

Accounting Handbook

Asset Management

1. Reporting Requirements

All assets meeting personal property criteria will be reported to the State Property Accounting System (SPA) as required by the Texas State Comptroller of Public Accounts. Real and personal property is tracked and maintained University's fixed asset management system, PeopleSoft Asset Management System (PSAM). Asset Management will report on assets acquired under contracts and cooperative agreements in accordance with the Asset Management standards of each contract. In addition to the standard reconciliations, Asset Management will prepare fiscal year summaries of new vehicle purchases and reduction in capital assets; report of new additions; disposals for insurance coverage purposes.

1.1 Personal Property:

Assets that have sufficient value to warrant inclusion in the fixed asset portion of the financial statement. Personal property also includes state assets that, due to their high risk nature and with a value less than their capital threshold, are required to have management controls placed upon them and reported to the State comptroller's office. Personal property does not include consumable items nor does it include real property such as land or buildings, or improvements to land or buildings.

1.2 Capital Assets:

Capital Assets are real or personal property that has an estimated useful life of greater than one year. A Capital Asset has a value equal to or greater than the capital threshold established for that asset type.

1.3 Capitalization Threshold:

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets. All State entities are required to use these thresholds.

| <u>Class of Capitalized Assets</u> | <u>Threshold</u> |
|---|-------------------------|
| <i>Tangible Assets</i> | |
| Land and Land improvements | \$0 |
| Infrastructure, non-depreciable | \$0 |
| Construction in progress | \$0 |
| Building & Building improvements | \$100,000 |
| Facilities & Other improvements | \$100,000 |
| Infrastructure, depreciable | \$500,000 |

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|--|-------------|
| Furniture & Equipment | \$5,000 |
| Vehicles, Boats, Aircraft | \$5,000 |
| <i>Other Capital Assets</i> | |
| -Library books/materials (collections) | \$0 |
| -Works of Art & historical treasures | \$0 |
| -Leasehold improvements | \$100,000 |
| -Livestock | \$5,000 |
| <i>Intangible Assets</i> | |
| Land-use rights – permanent life | \$0 |
| Land use rights – term life | \$100,000 |
| Computer software | \$100,000 |
| Internally developed computer software | \$1,000,000 |
| Other intangible capital assets | \$100,000 |

1.4 State Comptroller's Controlled Assets:

Assets that meet personal property criteria with a single unit value of at least \$500 but not more than \$4,999.99 and that, due to their high-risk nature, are required to be secured and tracked. State controlled assets may be reported in the State Property Accounting System, but are not reported in the capital assets section of the Annual Financial Report. The Comptroller of Public Accounts designates which asset classifications will be considered as State controlled assets. These currently include:

| <u>Class Code</u> | <u>Class of State Controlled Asset</u> | <u>Threshold</u> | <u>GL Account</u> |
|--------------------------|---|-------------------------|--------------------------|
| 106 | Hand Guns | At any cost | 54354 |
| 107 | Rifles and Shotguns | At any cost | 54354 |
| 129 | Sound Systems and Other Audio Equipment | \$500 to \$4,999.99 | 54354 |
| 130 | Portable Cameras | \$500 to \$4,999.99 | 54354 |
| 131 | TVs, Video Players/Recorders | \$500 to \$4,999.99 | 54354 |
| 204 | Computer, Desktop | \$500 to \$4,999.99 | 54355 |
| 218 | Data Projectors | \$500 to \$4,999.99 | 54354 |

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|-----|---|---------------------|----|-------|
| 219 | Smartphones, Tablets and other handheld devices | \$500 \$4,999.99 | to | 54355 |
| 284 | Computers | \$500 \$4,999.99 | to | 54355 |

1.5 Manufactured Assets:

Assets which are assembled by a university department, and whose total costs per unit qualify them as capital or controlled assets. The purchase or acquisition (by donation, transfer or other means) of parts with the intent of assembly as a new asset must be reported to Property Management, who will make the decision as to whether or not the assembled asset qualifies as capital, controlled, or expendable.

1.6 Library Books and Reference Materials:

Library books are 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 (i.e. journals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents and similar items) that provide information essential to learning or that enhance the quality of academic, professional or research libraries. Expenditures for library books, and reference materials are capitalized if the annual purchase meets the \$5,000 threshold. Books and other materials purchased (not for the library) should be expensed. Additions to the Library is reported each year as a separate component in as a single collection for State Property Accounting System (SPA) reporting purposes. Disposals are made using FIFO (First-in-First-Out) method. Library books and reference materials are depreciated using straight-line depreciation method.

