to \$5,000 ($\geq \$5,000$) must be updated and tracked in the asset database.
 - b) All low value asset transfers \$250 or greater but less than \$5,000 ($< \$5,000$) must be tracked and updated in the asset database.
 - c) Assets up to \$250 may be tracked at the discretion of the college or District Office department.
2. Transfers of Assets from College to College:
 - a) All capital asset transfers greater than or equal to \$5,000 ($\geq \$5,000$) must be updated and tracked in the asset database.
 - b) All low value asset transfers less than \$5,000 ($< \$5,000$) must be tracked in the asset database.

C. Donations

The donor of any non-cash donated asset must establish the value of the donated item. If the donor places no value on the asset, the District will place a reasonable value on the asset. The donated asset must follow the procedures set forth in section 05-04 of the procedures. The requisite donation form may be found on the following district website:

http://albacore.laccd.edu/contracts/documents/LACC1022_Donation_Form.doc

The College must report non-cash donated assets to the College Procurement Specialist for submission to the Board for approval and ratification.

IV. REGULATORY COMPLIANCE, BOARD RULES AND LEGAL CONSIDERATIONS

[California Education Code Sections](#)

[California Education Code 81450 - 81460](#)

[Generally Accepted Accounting Principles \(GAAP\)](#)

[GASB Statement No. 34 and No. 35](#)

[Federal Regulation OMB A-110](#)

[Code of Federal Regulations](#)

[LACCD Board Rules, Chapter VII \(Business and Fiscal Services\), Article XI \(Environmental Protection\)](#)

[LACCD Board Rules, Chapter IX \(Campus Life\), Article I \(Student Organizations\)](#)

[LACCD Administrative Regulations:](#)

- [B-1 \(District Owned or Leased Vehicles\)](#)
- [B-10 \(Equipment and Inventory\)](#)
- [B-11 \(Write-Off of Assets\)](#)
- [E-17 \(Governance – Associated Student Organizations\)](#)

ASSET CLASSIFICATIONS

Asset Class Number	Asset Classification	Life	Commitment Item (G/L Account)	Balance Sheet Account
1000	Land		611000	933100
1100	Land Improvements	15	611100	933119
1200	Infrastructure	15	611200	933129
2000	Buildings	50	620100	933200
2100	Building Improvements	20	620200	933210
2200	Leasehold Improvements	7	620300	933220
3000	Library Books and Reference Materials	7	633000	933300
4000	Aircraft and Vehicles	5	640100	934000
4010	Agriculture	7	640100	934000
4020	Audio Visual	7	640100	934000
4030	Computer Hardware - Mainframes	3	640100	934000
4040	Computer Hardware - PCs and Laptops	3	640100	934000
4050	Computer Equipment - Other	3	640100	934000
4060	Computer Software	3	640100	934000
4070	Culinary Instruction and Services	7	640100	934000
4080	Equipment Office	5	640100	934000
4090	Equipment - Other	7	640100	934000
4100	Furniture and Fixtures	7	640100	934000
4110	Health Services	7	640100	934000
4120	Musical Instruments and Accessories	7	640100	934000
4130	Reprographic and Graphic Arts	7	640100	934000
4140	Science	7	640100	934000
4150	Stage and Auditorium	7	640100	934000
4160	Telecommunications	7	640100	934000
4170	Vocational Arts and Instructional Equipment	7	640100	934000
4900	Low Value Assets - Furniture and Fixtures	0	642300	934900
4910	Low Value Assets - PCs and Laptops	7	649000	934900
4920	Low Value Assets - Equipment	7	649000	934900
5000	Works of Art	7	655000	935000
6000	Capital Leases – Buildings	50	652000	936000
6100	Capital Leases – Vehicles	5	652000	936000
6200	Capital Leases – Computer Mainframes	3	652000	936000
6300	Capital Leases – Computer Software	3	652000	936000
6400	Capital Leases – Equipment Office	5	652000	936000
6500	Capital Leases – Furniture and Fixtures	7	652000	936000
9000	Assets Under Construction	0	690000	939000



AM 05-01 ASSET MANAGEMENT RESPONSIBILITIES

I. SUMMARY

The purpose of this section is to articulate the processes and responsibilities of Asset Management in the coordination and management of the district-wide capital assets greater than or equal to \$5,000 (\geq \$5000). The District Office and each college shall have the responsibility to maintain accurate asset records.

II. RESPONSIBLE DEPARTMENTS/OFFICES

College Purchasing Office
College Procurement Specialist
District Contracts and Purchasing Section
Receiving Department
District Facilities Planning and Development Department / College Plant Facilities
College Vice President of Administrative Services
Office of the Chief Financial Officer
District Asset Accounting Unit

III. RESPONSIBILITIES DEFINED

A. College Purchasing Office

1. Handles any asset purchases under the state's identified bid threshold. The office must enter the purchasing document in the financial and procurement database asset class.
2. Creates an Asset Master Record in the financial and procurement database when purchasing an asset.
3. Charges the asset to the proper G/L account and identifies the appropriate asset class. (See Business Operations Policy 05-00, Management Policy, the Asset Classifications section for a listing of Asset Classification and corresponding G/L account numbers.
4. For colleges with decentralized purchasing, the responsibilities identified in this section shall fall upon the department purchasing the asset.

B. College Procurement Specialist

The College Procurement Specialist reviews the purchasing appropriateness of assets equal to or under the state's bid threshold. If an asset is equal to or greater than \$5,000 (\geq \$5000) but less than the state's bid threshold, the College Purchasing Office initiates the procurement of the asset, and processes and updates the financial and procurement database.

C. District Contracts and Purchasing

The District Contracts and Purchasing Section handles any asset purchases greater than or equal to the state's bid threshold. District Contracts and Purchasing also tracks capital leases for reporting purposes. (See Business Operations Policy AM-00, Asset Management Policy.)

D. Receiving Department

1. Updates the Asset Master Record of an asset donated or purchased with information regarding its inventory tag, serial number and location upon physical receipt of the asset.
2. Tags all capital asset items and any low value assets (LVA) determined by the college to be tracked.
3. In collaboration with the District Office, conducts periodic physical inventories of all capital and low value assets.
4. Maintains the asset management inventory system by recording the disposal of surplus property and communicating the disposal to the Asset Accounting Unit for accounting purposes.
5. With prior approval from the Vice President of Administrative Services or the Director of College Facilities, removes the tag from the surplus and salvage property and identifies the change of status for the asset in the Asset Master Record.

E. District Facilities Planning and Development Department / College Plant Facilities

1. District Facilities Planning and Development Department identifies assets purchased through its public works and maintenance projects.
 - a) Manages the project when the public works project is greater than or equal to the formal bid threshold set forth in the California Uniform Public Construction Cost Accounting Act (CUPCAA).
 - b) The College Facilities Office manages the project when the public works project is less than the formal bid threshold set forth in the California Uniform Public Construction Cost Accounting Act (CUPCAA).
2. Once a project is complete, the District Facilities Planning and Development Department or College Facilities Office must notify the Asset Accounting Unit and the District Facilities Planning and Development Department with a copy of the Notice of Completion of the project, in order for the Unit to properly account for the asset in the district-wide asset database.
3. The College Facilities Office is also responsible for purchasing assets for their own departmental use.
4. The District Facilities Planning and Development Department/College Plant Facilities office processes asset moves or transfers from location to location.

F. College Vice President of Administrative Services

1. Coordinates and provides strategic direction for Asset Management at each college.
2. Authorizes all asset changes, including transfers, disposal, sale, surplus property and donation items.
3. At the District Office location, the Director of Business Services performs all the responsibilities that the Vice President of Administrative Services undertakes in managing the college assets.

G. Office of the Chief Financial Officer

1. Communicates and provides all district-wide policies and procedures on accounting of all assets.
 - a) Coordinates with each college to ensure accuracy of all financial records and oversees overall district-wide compliance with the established asset policies and procedures.
 - b) Oversees periodic district-wide physical inventory of all assets to ensure accuracy of asset records.
 - c) Provides district-wide reconciliation of inventory results and asset changes with the existing records in the financials and procurement databases.

H. Asset Accounting Unit

1. Maintains asset classifications and records.
 - a) Ensures that financial accounting procedures are in place for asset management control, asset requirements and acquisitions, asset losses, screening and disposition.
 - b) Reconciles all assets in the financial general ledger and adheres to established financial accounting policies and procedures.
2. Upon completion of the sale or disposal of the asset, books any net gain or loss to the Unrestricted General Fund.

I. District Employees

All District employees issued portable asset devices shall be responsible for following the asset on loan process identified in section 05-10 prior to checking out any asset items, ensuring proper usage of the equipment for work purposes and returning such asset items issued to them upon conclusion of the project(s) for which issuance of the asset was intended or the employee's permanent departure from the District.

IV. BOARD RULES, LEGAL CONSIDERATIONS AND RELATED PROCEDURES

[Accounting Advisory No. 2001-01](#): Implementation of GASB Statement No. 34 and No. 35
[GASB Statement No. 33, Accounting and Financial Reporting for Non Exchange Transactions](#)

California Community College Budget and Accounting Manual



AM 05-02 ASSET MANAGEMENT INTERNAL CONTROLS

I. SUMMARY

The purpose of this procedure is to ensure that all district-wide employees comply with the asset management internal control process that embraces all activities after the receipt and tagging of the asset. This includes the initial movement to the end-user, accountability, asset movements and transfer of accountability, record updates, storage, utilization, maintenance, donations, disposal and shipments.

II. GENERAL

A. District-owned capital assets, regardless of funding or source, are subject to the [Generally Accepted Accounting Principles \(GAAP\)](#) and [General Accounting Standards Board \(GASB\)](#) requirements. The accounting for District assets will be accomplished as follows:

Assets are entered through the Asset Master Record in the financial accounting and procurement database. (See Business Operations Policy AM-00, Asset Management Policy.)

