



Division of Procurement & Supply Chain Operations

INVENTORY CONTROL & LOSS PREVENTION POLICY and PROCEDURAL MANUAL



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ALABAMA STATE UNIVERSITY

INVENTORY CONTROL AND LOSS PREVENTION DEPARTMENT

POLICY AND PROCEDURAL MANUAL

Revised 9-21-2026

The Office of Inventory Control and Loss Prevention

Department Mission

The Department of Inventory Control and Loss Prevention is designed to function as the moveable property control focal point of Alabama State University. The primary responsibility of the Inventory Control Department is to receive, distribute and dispose of materials for Alabama State University in accordance with the University and State of Alabama guidelines. The Inventory Control Department is committed to providing means for the accurate documentation of newly purchased, donated, transferred or disposed items within the University by providing efficient and effective means of asset management.

RECEIVING AND DELIVERY

Merchandise is physically received in the Inventory Control Warehouse and is delivered to the appropriate departments in a timely manner. The Office of Inventory Control uses the University PeopleSoft system to electronically receive purchase orders for merchandise that has been properly delivered to departments and acknowledged by their signature. Instructions for emergency Procurement situations must follow the guidelines established by the University's Procurement Department for proper receiving.

PROPERTY DISPOSALS AND TRANSFERS

Department Disposals

A (Request to Dispose of Unusable/usable Form) form is to be completed by the department manager whenever an asset is no longer required by the department for any reason and they wish to dispose of the asset. The department manager will forward the approved form to the inventory department for the scheduling and removal of the disposed item. The department manager should continue to properly secure the property and remains liable for the property until it is picked up by the Inventory Control Department. This form can be found on the University's webpage under administrative forms located at the following address: <http://www.alasu.edu/faculty--staff/administrative-forms/index.aspx>

Department Transfers

A (Request for Transfer of Movable Property Form) form is to be completed by department manager in making the request to relocate University equipment from its original location to a new location. This form should indicate the old and new location (building, department, room) and effective date of transfer. The transfer should be approved by managers from both the releasing department and the receiving department. A copy of the completed form is forwarded to the Inventory Department so that the transfer from the releasing department to the receiving department can be recorded in the Fixed Asset module and the inventory tracking module, if applicable. If physical movement of property is required, the Inventory Control Department will forward a copy of the approved transfer form to the Transportation Department. Once approved the receiving department must complete a work order through the University's TMA system for the Transportation Department for the physical movement of the property. The Transportation Department will verify on the Request for Transfer of Movable Property Form that the work order has been completed. The effective date of the transfer is the actual date of the physical relocation of the asset and the date in which accountability for the asset will change. This form can be found on the University's webpage under administrative forms located at the following address: <http://www.alasu.edu/faculty-staff/administrative-forms/index.aspx>

Department Equipment Used Off-site

A (Property Custody Request and Receipt Form) form is to be completed by the department manager for any employee of the University who request to possess and/or remove property (excluding vehicles) from the University premises. The form must be properly approved and completed in its entirety prior to the release of the property to an employee. The department manager is required to maintain a Property Custody Request and Receipt form for any equipment that will be used off campus. An employee may not authorize his/her own Property Custody Request and Receipt form. Users of equipment taken off-site should protect such equipment in their possession as if it was their own personal property. The department manager is also required to maintain an Property Custody Request and Receipt form of any equipment not in its assigned location (e.g. equipment loans to another university: asset being repaired at a location other than its assigned location). The University reserves the right to request the return of ASU property at any time. This form can be found on the University's webpage under administrative forms located at the following address: <http://www.alasu.edu/faculty-staff/administrative-forms/index.aspx>

STATEMENT OF PURPOSE

Alabama State University (ASU) requires that amounts expended for fixed assets (in excess of certain thresholds and whether purchased, constructed, gifted/donated, or leased) be capitalized, depreciated and periodically reviewed for impairment or possible write-off in accordance with Generally Accepted Accounting Principles (GAAP), federal and state laws, University policies and procedures, and all granting agencies regulations. All fixed assets are owned or accountable by the University and not a specific individual, department or other operating unit. Compliance with the policies and procedures defined herein is mandatory for all ASU faculty, staff and students who are working for or on behalf of the University.

ASU capitalizes fixed asset purchases when they meet all of the following criteria. Otherwise, the expenditure is recorded as an operating expense in the fiscal year incurred:

- Owned or considered owned by the University or government agencies
- Held for operations (e.g., not for resale or investment)
- Useful life that exceeds one year, and
- Meets the following materiality thresholds:

Category	Capitalization Threshold
Land	N/A - all land is capitalized
Buildings (including Construction In Progress)	aggregate of project
Building Improvement or Renovation	aggregate of project \$10,000
Moveable Equipment	\$10,000 individual
Vehicles	\$10,000 individual
Software (Only if Source Code is Provided)	\$10,000 individual

POLICIES AND PROCEDURES FOR FIXED ASSETS:

This fixed assets policy and procedures document has been developed to provide the campus community with the information necessary to:

1. Properly identify fixed assets.
2. Ensure that the University's fixed assets are properly acquired, safeguarded, controlled, recorded and disposed of.
3. Ensure adherence to Generally Accepted Accounting Principles (GAAP), applicable federal and state laws, University policies and procedures, and all granting agencies regulations,
4. Promote consistent accounting treatment across the University, and
5. Ensure the operating results of University units are properly recorded and reported.

RESPONSIBILITIES

The Inventory Control and Loss Prevention Department is responsible for supporting University departments to ensure the appropriate safeguarding of University assets, integrity of financial transactions and compliance with policies, laws and regulations. The Inventory Control and Loss Prevention Department performs an annual reconciliation of all approved assets and disposals to include a review of transactions created by the PeopleSoft Fixed Asset Module and its impact on the University's General Ledger. The results of this reconciliation are provided to the University Comptroller. Inventory Control and Loss Prevention is also responsible for properly tagging and controlling acquired/donated University property (capitalized and controlled); and performing periodic inventories of fixed assets, along with the Department Property Custodian (DPC). The inventory department verifies completeness of records, monitors transfers, perform surprise unannounced inspections and assist with the performance of physical inventories.

The Comptroller's Office, a unit within Business and Finance, through its accounting department, is responsible for the general oversight of fixed assets and the establishment and monitoring of proper internal controls, including maintaining the policy and answering questions regarding the policy.