1.7 Works of Art and Historical Treasures:

Works of Art and Historical Treasures are collections or significant individual items that are owned by State agency and are not held for financial gain but rather for public exhibition, education or research as part of a public service. Works of Art and Historical Treasures are capitalized in PeopleSoft Asset Management System (PSAM) and the State Property Accounting System (SPA), unless held for financial gain. Additions and reductions to the value of capitalized art are also reported to the Director of Risk Management Office so that insurance coverage can be revised or updated. Works of Art and Historical Treasures are currently categorized as inexhaustible collection of items whose 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, holders protect and preserve these assets more than they do for similar assets without such value and hence not depreciated.

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1.8 Property Held in Trust:

Assets that meet personal property criteria and have been provided for the University's use where ownership is retained by the donor.

1.9 Federally Purchased Equipment:

Federally purchased equipment is any equipment purchased with federal funds, including pass-through to the University. Equipment can be Federally Titled or Conditionally Titled with the University.

- Federally titled equipment (government property) is any equipment furnished to the university by the federal government, or equipment acquired or fabricated using funds from a federal sponsored project or contract where the agreement specifies that the title to the equipment remains with the government.
- Conditionally Titled equipment are items that were purchased on federally sponsored projects where the title conditionally vests with the University. In general, sponsored projects identify the title to equipment in the terms of the agreement while sponsored contracts retain federal ownership for all equipment with a cost of over \$5,000.

The university is required to maintain a system to control, protect, preserve, and maintain control over federally titled and conditionally titled property. The Asset Management (PSAM) system, General Ledger, inventory procedures, and surplus property procedures provide these controls, and government equipment is subject to all university Asset Management guidelines, policies, and procedures. However, there are additional requirements for government property:

- Identification of federally titled and conditionally titled property in PSAM.
- Requirements for all equipment purchased with federal funds, whether Federally Titled or Conditionally Titled with the University:
 - Conducting annual inventory
 - Ensuring that the equipment is used for award purposes until the award ends or the equipment is no longer needed.
 - Ensuring that equipment purchased with federal funds is made available for use on other federally funded programs
 - Ensuring that adequate records are retained, including:
 - Asset descriptions
 - Asset serial or identification numbers
 - Asset source of funding
 - Title holder
 - Acquisition data
 - Asset cost
 - Percentage of federal participation
 - Asset location

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- Asset use
- Asset condition
- Asset disposition data
- Ensuring that disposals are conducted in accordance with federal requirements
- Requirements Specific to Federally Titled Items Only:
 - Identification of the Government Identification/Tag or National Stock number in PSAM.
 - Identification of the Federal Supply Code or Federal Supply Classification in PSAM.
 - Identification of the Federal Award Identification Number (FAIN) in PSAM
 - Marking government property as such.
 - Annual reporting on government property.

Responsibilities for federally titled equipment:

1. Office of Sponsored Programs (OSP) This section was reviewed by OSP Dept.
 - Identification of equipment that will be furnished by the federal government or situations when equipment acquired or fabricated using sponsored funds will be federally titled when they are received.
 - Providing Asset Management with the NOA as well as the name of the awarding agency, the Government ID/Tag or National Stock Number, the Federal Supply Code/Classification, and the Federal Award Identification number (which is known after the Purchase Order is processed).
 - Annually running PSAM (property inventory) reports and/or queries that identify government property and preparing annual reports for federal agencies.
 - Ensuring that equipment is: used for the program or project for which it was acquired; and made available to other federally sponsored programs and projects, if it does not interfere with the original program/project.
 - Maintaining data for calculation of the percentage of federal participation on each sponsored project.
 - Ensuring that equipment purchased with federal funds is not used to provide service center services for less than the cost for private companies.
2. Asset Management
 - Oversight of annual inventory.
 - Identification of Federally Titled and Conditionally Titled assets in the PeopleSoft Asset Management System (PSAM).
 1. Assets purchased with federal funds will be identified by the fund code of the procuring departmental cost center.

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2. Based on information provided by OSP, Federally Titled equipment will also be designated in PSAM as Equipment Held in Trust (equipment not owned by the university).
- Issuing unique tags for all Federally Titled and Conditionally Titled assets
 1. Conditionally Titled assets and Federally Titled assets will be issued PSAM tags that begin with the letter G.
 2. Federally Titled assets will be issued additional tags to identify them as Federally Owned.
 - * The tag will read “Federally Titled Equipment, Govt. Tag No”.
 - * These tags will be in addition to the university's property tags
 - * These assets will be recorded as Equipment Held In Trust in the General Ledger using a distinct cost center for Federally Titled Equipment.
- Ensuring that items purchased with federal funds (those bearing G-Tags) are not transferred to other departments nor accepted to the surplus warehouse for disposal without the prior approval from the Principal Investigator and OSP.
- Maintaining a list of all university assets in Asset Management. The list will be updated at least bi-annually.
- Assets in PSAM that are in use at the university utilize the status “In Service”. All in service assets are considered to be in good condition. It is the responsibility of the user department to provide notification to Asset Management if equipment ceases to be in good condition. Asset Management will update asset conditions accordingly.
- Ensuring disposal of assets in accordance with federal guidelines.
3. Departments with government property
 - Compliance with all university Asset Management guidelines, policies, and procedures.
 - Placing the additional assets tags on government owned property.
 - Ensuring that equipment purchased with federal funds is properly maintained and used for award purposes until the funding ends or the equipment is not needed.
 - Conducting annual inventory
 - Notify Asset Management of impaired assets that require a change in condition from “good” to “fair” or “poor”.
 - Obtaining OSP approval for all asset transfers and disposals.

