Fixed Asset Guide

Access & Excellence
Financial Services Office
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INTRODUCTION

The Banner Fixed Asset module is a centrally maintained subsystem of Banner. It is used to manage and account for the University's investment in fixed assets (property, plant and equipment) and intangible property (software). Responsibility for fixed asset property management is held in the Financial Services Office.

PURPOSE

The complete and accurate accounting of fixed assets is very important. Adequate accounting procedures and records are essential for the protection of State property. The responsibilities of stewardship involved in safeguarding such a large public investment is of great importance to sound financial administration.

A system of property accounting and management allows the assignment of responsibility for custody and proper use of property with University officials. The system also provides for the important tracking of location, cost, funding source, depreciation and useful life. Finally, the accounting for property is essential to the preparation of satisfactory and complete financial reports.

DEFINITIONS

Fixed Asset – an asset of a relatively permanent nature with a useful life of more than one year whose identity does not change with use. The unit must be identifiable and separately accounted for.

Capital Fixed Asset – a fixed asset with a unit cost of $5,000 or more that is recorded in the financial statements. Expenditures are posted to 63xxx and 64xxx account codes.

Non-Capital Fixed Asset – a fixed asset with a unit cost below the capitalization threshold (e.g. $5,000 for equipment and $25,000 for buildings). While not required for financial reporting purposes, management has chosen to record these assets in the Fixed Asset module for tracking and accountability purposes.

Intangible Asset – a long-lived legal right, in the case of software, the right to use the software.

Supplies and Materials – Consumable commodities purchased for inventory or immediate consumption; articles and commodities, which are consumed or materially altered when used; and software and fixed assets that do not meet the cost threshold for non-capital or capital assets. This may include operating supplies, office supplies and small tools. Expenditures are posted to 622xx account codes.

Asset Tag – a pre-numbered identification tag affixed to fixed assets for inventory, warranty, identification and stewardship purposes.

CAPITAL VERSUS NON-CAPITAL

Property is considered **capital** in nature and is tagged as such when it meets all of the following criteria:

- The unit cost is equal to or greater than the capitalization threshold for the specific type of asset (see Capital Asset Policy). Included in this calculation may be freight and other costs needed to bring the asset into its intended use.
- The unit's estimated useful life is greater than 1 year
- The unit's identity does not change with use
- It is non-consumable in nature
- It is identifiable and can be separately accounted for

Property is considered **non-capital** in nature and is tagged as such when it meets the following criteria:

- The unit cost is greater than $1,000 but less than the capitalization threshold for the type of asset. Included in this calculation may be freight and other costs needed to bring the asset into its intended use.
- Criteria 2-5 above for capital property.

Property with a unit cost below $1,000 is not tagged, inventoried or recorded in the Fixed Asset module.

The Fixed Asset module is used as a means to record capital and non-capital property. Required accounting entries for capital property are made in the general ledger for financial statement reporting.

PURCHASING

To review campus purchasing policies and procedures, visit the Business Services Website at http://www.msubillings.edu/boffice/. Select "Purchasing", then "Policies and Procedures". Information Technology policies and procedures can be viewed at **http://www.msubillings.edu/technology/.**

ASSET TAGGING

For both capital and non-capital property, a unique property number is assigned. A tag reflecting this number is affixed to the asset in a visible location. The number assigned cannot be re-used or re-issued. The asset tags are centrally kept, maintained and distributed. The following information (when applicable and feasible) will be maintained in the fixed asset records for each property tag:

- Tag number
- Asset description
- Asset type
- Acquisition date
- In-Use date
- Make
- Model
- Manufacturer
- Serial Number/VIN
- Location (building and room number)
- Responsible department
- Funding source
- Cost

Due to its structure, shape or nature, some property may not be physically tagged. In these cases, the inventory tag will be affixed to the paperwork that is maintained in the Financial Services Office.

It is possible that a piece of property does not have a tag affixed to it because either the tag has been lost or the item was not originally tagged. In this case, research can be done to determine the tag number, if any.

DONATIONS

Any gifts or donations to MSU-Billings need to be arranged through the Montana State University- Billings Foundation, regardless of cost or value. If a department receives property meeting the criteria of either non-capital or capital property, the receiving department should also notify the Financial Services Office so that the property can be tagged and added to the inventory at its estimated fair market value.

Please contact the Financial Services Office for information regarding donations from MSU-Billings to other state agencies, educational institutions, companies, etc. There are specific guidelines that must be followed if a department wants to transfer property outside of MSU-Billings.

DISPOSITION

State statutes provide specific ways in which surplus state property must be disposed of, regardless of the method of disposition. Any disposition of an asset, whether or not it has an inventory tag, must be approved in advance. A written request must be made to the Financial Services Office and the department must receive written approval before the property is disposed of. Under no circumstances should individual departments attempt to dispose of State property on their own.