The Office of the Comptroller, in conjunction with the Department of Inventory Control and Loss Prevention is responsible for the following:

1. Ensuring the integrity of all fixed asset data including recording all transactions relating to acquisitions, disposals, transfers, write-downs, write-ups, Construction in Process (CIP), depreciation and physical inventory.
2. Providing training as needed to all University personnel involved in the acquisition, disposal and transfer of fixed assets.
3. Providing physical inventory training to Department Property Custodians (DPC) as needed.
4. Reconcile books to physical inventory variances, and propose adjustments as needed.
5. Ensuring that fixed assets are properly identified, tagged and that authorization is obtained for all transfers, trade-ins and disposals.
6. Ensuring compliance with GAAP, federal and state laws and university policies and procedures.

The University Budget Office is responsible for ensuring the correct coding of PeopleSoft requisitions for the acquisition of capital items prior to approval. Approved requisitions are subsequently converted to purchase orders that are approved and issued to vendors by the Procurement Department.

Procurement is responsible for approval and issuance of all University purchase orders. Procurement also ensures that all university purchases comply with applicable state and federal regulations for which University funds are expended for goods or services.

Accounts Payable is responsible for ensuring correct coding of invoices in payment of fixed assets. Correct coding will ensure that all fixed assets will automatically flow into the fixed asset module when an invoice is paid.

Buildings and Grounds supports University units engaged in capital spending projects and normally oversees the capital project. Buildings and Grounds, through its receiving unit, is also responsible for ensuring correct coding of purchase orders entered into the fixed assets module.

VPs, Deans and Department Chairs/Heads (or equivalent departmental financial officers, as appropriate) are responsible for ensuring that departmental units abide by this policy and the accompanying procedures. They are responsible for implementing these policies and procedures, as they apply to the physical control of assets while assigned to their area of responsibility, principally by ensuring that University assets are appropriately accounted for, valued and safeguarded. Individuals are asked to first contact their Department Head with questions on this policy, to ensure that consistent guidance is provided within each department. The Department Head may empower a University employee in their department to perform the duties of Department Property Custodian (DPC) but accountability remains with the Department Head.

Department Property Custodian (DPC) is responsible for ensuring the department adheres to the policies and accompanying procedures. The DPC is responsible for all assets in his/her area, including renovations. The DPC partners with the Department of Inventory Control & Loss Prevention to ensure a successful inventory by completing the appropriate documents on the movement of assets and assisting in the physical inventory process as needed. A Request for Transfer of Movable Property Form or Request to Dispose of Unusable/Usable Property Form must be signed by the DPC, the Dean or Department Head and the Director of Inventory Control and Loss Prevention.

Grants and Contracts Accounting is responsible for ensuring allowability and fund availability for all grant-related fixed asset purchases and coordination with the Comptroller's Office to ensure compliance with federal and state regulations, in addition to granting agency regulations.

Development is responsible for obtaining the fair market value of donated gifts and reporting this information to the Comptroller's Office.

Office of Research and Sponsored Programs is responsible for supporting University departments to ensure that sponsored funds are being used appropriately and in compliance with the sponsoring agency's rules and regulations.

Primary Guidance:

- GASB Statements, especially GASB 34 "Basic Financial Statements for State and Local Governments" and "GASB 35 "Basic Financial Statements for Public Colleges and Universities"
- NACUBO Financial Accounting and Reporting Manual (FARM)

- Generally Accepted Accounting Principles (GAAP): AICPA Audit and Accounting Guide, not for- Profit Organizations
- Office of Management and Budget (OMB) Circular A-110: Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Relocated to 2 CFR, Part 215
- OMB Circular A-21: Cost Principles for Educational Institutions
- OMB Circular A-133: Audits of States, Local Governments and Non-profit Organizations
- Federal Acquisition Regulation: Part 35-Research and Development Contracting, Part 45Government Property and Part 52- Solicitation Provisions and Contract Clauses
- Statement on Auditing Standards (SAS) No. 112: Communicating Internal Control Related Matters Identified in an Audit
- State of Alabama, applicable regulations and procedures.

Responsible University Office or Officer

The Comptroller's Office within the division of Business and Finance, has direct oversight of accounting policies relative to the recording of financial transactions related to these procedures.

Who Is Governed by These Procedures?

Compliance with the policies and procedures defined herein is mandatory for all ASU faculty, staff, and students who are working for or on behalf of the University who have procurement, receiving, and operational use of or access to University property. Full adherence will assist Comptroller Office personnel in accurately managing the investment in the University's capital asset inventory and ensure compliance with federal and state laws and granting agencies regulations.

Who Should be Knowledgeable of These Procedures

All parties, generally, all faculty, staff, researchers, officers, trustees, and students who are working for or on behalf of the university who have procurement, receiving, and operational use of or access to university property. Specifically, all Comptroller Office staff involved in the fixed asset process, Procurement, Buildings and Grounds, Accounts Payable, Office of Research and Sponsored Programs, Department Property Custodians, Deans, Department Chairs/Heads and/or departmental financial staff, as appropriate.

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DEFINITIONS

1. ACQUISITION

1.1 Overview

Acquisition, within the context of this document, encompasses the various methods by which ASU obtains, receives, and becomes accountable for assets. The most common method of acquisition for University assets is through purchases. A purchase requisition and purchase order must be completed and approved for all fixed asset purchases. Other methods include donation (gifts) and leases.

When an acquisition meets the requirements of assets as defined in these procedures, a Property Intake Form is completed. The tag number, description, manufacturer, model and serial number(if applicable) are recorded along with the property location and the Department Head. The property is then approved for addition into the PeopleSoft fixed asset module.

1.2 Acquisition Purchases

Currently, requisition approvals are made by the budget office. The Procurement Department issues all purchase orders based on approved requisitions in PeopleSoft Financial Records System.

1.2.1 Approvals All fixed asset approvals will be conditioned upon compliance with general operating and grant budget limits, as well as sound investment decision making.

1.3 Purchases to Upgrade Existing Equipment

1.3.1 Trade-Ins -If applicable, since the equipment being traded in is permanently leaving the University, this is actually a twofold transaction; (1) an acquisition and (2) a disposal. The asset should be properly disposed before the new asset is added.