1.10 Contract Assets:

Assets purchased by the University with funds provided through contracts or cooperative agreements with agencies of the Federal Government or other sponsors. Title to contract assets vests with the University and the State of Texas upon purchase, contingent to the provisions of the

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contract. Federal agencies reserve the right to recapture contract assets at termination or expiration. Title to contract assets will at no time be transferred to an employee of the University unless specifically required in a disposition clause of the contract, and will only be transferred upon termination or expiration. Contract assets will be reported in accordance with the Asset Management standards clause of the contract.

2. Acquisition of Assets and Determination of Value

2.1 New Purchases:

Assets will be recorded at actual cost plus all costs incurred to make the assets usable and render it into service. Expenditures subject to capitalization include freight charges, import duties, handling and storage charges, in-transit insurance charges, sales tax, site preparation costs, installation charges, charges for testing and preparation for use, cost of reconditioning items purchased used, and parts and labor associated with the construction of the equipment. Incidental charges, such as extended warranties or maintenance agreements are not considered part of the capital costs. However, if such costs are included or imbedded within the capital asset cost, then these costs are considered a part of the acquisition cost of the asset.

2.2 Gifts and Donations:

Assets which are offered to the University as gifts or donations must be approved by the University Advancement Office, the Associate Vice President for Finance, and the Asset Management Office. Forms for approval of gifts and donations are available from the University Advancement Office. Gifts and donations must be approved before assets are accepted into the university's possession. Donated property must be recorded at its estimated fair-market value on the date of acquisition, using a reasonable market study/assessment. Once approved, the item will be evaluated for capital or controlled asset based upon the fair-market value.

2.3 Additions and Improvements:

Additions and Improvements are capital expenditures that increase the capacity or improve efficiency of the asset. A change in capacity increases the level of service provided by an asset. A change in efficiency maintains the same service level, but at a reduced cost. Such cost of additions and improvements is capitalized and reported in PeopleSoft Asset Management System (PSAM) and State Property Accounting System (SPA).

2.4 Replacements, Restoration and Repairs:

For a replacement to be capitalized, the replacement unit must be part of a major repair or rehabilitation project that increases the value and/or useful life of the original asset and meets the capitalization threshold. A replacement may also be capitalized if the new item or part is of significantly improved quality and higher value compared to the old item or part. Such cost of

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replacements and restoration is capitalized and reported in PeopleSoft Asset Management System (PSAM) and State Property Accounting System (SPA). Replacement or repair/restoration of an item to its original utility level is not capitalized. Determination is made on a case-by-case basis.

2.5 Trade-Ins:

Acquisitions of new personal property on which existing property has been traded-in will be recorded at actual cost plus trade-in allowance plus other costs incurred to make the asset usable and render it into service. (Note: Current GSC policies do not permit the exchange of equity in a state asset for the reduction of an operating lease. In other words, state property may not be used as a trade allowance towards the lease of new equipment. The new equipment must be purchased in order for the trade to be allowed by the state.)

2.6 Depreciation:

The straight-line depreciation method (historical cost less residual value, divided by useful life) is used for all capital assets. Depreciation and accumulated depreciation of capital assets are reported annually in the Annual Financial Report.

3. Inventory Control (Asset Management)

The Asset Management Office is responsible for the administration of property accounting policies of the State of Texas and University of Houston System. Asset Management is also responsible for maintaining the University's fixed asset database, for reporting all changes in accordance with policies and procedures, and for maintaining and reconciling the agency's data in PeopleSoft Asset Management System (PSAM) to the State Property Accounting System (SPA)

3.1 Review of Expenditures:

Asset Management will review expenditure accounts on purchase orders to determine if expenditures are subject to capitalization or inclusion in a state-controlled asset category. Expenditure accounts are corrected where necessary on a monthly basis.

3.2 Tagging of Assets:

Upon receipt of assets classified as capital or controlled, Asset Management will issue inventory tags on a unit basis. In order to facilitate physical inventories, tags will be placed in a highly visible position on the asset, the location being reasonably consistent for all assets within the classification.