1. All capital assets greater than or equal to \$5,000 ($\geq \$5,000$) must be updated and tracked in the financial accounting and procurement database when they are transferred.
2. All low value assets between \$250 and \$5,000 ($< \$5,000$) will be recorded when transferred. Any assets below \$250 will be left to the discretion of each college to track the transfers.

B. In order to ensure adequate internal control of assets, the Chief Financial Officer in collaboration with the Director of Business Services will ensure that the following steps are taken:

1. Provide an asset management program that monitors the life cycle of property from requirements and budgeting to retirement and disposal.
2. Establish business policies and procedures to ensure custodial and financial monitoring of all assets.
3. Provide training in business practices and maintain ongoing communication with responsible departments.
4. Maintain documentation of asset systems that includes business rules for the financial accounting and procurement system and other asset-related software and scanner programs.
5. Enforce all asset policies, procedures and responsibility assignments to ensure that all required data elements are input into the financial accounting and procurement system accurately and in a timely manner.

6. Review annually a sampling of master data records to ensure quality and reliability of information. This process may include assistance by the internal auditors to perform the following:
 - a) *Floor to record* – verify that all selected assets are on record and all required data elements are accurate for each asset. Identify missing elements and determine why. Quantify and track errors.
 - b) *Record to floor* – verify that all selected assets are physically located. Record how many assets were found in the proper location, used by the assigned office, and how many were not found, or not used by the assigned office.
7. Verify the inventory was performed and results were accurately recorded and reported in the system.
8. Verify that all disposition items have been retired from the records.
 - a) Monitor all transfers and moves and match notifications of transferring to recipient organizations prior to change of accountability in the system.
 - b) Ensure the proper paperwork is completed and approved for both the physical shipment through receiving and for the record retirement when the asset is moved off site to a permanent change of ownership.
 - c) Monitor and assist transfers for program transfers.
9. Monitor the physical control of assigned assets in custody and ensure asset movement of tagged assets in financial accounting and procurement database is updated for movements: (1) to and from cost centers (activity codes), (2) to and from buildings, and (3) from active asset to storage or repair to an external party.
 - a) Ensure the Asset Transfer Form is processed properly before any asset move.
 - b) Ensure an asset is moved only when proper authorization has been obtained in writing. Assets must be relocated within a reasonable period of time of receiving the authorized request.
 - c) Permanent move – moves which intend to relocate an asset for greater than 90 days shall require and Asset Transfer Form to ensure a location update on the asset database occurs.
 - d) Temporary move – moves which intend to relocate an asset for less than 90 days shall require a work order authorized by the Director of College Facilities or designee.
10. Ensure assets are used for their intended purpose. When the intended purpose is no longer valid or required, provide the process for screening and re-utilization of the asset. (See Business Operations Policy AM 05-00, Asset Management Policy.)
11. All Colleges and the District Office shall require any employee issued a portable asset device to follow the asset on loan process identified in section 05-10 prior to receiving the asset.
12. Oversee that all assets purchased from specially funded grants are tracked in compliance with the grant or funding requirements as stated in section 05-08.

III. BOARD RULES AND LEGAL CONSIDERATIONS

[Generally Accepted Accounting Principles \(GAAP\)](#)

[Government Accounting Standards Board \(GASB\)](#)

[LACCD Administrative Regulation AO-17, Acceptance of Grants, Bequests, Trusts,
Donations and Gifts through College Auxiliary Organizations](#)

Education Code Sections 81550-81560



AM-05-03 ASSET DEFINITIONS AND CAPITALIZATION THRESHOLDS

I. SUMMARY

This procedure defines what are capital assets, low value assets, and provides policies regarding capitalization thresholds, and identification of supplies and equipment, including computer software. More detailed information on specific asset transactions can be found in the succeeding sections.

II. DEFINITIONS

A. Capital Assets - Capital assets are classified as real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of one year or more. Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructures, and all other tangible and intangible assets that are used in operations and that have initial lives extending beyond a single reporting period (a year).

B. Low value assets – Assets classified as personal property that are less than \$5,000. Assets below \$250 are tracked at the discretion of each college. Colleges shall set forth a specific policy statement defining whether assets below \$250 shall be tracked in the system as low value assets.

C. *Depreciation methodology* – The annual charge to expenditures that results from a systematic and rational location of costs over the life of an asset – historical cost divided by useful life of the asset. There exist several types of depreciation methodologies for assets. The method utilized by the District is the straight line method which incorporates useful life of the asset with its cost allocation based on the asset type or class. Assigned depreciation methodology for major asset types are identified specifically in each asset definition.

D. Types of capital assets

1. **Land** - Land is the surface of the earth, which can be used to support structures, or may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited useful life (indefinite).

Depreciation methodology – Land does not depreciate over time.

- a. **Land improvement** - Land improvements consist of betterments, site preparation and site improvements (other than buildings) that prepare the land for its intended use. Land improvements do not include roads, bridges,



pipelines, etc. These improvements are classified as as infrastructure on the land.

b. Examples of costs attached to capitalized land and land improvements

- Purchase price or fair market value at time of gift
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase

Other costs incurred in acquiring the land:

- Land excavation, fill, grading, drainage
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines) to facilitate construction.
- Right of way

2. Buildings - A building is a structure that is permanently attached to the land, is not infrastructure, and is not intended to be transportable or moveable.

a. Building Improvements – A building improvement is a capital construction costs that materially extends the useful life of a building or increases the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, and the expenditure increases the life or value of the building. The cost of demolition of existing buildings and improvements (less salvage) should also be factored in the expenditure of the asset.

***Depreciation methodology** – the straight-line depreciation will be used for buildings, building improvements and its related components. Any subsequent improvements that change the use or function of the building shall also be depreciated. This may be accomplished by:

- depreciating the addition separately over its useful life, not to exceed the useful life of the primary asset
- adding the value of the improvement to the net asset value of the original asset and assigning a new useful life.



b. Examples of Expenditures to be Capitalized as Buildings

- (i) Purchased Buildings
 - Original purchase price
 - Costs for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
 - Environmental compliance (i.e., asbestos abatement)
 - Professional fees (legal, architect, inspections, title searches, etc.)
 - Payment of unpaid or accrued taxes on the buildings to date of purchase
 - Cancellation or buyout of existing leases
 - Other costs required to place or render the asset into operation.

- (II) Constructed Buildings
 - Completed project costs
 - Cost of excavation or grading or filling of land for a specific building
 - Costs incurred for the preparation of plans, specifications, blueprints, etc.
 - Cost of building permits
 - Professional fees (architect, engineer, management fees for design and supervision, legal)
 - Costs of temporary buildings used during construction
 - Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream
 - Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
 - Additions to buildings (expansions, extension, or enlargements)
 - Tiered Parking Structures.

- (III) Componentization Of Buildings
 - SHELL-Same as constructed buildings above
 - SERVICE SYSTEMS- Electrical and lighting systems, heating, ventilation, air conditioning, HVAC, plumbing, fire protection systems and elevator systems
 - FIXED EQUIPMENT- sterilizers, casework, fumehoods, cold rooms. Please also review procedures on “Furniture, Fixtures and Equipment”



Examples of Expenditures to be Capitalized as Improvements to Buildings

Note: For the replacement of part of a building to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value and/or useful life of the building, such as renovation of a student center. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original utility level would not be capitalized. Determinations must be made on a case-by-case basis.

- Conversion of attics, basements, etc. to usable office, research, or classroom space.
- Structures **attached** to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/upgrade of floor, wall or ceiling covering such as carpeting, tiles, paneling, or parquet.
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc. that extends the life of the building
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Other costs associated with the above improvements.

c. Construction In Progress/Assets Under Construction - Construction work in progress reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.), additions, alterations, and reconstructions that are substantially incomplete.

*Depreciation Methodology“- Depreciation is not applicable while assets are accounted for as under construction or a work in progress.

d. Building Maintenance – Maintenance performed on a building which does not add value to the building. Maintenance is defined as routine, recurring and



usual work for the preservation and protection of any publicly owned, publicly operated or publicly leased facility for its intended purpose.

The following are examples of expenditures **not** to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper
- Maintenance-type interior renovations, such as repainting, touch-up plastering, replacement of carpet, tile or panel sections; sink and fixture refurbishing, etc.
- Maintenance-type exterior renovations, such as repainting; replacement of sections of deteriorated siding, roof, or masonry sections that doesn't extend the useful life of the building
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building.

3. Infrastructure - Assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature (e.g. electric, water and gas lines).

***Depreciation methodology** - The straight-line depreciation method will be used for infrastructure assets.

a. Infrastructure improvements –

Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized as betterments and recorded as an addition of value to the infrastructure if the improvement or addition of value meets the capitalization threshold and increases the life or value of the asset by a significant amount relative to the original cost or life period.



b. Jointly funded infrastructure –

Infrastructure paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

c. Examples of Expenditures to be Capitalized as Infrastructure

- Roads, streets, curbs, gutters, sidewalks, fire hydrants
- Drainage facility
- Water wells (includes initial cost of drilling, the pump and its casing)
- Light system (traffic, outdoor, street, etc.)
- Electric, water and gas (main lines and distribution lines, tunnels).

4. Leasehold improvements - Construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease. These improvements **will revert to the lessor** at the expiration of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement. Leasehold improvements do not have a residual value.

* Depreciation Methodology - Leasehold improvements are capitalized by the lessee and are amortized over the shorter of (1) the remaining lease term, or (2) the useful life of the improvement. Improvements made in lieu of rent should be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease term or useful life of the improvement, whichever is shorter.

5. Furniture, Fixtures and Equipment (FF & E) - Fixed or movable tangible assets to be used for operations, the benefits of which extend at least one year from date of acquisition and placement into service. Improvements or additions to existing equipment and fixtures that exceed the capitalization threshold and increase the value or life of the asset by a significant amount relative to the original cost or life should be capitalized as a betterment and recorded as an addition of value to the existing asset.

Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should be capitalized as a part of prepaid assets (i.e. prepaid costs) and amortized over the term (life) of the related warranty or maintenance agreements.



a. Jointly Funded Personal Property –

Capital Equipment and fixtures paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

b. Capitalization Threshold

The capitalization threshold for capital equipment and fixtures is a per unit acquisition cost of at least \$5,000 and an estimated life of at least one year.