TRADE-INS

Requests for trade-ins (regardless of cost) must be made in letter format to the Purchasing Department with a copy to the Financial Services Office. The request must include the following information for the property to be traded:

- Asset tag (if there is one)
- Detailed description
- Make
- Model
- Manufacturer
- Serial number
- Trade-in value (a quote can be obtained from the vendor)
- Explanation as to why the trade-in will benefit the University and the State of Montana

Once approval is received, the request should be attached to the requisition/purchase order and forwarded to the Purchasing Department. Property requested to be traded in will be subject to the State's Property and Supply Bureau approval. The Property and Supply Bureau may wish to sell the property at auction and, under certain guidelines, return the money to the University.

No trade-ins are allowed on vehicles.

LOST/MISSING

If it is believed that a piece of property has been lost or is missing, immediately notify in writing the Campus Security Office and forward a copy to the Financial Services Office.

THEFT

If theft or illegal conversion is suspected of equipment or inventoried items, the Campus Security Office must be notified IMMEDIATELY. The Campus Security Office will forward a copy of the incident report to the Administrative Vice Chancellor's Office so that the Attorney General, the Legislative Audit Division and other authorities, if required, can be notified. Financial Services will obtain a copy of the incident report so that the item can be removed from the inventory listing. Any maintenance contracts on the stolen property should be cancelled in writing with the Purchasing Department.

DAMAGE/DESTROYED PROPERTY

If property is damaged or destroyed as a result of something other than normal wear and tear, the responsible department should notify in writing the Campus Security Office. They will forward a copy of the incident report to the Administrative Vice Chancellor's Office who will, in turn, provide a copy to the Financial Services Office for removal from the inventory records. If it is determined appropriate, the property may be authorized for salvage or spare parts. The department will receive written authorization before disposition takes place.

SALVAGE/SCRAP

Certain property that is deemed to have no value may be approved for salvage or scrap. Requests to salvage or scrap property must be made in writing to the Financial Services Office beforehand. If salvaging or scrapping the property is deemed appropriate, the department will receive written authorization before disposition takes place.

CANNIBALIZATION

Cannibalization is the dismantling of property so that serviceable parts can be removed and used in another functional piece of property. Requests for cannibalization of University property should be forwarded to the Financial Services Office in writing with complete information regarding a description of equipment to be cannibalized (includes make, model, manufacturer, serial number, etc.) and parts to be removed. When approved, the department will receive written authorization and then the property may be dismantled, serviceable parts removed, and the remaining pieces scrapped or disposed of as described above for salvaged/scrapped property.

SALE

The University may dispose of surplus property through sales to governmental entities and the general public. Sales to the general public may be in the form of garage sales, auctions or bid solicitation. If a department wishes to dispose of property through such a sale, a prior written request must be made to the Financial Services Office by filling out the Department Surplus Form.The Financial Services Office will arrange pick-up of the property through Facility Services.

University employees can purchase surplus property at sales open to the general public. It is not permissible for University or other state employees to purchase the property outside of such sales.

Departments can retain proceeds from the sale of their property only when the following criteria are met:

- An individual item is sold for $500 or more; and
- It can be determined that the item was not purchased from the State General Operating Fund or federal funds. If the funding source cannot be identified for certain, proceeds will be returned to the General Fund.

TRANSFERS – ACROSS CAMPUS AND ACROSS STATE AGENCIES

If a department wants to transfer a piece of equipment, whether non-capital or capital, the Financial Services Office and the receiving department need to be notified in writing beforehand so that the inventory records can be updated to reflect the new department and the new location of the property. The notification should include:

- Asset tag number (if applicable)
- Description of the asset (includes make, model, manufacturer)
- Serial Number or VIN
- Previous Location (building, room number and responsible department)
- New Location (building, room number and responsible department)
- Signatures of both the originating department property manager and the receiving department manager. (See Accountability Section).

For on-campus transfers, please fill out the Transfer Form.

Transfers can be made between state agencies when it is determined that such a transfer is in the best interest of the State. Prior written approval for such transfers must be obtained from the Financial Services Office.

SOFTWARE

If a department wishes to dispose of software, they must fill out a disposal request form and forward it to the Financial Services Office. The department will then receive a phone call from Financial Services indicating that the disposal has been approved. They will then be given directions on what to do with the software.

GRANT AND CONTRACT PURCHASED OR FURNISHED PROPERTY & EQUIPMENT

Grants and contracts often furnish property to the University to perform certain grant or contract requirements. This property can only be used on the grant or contract it is intended for unless otherwise stated. Accurate records need to be maintained by the department as to the use, location and maintenance of the equipment.

Please notify Financial Services when grant and contract purchased equipment has been received. Financial Services will then tag the property if it meets the requirements of a capital asset or a non-capital asset (see Definitions section) and report the purchased equipment to the Grants and Contracts accountant.