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3.3 Entry of Asset Records:

Subsequent to the issuance of tags, a permanent asset record will be created in the PeopleSoft Asset Management System (PSAM) for all capital and/or controlled assets. An asset's primary record will include tag number, description, serial number, acquisition date, SPA classification, university classification, condition, department assignment and location. An asset's payment record will include payment date, voucher number, purchase order number, funding source, University cost center expenditure account number and SPA acquisition method. Payment records for assets purchased with contract and grant funds will include sponsor identification and title designation. Donated assets will include an appraisal method.

3.4 Disposal of Assets:

Non-Data Processing Equipment: Facilities Management and Construction (FMC) Department are responsible for the physical disposal of all non-data processing obsolete/surplus assets. Individual Departmental Property Custodians are responsible for placing the work order requests for obsolete/surplus assets to be picked up for physical disposal by FMC. Individual Departmental Property Custodians are responsible for notifying Asset Management of obsolete/surplus assets via an "Asset Update Form." Asset Management is responsible for the removal of tags from the capital or controlled assets. FMC acknowledges receipt of items by signing the "Asset Update Form." Asset Management is responsible for recording disposition of controlled and capital assets in PeopleSoft Asset Management System (PSAM) and State Property Accounting System (SPA) in accordance with state and university policies on surplus and salvage property.

Data-Processing Equipment: Designated University Computing and Telecommunications Dept (UCT) personnel are authorized to remove tags from units that are traded-in or obsolete. The physical tags are delivered to the Asset Management Office with the work-order documentation supporting the trade-in or surplus status. Asset Management is responsible for recording disposition of controlled and capital assets in PeopleSoft Asset Management System (PSAM) and State Property Accounting System (SPA) in accordance with state and university policies on surplus and salvage property.

3.5 Account Reconciliation to Sub Ledgers:

On a monthly basis, Asset Management will reconcile PeopleSoft Asset Management System (PSAM) current fiscal year acquisitions to PeopleSoft General Ledger (PSGL) expenditure accounts. Asset Management will also reconcile PSAM current year acquisitions to State Property Accounting System (SPA) on a quarterly basis.

3.6 Update Agency Data:

Periodically, Asset Management will update State Property Accounting System for any additions and/or disposals.

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3.7 Reconciliation to General Ledger: (PSGL) and State Property Accounting System (SPA):

On a quarterly basis, Asset Management will reconcile PeopleSoft Asset Management System (PSAM) capital assets cumulative value to PSGL and State Property Accounting System (SPA). This reconciliation takes into account cumulative fiscal year expenditures, acquisitions through donation and trust, disposals by sale or salvage, and transfers to other government agencies. As part of the year-end process, Asset Management will reconcile (SPA) to the University's Annual Financial Report and the Comprehensive Annual Financial Report in USAS database.

3.8 Certification of Annual Physical Inventory:

Asset Management is responsible for the coordination and supervision of the annual physical inventory of state property. Asset Management will establish a certification period, generate inventory reports, review the results submitted by departments, conduct random audits and, report changes to the State Property Accounting System. Asset Management will prepare and submit to the State Comptroller of Public Accounts the necessary documentation and certification of the University's Annual Physical Inventory conducted during that fiscal year.

4. Departmental Inventory Control

Newly acquired assets will be assigned by Asset Management to the department funding the purchase, to the department to which the donation has been made, or to the department to which a transfer has been made from another agency. In some cases assignment will be determined upon the basis of which department would serve as the most logical custodian. Assignment of existing assets may be transferred from department to department using the standard "Asset Update Form."

Employees are not permitted to move an asset without prior approval from the Departmental Property Custodian. Physical movement of an asset within campus requires submission of the standard "Asset Update Form" with location change. Physical movement of an asset off-site requires submission of "Authorization of Off-Campus Asset Form."

4.1 Responsibility for Assets:

Each department will designate a Property Custodian at the beginning of each fiscal year. Upon designation, all custodians will submit to Asset Management a written acceptance acknowledging his or her responsibilities using the standard "Designation of Departmental Property Custodian Form." The Property Custodian is responsible for ensuring the use, maintenance and safekeeping of all state property assigned to their designated department. The Property Custodian is also responsible for inventory control as outlined in the Asset Management section of the Accounting Handbook.

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4.2 Tracking and Updating Department Asset Status:

The Departmental Property Custodian has the responsibility of knowing the location of all assets assigned to their respective departments at all times, and for delegating the charge of internal inventory control. The Departmental Property has the responsibility of reporting asset condition, disposal, transfer, missing, lost, and location updates using the "Asset Update Form."

4.3 Physical Inventory Certification:

Each department is responsible for conducting and certifying an annual physical inventory of capital and controlled assets assigned to it. Inventory methods used will be in accordance with State Property Accounting policies, and the physical count will be conducted in the period established by Asset Management. If the results of a department's certification count indicate a pattern of loss, Asset Management may require the department to conduct periodic inventories.