1.3.2 Improvement/Renovations/Upgrades - Defined as any addition made to, or change made in, an asset, other than routine maintenance, that prolongs its life or increase its efficiency. These upgrades will be entered into the fixed assets module as a component of the original asset so that the upgrade has its own tag number (permanent ID number) but can be readily identifiable as a component of the original asset. The clearly identified upgrade would serve as the basis for increasing the value of the original asset which is also identified.

1.4 Donations (Gifts) given to the University

Any donated fixed asset will be reported to the Comptroller's Office. The Planning and Development Office has the responsibility of obtaining fair market value of the item(s) and reporting the value to the Comptroller, along with a full description of the asset, date number of donated items, and the name of the person making the donation. The Planning and Development Office will acknowledge the receipt of the item(s), in writing, to the donor. A copy of all information is communicated to the Director of Inventory for proper tagging and inclusion in the fixed asset database. These donated assets will be capitalized as a fixed asset in the fixed asset G/L and fixed asset module and tagged for inventory purposes.

Fair Market Value (FMV) May Be Determined By:

- Written independent third-party appraisal obtained by the Planning and Development Office;
- A qualified expert on the faculty or staff if he/she is considered to hold special knowledge or expertise related to the asset being donated;

- Documentation obtained from a qualified outside source such as "blue book" or a knowledgeable dealer; or
- Identifying what it would cost the University to purchase the donated property outright from a vendor.

1.5 New Faculty Transferring Equipment to ASU

If applicable, when a new faculty or staff member transfers equipment to ASU from another institution/agency, the following procedures should apply:

- The DPC should notify the Director of Inventory Control and Loss Prevention upon arrival of the equipment and provide a notice from the institution/agency authorizing the transfer of equipment.
- All of the equipment meeting the criteria for capitalization will be assigned an inventory tag number in the fixed asset module. The equipment value is based on the statement of value from the transferring institution/agency. If the value is not stated, FMV or appraised value will be used.

1.6 Leases - Leases of equipment are kept on file by the Comptroller's Office.

1.6.1 Classification of Leases - ASU will classify all leases in which the University is the lessee as either capital or operating leases. The Comptroller's Office shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under these criteria, a lease shall be treated as a capital lease if, at the time of entering the lease, any of the following factors are present:

- The lease transfers ownership to ASU at the end of the lease term;
- The lease contains a bargain purchase option;
- The lease term is equal to 75% or more of the estimated economic life of the leased asset; or
- The present value of the minimum lease payments at the inception of the lease is 90% or more of the fair market value of the leased asset (using, as the interest rate, the lesser of ASU's incremental borrowing rate or, if known, the lessor's implicit rate), excluding executor costs (e.g., insurance, maintenance and taxes paid (if applicable) in connection with the leased asset).

1.6.2 Accounting for Leases

- All leases that are classified as operating leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred.
- All fixed leases that are classified as capital leases shall be treated as fixed asset additions to ASU. As such, upon the inception of a capital lease, the Comptroller's Office shall record a fixed asset and a liability under the terms of the lease, based on the net present value of the minimum lease payments) or the FMV of the leased asset, if it is less than the present value of the lease payments).
- Periodic lease payments shall be allocated between the reduction in the lease obligation and a charge to interest expense.
- The fixed asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

1.7 Employee-Owned Property Brought on University Premises

The University will not be responsible for any employee-owned property used or maintained on University premises nor will University insurance coverage be placed on such property. The Department Head/DPC must maintain a written record of any personal property on University premises. Personal property must be clearly identified to eliminate mistakes of the equipment being inventoried.

1.8 Vendor Owned Equipment

Any equipment furnished by a vendor and utilized by an ASU department will be the responsibility of the vendor and not included in the University's asset records, insurance coverage, or inventories. The Department Head/DPC must maintain a written record of any vendor owned property on University premises. Vendor property must be clearly identified

2. CAPITALIZATION

2.1 Overview

- Capitalized assets include land, buildings, building improvements and renovations, furniture, fixtures, machinery, equipment, vehicles, software (including internally developed software), and capital leases.
- All assets are capitalized in the year of construction, being at least 90% complete and/or placed into service.

2.2 Capitalization Condition

A fixed asset is capitalized only if it meets all of the following conditions:

- Owned or considered owned (e.g., capital leases) by the University;
- Held for operations (not resale);
- Useful life that exceeds one year; and
- Meets the capitalization threshold.

2.3 Capitalization Thresholds

The capitalization threshold is \$10,000 for individual assets or operating unit, including freight, installation costs, etc., and the cost of renovations. All asset purchases that do not meet these criteria will be expensed in the year of purchase as either **a small equipment purchase or maintenance and repair expense**.

2.4 Accounting for University Assets

Capital assets will be recorded in the University financial records on a cost basis. This basis will include all freight and delivery charges, installation, setup costs, trade-in amounts, and any other costs of acquisition. Interest costs may or may not be capitalized as part of the construction of the fixed assets. Cash discounts taken will be recorded as a reduction of the cost. Gifts and donated items are valued at an estimated fair market value.

2.5. Capitalization Treatment of Repairs- Repairs are treated as Major or Minor

2.5.1 Major Repairs - Repair expenses that increase the capacity or operating efficiency of an asset shall also be capitalized. Examples of repair expenditures that shall be capitalized are as follows:

- Replacing a roof, and in so doing, substantially prolonging the building's life
- Reconditioning air conditioning units in such a way that extends their useful life

- Replacing a van's engine that was substantially worn out

2.5.2 Minor Repairs - Minor repair expenses are usually treated as current year operating expenses even though they may have the characteristics of capital expenditures. Expenditures incurred in connection with maintaining the existing University facilities in good working order shall be expended as a current year repair. Examples of repair expenditures that shall be expended during the current fiscal year are as follows:

- Replacing broken glass
- Painting, carpeting, and decorating a classroom
- Temporary repairs that last less than one year

2.6. Construction In Progress (CIP)

The Comptroller's Office maintains costs of buildings being constructed which are accumulated and accounted for in a separate Construction in Progress account until the project is at least 90% complete based on project spending or the University has received a certificate of occupancy. Upon completion of construction and/or placement into service, the asset shall be removed from the CIP account and entered into the General Ledger under the appropriate classification. Any expenses incurred thereafter will be posted directly to the asset.