***Depreciation Methodology** -The straight-line depreciation method will be used for capital equipment and fixtures.

c. Examples of Expenditures to be Capitalized as capital equipment and fixtures

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment.

d. Single asset - A simple asset that does not have more than one component part and is assigned a single asset number with one bar code inventory tag. An example of a single asset is a table or chair.

e. Complexed asset - A complexed asset has multiple components and requires the various components in order for the asset to function as designed. A primary asset number is assigned to the complex asset if all its component parts are charged to one fund center at the same time. If components are charged to different fund centers then each component shall be assigned a sub-number to track the components. Subsequent acquisition or additions to component parts to an existing asset are tagged using a sub asset number. An example of a complex asset is a modular cubicle unit. Please see Section 05-04 regarding "Asset Acquisition" for further clarification of these definitions.

f. Special Asset Cases -

- (i). Computer software - Computer software is an intangible asset that is subject to capitalization. Computer software can be an integral part of a system, it can be purchased or licensed from external vendors, or it can be developed and created in-house.

When software is an integral part of and is essential to the functionality of a larger system and/or the vendor has not separately identified its cost, the



software's costs should be capitalized as part of the system. When software is separately purchased or licensed, it should be capitalized as an asset if its cost is greater than \$5,000. A group license (i.e., installed on a local area network server or a wide area network server) would be reported as one capital asset.

However, not all software costs should be capitalized. Cost related to the conceptual process involved in selecting the software, as well as training and data-conversion costs, should not be capitalized. Maintenance agreements associated with software should also be expense, unless maintenance is original part of the initial software purchase and its cost is not separately identified. Software obtained under a recurring license that must be renewed annually should not be capitalized.

Computer software valued at below \$2500 per unit is considered software supply.

(ii) Internal Use Software Definition

For software to be considered for internal use, it must meet the following tests:

- The software must be acquired, internally developed or modified solely to meet the college/university's internal needs, **and**
- During the software's development or modification, the college/university must not have a substantive plan to market the software externally to other organizations.

Costs associated with the preliminary project and the post-implementation/operating phases should be expensed as incurred. Internal and external costs associated with the application development phase should be capitalized. General and administrative costs and overhead expenditures associated with software development should not be capitalized as costs of internal use software.

(iii) Depreciation Methodology

The straight-line depreciation method will be used for software developed or obtained for internal use. Given the history of rapid changes in technology, software will be amortized over a relatively short useful life. Fully depreciated software that has been either replaced or is no longer in service or is considered obsolete, may be removed from the capital assets inventory and accounting records, even if the campus has not physically disposed of the software.

Intellectual Property –



Intellectual property includes patents, copyrights, trademarks and franchises.

- g. Capital equipment lease-** A capital equipment lease is an agreement which permits use and purchase of capital equipment and spreads out payment for the equipment for an agreed upon period of time. At the end of the payment period, the purchaser usually obtains title to the equipment. More detailed information on capital equipment leases can be found in section 05-04 regarding "Asset Acquisition."

- 6. Library Books and Reference Materials** - A library book is generally a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional or research libraries. Changes in value for professional, academic or research libraries may be reported on an aggregated net basis.
- a. Library Characteristics -A professional, academic or research library normally has one or more of the following characteristics:
- Internal controls are in place in lieu of central property management.
 - Information is housed in a centralized location.
 - Physical security measures are in place to protect the assets.
 - Checkout procedures and policies exist and are used.
 - Individual item costs and supplemental information is generally contained in a supplemental database.
 - Volumes assigned to libraries are typically available to employees, students, and other individuals for checkout or use.
 - Existence of the library helps the entity fulfill its mission.
 - The value is material to the organization.
 - Equipment assigned to libraries typically remains under central security for on-premises use.

A library may be reported on a composite basis by making net adjustments to total value to reflect increase or decrease in total value. Net adjustments must be made at least once annually by the close of the fiscal year.

*Depreciation Methodology - Library books should be capitalized at their purchase price and depreciated over their estimated useful life (10 years is suggested). Purchases of library books can be grouped by year and depreciated on an aggregate basis.



- b. Capitalization Threshold - All purchases of books and materials for a professional, academic or research library should be capitalized, as there is no minimum dollar amount. Library acquisitions are valued at cost or other reasonable basis; deletions are valued at annually adjusted average cost. The library maintains records of all books and other library items, which suffice as detailed inventory records. Books, periodicals, subscriptions and other materials purchased but not used in a library should be expensed unless they constitute a capital event.
- c. Examples of Expenditures to be Capitalized as Library Books
 - Invoice price
 - Freight charges
 - Handling
 - In-transit insurance charges
 - Electronic access charges
 - Reproduction and like costs required to place assets in service, with the exception of library salaries.

7. Works of Art - Works of art and historical treasures are defined as collections or individual items of significance that are owned by a state agency which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service; and are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collection.

- a. **Exhaustible collections or items** – items whose useful lives are diminished by display or educational or research applications.
- b. **Inexhaustible collection or items** – where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

E. General Ledger (G/L) Accounts – Accounts established in the District’s general ledger that reflect the enumerated asset values within its ownership when an asset is acquired by the organization. The asset accounts are reported in the District’s comprehensive financial statement at the end of the fiscal year.

1. 640100 – Any equipment type single item \$5,000 or greater (should be tagged, capitalized, and depreciated over the life of the asset and entered as category “A” in SAP)
2. 642300 – Any facilities single line item \$250 to \$4,999 (should be tagged and inventoried, but not capitalized and entered as category “A” in SAP)
3. 652000 – Any lease with option to buy \$5,000 or greater (will be capitalized and entered as category “A” in SAP)
4. 452100 or 452300 – supplies or equipment whose any single line item is less than \$250.
5. 452200 – software supplies



6. 562300 – rental of software

F. Bar Code Inventory Tag – The adhesive tags affixed to an asset reflecting its unique bar code data for scanning and tagging for inventory purposes. A bar code inventory tag is not the asset number assigned to the asset when a master asset record is created in the financial and procurement database.

G. Asset Number – When an asset master record is created in the financial accounting and procurement database, the system will assign a unique asset number to the asset for tracking purposes. This is not the bar code inventory tag number.

H. Asset Master Record – When an asset is entered into the financial and accounting database, the system requires and the user establishes an asset master record. The asset master record contains data on the asset such as description, bar code inventory tag number, vendor/manufacturer, depreciation life, location, warranty information, make, model and serial number of the asset.

I. Asset Manager – The position responsible at the district-wide level for coordinating, collaborating and overseeing the daily operations of the asset management program at the Los Angeles Community College District. The Asset Manager with the Vice President of Administrative Services at the college location work closely together to ensure asset management procedures are strictly adhered to. The Vice President of Administrative Services at each college location may identify asset coordinators to assist the Asset Manager in the local efforts to ensure asset management processes are also followed.

J. Public Surplus – Public Surplus is the on-line public auction website that the District utilizes to transact the public sales of any assets identified to be surplus and no longer of use to the colleges and District Office.

V. BOARD RULES, LEGAL CONSIDERATIONS AND RELATED PROCEDURES

GASB 34 and BASB 35, California Community College Budget and Accounting Manual



AM-05-04 ASSET ACQUISITIONS

I. SUMMARY

This procedure details the acquisition type transactions of equipment assets that include donations, exchanges and transfers. Procedures relating to acquisition of real estate assets are found in the Facilities Section. Assets acquired through federally funded programs or specially funded grants shall be addressed in Section AM-05-08

II. TYPES OF TRANSACTIONS

A. Purchase

1. Capital Equipment

Assets can be acquired through purchases at a single unit, bundle or lot. Assets whose single unit value is greater than or equal to \$5,000 ($\geq \$5,000$) are classified as capital assets. Assets can be real property (including land, building, building improvements, infrastructure), equipment assets (including furniture, fixtures, equipment and other durable/non-supply items), historical treasures and collections of art.

When purchased as a bundle or a lot, capital equipment assets must be created according to the following procedures:

- a) **Bundle** – A variety of assets purchased together that have different and individual values attached but are procured and used together as one (set or system). An example of bundled assets are systems furniture such as a cubicle unit. A main asset number with sub-numbers and a single inventory bar code tag is issued to the bundle as one asset even though there exist different values on the bundled parts. A procurer of the bundled asset should identify each asset in the bundle with an asset sub number with no value on the *Purchase Order* (PO) when creating the asset in the financial and procurement database.
- b) **Lot** – A grouping of multiple identical items with the same unit value. Specifically, multiple identical equipment items which have the same value charged to the same cost center in the same purchase transaction. This situation arises when new computers are purchased to replace an entire computer lab. An asset record must be created for each item with unique asset inventory bar code asset tags provided..
- c) **Single asset** – An asset that only has a single part such as a table or chair. A simple asset must be assigned to a single asset number and has no sub-asset numbers. This asset is tagged with one inventory bar code tag .
- d) **Complex asset** – A complex asset has component parts that must have all component parts to be functional or useful. The complex asset must be treated as



one asset and assigned one asset number. Any component parts acquired at the time of purchase of a complex asset must be assigned with the same asset number and be tagged as one main asset number, if all components are charged to the same account (same fund center). When there are different accounts charged to purchase the asset components, the sub-asset numbers are used to track these component parts. These component parts are also tagged with one inventory tag number. An example of a complex asset would be a modular workstation.

2. **Low Value Asset** – Low value equipment asset is an equipment asset purchase with a value at \$250 to \$4,999. Although low value assets are not capitalized, these assets are tracked for custodial and loss prevention purposes.

3. Capital Equipment Lease

- a) A lease is considered a capital lease if it meets any **one** of the following criteria:
- (1) The lease transfers ownership of the property to the lessee by the end of the lease term.
 - (2) The lease contains an option to purchase the leased property at a bargain price.
 - (3) The lease term is equal to or greater than 75 percent of the estimated life of the leased property (for example, the lease term is six years and the estimated life is eight years).
 - (4) The present value of rental and other minimum lease payments equals or exceeds 90 percent of the fair value of the leased property less any investment tax credit retained by the lessor (for example, the present value of the rental and other minimum lease payments equals \$9,000 and the fair value is \$10,000).