Never trade, cannibalize, transfer or otherwise dispose of property purchased with grant or contract funds without prior written approval from Financial Services and the Grants and Contracts accountant. Contact Financial Services for procedures to dispose of inoperable or unwanted property.

ACCOUNTABILITY

University property and equipment may be used only in the performance of University duties. University property and equipment should not be loaned out for personal use.

Title and ownership of all University property are with the Montana University System. Possession, use, and accountability are maintained on the departmental level.

Within each department, college or functional unit at the University, there is a property manager. The property manager is either the fund controller that is responsible for the property or the dean or director of the department. The property manager is responsible for:

- Ensuring the proper use and maintenance of property under their supervision.
- Promptly reporting any property loss, misuse or conditions requiring repair or which create a hazardous working condition.
- Assigning property within their area of responsibility.
- Tagging of property within their area of responsibility.
- Inventory of property

OFF-CAMPUS USE

In situations where it is necessary to take state-owned property off campus, a signed memo by the supervisor, dean, director or department chair granting authorization must be kept on file in the department, with a copy forwarded to the Financial Services Office. Laptop computers need not be authorized for each usage off campus, unless individual departments require specific sign-out procedures. The memo should include the following information:

- Tag #
- Description
- Make
- Model
- Manufacturer
- Serial Number
- Off-Campus Location (Address)
- Name of Person Responsible
- Length of Time expected to be Off-Campus

The Financial Services Office should be notified in writing by the supervisor, dean, director or department chair when the equipment is returned to University premises.

INVENTORY

Bi-annual inventories will be conducted for all capital assets (those costing $5,000 or more). The departments will be provided with an inventory listing and will be required to locate the items listed for their department and account for any discrepancies. The completed inventory lists should be returned to the Financial Services Office so that inventory records can be updated.

Inventory listings of non-capital assets will periodically be sent to the departments. The departments will need to locate the items listed and account for discrepancies. In order to update the inventory records, inventory results will need to be returned to the Financial Services Office.

It is important that if an asset, whether capital or non-capital, is permanently removed from a department, written notification is submitted to the Financial Services Office so that the location on the inventory records can be updated to reflect the new location and responsible party. (See Transfers Section).

Departments may request inventory lists more frequently by calling the Financial Services Office.

LOCATION OF RECORDS

All fixed asset records are maintained in the Financial Services Office in McMullen Hall Room 204. Departments may contact Financial Services if they need information regarding fixed asset records.

FREQUENTLY ASKED QUESTIONS

- **I have some equipment in my office that I want to get rid of. How do I do that?**

  Fill out the Department Surplus Form in its entirety, making sure the appropriate signature is obtained, and forward it on to the Financial Services Office. Financial Services will then contact Information Technology (if computer equipment is involved) and Facility Services to arrange pick-up.

- **There are some items in my office/department that I would like to get rid of. There aren't any asset tags (PAMS) on them. Can I just throw them away?**

  No. Each piece of University property must have written approval for disposal BEFORE the disposition occurs. It does not matter if the property is tagged. Fill out the Department Surplus Form and forward to the Financial Services Office, who will then arrange pick-up with Facility Services.

- **I would like to buy a piece of equipment in my office. Is that possible?**

  It is not permissible for a University employee to purchase University equipment outright. There are several steps that need to be followed beforehand. The steps are outlined below:

  1) It needs to be determined that the property is no longer needed at the University. If it is not transferred to another department, then;
  2) It needs to be determined that the property is not needed at another educational institution. If it is not transferred to another educational institution, then;
  3) It needs to be determined that the property is not needed at another state agency. If it is not transferred to another state agency, then;
  4) The item may be either placed in a surplus property sale or put up for bid. In this case, the general public needs to be given equal opportunity to purchase the property.

- **Our department just bought a piece of equipment and we would like to place an inventory tag on it. Will one be affixed?**

  Inventory tags are sent to the departments on a regular basis. Feel free to call Financial Services and request a tag for those items costing $1,000 and up. The Financial Services Office does not tag and keep records for items costing under $1,000 and it is the responsibility of the department to keep track of such pieces of equipment.

- **May I take my office computer home to use for University business purposes?**

  There are some instances where this is necessary. In these instances, an authorization memo should be signed by the dean, director or department chair and the employee and should be placed on file in both the department office and Financial Services. See "Off-Campus Use" section.

- **I think some equipment has been stolen from my department. What do I do?**

  Contact the Campus Security Office immediately.

- **My department has some items that we would like to sell in the next surplus sale. We would like the money deposited into our index. What do we need to do?**

  Campus policy states that in order for money to be deposited into an index for the sale of property, the following conditions must be met:

  - The sale of the individual item generated revenue of $500 or more; and
  - The asset was not purchased with state or federal funds. If the funding source cannot be determined, the revenue will be reverted and will not be given to the department.

POINTS OF CONTACT

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