2.7 Controlled Items

Controlled items - property that is not capitalized but maintained on a sensitive listing. Items such as handguns and rifles, irrespective of cost, are controlled. In addition, a listing of all electronic, audio visual and photographic property is maintained.

3. ASSET TAGGING

3.1 Overview

- A numbered asset tag will identify items recorded as assets in the Fixed Asset module. Using these tags will accomplish the following:
 - Provide an accurate method of identifying assets as University property
 - Aid in the performance of physical inventories
 - Control the location of all fixed assets
 - Provide a common ground of communication for both the Comptroller's Office and the assets users
- Assets purchased with grant funds become the responsibility of the University and must be tagged and recorded in the Fixed Asset module accordingly. This equipment requires the approval of the Grants and Contracts Accounting department before the equipment can be transferred or disposed.

3.2 Identification of Taggable Assets

- All property meeting the capitalization threshold including all electronic, audio visual and photographic property regardless of cost should be tagged.
- The Inventory Department will work closely with the DPC to identify the correct asset for tagging by comparing the description, serial number, model number, manufacturer, etc. from the invoice to the asset.
- A "Property of Alabama State University" asset tag will be placed on the asset to facilitate location and identification of University property
- Once the item has been tagged, additional information such as building and room number will be noted and entered into the Fixed Asset module.

3.3 Tag location General Guidelines

- The following tag location standards will be adhered to when attaching asset tags to the fixed assets:
 - Generally, tags should be placed directly on the main component of the asset. The Inventory Department will consult with the DPC concerning the best placement on certain pieces of equipment, such as microscopes, lenses, etc.
 - Assets should be tagged in the front upper right-hand corner when possible. If this area is not available, tag in another easily visible and accessible location.
 - Never tag an asset on the bottom unless this is the only reasonable choice.
 - Assets subject to being painted should be tagged in a location least likely to be painted over.
 - Asset tags should not be placed on walls or temporary/removable components.
- Exceptions to the general guidelines:
 - Tables and work benches, when applicable, should be tagged at top of the right front leg or based on the underside of the tabletop
 - Desk and credenza, when applicable, should be tagged on the right pedestal in the knee-well. > Shop, grounds or maintenance equipment should be tagged where the minimum amount of grease, oil, vibration, or heat would be encountered, preferably near the manufacturer identification plate.
 - Scientific equipment should be tagged near the manufacturer identification plate. Large, less mobile equipment should be tagged on the upper right-hand corner.
 - Asset tag should not interfere with the proper function of the equipment.
 - Athletic equipment (e.g. balance beams, treadmills, etc.) should be tagged on the leg or post under the guidance and supervision of the athletic department personnel. No athletic equipment should be tagged in any manner that violate the rules and regulation of its governing body.
 - Pianos/keyboards, upright pianos, electronic keyboards should be tagged on the right side near the back of the instrument. Grand and baby grand pianos should be tagged on the underside near the right front leg.

3.4 Non-Taggable Assets

In general, capitalized assets will be tagged. However, some assets are not practical to tag due to their nature and/or exposure to weather, for example:

- Land and land improvements;
- Buildings and their service systems;
- Outdoor recreational equipment;
- Mobile/portable grounds equipment;
- Lenses of microscopes, etc.;
- Fixed equipment such as scoreboards, bleachers, built-in lockers, auditorium seating, etc.
- An asset purchased or constructed as an accessory or modification to an asset (e.g. an internal computer hard drive or memory card) that is already monitored should not be tagged; it should be treated as an improvement to the existing asset. However, if it is not a permanent addition to the asset (e.g. an external disk drive) it should be tagged and counted separately if the acquisition cost is within the fixed asset capitalization guidelines.

In cases such as noted above, a "Non-taggable assets" binder should be maintained by the DPC containing corresponding Non-taggable Asset document describing the item as well as the asset tag attached to the document. During inventory, the physical existence of the equipment must also be verified. A master listing of non-taggable assets will be maintained by the Inventory Control Department and the DPC.

4. DISPOSALS, TRANSFERS AND IMPAIRMENTS

4.1 Overview

- When an asset has been scrapped, sold, stolen, traded-in, donated, transferred, its value has been permanently impaired, or for any other reason the asset is no longer in service; any remaining value of the asset, net of accumulated depreciation, must be written off or written down to its net realizable value. If written off, this involves removing both the asset and associated accumulated depreciation from the Fixed Asset and General Ledger modules, and recognizing a gain or loss if any, for the difference in the general ledger.
- All fixed assets that have been disposed, traded, or donated will also be disposed from the University's fixed asset inventory tracking system.
- A fixed asset update form is to be completed by the DPC whenever a moveable fixed asset is no longer required by the department for any reason and they wish to dispose the asset. This form must be approved the Dean or Department Chair. Once approved, the DPC will contact the inventory control department for assistance in disposing of the asset.
- Expenses incurred relating to the disposal of fixed assets are billed to the department responsible for the asset at time of disposal.

4.2 Disposals

Department Property Custodian (DPC) shall promptly advise the Inventory Department when any assigned asset is no longer required. Once a capital asset is transferred to Surplus, the Inventory Department will use State of Alabama regulations for disposal.

Note: There are special considerations for disposing of computer and related equipment. For this reason, disposals of technology equipment are handled by the Management Information Services (MIS) department.

4.2.1 Scrapped Assets

- Any asset that becomes obsolete, worn beyond reasonable repair or no longer has a department use will be reported to the Inventory Department on a "Request to Dispose of Useable/Unusable Property Form". This asset shall be fully described noting tag number, serial number, barcode number (if applicable), and perceived condition.
- The Inventory Department will personally inspect the asset to determine its condition.
- Inventory will note on the "Request to Dispose of Useable/Unusable Property Form" the disposition of the item and forward the completed form to the Comptroller for review if requested.
- Based on the approved SD-1, the Inventory Director will remove the item from the inventory tracking module, the Fixed Asset module, and General Ledger. The approved SD-1 will be used for reconciliation purposes, and a copy will be retained by the Director of Inventory for supporting documentation purposes.

4.2.2 Stolen Assets

- Campus Police shall be immediately contacted when an ASU employee becomes aware of missing and/or possibly stolen University property.
- A report shall be filed with Campus Police, with a copy being sent to the appropriate University department for insurance purposes, describing the item missing (including serial numbers, fixed asset numbers and barcode, when available) and give any pertinent facts surrounding its disappearance. An additional copy of the police report shall be sent to the Inventory Department. It is also the responsibility of the Department Head to provide a

written report for any missing or stolen property to Inventory Control for asset tracking purposes.