NOTE: The last two criteria (3) and (4) are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.

- b) Capital Lease assets under the Lease Agreement other than real property leases must be created as assets and tagged-
- c) Once an approved *Request for Contract* (RFC) for a capital lease is entered in the procurement database, the capital lease will be identified by the District Contracts and Purchasing Section as a capital lease and a contract via the **Create Purchase Order** screen.
4. **Software Purchase or License** – Computer software is an intangible asset and is subject to capitalization if the purchase price is \$5,000 or greater. Computer software can be an integral part of a system; it can be purchased or licensed from external vendors, or it can be developed and created in-house. When software is an integral part of and is essential to the functionality of a larger system and/or the



vendor has not separately identified its cost, the software's costs should be capitalized as part of the system. When software is separately purchased or licensed, it should be capitalized as an asset if its cost is greater than \$5,000. A group license (i.e., installed on a local area network server or a wide area network server) would be reported as one capital asset. Computer software value less than \$2,500 shall be purchased as computer software supplies.

B. Donation

Prior to any donation acceptance, the procurer of the donated item must follow the specific requirements stated in section 04-14 of the Procurement Policies and Procedures and receive approval from the College President or designee in accordance with the section.

Non-cash donated assets whose value is greater than or equal to \$5,000 (\geq \$5,000) is to be capitalized and reported. If no value is placed on the asset upon receiving and acceptance by the District, the District may establish the value using acceptable industry standards if the value reported upon the donation is determined to be unrealistic.

The Receiving Department shall create the initial Asset Master Record by entering the donation as a new asset in the asset database utilizing the transaction AS01 when the asset is physically received and tagged. Receiving shall also report the donation to the Accounting Asset Unit using the *Asset Change Request* form in order for the Asset Unit to place value on the donated item.

Finally, the donation of the asset must be reported to the Board for acceptance by the College Vice President of Administrative Services.

C. Exchange

Capital asset exchanges can direct exchanges of similar assets or non-similar assets. For the exchange of similar assets (the same major asset class exchange, such as a car for a car), the asset received should be reported at the net book value of the asset traded or exchanged. Equal value exchange transactions are defined as reciprocal transfers. That is, each party receives and provides something of approximate equal value. An example of this type of transaction would be one parcel of land for another similar parcel or equipment for a similar type of equipment in the same asset class.

A non-monetary asset is valued at the time of receiving with the outside agency. If exchange is a like exchange, the asset needs to be recorded with the new asset value and delete the old asset value in the Asset Master Record. The net change of the value of an asset will be handled by the Accounting Asset Unit. The following information is needed as follows:

- Records of the capital asset from the exchange agencies using the same net book value and funding source at the time of transfer
- .Completed and approved Asset Change Request Form.



D. Transfer

There exist two types of asset transfers:

- A physical transfer is the permanent or temporary relocation of or the exchange of physical custody of an asset between locations.
 - A cost center transfer includes the relocation of an asset value from one department or location cost center to another.
- a) In order for an asset transfer to occur, an *Asset Change Request* form must be completed to transfer assets on the following cases:
- One building to another building at the same campus or location
 - One location to another location (college to college transfer or college to District Office)
 - One cost center to another cost center
 - One WBS element to another WBS element

For all transfers of assets, the acquiring Receiving Department must update the change in the physical location in the Asset Master Record through the financial and procurement database and the Accounting Asset Unit should update the change in cost center in the Asset Master Record.

III. PROCEDURES

A. Purchase

1. An asset may be purchased in the procurement system by either creating a Purchase Requisition (PR) or Purchase Order (PO) in the system. Typically, any asset purchasing transaction up to \$5,000 can be entered as a direct PO. When a PO or PR is entered in the system, the requestor must identify the asset in the "item category" field with an "A" denoting an asset. As the requestor completes the purchase, the system will simultaneously ask the requestor to also create an asset master record for the purchased assets. Much of the data entered by the requestor in the purchase transaction will be transferred into the asset record by the system. However, no asset value will be posted to the master record (AS01) at that time. Once the purchase transaction is complete, the system will provide the requestor with a purchase document number and a uniquely identified asset number generated by the system on the master record.
2. When the asset is delivered by the vendor, the Receiving Department shall complete a goods receipt in the purchasing system. In addition, the Receiving staff will tag the item and complete the asset master record by entering the inventory tag number, serial number (if applicable) and location of the asset. When the goods receipt is entered for the PO, then the acquisition value of the asset is posted to the master record.



3. At the end of the month, the depreciation for all assets acquired will be depreciated in a month end process when depreciation is run. At the District, there exists two depreciation Areas: Fund (01), which fully depreciates an asset in the first depreciation run and GASB depreciation – based on the Governmental Accounting Standards Board (05) depreciation which depreciates based upon the useful life of the asset .

Note: In depreciation area 01, all assets get fully depreciated. If any assets have to be returned after the depreciation run occurred, the system will generate an error message telling you that “asset XXXX – negative value” and stop you from processing the reversal of the Goods Receipt. To avoid this error, a reversal of the GR must be done by the Receiving Department in the same month.

B. Donations

1. When a donated asset is offered by a donor, the Vice President of Administrative Services must ensure that the appropriate donation process identified in section 04-14, including completion of the donation form, screening (if applicable) and receipt of necessary approvals occur. Moreover the acceptance of the donation must also be ratified by the Board of Trustees. A copy of the completed and approved donation form should be sent to the Receiving Department.

2. Once the donation acquisition process is complete, the Receiving Department must tag the donated item with an inventory bar code tag. It must also create the new asset master record for the item in the asset database by entering an asset record through the transaction AS01. The Receiving Department shall identify at a minimum the description of the asset, manufacturer (if possible), quantity, condition, location, serial number (if applicable) and tag number.

3. Once the master record is entered and completed in the system, the Receiving Department shall provide a copy of the donation form to the Asset Accounting Unit which shall identify the assets bar code tag number with the system generated asset number.

4. The Asset Accounting Unit shall enter the asset value identified in the donation form by posting the asset value through the FB01 transaction. The entry will be debited to the asset number and a credit to the cash account will occur.

5. Similar to assets purchased via a PO/PR transaction, the asset will be depreciated at the end of the same month according to the asset type and useful life.



C. Transfer/Exchange

1. An asset master record change request must be processed by the transferring location. The receiving location must update the asset master record through the AS02 transaction in its campus receiving department. The receiving location shall record the asset # on the Asset Change Request form and submit to Asset Accounting Unit at the District.

- a. The Asset Accounting Unit shall transfer value and the depreciation from the transferring asset to the receiving asset using transaction code ABUMN - Transfer within Company Code.
- b. Similar to other asset transactions, the remaining undepreciated portion of the transferred asset will be depreciation according to its useful life as set forth by the GASB depreciation area. For fund depreciation area, the asset is fully depreciated at the transferring location.

B. Asset Change Request Form:

The Asset Change Request Form is the primary document utilized in the transfer and disposition of an asset. The form can be found in the following website link:

IV. DEPRECIATION OF ASSETS

Depreciation is defined as the allocation of cost of an asset over a period of time for accounting and tax purpose. All assets have a useful life over a defined period. All capital assets (except land but including building and equipment) will depreciate over the remaining life of the asset. The exchange or donated asset may come with a remaining useful life. See section 05-00, Asset Management Policy, for the useful life for each asset class used for the District defined asset class (life of the asset and applicable G/L account).

The Asset Accounting Unit will run the depreciation every month which automatically books the value in the financial and procurement database.

V. FORMS / SAP TRANSACTIONS

Asset Change Request Form

Request for Purchase (RFP)

Purchase Order (PO)

Donation Form



VI. BOARD RULES, LEGAL CONSIDERATIONS AND RELATED PROCEDURES
SAP GO LIVE PROCUREMENT BULETIN
PROCUREMENT BUSINESS OPERATIONS POLICIES AND PROCEDURES



AM 05-05 ASSET SCREENING

I. SUMMARY

The purpose of this procedure is to ensure all furniture and equipment type assets are adequately screened prior to disposition and all asset losses are accounted for in accordance with state and federal regulations, financial audit requirements, applicable accounting pronouncements, and in a manner that adequately supports the maximum recovery of Los Angeles Community College District's (LACCD's) costs associated with these assets.

II. PROCEDURE

A. Asset Screening

Asset screening is a process of physically inspecting property or reviewing lists of equipment reports to determine if like equipment might already be on campus and available for use or whether equipment is needed to be screened for disposal or replacement.

1. Each department acquiring new assets shall undertake screening of like equipment prior to purchase of new equipment.
2. Each department will annually review the use of inventoried equipment. Any equipment which is either temporarily (not in use for 2 years) or permanently not being utilized must be reported as surplus for transfers or public auction.

To ensure that asset lists can appropriately be used for screening purposes each department is also responsible to:

- a) Safeguard its equipment and other assets assigned to their department, including items no longer needed.
- b) Report any disposals or transfers of assets in asset database within five (5) business days of disposal or transfer to the College Vice President of Administrative Services or the Director of Business Services at the District Office.
- c) Ensure that all assets acquired are properly recorded in the asset database.

- d) When purchasing new assets, departments should consider what arrangements must be made to handle disposition of the old assets and must ensure that new assets are received, tagged, and recorded in the database by the college Receiving Department.

B. Storage and Movement of Assets

When asset (equipment) is not in use but required for authorized future use, it must be stored in accordance with sound management practices including adequate protection from theft, misuse, corrosion, contamination, and damage to sensitive parts. Notation of the storage location will be made on asset inventory records. Assets may be moved to off-campus sites only with prior approval(s) from the college Vice President of Administrative Services and/or the Director of College Facilities. A shipping document, transfer document, or similar written instrument of accountability must be processed and the record retained by the transfer department prior to movement and storage.