4.4 Tracking of Software:

Computer software is the most widely owned type of intangible capital asset. Computer software cost is capitalized. Threshold for purchased "off-the-shelf" computer software is \$100,000. Threshold for internally generated computer software is \$1,000,000. Capitalized and controlled software will be assigned its own unique inventory tag number, but additional tracking measures will be required. Departments should make note of, and report to, Asset Management the tag numbers of computers on which the software has been installed.

4.5 Surplus Assets:

Departments are not permitted to dispose of surplus assets without prior approval from Asset Management. Departments should place work-order requests to Facilities Management and Construction (FMC) to have surplus assets picked up. Departmental Property Custodian should notify Asset Management using the "Asset Update Form" for approval and removal of tags prior to FMC's pick up on all controlled and capital assets. (See Section 3.4 also).

4.6 Cannibalization of Assets:

Parts may be cannibalized from one state asset for installation into another state asset to meet a specific requirement and/or to return an item to service. Prior approval from Property Management must be obtained. Departmental Property Custodian must submit an "Asset Update Form" for cannibalization. Once cannibalization has been approved and tags removed from asset being cannibalized by Asset Management, departments must immediately place a work-order request to FMC to pick up all remains of the asset for scrap or destruction. (See Section 10 also).

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4.7 Missing or Stolen Assets:

Departmental Property Custodian should ensure that an employee entrusted with property exercises, at a minimum, reasonable care for its safekeeping.

Reasonable Care means that steps have been taken to ensure:

- Acceptable upkeep and maintenance of the asset,
- Security of the asset,
- The asset can be located at all times and
- Documentation “Authorization for Off-Campus Property Form” is retained specifying the person responsible for the asset.

Definition of Missing Property: Asset whose location cannot be accounted for due to undetermined reasons.

Definition of Stolen Property: Asset whose location cannot be accounted for due to theft, burglary or other criminal acts.

Missing or Damaged Property-Employee Negligence: If an asset is discovered missing or damaged, the employee/department must contact University Police, Department Head, and Asset Management immediately. If the Departmental Property Custodian or Department Head has reasonable cause to believe that the property in the employee’s possession has been lost, destroyed or damaged through the employee’s negligence, then Departmental Property Custodian must report the loss, destruction or damage to the Asset Management within 48 hours using “Asset Update Form” and supporting documentation. Asset Management will report the same to the Comptroller and the Office of the Attorney General (OAG) within 72 hours of discovery. Negligent employees will be held liable to reimburse the University for the loss. If the negligent employee does not reimburse the University, then the University and/or Office of the Attorney General (OAG) may take legal action to recover the value of the property from the negligent employee, as that office deems necessary.

Missing or Damaged Property-No Employee Negligence: If an asset is discovered missing or damaged, the Departmental Property Custodian has to report the same using “Asset Update Form: within 48 hours. Asset Management will report the same to the Comptroller State Property Account System. If the missing asset is found, the same needs to be reported by the Departmental Property Custodian to Asset Management via “Asset Update Form.” Asset Management will update PeopleSoft Asset Management System (PSAM) and State Property Accounting System (SPA) accordingly.

Stolen Property: If the Departmental Property Custodian and/or employee in possession of the asset has a reasonable cause to believe that the property in his/her possession has been stolen, the Departmental Property Custodian must report the theft to the nearest Law Enforcement Agency

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and/or University Police and Asset Management within 48 hours of realizing the property has been stolen. Asset Management will report the same to Office of the Attorney General (OAG) within 72 hours of its occurrence with required documentation. If the investigation Policy report reveals that a property loss occurred through the negligence of the employee, then the negligent employee will be held liable to reimburse the University for the loss. If the negligent employee does not reimburse the University, then the University and/or Office of the Attorney General (OAG), may take legal action to recover the value of the property from the negligent employee, as that office deems necessary.

5. Physical Inventory Procedures

The University is required to conduct an annual physical inventory of the trust, capitalized and controlled personal property (excluding libraries and historical arts and treasures) that is in the University's possession at a time of its own choosing. The University is to certify the results of the annual physical inventory to the State Comptroller of Public Accounts describing the method used to verify the inventory no later than 20 days after the last day of the physical year (September 20th). All assets in service will be included in the inventory count. Individual departments will receive inventory report listing of in-service assets. Missing and stolen assets that are in the disposal pending approval status, from the State Comptroller's Office will still be considered accountable property. (Reasonable efforts should be made to recover missing property during the count.) Deletion of missing and stolen property is made only with the approval of the State Comptroller's Office. Departments are required to carry missing property on their inventory for a minimum of three fiscal years following the occurrence before requesting approval for deletion. Approvals for deletion are made via the State Property Accounting System.

Schedule: Asset Management will determine the annual physical inventory certification date for individual departments based on the volume and value of assets to be identified. In preparation for the year end accounting activity and certification of State Property Accounting System (SPA) fiscal balances, Asset Management will also establish a deadline for departments to request to surplus property from their inventory generally three weeks prior to the close of a fiscal year.