- Campus Police will determine the proper course of action and will notify any outside authorities if deemed appropriate.

4.2.3 Asset Trade-in

- When the disposal represents a trade-in on a similar asset, the newly acquired asset shall be recorded at the net book value of the trade-in asset plus any additional cash paid or financed via a loan or lease agreement.
- In no instance shall total cost exceed the fair market value of the new asset.

4.2.4 University Donation of Assets

- If applicable under State of Alabama regulations, the University may choose to donate surplus items, subject to senior management approval, to appropriate and qualified organizations; such as, religious, charitable, educational, scientific, literary, etc. organizations. If the items were originally funded by a federal or state grant, there may be restrictions to donate property. The asset will be removed from the fixed asset records upon receipt of this documentation. The net book-value of the donated asset is transferred to the appropriate account.

4.3 Transfers

The DPC secures Dean or Department Chair approval in making the request to relocate University equipment from its original location and must complete the Request for Transfer of Movable Property Form indicating the new location (building, department, room) and effective date of transfer.

- The transfer should be approved by both the sending department and receiving department.
- A copy of the Request for Transfer of Movable Property Form is completed by the DPC and forwarded to the Inventory Department so that the transfer from the old department to the receiving department can be recorded in the Fixed Asset module and the inventory tracking module, if available.
- The effective date of the transfer is the actual date of the physical relocation of the asset and the date in which accountability for the asset will change. Until the relocation has actually occurred, the original Dean or Department Chair will be held accountable for the asset. The receiving Dean or Department Chair will assume full responsibility of its care and oversight on the effective date of the transfer.

4.4 Impairments

- An asset may be impaired (the unexpected and significant decline in an assets service utility, e.g. expected usable capacity at acquisition) due to events or change in circumstances, e.g. suffer physical damage, obsolescence or change in technology, change in regulatory or environmental factors. Impairments are identified by the Department Manager/DPC.
- The Request to Dispose of Useable/Unusable Property Form must be completed by the DPC to report the impairment so that the asset can be revalued in the Fixed Asset module to reflect the decline.
- If an asset has been permanently impaired, the asset must be written down to its estimated remaining value or, in some cases, written off entirely. This write-down or write-off is accounted for in the same manner described in 4.2.1. Scrapped Assets section of this document.

4.5 Equipment Used Off-Site

- Any employee of the University who requests to possess and/or removes ASU- tagged property (excluding vehicles) from any University premises must first have completed a Property Custody Request and Receipt form signed and approved by the Dean, Department Chair and the Department Property Custodian (DPC).
- An employee may not authorize his/her own Property Custody Request and Receipt form.
- Users of equipment taken off-site should protect such equipment in their possession as if it was their own personal property.
- The DPC is required to maintain an Property Custody Request and Receipt form for any equipment that will be used off campus.
- The DPC is also required to maintain an Property Custody Request and Receipt form of any equipment not in its assigned location (e.g. equipment loans to another university; asset being repaired at a location other than its assigned location).
- All of the above equipment location forms should be kept current for insurance or inventory purposes, and to support required audits.
- The University reserves the right to request the return of ASU property at any time.

5. DEPRECIATION

5.1 Overview

- The use of *depreciation* affects the University's financial statements. The recording of depreciation will cause an expense to be recognized; thereby lowering the stated change in net assets on the Statement of Revenues, Expenses, and Changes in Net Assets, while the net value of the asset will decline on the University's Statement of Net Assets.
- Depreciation is a non-cash expense, therefore; it will not directly affect the University's cash flow, as both are accounting representations of expenses attributable to a given period. Depreciation will, however, affect the cash flow of the University.

5.2 Method and Useful life

- The cost of all capitalized assets should be depreciated on a monthly basis over the estimated useful life using a generally accepted depreciation method.
- See Category Chart for assets categories, useful lives, and depreciation method.
- Since land and land improvements do not have a determinable life, no depreciation will be taken.
- Rare books and Non-circulating Materials are considered inexhaustible and are not depreciated.

5.3 Other Depreciation Considerations

- When the cost of improvements is substantial, or when there is a change in the estimated useful life of an asset, depreciation charges for future periods shall be revised on the basis of the new book value. In cases that include a change in useful life, the revision should be measured prospectively and accounted for in current and future periods.
- Costs accumulated in the Construction in Progress account should not be depreciated since the asset has not yet been placed in service.
- Fully depreciated assets should remain in asset records with their related accumulated depreciation as long as the asset is still being used in University operations.

6. INVENTORY

6.1 Physical Inventory

6.1.1 Overview

- Physical inventories will be conducted to verify the accuracy of the University's property records in the Fixed Assets and the inventory tracking modules, as well as the existence and activity status of the assets.
- Results of performed inventories will provide an overall assessment of the effectiveness of property management and the level of compliance with established policies and procedures, as well as federal and state, and private granting agencies regulations.

6.1.2 Inventory Frequency and Schedule

- Property inventories will be conducted at the end of every two years. (Note: We recognize that federal regulations require a once every two years frequency).
 - Developing and managing the schedule for physical inventories is the responsibility of the Department of Inventory Control and Loss Prevention.

6.1.3 Inventory Methodology

- Physical inventories are primarily conducted on a 100% basis, for assets meeting the criteria listed below. However, alternate methods such as sample inventories may be used for special inventories, if needed.
- The base records for physical inventory are derived from records in the Fixed Assets module. At least one of the following criteria must be met for assets to be included in the physical verification and reconciliation process during the physical inventory:
 - ASU-owned capital equipment regardless of remaining net book value" will be inventoried.
 - Leased or loaned property for which ASU is accountable.
 - Grant funded assets for which ASU is accountable.
- Verification of the existence and accountability of the property may be done through one of the following methods:
 - For equipment, electronic scanning of the barcode decal or barcode number and physical verification of specific attributes (see attributes below).
 - Review data entry from a valid off-campus worksheet and/or sign-out logs.
 - Documentation in the Non-tagable Assets binder along with physical verification of the asset.
 - Other acceptable transaction supporting documentation, as agreed to between the DPC, the Inventory Department and the Comptroller as requested.
- Attributes verified and reconciled to the property record include (at a minimum):
 - Asset tag number
 - Description
 - Manufacturer
 - Model Number
 - Serial Number
 - Vehicle Identification number
 - Location
 - Condition
 - Use Status
- Preliminary results are reported to the DPC within 3-5 business days after the completion of the initial sweep through the department or designated area. The DPC will be informed of any discrepancies by this report and is responsible for providing resolution to each item listed.