C. Asset Losses, Damage or Destruction (LDD)

1. **Theft** - In the event of theft or loss of any capital asset, the person responsible for safeguarding the asset must do the following:
 - a. Notify supervisor and the on campus Sheriff's Office or local law enforcement authority and complete a police report.
 - b. Contact and coordinate with Risk Management to supply any additional pertinent information required for insurance claim filing.
 - c. Notify the College Vice President of Administrative Services or the Director of Business Services at the District Office to assist in the identification of weaknesses in security that may have contributed to the occurrence.
 - d. Asset losses incurred by the College or the District Office may not always be replaced by property insurance. In almost all cases, the location where the asset loss occurred is responsible for the asset replacement. If the College is tracking low value assets, the theft must be reported.
 - e. Complete and submit a copy of the approved *Asset Change Request - Disposal* form to the Receiving Department with a copy to the District Accounting Department – Asset Unit for missing, stolen or unaccounted for capital assets. If stolen, also send a copy of the police report within four (4) business days of the occurrence.

- In completing the *Asset Change Request - Disposal* form, identify those situations involving possible employee theft or negligence.
 - An *Asset Change Request - Disposal* form is used to update the Asset Master Record for all capital assets greater than or equal to \$5,000 ($\geq \$5,000$). Select **Theft** or **Loss**, as applicable, from the drop-down list box of the **Disposition Change** field.
2. **Damage or Destruction** – In the event of damage or destruction of an asset, the person responsible for safeguarding the asset must:
- a) Immediately upon recognizing that property is damaged or destroyed, coordinate with Risk Management if the asset is \$25,000 or greater to supply the required information for claim filing purposes. Risk Management will provide greater details on loss of assets especially in the event of fires, earthquakes, flooding and vandalism.
 - b) Complete and submit the approved *Asset Change Request – Disposal* form to the Receiving Department with a copy to the District Accounting Department – Asset Unit in order for the asset to be properly depreciated or written off based on its damage or destruction.

D. Asset Disposition – The process of asset disposal is a graduated process involving various methods of disposition.

1. Disposal or Surplus of Assets

- a) Each department is to evaluate whether the asset is surplus. The Department should consider the following conditions in the evaluation of the asset:
 - Asset is no longer needed for department purposes.
 - Asset is destroyed or damaged and is no longer useful.
 - Asset is obsolete.
- b) When the asset is physically and permanently removed from district-wide use, the Asset Management should change the Asset Master Record to reflect the current disposition of the asset:
 - Auction – Sale and Donation of the surplus asset.
 - Recycle
 - Scrap
- c) The College Vice President of Administrative Services or the Director of Business Services at the District Office or designee shall arrange for the sale or disposal of District personal property in accordance with Board policy and the requirements

of the Education Code Sections 81450-81460 (Disposal of Surplus Equipment and Materials), board rules and administrative regulations. (See Business Operations Policy AM-00, Asset Management Policy, for additional information on disposal or surplus of assets.)

- d) If surplus assets are disposed of, the College or location shall communicate with the College Purchasing Specialist to report these items for ratification to the Board.

E. Public Auction and Disposal of Assets

The Vice President of Administrative Services or designee and/or Director of College Facilities or designee identifies surplus assets to be posted on the public auction by sending a confirming email to Asset Management.

The surplus assets can:

- a. remain in its present location as long as the asset (s) are safely and securely stored or
- b. be moved to a secured storage area provided by the college facility plant or bond construction program, or
- c. contact the district contracted movers to move assets to an offsite warehouse

1. Public Auction: Public auction begins with a 28-day internet listing on the website <http://www.publicsurplus.com>.

The Asset Management Coordinator schedules a date and time to dispatch a team to the asset's location where the asset specialists will prepare the asset for posting on the public auction website.

- a. The Asset Management team will use handheld scanners to record the attached bar code tag on the asset and all other pertinent information of the asset to update its records. Photographs of the asset are taken for publishing advertisements for the public auction website.
- b. Once this preparation process is complete the listings are emailed to the campus public auction website contact person who is responsible for reviewing, editing and releasing the listings.
- c. Asset surplus listings are posted on the website and all colleges have fourteen (14) days on an exclusive basis to determine if they want any of the surplus assets on a first come first serve basis and the next and final fourteen (14) days of the listing period are open to the general public for view and bidding.

- d. At the end of the first two weeks, the public can bid on any remaining surplus assets on the website for two weeks. The winning bidders must purchase and pick-up items in person within five (5) business days from the closing date of the on-line public auction. All successful bidders must pay for the asset at the College Business Office. (Note: In cases when the winning bidders claim tax exemption, a certificate must be provided to the Asset Management Coordinator who in turn will check the [State Board of Equalization](#) website to confirm the tax exemption status. Once that is determined, the Asset Management Coordinator submits a copy of the resale certificate along with payment and receipt to the Business Office, who in turn shall issue a receipt to the bidder for pick up of the asset. Successful bidders must show proof of identification and sign-off on a release waiver.
- e. When an asset is publicly listed on the auction website, the Asset Management Coordinator must change the asset status to "Public Surplus Listed" in the asset database.

Note: The listing period must be observed in order to prevent unnecessary move costs for surplus items.

2. Donate the Surplus Assets: Once the five (5) day pick-up period has passed, all unclaimed items may be considered for re-listing, donation or scrap. Asset Management must do the following:

- a. Check with college designee and reviews an asset's eligibility for re-listing, and/or donation. Depending upon the college's decision, Asset Management must either re-list the auction on public surplus and/or select the appropriate District approved charitable or non-profit organizations accepting donations. The donation process takes about five days. The fifth day is generally the actual donation pick-up day. This process excludes non-federally funded assets. All federally funded assets must follow the disposition guidelines of the federal grant.
- b. Coordinates the logistics of the donation pick up with the Vice President of Administrative Services and Director of College Facilities or designee. These coordination efforts include scheduling pickup appointments with the charities and non-profit agencies accepting the asset. In addition, the Asset Coordinator oversees and manages the physical pickup of the asset on-campus.
- c. Records the asset status change to "Donation" status in the asset database.

3. **Recycle:** If an asset cannot be publicly sold at auction, and/or donated to a charitable organization, then the next alternative method for asset disposal is to recycle the asset. There are two recycling categories: IT equipment recycling and metal recycling.
 - a. The Asset Management Coordinator contacts the recyclers and schedules a pickup. These recyclers must provide proof of their resale certification. The Facilities department must provide a copy of such certification to the College Business Office for their records.
 - b. Informs the Vice President of Administrative Services and/or Director of College Facilities or designee when a pickup has been scheduled. An Asset Management representative supervises and manages the recycler pickup at the site
 - c. Records the asset status change to “Recycle” status in the database.
 - d. Any funds received from the recycling of an asset must be paid at the College Business Office. The College Business Office shall issue a receipt to the recycler for pick up of the items purchased.

4. **Scrap:** If an asset cannot be disposed through any of the aforementioned processes. The final process considered to dispose of an asset is scrapping it. The Asset Management Coordinator must do the following:
 - a. Contact three (3) scrap dealers and conducts a job walk for their bid proposals.
 - b. The scrap dealers submit bids. The Asset Management Coordinator contacts the winning bidder and coordinates all the details of the bids and pick up.
 - c. Records the asset status change to “scrap removal” status in the asset database.

5. **Weight Reports:** **The Asset Management produces weight reports for every campus** submits a copy to the Director of College Facilities. The weight reports include a percentage breakdown of the zero landfill effort for items disposed through public auction, donation and recycling.

6. **Write-off of Assets:** When an asset is actually sold, donated, recycled or scrapped, the Director of College Facilities or designee, must communicate with the Accounting – Asset Unit regarding the asset

disposition status so that it may be written off the asset financial ledger and inventory.

III. BOARD RULES AND LEGAL CONSIDERATIONS

[Education Code Sections 81450-81460 \(Disposal of Surplus Equipment and Materials\)](#)

IV. ONLINE FORM

Asset Change Request - Disposal



AM-05-06 ASSET RECEIPT, TAGGING AND IDENTIFICATION

I. SUMMARY

This procedure describes the receiving and tagging of all low value and capital assets and the assignment of identification tag numbers for each asset entered into the Asset Master Record in the asset database. If the asset is a specially funded program purchase of equipment, the tagging or recording of an asset must comply with the requirements from the grantor agency.

Receiving is an integral part of the asset management process. Its critical function is to verify the accuracy and completeness of asset receipts. The receiving personnel accept ownership of the asset and at that time LACCD liability for the asset is initiated. If an asset is not centrally received, the Department receiving the asset must send the asset for proper tagging and inventory to the Receiving Department.

II. PROCEDURE FOR RECEIVING AND TAGGING

A. Receiving Assets - In order to ensure proper receiving of assets, the Receiving Department must do the following:

1. Upon physical receipt, visually inspects assets to check against the packing list and the purchase order (PO) to ensure compliance as to quantity and item ordered from the vendor.
2. Creates the receiving record through the goods receipt entered in the procurement database.
3. Notes the asset inventory tag number, serial number if application in the asset master and identifies the correct location for the asset to be delivered.
4. Completes the goods receipt in SAP to allow matching the PO and receipt, which allows Accounting to match PO / receipt information to the invoice.
5. Ensures all assets are tagged prior to leaving the receiving area
6. Contacts requestor prior to delivery.
7. Identifies discrepancies. Calls Procurement if receives assets on call in orders or other orders without purchase orders.