5.1 Inventory Package:

Asset Management will submit inventory packages to individual departments in the month of March. Package will include:

- Annual Physical Inventory Instructions
- Listing of In-Service Assets (Property Management Asset by Department report as of inventory date)
- Microsoft Excel version of the listing of In-Service assets
- Exception Report Form – Property Custodians to report all discrepancies on this report.
- Required Forms – Certification

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5.2 Reporting Elements:

Individual Department results shall be submitted on the forms provided by Asset Management, and shall include the following elements:

- that inventoried property is or is not in the department's custody
- the location of the property
- the condition of the property
- the persons responsible for the property
- any discrepancies, updates or corrections on the Exception Report.

5.3 Inventory Verification Team and Verification Method:

It is preferable that two or more persons who do not have the responsibilities for entering nor reporting personal property conduct a Department's annual physical inventory. However, Department resources and logistics may dictate using only one person. Department discretion prevails in these circumstances. It is the responsibility of the verification team and/or individual verifier to report all required elements in the inventory results. An asset is not considered accounted for unless the verifier has physically inspected it, except in cases of assets which are authorized to be located off-campus. Each verifier and Departmental Property Custodian and Department Head responsible for the property must sign and date the property lists to certify the accuracy and completeness of the inventory. The combined lists of property used by the verifiers from individual departments should represent all of the University's property subject to the annual physical inventory.

It is permissible to verify assets with barcode scanners if the capability exists within the department. Intentional defacement of an inventory tag is not permitted. Inventory tags which have fallen off should be reported to Asset Management.

Assets located Off-Campus: Assets which have been removed from campus requires documentation on the "Authorization for Off-campus Property" form. Assets located off-campus will be designated by an "Off Campus" in the Asset Class column on the inventory report. A new "Authorization for Off-campus Property" form should be submitted each fiscal year per State guidelines. The lack of an "Off Campus" in the Asset Class column indicates that there is no "Authorization for Off-Campus Property" form on file in the Asset Management Department, and that the asset is not authorized to be off-campus. The verifier and the Departmental Property Custodian should advise the employee who has removed the asset that he/she is not in compliance with Asset Management policy and is required to return the asset to campus and process the asset through the standard removal procedure.

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5.4 Classification of Property as "Missing":

Due to the frequency of relocations and transfers, assets will not be classified as missing until the review of inventory results submitted by all departments has been completed by Asset Management, at which time assets not found by the responsible department and not subsequently reported by the other department will be classified as missing property. (See Section 4.7 for additional details.)

5.5 Audit of Inventory Results:

After departmental inventory certifications are completed, Asset Management will conduct random audits of the inventory results during the physical year. The random audits may include one or more schools and selected other departments, which will account for a minimum of 25% of the University's total assets included in the annual physical inventory. Some departments may be audited on a more frequent basis if necessary to meet the 25% sample. Departments with losses higher than average may also be audited on a more frequent basis.

6. Property Removal Procedure

State Property Accounting policies and UH System policies permit the removal of state property from campus for the purposes of conducting University business. Employees who have been granted permission to remove property from campus are under financial liability for the loss or damage of property for the duration of the period that the property is in their possession.

6.1 Approval Process:

Employees should complete and submit the form "Authorization for Off-Campus Property." All information requested on the form shall be provided, and the form must be approved by the employee's supervisor and the Departmental Property Custodian. The completed form should be submitted to Asset Management. The approval process is not complete until the form is submitted to Asset Management.

6.2 Term of Removal:

Removals are approved until the date noted on the form, or until August 31 of the fiscal year in which the removal was approved.

6.3 Renewal of Approval:

Renewal Extension of removal authorizations for the subsequent fiscal year may be approved without the physical return of the property to campus. Renewal of off-campus assets requires submission of "Authorization for Off-Campus Property" form with "Annual Re-authorization" box checked for the renewing fiscal year and completion of the required fields.

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6.4 Return of Property:

Property being returned to campus must be verified by Departmental Property Custodian. If an employee fails to take returned property to the Departmental Property Custodian, the removal authorization will not be properly terminated, and the employee will continue to be listed as the custodian of the property. The employee must complete the “Off-Campus Property Returned” section of the “Authorization for Off-campus Property” form. The Departmental Property Custodian should sign, date and submit the form to Asset Management. If an asset whose removal status has not been properly terminated is damaged or stolen, the employee of record to whom the asset has been entrusted will be considered to have been responsible for its safekeeping, and may be held financially liable for the loss by the University or the Attorney General of Texas.

7. Employee Liability for State Property

It is the responsibility of each State agency to ensure that its employees exercise, at a minimum, reasonable care for the safekeeping of State property. Occurrences of damage to or loss of state property must be reported to the State Comptroller’s Office and Office of the Attorney General if the agency head has cause to believe that the loss or damage resulted from employee negligence.