6.1.4 Inventory of Assets Purchased with Grant Funds

- In the year an asset is placed in service, the tag is attached and assigned at the point of receiving by the Inventory Department. The tag number will be noted in the Fixed Assets module.
- If an asset tag cannot be placed directly on the asset, a tag number will be assigned and placed in that department's Non-taggable Asset binder maintained by the DPC. A master list of non-taggable assets will be maintained by the Inventory Department.
- Each year, a current listing of grant purchased assets should be sent to the UPM for use verification and asset information updates. The listing should be amended (if needed) and approved by the Principal Investigator and DPC and returned to the Inventory Department.
- Annually, a complete equipment physical inventory of grant purchased fixed assets will be performed. Any necessary changes to the asset record will be updated in the Fixed Asset module to ensure compliance with federal property management requirements.
- The DPC will consult with the Comptroller (Grants and Contracts Accounting) and/or ORSP prior to making any decision concerning placing an asset purchased with grant funds in Surplus Inventory.

6.1.5 Disposals & Missing Assets

- The DPC is responsible for reporting all disposals, transfers, sales or discards of purchased equipment, using the required ASU fixed asset update form. The form should be completed with appropriate departmental approvals and forwarded to the Inventory Department and the Accounting Department as needed.
- If an asset is not located during the physical inventory, the DPC will make every attempt to locate the equipment, with the help of the Principal Investigator for grant funded assets. If the item is thought to be stolen, Campus Police will be notified immediately (See 4.2.3 Stolen Assets).
- The department will be provided with an Alabama Uniform Incident Offense Report by Campus Security. A copy of the report will be provided to the Director of Inventory for identification of the missing property in the University's fixed asset module. In addition, a report may be submitted to the Comptroller via the Vice President for Business and Finance.
- If the items in question are still missing, the asset will be removed from the Fixed Asset module. The Comptroller's Office may also submit a report to the Provost's Office, with a copy to the respective Dean, Executive VP and VP/CFO.
- The Principal Investigator is responsible for notifying the sponsoring agency of any equipment loss or disposal of grant funded assets.

6.1.6 Inventory of Non-taggable Assets

- Non-taggable assets that meet the eligibility criteria discussed above are also subject to verification during the physical inventory.
- A tag number will be assigned to the asset at the point of receiving and placed in that department's Non-taggable Asset binder maintained by the DPC.

6.1.7 Personally Owned Property

It is recommended that staff members who have personal property on campus clearly identify on the equipment that it is not ASU property and who it is owned by, including a contact phone number. This will make the inventory process easier and eliminate the mistake of the equipment being inventoried. (See 1.7 Employee-Owned Property Brought onto University Premises).

6.1.8 Reconciliation and Adjustments

- The results of each inventory must be reconciled, posted to the respective property record and reported to the inventoried department. Entries impacting or being made to the financial records must have prior approval of the Comptroller before being completely processed.
- After the completion of the initial sweep through a department or designated area, preliminary inventory results are provided by the Inventory Department to the UPM. This hand-off initiates a reconciliation period during which a resolution will need to be provided for all discrepancies on the listing.
- The DPC is responsible for providing final resolution to each noted discrepancy. Every effort must be made to locate items not found during the initial sweep.
- Items found during the physical inventory period that were not on record are considered to be potential additions or adjustments must be reported to the Comptroller and must be resolved during this reconciliation period as well.
- For items not found or accounted for during the reconciliation period, the DPC must provide a written confirmation to Director of Inventory and the appropriate VP of the efforts made to locate the assets and the potential circumstances leading to the items being misplaced, lost or stolen.
- Assets disposed of as a result of not being found during physical inventories, which are subsequently found, will be reviewed on a case-by-case basis for potential reactivation (See 6.1.5. Disposals & Missing Assets)

6.1.9 Inventory Results and Reports

- Results of a physical inventory are posted to the inventory module and reports are generated after the completion of the reconciliation period and prior to fiscal year-end.
- After analyzing the results for each inventory, corrective actions for property management practices may apply and the DPC for that department, along with Director of Inventory and the appropriate VP, will work with each area to correct these problems.
- Periodic report distribution may include, but is not limited to, the following:
 - ↳ Accountable department DPC
 - ↳ Principal Investigator (where applicable)
 - ↳ Grants and Contracts Accounting (where applicable)
 - ↳ Comptroller's Office
 - ↳ Dean or Department Chair
 - ↳ ASU's Police Department (missing items thought to be stolen only)
- Content and format of periodic reports may vary depending on the needs of the receiving party.
- Additional details on inventory reporting may be found in section 8, Reporting.

6.1.10 Preparation for Inventory

- Preparation is a key factor to the success of the inventory process. In collaboration with Inventory, if departments follow a few routine steps, the inventory process should move very smoothly with minimal errors. To prepare, **Department Property Custodians (DPC)** should follow the checklist below (these tasks should be performed as a matter of routine, not just prior to the inventory):
 - └ Identify all assets purchased or donated.
 - └ Identify non-ASU owned assets (including employee-owned assets) so they will not be counted.
 - └ Ensure all assets requiring additional identification (e.g.: donation, grant funded asset, etc.) have been tagged appropriately.
 - └ Ensure all assets located off campus are identified on Property Custody Request and Receipt forms have been updated and signed by the DPC.
 - └ Identify non-taggable assets and ensure records correctly identify whether or not an asset is non-taggable.
 - └ Ensure the Non-taggable Assets binder has been updated (all new non-taggable assets have an asset tag in the binder and any disposed assets have been removed from the binder and returned to Inventory)
 - └ Update the Inventory Department continually throughout year as needed when disposals, transfers or impairments occur using the appropriate fixed assets update form.
- Performing these tasks on a regular basis and ensuring they are completed prior to the inventory will directly impact how simple or difficult the inventory reconciliation will be.
- As the next inventory cycle begins, the Inventory Department may contact the DPC to schedule a Pre-Inventory Meeting. During this session, the Physical Inventory procedures, ground rules and schedules are finalized in cooperation with the DPC. The meeting may take place 2-4 weeks prior to the actual physical inventory count.
- A few weeks prior to the inventory, the DPC should:
 - └ Notify the dean or department Chair, colleagues, associates, fellow staff and faculty members of planned inventory dates. Methods to accomplish this include phone calls, email announcements, presentations at local staff meetings, and posting of information in labs/department areas.
 - └ Ensure the Non-taggable Assets (controlled items) binder is up to-date and readily available for the inventory team.
 - └ Identify all locations of the Department's assets (including offices, storage areas, off-Campus sites, etc.)
 - └ Collect and have copies available of the Property Custody Request and Receipt forms for inventory purposes. Ensure these forms have been updated and signed.
 - └ Identify areas within your department that need special attention or precautions, such as:
 - Lab areas
 - Clean Rooms
 - Confined spaces
 - Biohazard areas