B. Tagging Equipment Assets – The Receiving Department must tag assets in the following manner:

1. Place the tag adjacent to the manufacturer's identification plate for machinery and equipment including laptops, desktop computers, camcorders, typewriters, laser

- printers, audio visual equipment, automotive equipment, nonriding lawnmowers, etc.
2. Place the tag on the leg or pedestal of furniture, including chairs, tables and desks.
 3. Place the tag adjacent to the manufacturer's identification plate or by the driver's doorjamb plate for all vehicles.
 4. For tag placement on works of art, work with the artist, if applicable, to ensure the art is not defaced or devalued.
 - a. Create, update or verify the Asset Master Record in the asset database with the following minimum required fields:
 - Asset purchased new or Purchased used
 - Business Area
 - Cost Center or Fund Center, as applicable
 - Description
 - Inventory Number (inventory tag number)
 - Manufacturer
 - Plant
 - Quantity and Unit of Measure
 - Serial Number
 - Vendor
 - WBS Element, if applicable
 - b. Note the asset tag number assigned to the asset through the asset database in the Asset Master Record regardless of whether the asset was tagged and identify the correct location for the asset to be delivered. This asset number is another means of reporting information on the asset in the asset database. The asset number is different from the inventory number.
 - (1) The asset number is essential because it represents the primary reference number for a particular asset on the computer database. All access to change a record must be directed through this unique asset number.
 - (2) When assets cannot be tagged due to the size or their nature (for example, if software is part of the operating system), assign a tag number and note in the Asset Master Record that the asset was not tagged. Attach the tag to the appropriate document such as the warranty and licensing agreement.
 - (3) Fixtures and appliances permanently attached to the building are considered as part of the building asset. Therefore, do not tag assets permanently attached to a building.
 - c. Before delivery, contact the requester to determine whether the asset will be sent to or picked up by the user.
 - d. Identify discrepancies and contact the Purchasing Office if assets are received on a phone in basis or ordered without purchase orders.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
AM 3 Asset Receipt, Identification, and Tagging Procedure

Office Machinery and Computer Equipment	Right side when facing the unit, as long as it does not interfere with the operation of the unit.	When considering a computer and monitor as a system, tag the Network equipment that is mounted on a rack should be <i>tagged</i> on the front.
		Alternate locations should be near the manufacturer's plate.
Accessory items	These items can be removed and utilized without the parent item and are tagged separately.	
Ancillary items	These items can not be removed and utilized without the parent item and are not tagged separately.	
Sensitive assets: laptops, camcorders, typewriters, laser printers, audio visual, weapons, outside contractor assets	Front upper right hand corner.	A note from Procurement In the purchase documentation identifies that tagging is required.
Grounds, Housekeeping Maintenance, Automotive Equipment, Non-riding lawn mowers, etc.	Front upper right hand corner.	The design, shape, and location will determine the best
Portable radios	By the manufacturers plate.	
Buses	Interior near the manufacturer's identification plate.	
General vehicles	By the driver's side door jamb plate.	

C. Asset Identification in Database – The Receiving Department must do the following:

1. Upon receipt of the receiving documents, utilizes the purchasing documents as well as the information contained on the invoice to update the asset information in the fixed asset system.

2. If the asset number (tag number) has not been already assigned, requests assignment at this time, as this number is essential because it represents the primary reference number for a particular item on the computer database. Directs all access to change a record through this unique asset number.
3. Verifies the description as a good description to allow access to the asset information in the fixed asset system.
4. If there is no tag number affixed, ensures a correct description is used to locate the asset in SAP.

III. Guidelines for Asset Control and Assignment

A. Asset Management

1. Maintain control of the asset tags and a tagging log. Provide tags to the Receiving Department or key decentralized receiving areas. The Asset Manager is responsible for purchasing and issuing tags. (See Business Operations Policy AM-00, Asset Management Policy.)
2. Maintain a barcode program to immediately affix a barcode on all capital assets to readily identify ownership.
3. Removal of bar codes is not allowed without prior approval from the Asset Manager or designee.
4. Maintains a barcode program to immediately affix a barcode on all capital and low value assets. Educates all responsible organizations on barcode processes.
5. Maintains control of the asset tags and a tagging log. Tags may be provided to Receiving or key decentralized receiving areas. No tags will be purchased or issued except by the District Asset Manager.
6. Maintains and monitors the tagging protocol in accordance with the appendix to this procedure.
7. Allows removal of barcodes only upon approval which could include authorized disposal, mislabeling, returns to vendor, and damaged barcodes.
8. When items cannot be tagged in Receiving due to size or their nature, but by the rules above require tagging, assigns a tag number and records in the asset master with an explanation noting that the item was not physically tagged.
9. Sends unapplied tags to Accounting to be attached to the original invoice. Ensures Receiving records the tag number assigned to the asset in the inventory number field in the asset master record regardless of whether the item was tagged.
10. Ensures tags are placed in a uniform location, depending upon how 'easily the tag can be placed and subsequently inspected. Ensures items are never defaced to place a tag.

B. Facilities

Ensures that assets resulting from construction are properly received. The Asset Manager and Receiving can assist in the asset classification, tagging, and identification of the asset.

C. All Personnel

Reports any employee-owned tools, equipment, or furniture brought on LACCD premises to the Department Manager and obtains a Property Pass. The report includes the employee's name, description of items, identification numbers, if any, and reasons for using the asset.

D. Procurement

Ensures that titles of sites, buildings, vehicles and such, are held in the name of LACCD and that vehicle titles are held by Plant Facilities.

IV, FORMS

Purchase Order

Purchase Request



AM-05-07 PHYSICAL INVENTORY

I. POLICY

To maintain the accuracy and integrity of the District's capital and low value assets, each college and the District Office shall perform a physical inventory of its assets to verify the existence, location and condition of its assets. The Asset Manager is responsible to coordinate the district-wide physical inventory every three (3) years and provide each college location a comprehensive Inventory Plan.

II. PHYSICAL INVENTORY PLANNING AND PROCESSES

The Asset Manager will coordinate with each college and the District Office through a designated asset inventory coordinator at each location. The Vice President of Administrative Services will identify the assignment of employees as asset inventory coordinators to perform the duties in adherence with the Inventory Plan.

The Asset Manager will continually track the physical inventory progress at each location until reconciliation has been completed.

A. District-wide Inventory Plan

1. The District has established a property management inventory system to control and account for all capital and low value assets.
2. All capital and low value equipment assets will be inventoried every three (3) years and the Asset Master Record will be updated for each capital asset. Land, land improvements, buildings, building improvements and infrastructure will be inventoried every three (3) years.
3. Assets acquired through research, grants, contracts or subcontracts will be inventoried in accordance with grant terms and conditions.
4. Each department review capital and low value assets within their assigned location and receive training on the equipment and understanding of the inventory processes.
5. The Inventory Plan will include:
 - a) Inventory guidelines to ensure the following objectives are achieved through the Inventory Plan:
 - Verify asset existence
 - Confirm locations
 - Confirm custodial responsibilities
 - Identify unrecorded assets
 - Locate missing assets
 - Verify the status of assets (including active and inactive conditions)
 - Asset types and facilities
 - Inventory physical location
 - Reconciliation



- Reporting
 - Adjustments
 - Quality Assurance
 - Closeout
- b) Accuracy goals to reflect percentage of complete and accurate records on the first inspection of the physical inventory and the accuracy after reconciliations.
- c) Establish a communication plan to ensure the areas to be inventoried are notified and ready to support the inventory. This includes preparing any assets for the inventory process.
6. Develop an inventory data update program which manages mass imports, exports and data batch schedules. If data require manual entry, ensure that a checklist is created that identifies the data updating has occurred and by whom.
7. Prepare physical inventory schedules and identify any issues of concern or challenge. In addition, identify inventory personnel for the inventory.
8. Ensure that inventory collected in the field is properly recorded in the asset database. Identify a sampling to be tested for accuracy.
9. Complete site preparation in accordance with the Inventory Plan.
10. Upon completion of the scanning of the inventory assets, the physical inventory data must match the data on the Asset Master Record in the asset database. Reconciliation must be performed and any discrepancy discovered must be investigated and resolved.

B. Inventory Preparation

1. The Asset Manager will develop an inventory schedule and distribute it to each asset inventory coordinator along with the inventory verification file.
2. The Vice President of Administrative Services shall identify an asset inventory coordinator at each college location and the Director of Business Services shall also designate an asset inventory coordinator for the District Office. The asset inventory coordinator designated by the Vice President of Administrative Services or Director of Business Services cannot be selected from the Receiving Department as that would create a conflict in the internal control process. The asset inventory coordinator will contact their supervisor or department manager to notify them of the upcoming physical inventory to ensure cooperation and access. The initial kickoff meeting must include discussions on schedules, procedures, objectives and scope.
3. Before the asset inventory takers enter the area to be inventoried, an area/department supervisor will need to be identified to provide assistance in identifying leased, rented or employee owned property or other unfamiliar equipment that may raise questions or issues of concern in the inventory process. This may be the asset coordinator if he/she is also familiar with the inventory location.



C. Inventory Procedure

1. At each location, the asset inventory coordinator will identify the area to be inventoried based upon the Inventory Plan and ensure the physical inventory is performed in an efficient and timely manner.
2. The inventory shall proceed from room to room, floor to floor, and building to building. Inventory takers should avoid passing over areas for inventory at a later date unless access is absolutely not possible at the time. If there is no access at the time of initial inventory, the inventory taker shall make a written record of the room missed and return later. An inventory taker should not rely on his/her memory for which rooms are not complete.
3. All equipment at the location should be scanned and all information verified by the inventory taker. If the previous inventory data in the scanner is not correct, the inventory taker should input the correct data.
4. Specifically, the following scanning instructions should be followed by all inventory takers:
 - a) Proceed through each room methodically. When the room is complete, take a second visual inspection of the room to make ensure nothing is missed.

When possible, employees should identify any personal property or property otherwise owned by another party to the inventory taker to avoid inadvertently inventorying these items. This does not include grantor funded assets. An inventory taker should be alerted to the distinction between employee personal property by being provided a separate inventory list of personally owned items and their locations.
 - b) Scan the asset to determine if the asset is found or missing in the database.
 - If the asset is found, verify the data fields and correct any discrepancies.
 - If the asset does not have a barcode, tag the asset and enter the full record data. For tag placement, see Business Operations Procedure AM-05-06, "Asset Receipt, Tagging and Identification."
 - Check asset classification and identify any corrections that should be made to the record.
 - c) Upon completion of the inventory, overlay the new cycle date sticker without defacing the asset.
 - d) Scan the barcode tags of all assets at each location along with an indication of the function and room. Record the date when the asset is inventoried and who performed the inventory.
 - e) If the data cannot be scanned, record the data manually and initiate retagging.