7.1 Definition of Reasonable Care: Reasonable care means that steps have been taken to ensure:

- Acceptable upkeep and maintenance of the asset;
- Security of the asset;
- The asset can be located at all times; and
- Documentation “Authorization of Off-campus Property” form is retained specifying the person responsible for the asset.

7.2 Basis of Liability:

The liability prescribed by this section may be attached on a joint and several bases to more than one person in a particular instance. A person is financially liable for the loss sustained by the state if:

7.2.1 Agency property disappears as a result of the failure of the head of an agency, property manager, Departmental Property Custodian, or agency employee entrusted with the property to exercise reasonable care for its safekeeping;

7.2.2 Agency property deteriorates as a result of the failure of the head of an agency, property manager, Departmental Property Custodian, or agency employee entrusted with the property to exercise reasonable care to maintain and service the property; or;

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7.2.3 Agency property is damaged or destroyed as a result of an intentional wrongful act or of a negligent act of any state official or employee."

SOURCE: Texas Government Code section 403.275

7.3 Determination of Liability:

Property losses resulting from employee negligence will be reported to the State Attorney General in accordance with Texas Government Code. The Attorney General may investigate and take legal action to recover the loss, the value of which will be determined based on market value and the degree of responsibility of the person(s) entrusted with the property.

8. Sanitization Requirements for Retired Data-Processing Equipment

Prior to retirement by any method allowable under State Property Accounting policy, digital data storage devices in capital or controlled data processing equipment will be secured by departmental technical support personnel using one of two methods allowable under Texas Administrative Code 202.78:

1. Sanitization using a method that complies with Department of Defense 5220.22-M standard; or
2. Destruction of the storage devices

Original documents listing completion of the sanitization or destruction process will be maintained by the departmental technical support function and will include the following information:

- Work Order Reference#
- UHCL Department Name
- UHCL Technical Personnel Name
- Sanitization Date
- Description of Property sanitized
- Serial Number of the Property
- UHCL Tag#
- Process and sanitization tools used to remove the data, or method of destruction
- Item Transferred to:

UHCL Basement (Indicate property to be transferred to TDCJ Computer Recovery, PO Box 4013, Huntsville, TX 77342-4013)

Traded-In (Need vendor name, address, phone number)

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Inter-Agency Transfer (Obtain Asset Management Coordinator Approval, prior to transfer. Need Agency name, Agency #; Contact person; address)

Departmental technical support personnel will forward to Asset Management the work order reference number and associated inventory tag number when sanitization or destruction has been completed. The reference number will be maintained in the asset record for the duration of the records retention period.

An exception to this procedure may be requested in the event of a transfer of equipment to a Texas state agency or Texas institution of higher education. Requests must be submitted in writing to Asset Management and be approved by the Associate Vice President for Finance prior to the physical transfer of the equipment.

9. Surplus Property

9.1 Definition of Surplus Property:

Surplus property is any personal property which is in excess of the needs of any University Department and which is not required for its foreseeable need. Surplus property may be new or used but must have additional useful life. Institutions of Higher Education are exempt from making surplus property available to eligible entities such as other Texas state agencies, political subdivisions and assistance organization before it can be offered to the general public via auction.

However, if the property is data-processing equipment, all state agencies must transfer data processing equipment to a school district, open enrollment charter school or the Texas Department of Criminal Justice. The agency transferring the data processing equipment may not collect a fee or other reimbursement for the transfer. Data processing equipment cannot be sold to the general public.

9.2 Declaration of Surplus:

Departments will report all tracked and tagged surplus property (except for data-processing units) on an "Asset Update Form." This form authorizes Asset Management to review and remove tags from the listed surplus property. Thereafter, the department may proceed to place a work-order request and authorize physical removal by FMC. Only department heads and Departmental Property Custodians have signature authority for purposes of declaring surplus property. Form must be submitted at least ten business days ahead of the date the department wishes the property to be removed.

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9.3 Removal of Surplus:

Asset Management on review and removal of tags will initial the Asset Update Form authorizing Departmental Property Custodian to place work-order requests to FMC for physical removal of surplus assets. All data-processing units being surplussed need prior approval from University Computing and Telecommunications Dept (UCT).

9.4 Redistribution of Data Processing Equipment:

Data Processing equipment will be transferred to the basement storage area for categorizing and palletizing for transporting to Texas Department of Criminal Justice (TDCJ). The basement storeroom will be open on Thursdays from 2:00 pm – 3:30 pm for University Computing and Telecommunication and School of Computer Science Engineering departments to bring in the sanitized DPU's/DPE's to the basement for temporary store until dispatched to TDCJ. UCT work-order documentation should include UHCL tag number, serial number, and asset description to support the surplus equipment. Asset Management will coordinate the equipment pickup with TDCJ. Computer equipment from basement storage will not be redistributed on campus.