- The week immediately preceding the physical inventory, the DPC should:
 - ↳ Remind colleagues, associates, fellow staff and faculty members of planned inventory dates.
 - ↳ Ensure all non-inventory items (including non-ASU and employee-owned items) are prominently labeled.
 - ↳ Arrange for escorts with the necessary keys, door codes, etc. to accompany inventory count teams on pre-scheduled inventory day(s).

7. ASSET RECORDS

7.1 Overview

The relationship between the Fixed Asset module and the Financial Accounting component of FRS is one of detail to control. Summary asset values are recorded in the General Ledger control accounts while supporting detail is maintained within Fixed Assets. Within the any Fixed Asset module, asset records are created and transactions processed to reflect asset activity and data are collected for accounting. An accounting feed interface generates journal entry transactions which then update the General Ledger.

7.2 Upkeep and Maintenance

The Comptroller's Office is responsible for the upkeep and maintenance of the University's Fixed Asset module.

7.3 Record Information

Record information should be sufficient but not limited to adequately report on the following elements for the purpose of providing accurate and timely financial data:

- ↳ Asset record
- ↳ FRS Classification and Account Codes
- ↳ Asset Type Codes
- ↳ Condition Codes

8. REPORTING

8.1 Overview

ASU's asset management reporting is used for many purposes including resource management, financial reporting and overall effective asset management. The Comptroller's Office is responsible for authorizing the majority of financial reports and ensuring the reporting data is available for end users throughout campus.

8.1.1 Reporting Sources

Data for periodic asset reports is derived from various sources including:

- FRS Finance module - Fixed Assets, Grants Accounting, Procurement, Accounts Payable, General Ledger
- An inventory tracking system

8.1.2 Additional Reports

In addition to the periodic reports identified below, there is frequent need for additional reports. Content and format is clarified between the Comptroller's Office and the requesting organization.

8.2. Required Reports

Following are descriptions of the required reports that the Comptroller's Office responsible for preparing and distributing. Other routine reports used during the course of conducting general business may not be specified in this section as they may occur on an as-needed, often ad-hoc basis.

8.2.1 Depreciation Report

This report is prepared in accordance with the criteria in section 5. Depreciation.

8.2.2 Asset Acquisition Report

This report is prepared in accordance with the criteria in section L. Acquisitions. The Property Intake Form report is used by Inventory Control to enable tagging of department acquisitions.

8.2.3 Loss, Damage or Destruction Report (SD-1)

This report is prepared in accordance with the criteria in section 4. Disposals. Transfers and Impairments. Incidents of loss, damage, or destruction shall be investigated and documented. This report is used by the UPM and Inventory to ensure adequate measures are taken to mitigate future similar occurrences.

8.2.4 Asset Disposal Report (SD-1)

This report is prepared in accordance with the criteria in section 4. Disposals. Request to Dispose of Unusable Property. This report is used by the Inventory DPC to ensure the timely removal of disposed assets.

8.2.5 Physical Inventory Reports

- The physical inventory process utilizes various reports. The majority of reports list interim data for purposes of facilitating the physical inventory process and subsequent reconciliation.
- Results of each inventory event are reported to the University department to which the property is accountable. These reports are provided within the reconciliation period for completion.

9. TRANSITION OF DEPARTMENT PROPERTY CUSTODIAN (DPC)

- A DPC will be selected from each department by the Dean or Department Chair.
- A DPC Authorization form must be completed and signed by both the DPC and the Dean/Department Chair. A copy of this form should be kept in the department/s files with the original sent to the Inventory Control Department.
- Inventory will keep a master listing of all campus DPC's.
- The ending date on the form will be left blank until authority is transferred to a new DPC.
- A new form must be completed for the succeeding DPC. A copy of the departing DPC's updated form and the original of the new DPC's form will be sent to the Inventory Department.
- In order to successfully fulfill their duties, new DPCs will be required to attend training sessions provided by the Inventory Control and Loss Prevention Department.

Definitions

Acquisition - Encompasses the various methods by which ASU obtains, receives and becomes accountable for property.

Acquisition Cost - The purchase price or fair market value of an asset plus any ancillary costs necessary to place the asset in its intended location and condition for use.

Ancillary Costs - Costs necessary to place a capital asset into use, such as freight and installation costs. These costs are included in the cost of the asset.

Asset Tag - A decal affixed to moveable assets which carry a control number used to identify the asset.

Attachment - An asset that is directly related to and a part of another asset. Attachments share the same asset number (or tag) with the original asset.

Statement of Net Assets - A statement of financial position at a specific point in time.

Capital Asset - Permanently owned item.

Capital Lease - Leases that meet at least one of the following criteria: Lease transfers ownership of the property to lessee by end of lease term; Lease contains a bargain purchase option; Lease term is equal to 75% or more of the estimated economic life of the leased property; or The present value of the minimum lease payment at the inception of the lease is 90% or more of the fair market value of the leased property.

Capitalization - Expenditure that is treated as an asset instead of an expense.

Capitalization Threshold - Amount above which an item is capitalized and below which an item is expensed.

Cash Flow - The balance of the amounts of cash being received and paid by a business during a defined period of time, sometimes tied to a specific project.

Component - An asset that is related to but not part of another asset. Components are stand-alone assets and have their own individual asset number (or tag).