5. Investigate discrepancies and make every effort to resolve inventory discrepancies.
6. Compile the results of the inventory into a report and submit to the Asset Manager as well as the Vice President of Administrative Services or designee at the College or the Director of Business Services or designee at the District Office. The report is to contain:
 - Listing of assets by location
 - Summary of assets by fund and type
 - List of assets by location
 - Summary of asset values by location
 - Summary of site inventory discrepancies between the physical inventory and the database.
 - Listing of assets devoid of their respective inventory tag.
7. Step-by-step instructions for carrying out the physical inventory (file preparation, data entry, reconciliation and various reports to be generated) should be provided by the Asset Manager.
8. Once the physical inventory of the assets at a location is complete and has been verified, finalized and signed off by the asset inventory coordinator and Vice President of Administrative Services or Director of Business Services, it shall be submitted to the Asset Manager.
9. The Asset Manager shall then submit the physical inventory lists to the Asset Accounting Unit. The Asset Accounting Unit shall review the physical inventory listing for any apparent discrepancies and communicate with the Vice President of Administrative Services or Director of Business Services regarding any clarifications that need to be made.
10. An exception report will be created by the Asset Accounting Unit and distributed to the Vice President of Administrative Services or Director of Business Services to verify any adjustments to the asset record that may need to be made. These proposed exception adjustments will be reviewed and signed off by the Vice President of Administrative Services or Director of Business Services prior to the correction entry being made by the Asset Accounting Unit.

III. FORMS / REPORTS / SAP TRANSACTIONS

Physical Inventory Plan

History Report: details history codes assigned to each asset in the selected asset group.

Exceptions Report: displays **Exception** status assigned to each asset during the inventory and must be printed before reconciliation.

Reconciliation Report: details the most recent inventory reconciliation including **Exception** status of inventoried assets and reconciliation codes.



AM 05-08 SPECIALLY-FUNDED PROGRAM ASSETS

I. POLICY

Assets obtained through specially funded programs (federal, state or private grant funds) must be carefully monitored throughout the grant period in order to ensure that grantor requirements regarding equipment are followed. As a result, specially funded program assets procurement records must reflect the source of funding for the asset jointly paid by the grantor and the District. In addition, when disposing of these special program assets it is important that the disposition must be in compliance with the grant agreement and guidelines. Failure to follow the grant requirements or guidelines in handling these assets may result in the grantor disallowance of costs, audit findings of the program and/or discontinuation of grant funds from the program.

II. ASSET MANAGEMENT GUIDELINES

It is the responsibility of the grant program director to be thoroughly knowledgeable of the grant asset guidelines typically found in the grant application or grant agreement to ensure that assets are tracked appropriately. At least once a year, the College Vice President of Administrative Services and Vice President of Academic Affairs shall review the managing of grant assets located at the College. The Chief Financial Officer, Accounting Asset Unit and Director of Business Services will have responsibilities for ensuring overall Asset Management compliance.

For federally funded assets, the grantee must comply with provisions of Office of Management and Budget Circulars A-21, Revised, and A-110 to ensure proper reimbursement from the federally funded program.

For State and other locally funded programs, the grantee must comply with the State Chancellor's Budget and Accounting Procedures Manual and other related grant documents from the State Chancellor's Office or other sources to ensure proper reimbursement.

A. Asset Procurement

The general guidelines for procuring and tracking specially funded program assets are as follows:

1. **Real Property and Equipment** – Real property and equipment procured in accordance with grant funds must be used for the purpose of the Grant in accordance with the following:
 - a. In accordance with state and federal guidelines, the current threshold for which an inventory of fixed assets is maintained is \$5,000 or greater, **unless conditions of a grant require lower threshold assets to be counted.** Any low value assets identified by the grant must be handled in accordance with the standard district-wide asset guidelines.



*Specifically, equipment funded by the Perkins Act set forth in OMB Circulars A-87, A-21, A-133, A-102, A-110 must be tracked if the equipment unit cost purchase price is \$200 or more AND has a useful life of one year or longer.

- b. As a result, asset equipment within this threshold must be appropriately tagged and purchases must identify the particular funding source.

The Program Directors should maintain separate inventory control lists of the grant equipment purchased, including a description of the equipment, manufacturer's serial number, inventory control number, whether title vests in the recipient or the Federal government, the acquisition date, the unit cost of the equipment, the location, condition of the equipment and date the information was recorded, date of last physical inventory and any final disposition data.

*Specifically, Perkins Act funded equipment \$1,000 or more AND a useful of one year or longer shall be kept in a trace inventory system.

- c. All grant purchase initiators must ensure that the correct information on the purchase order (PO) is entered and the asset master record is properly created in the database. Purchasers should follow the standard policy and procedures for coding and identification of the asset in the purchasing database with respect to general ledger account and asset class in Sections 05-00, 05-03 and 05-06.
- d. In addition, grant program directors should review the grant documents to determine whether the grantor agency allows shared usage of the asset for other programs not a part of the grant. Shared usage should not interfere with its use in carrying out the purposes of the grant throughout the term of the grant agreement.
- e. Prior to purchasing grant funded assets, all program directors must identify in their purchasing documents whether the purchase of equipment is set forth in their grant planning documents and attach proof of such information if possible.
- f. All program directors are required to provide a quarterly verification and reconciliation of their program assets to the District Asset Accounting Unit.
- g. In addition, the Internal Audit Unit may engage in periodic audit or sampling of the program asset records to ensure compliance with grant and district-wide asset guidelines.

B. Asset Tagging, Tracking and Inventory

1. When tagging a specially funded program asset, the Receiving Department shall upon receiving initially tag the asset with a district-wide inventory tag and property identification sticker in accordance with standard district-wide procedures established in Section 05-06. The Program Director must ensure that any tagging procedures and **any additional stringent asset** equipment management requirements set forth by the Grantor are followed. This may include additional color coded tagging of the asset or placement of additional grant specialized tags.



2. As set forth above, the Program Director must maintain their own inventory control record listing of the specially funded program assets in order provide necessary reports to the grantor agency and for additional grant auditing purposes.
3. If any grant asset is stolen are other such loss occurs, the program director must inform the grantor of the loss and communicate this information to the Asset Accounting Unit.

C. Disposal of Surplus Grant Assets

1. Upon completion or termination of the grant, or when the equipment is no longer in use or the equipment is no longer necessary for grant purposes; it may be disposed of in the following manner:
 - a. Equipment with initial purchase prices less than \$5,000 or whatever dollar threshold defined by the grantor that may be disposed of at the District's discretion. However, the disposition of the assets must comply with the established district-wide asset disposal methods found in Section 05-05.
 - b. If the grant involves assets that are \$5,000 or greater, then the grant program director must request prior written approval from the grantor before actual disposition of the asset. Any written response from the grantor regarding asset disposition approval should be kept with the grant inventory list files at the program location.
 - c. In all other cases, assets with an initial purchase price equal to or in excess of \$5,000 may be sold or used in another program funded by the grantor agency. If the assets are sold or payment is made for scrap or recycle, the proceeds of the sale, scrap or recycle may be retained by the college's (general fund), unless the grant requires return of the funds to the program.
 - d. Prior to any transfer of grant assets to a different fund center, the program director is responsible for ensuring that all grant disposition and district-wide guidelines are followed.



AM 05-09 ASSET ACCOUNTING, REPORTING AND AUDITING

I. POLICY

Asset reporting and auditing are intended to ensure that the District has established adequate internal controls and its financial statements accurately reflect the inventory of assets owned by the District in accordance with generally accepted principles established in Government Accounting and Standards Board (GASB) sections 34 and 35. The Asset Manager should be familiar with auditing guidelines and should work closely with the Internal Audit Unit and District Asset Accounting Unit to ensure that adequate controls are placed on assets, the value placed on assets are accurately stated in the financial statements and that sound asset management processes are implemented throughout the District.

II. ASSET FINANCIAL ACCOUNTING AND REPORTING

- A. In addition to the District Accounting Asset Unit following appropriate and applicable asset financial accounting policies and procedures, the Unit shall perform the following:
 1. Maintain detailed and accurate records of assets owned by the District;
 2. Establish guidelines for asset costs, including an alternative basis for capitalization of cost if the asset is not available for review;
 3. Monitor useful life applications and makes recommended changes as required;
 4. Reconcile asset accounts to the general ledger;
 5. Review assets under construction to ensure they are not depreciated until they are settled into their proper and permanent account which includes periodic settlement of these assets;
 6. Work through the Asset Manager to ensure integrity of reports for assets to include accurate reporting additions, deletions, asset transfers, donations and net asset quantities and values for each major asset classification;
 7. Adhere to strict asset depreciation guidelines set forth in Section 05-03;
 8. Enforce asset accounting policies and procedures when developing and presenting financial statements for the District.
 9. Assist the Asset Manager in overall asset management responsibilities related to physical inventory asset accounting which includes generating exception reports for the Vice President of Administrative Services to review adjustments proposed to asset records;
 10. Familiarize asset management coordinators with fundamental principles of financial accounting and how they relate to the property management function;
 11. Perform monthly reconciliations for assets being recorded and post monthly depreciation of assets;



12. Capitalize any leased assets in accordance with GASB 34 and 35 financial accounting guidelines;
 13. Assist in coordination of annual external audit; and
 14. Produce historical asset reports to the Vice President of Administrative Services or Director of Business Services on a periodic or as needed basis for review and oversight of assets within their location.
- B. In accordance with Section 05-06 and the Procurement Policies and Procedures, the District Business Services Office shall provide guidance district-wide on the proper procurement of assets and creation of asset records upon purchase in the procurement database in order to ensure accurate custodial asset reporting. The Facilities Planning and Development Department must also report any disposition of assets to the Board of Trustees for approval. Any loss of assets greater than \$5,000 must be reported to the requisite insurance carrier by the District Business Services Office for loss recovery purposes.
- C. The College Vice President of Administrative Services or designee shall ensure that:
1. All college staff and faculty accurately report any receipt of assets, asset changes or asset movements at the campus.
 2. All grant-funded reporting guidelines are strictly followed by the relevant college departments.
 3. Any exception report produced by the District Asset Accounting Unit for adjustment purposes is reviewed and accepted by the college administration.

III. ASSET AUDITING

- A. The Internal Audit Unit shall review the adequacy of asset inventory controls. Internal Audit may conduct compliance and performance audits on various departments or divisions within the colleges or District Office in accordance with Section 05-02.
- B. The Internal Audit Unity may conduct two primary types of audits: (1) compliance and (2) financial audits. A performance audit shall check whether the regulatory requirements of the District or granting agency are followed. A financial audit shall check whether the appropriate accounting and adequate internal controls are in place to limit possible financial liabilities to the District.
- C. The purpose of these audits shall support the following objectives:
1. Reveal whether the District 's asset policies and procedures are adhered to and enforced, exposing any non-compliance issues or violations requiring action and resolution;
 2. Discover irregularities or failures in the asset management system;



3. Prepare the District for mandatory audits;
 4. Ensure budgetary constraints are being observed;
 5. Assist in development of an annual report for the District; and
 6. Determine whether additional procedures or guidelines need to be put into place in order to bolster enforcement and compliance of asset management control.
- D. The Internal Audit Unit will conduct audits in the following manner:
1. Create an audit plan for targeted locations;
 2. Communicate closely with the College Vice President of Administrative Services or Director of Business Services in facilitating the audit plan at the targeted locations;
 3. At its discretion, conduct random or statistical sampling of asset records and inventories;
- E. Once the Internal Audit Unit completes its review, it shall make findings and provide recommendations in an audit report to the College President and Vice President of Administrative Services or Director of Business Services for any district targeted location. The audit report will be presented to the College President and the President will review and sign acknowledgement of the report. If the location audited is at a college, at the direction of the College President, the Vice President of Administrative Services shall develop a corrective plan of action and ensure that this plan is implemented. If the subject location of the audit is a district department, such a report will be presented to the Deputy Chancellor and Director of Business Services for review and sign-off.
- F. After the corrective plan is fully implemented, the Internal Audit Unit will return to the targeted location and validate whether the corrective actions were appropriately implemented.
- G. On a quarterly basis, the Internal Audit Unit will generate a report to the Chief Financial Officer, Chancellor and College President which shall measure the progress of the corrective actions.



AM 05-10 SPECIAL CONSIDERATIONS FOR INFORMATION TECHNOLOGY ASSETS

I. POLICY

Information technology assets require special handling largely due to their portability, widespread usage, data security requirements and system compatibility concerns inherent to these specific assets. These assets must follow the general district-wide guidelines for assets and the special considerations identified herein regarding purchasing, tracking and disposition of these assets. The Vice President of Administrative Services must work closely with their College Manager of Information Systems to ensure that information technology assets are issued and tracked appropriately. At the District Office, the responsibility for oversight of these assets is assigned to the Director of Business Services and the District Computer and Network Operations Manager.

II. PURCHASING OF INFORMATION TECHNOLOGY EQUIPMENT

A. Guidelines for Purchase

Prior to purchase of information technology equipment, requestors must consult with their College Manager of Information Systems or designee and be familiar with any established minimum standards and guidelines for purchase and implementation of new hardware and software at their location. Adherence to technology standards and guidelines ensures compatibility of new hardware and software with the college or District Office technology infrastructure, as well as support the objectives of cost savings and efficiency.

In order to ensure accountability of the information technology assets, local information technology departments shall be provided the necessary automated tracking tools for these assets.

B. Equipment Request Review and Sign-Off

Requestors must complete an information technology purchase request form with their department manager's approval and submit it to the College Manager of Information Systems for impact review and sign-off prior to purchase. The College Manager of Information Systems will transmit the request forward for entry in the procurement system and inform the requestor that it has either been approved or denied. If the request is denied on the basis of its failure to meet the minimum information technology standards and guidelines established at the location, the Manager will provide justification to the requestor for the denial. A requestor may seek review of the denial justification from the Vice President of Administrative Services if they believe the justification to be unreasonable.

C. Screening and Receiving

Once information technology equipment or software is delivered to the Receiving Department, the Receiving Department shall request the information technology department to screen the equipment prior to complete acceptance, distribution and/or installation of the equipment or software purchased. The information technology department shall log all



equipment or software screened by the department to ensure consistent review of these delivered purchases.

Any delivered information technology assets not approved prior to purchase or not meeting local information technology minimum standards and guidelines, will be returned directly to the vendor. However, in highly limited and special circumstances, the College President or Vice President of Administrative Services may identify overriding considerations for accepting the asset and may provide written approval for acceptance of the asset to the local information technology department.

For purchase of computer software that is directly downloaded into a computer system, any software keys for the purchase should be sent directly to the information technology department. The local information technology department will verify that the software key is legitimate, appropriate for installation, and assist the user in initial download of the software to their equipment.

III. TRACKING

A. Tagging

Information technology (IT) assets and software are tagged in accordance with the general asset receiving guidelines established in AM 05-06. Tagging shall occur at the Receiving Department. Tag placement for such equipment assets should not hinder the use and operation of the asset. Software purchases should be tagged on its warranty or downloadable user agreement documents. A copy of the tagged warranty or user agreement document must be provided to the local information technology department for their tracking records.

B. Loan of Asset to Employee, Student or Third Party

(i) Check-Out Process

Request for issuance of portable information technology equipment to a specific employee, student or third party must be made by the appropriate department head in writing to the College Manager of Information Systems or designee. Specifically, an equipment loan request form must be issued, signed by the department head and employee, student or third party who will be using the equipment. The loan request form will clearly identify whom the equipment is issued to, a description of the item, business purpose for issuance and an acknowledgement of liability should loss occur. Once the loan request form is completed and signed by the local information technology department, the original document should be kept in their file. A copy of the loan form should be provided to the employee, student or third party to whom the asset was issued and to the department head making the check-out request.



(ii) Check-In Process

When equipment is no longer in use by the party it is issued to, whether by termination of employment, change in assignment or project, the party that is issued the asset should return the equipment to the local information technology department. The information technology department will update its check-out log to reflect the return of the asset and inform the program department head that the equipment has been checked-in. The information technology department will provide the initial equipment loan request form back to the employee, student or third party to obtain a check-in signature. After the employee, student, or third party signs the form, the College Manager of Information Systems or designee will also sign the form approving that the equipment has been received by the information technology department and that the equipment is complete, containing all needed parts, as well as, indicating that the asset is in usable condition. This form shall continue to be kept on file with the local information technology department.

Once the process is complete, the local information technology department may screen the equipment for re-issuance and re-utilization to another user. This may include, but not be limited to, archiving business files maintained by the user and/or wiping the user's drive clean of any sensitive or confidential information not needed for use by the subsequent user of the equipment.

(iii).Responsibility for Equipment Loss or Damage

If equipment is returned severely damaged or a complete loss, and such loss is verified by the College Manager of Information Systems or designee that the equipment is no longer functional, the College President or Vice President of Administrative Services may recommend action to seek compensation or from the employee, student or third party for the cost of damage or loss of the equipment if such loss is reasonably connected to the user's misuse or negligence in keeping the asset secure.

IV. Inventory

In addition to the general guidelines for inventory, all colleges and District Office shall maintain a standard information technology tracking tool integrated with the district-wide asset database to support all inventories of these assets.

A. Asset Movement

1. Transfer

All physical movements of IT assets from building to building or cost center to cost center shall follow the general district guidelines for asset moves. This includes completion of an asset request form prior to movement. The local information technology department



shall be informed of the movement and will be responsible for performing the following tasks:

- a. Tear down and re-installation of equipment from the former to new location;
- b. Sanitize any data from the equipment that is not appropriate for use by the new user or department;
- c. Archive any data that may be needed by the former user or department for future reference; and
- d. Update the IT asset log to identify the asset movement or change. Communicate with the Receiving Department to ensure update of the asset database to reflect the change in the asset.
- e. Reset desktop computers to secure any former data and wipe clean any sensitive data no longer needed.

2. Loss/Theft

If an IT asset is stolen or lost, the user of the asset shall report the loss/theft immediately to the Sheriff's Office and Vice President of Administrative Services. In the case of theft, the Sheriff's Office shall file an incident theft report. The Vice President of Administrative Services shall complete a loss report. The Vice President of Administrative Services shall inform the local technology department of the loss/theft. If a report is filed, the report shall identify specifically what type of data information was kept on the asset in order to determine the need for further action relating to data security and confidentiality.

If possible, the Vice President of Administrative Services may request the information technology department to activate the "kill switch" on the asset in order to ensure that there is no misuse or tampering of data in the asset by an unauthorized user.

If it is determined that the data on the asset includes highly sensitive or confidential information, the Vice President of Administrative Services shall immediately report the loss/theft to the College President and they shall further consult and coordinate the need to report and take further action with the Office of General Counsel.

Depending on the nature of confidential information (financial, student, or personnel records) the College President and Vice President of Administrative Services will include further consultation with the Human Resources Department, Business Services Office, and Chief Financial Officer.

The Loss or theft of the asset must also be reported to the District Asset Accounting Unit in order for the asset to be removed from the asset financial accounting ledger.



Any disclosure of confidential data identified in any state, federal, or local law shall follow the measures identified in the law for informing parties of inadvertent disclosure of this information. Some examples of these laws which require notification to those parties of which the data was disclosed include, but may not be limited to, the Health Information Portability and Privacy Act (HIPAA), the Family Educational Rights and Privacy Act (FERPA), Gramm-Bliley Leachy Act and various sections of the California Civil and Government Codes.

3. Disposal

The local information technology department shall be informed of any assets that will be disposed of from the college or District Office to ensure that any computer hard drive identified for disposal can be sanitized prior to disposition. Also, the local information technology department shall update its own IT asset inventory log to reflect the disposal of the asset.