Construction in Progress (CIP) - Account used to hold costs of assets which are being built or modified, but which are not yet complete (per GAAP, CIP is not a depreciable asset).

Controlled Items - Non-capitalized University property that is sensitive and must be controlled via a controlled items listing. All handguns and rifles, regardless of cost, will be included. Other items will have a cost of \$500- \$4,999.

Department Property Custodian (DPC) - Administrators located in any University related location who have custodial responsibility for University property authorized by the Dean or Department Chair through the Department Property Administrator Authorization form.

Depreciation - Expense in a systematic and rational manner to those periods expected to benefit from the use of the asset. Depreciation is not a matter of valuation but a means of cost allocation.

Disposal - Process of getting rid of something.

Financial Statements -An overview of a the university's financial condition in both short and long term. There are three basic financial statements:

- **Statement of Net Assets:** sometimes referred to as a Balance Sheet. Reports on the University's assets, liabilities, and net assets as of a given point in time.
- **Statement of Revenues, Expenses and Changes in Net Assets:** also referred to as Income Statement or Profit and Loss statement, reports on the University's income, expenses and surpluses/deficits over a period of time.
- **Statement of Cash Flows:** reports on the University's cash flow activities, particularly its operating, investing, and financing activities.

Fixed Asset - Any property or equipment not for resale, that has an initial value of \$10,000 or more individually or as an operating unit or renovations exceeding in aggregate, whether in cash or trade value, that will be used or held in excess of one year without being consumed in its use. Fixed assets are also referred to as capital assets, capital expenditures, facilities and equipment, and property, plant and equipment. At ASU, there are currently several different classes of fixed assets. They are as follows:

- **Land** - All expenditures related to the initial purchase of land (No dollar limit), including any due diligence cost such as commissions, legal fees, and escrow fees. Per GMP, land is not a depreciable asset.
- **Buildings** - All expenditures related to the initial purchase or initial construction of a building, including costs to raze any existing structures on the land in preparation for construction (No dollar limit). The cost of buildings would include the acquisition cost plus any costs to prepare the building for occupancy. These costs would include contract amount, attorney and architect fees, commissions, escrow fees, governmental impact fees and permits, insurance and any other costs to prepare the building for occupancy. Interest costs mayor may not be capitalized as part of the construction of the fixed assets. Also included in this class are the building portions of real property purchases with existing structures. Donated labor or services are not capitalized. Buildings are depreciated over 40 years.
- **Building Improvements**- Renovations, additions, or repairs to physical structures that enhance or improve and extend the life of the original asset. General repairs and maintenance are not capitalized, such as cleaning, painting, carpet, asbestos abatement, etc. Building improvements are depreciated over 40 years.
- **Equipment and Furnishings** - The initial purchase cost of equipment and furniture that equals or exceeds \$10,000 individually or as an operating unit. The cost would include any delivery and installation costs as well. Sales tax, however, is not included. Equipment and furnishings are depreciated ranging from 5-10 years.
- **Vehicles** - The initial purchase cost of a vehicle that equals or exceeds \$10,000 individually, including sales tax, title, tags, and fees. Vehicles are depreciated over 5 years.
- **Software** (Where the source code is provided)-All expenditures related to the initial implementation of software (excluding equipment or hardware) that costs \$10,000 or more and will be used for more than one year. These costs include consultant, initial user license fees, and training costs; however, software renewal licenses, upgrades to the original software, annual maintenance fees, and database subscription licenses are not capitalized. Software is depreciated over 3 years.

Gains and Losses - On disposal of an asset, the difference between its fair market value and net book value

(historical cost less accumulated depreciation).

Generally Accepted Accounting Principles (GAAP) - Accounting principles recognized in the United States of America and sanctioned by recognized authoritative bodies such as the Governmental Accounting Standards Board (GASB).

Historical Cost - The amount paid or liability incurred by an entity to acquire an asset and make it ready to render the services for which it was acquired.

Inventory Team - Team to take physical inventory, made up of staff from the Inventory Department, designated agencies and/or designee and the DPC.

Impairment - A significant, unexpected decline in the service utility of an asset as a result of physical damage, obsolescence, change in technology, change in regulatory or environments factors.

Improvement - An addition made to/ or change made in, an asset, other than maintenance, that prolongs its life or increases its efficiency.

Initial Value - The actual full cost to place an asset in service, which can include freight costs/installation costs/ attorney fees, architect fees, governmental impact fees, permits, insurance and any other costs to prepare the asset for use (Note: for all assets except vehicles, sales tax should not be included since it is refundable to the University).

Maintenance and repair - Costs that do not significantly improve the economy or efficiency of a capital asset's expected useful life.

Moveable Asset - Assets that are not part of the supporting structure of a building and that meet specific criteria for capital assets.

Net Book Value - Cost of an asset less accumulated depreciation (also known as Book Value).

Operating lease - All leases that do not meet the criteria of a Capital Lease as noted under FAS13 *Accounting/or Leases*.

Personal Property - Tangible property other than land.

Principal Investigator (PI) - The primary individual in charge of a research grant, cooperative agreement, training or public service project, contract, or other sponsored project. The PI has absolute responsibility for the overall conduct of a sponsored project, including all technical, financial, compliance and administrative aspects.

Tag Number - Permanent asset number determined by the Fixed Asset module at the time of entering the acquired asset into the Fixed Asset module.

Renovation - Any repair expenditure that increases the capacity or operation efficiency of an asset.

Straight-Line Depreciation - Depreciation method that divides the assets' capitalized value by the number of years of service life. Straight-line depreciation results in the same depreciation amount each month over the life of the asset.

Surplus Inventory - Assets in good shape but not needed any more by a department and held by Inventory to be used elsewhere or sold.

Unrelated Business Income Tax (UBIT) - For most organizations, an activity is an unrelated business and subject to unrelated business income tax if it meets three requirements: it is a trade or business, it is regularly carried on, and it is not substantially related to furthering the exempt purpose of the organization.

Upgrade - Improve the quality of an asset.

Use Status - To what extent the asset is used. Select from: In Use, Intermittent Use or Not in Use.

Useful Life - The period of time during which an **asset** is physically performing its function

Write-Down - A reduction in the estimated value of an asset.

Write-Up - An increase in the estimated value of an asset.

Write-off/Disposal - A reduction in the estimated value of an asset, bringing the net-book value to **zero**.