10. Cannibalization of Property

State Property Accounting Policy grants agencies the authority to permit cannibalization of property. SPA Policy also grants agencies the authority to delegate approval for cannibalization to the Property Manager and technical staff.

10.1 Salvage:

Property which through use, time or accident becomes depleted, worn out, damaged or obsolete and can no longer serve the purpose for which it was originally intended. Salvage property can be cannibalized or disposed of using the guidelines in the "Policy" section below.

10.2 Cannibalization:

The authorized removal of components from one item of property for installation on another item of property to meet a specific requirement and/or to return an item to service.

10.3 Policy:

Prior approval from Asset Management must be obtained. Departmental Property Custodian must submit an "Asset Update Form" for cannibalization with a written request to cannibalize a property item and send the remains of the property to a holding area for scrap or destruction. Once cannibalization has been approved and tags removed from asset being cannibalized, departments must immediately place work order requests through Facilities Management and Construction (FMC) to pick up all remains of the asset for scrap or destruction. University Computing &

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Telecommunications (UCT) has authority to cannibalize computing equipment. The residual of all cannibalized assets generated by UCT may be retained by UCT in a spare-parts inventory. The procurement of cannibalized residual by employees for personal use is prohibited.

11. Asset Management Forms

<https://employees.uhcl.edu/finance/forms>

11.1 Designation of Departmental Property Custodian Form:

The Departmental Property Custodian (DPC) is the property manager of all property in the possession of his/her department. This form should be submitted at the beginning of each fiscal year to Asset Management. The Department Head designates an employee to be the DPC for a period of twelve months each year. The Departmental Property Custodian is responsible for the proper management and control of University property and should ensure that:

- Department is in compliance with the inventory control procedures as shown in Accounting Handbook: Asset Management ;
- Capital and controlled equipment received (by means other than purchase) is reported to Asset Management in a timely manner;
- Property is not loaned, traded, discarded, moved or cannibalized without prior approval of Asset Management;
- Property is not defaced nor damaged in any way;
- Property is not returned to a vendor as a trade-in without approval of Property Management;
- Appropriate documentation on obsolete and excess property (capital and/or controlled only) is submitted to Asset Management for approval prior to disposal;
- Equipment is used for its intended purpose by properly trained personnel;
- Ensure property within the department is tagged and listed in the Departmental Inventory of Physical Property;
- All items located off-campus is documented in the "Authorization for Off-Campus Property" form.

How to complete the "Designation of Departmental Property Custodian" form: Fill in:

- Department name
- Department ID
- Fiscal Year
- Name of the employee designated as the Departmental Property Custodian
- Title of the employee designated as the Departmental Property Custodian

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- UHCL phone number of the employee designated as the Departmental Property Custodian
- Print the form after filling in the above required fields
- Obtain signatures of employee designated as the Departmental Property Custodian, Business Coordinator, Department Head.
- Effective Date.

11.2 Change of Departmental Property Custodian Form:

The Department Head designates a different employee to be the Departmental Property Custodian. The Department Head completes the “Change of Departmental Property Custodian” form and submits it to Asset Management as needed during the year.

How to complete the “Change of Departmental Property Custodian” form: Fill in:

- Department name
- Department ID
- Fiscal Year
- Name and title of the former Departmental Property Custodian
- Name and title of the newly designated Departmental Property Custodian
- Employee ID of the newly designated Departmental Property Custodian
- UHCL phone number of the newly designated Departmental Property Custodian
- Print the form after filling in the above required fields
- Obtain signatures of newly designated Departmental Property Custodian, Business Coordinator, Department Head
- Effective Date.

11.3 Certification of Departmental Physical Inventory Form:

Certifies the Departments’ completion of the annual physical inventory of the trust, capitalized and controlled personal property (excluding libraries and historical arts and treasurers) this is in the Department’s possession at a time assigned by Asset Management.

How to complete the “Certification of Departmental Physical Inventory” form- Fill In

- Department name
- Department ID
- Date(s) Physical inventory was conducted
- Inventory verification method: select from drop-down menu
- Name of the employee(s) conducting the physical verification of assets
- Name, signature and date of the Departmental Property Custodian, Department Head, Business Coordinator.

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11.4 Authorization for Off-Campus Property Form:

Form is used to initiate removal of an asset and/or for renewal of the original authorization for off-campus assets and/or for property returned to campus. “Initial” and “Returned”

How to complete the “Authorization for Off-campus Property” form: For Initial authorization and renewal, complete fields as follows:

- Physical address where the asset is or will be primarily located;
- Estimated return date of the property
- Fiscal Year
- Annual re-authorization – Note this box needs to be checked only at the beginning of each fiscal year for renewal of the original authorization.
- UHCL Tag #, Asset Description, Asset Condition; Asset Value
- Employee name, Employee ID; Employee signature
- Department ID, Department name, Employee telephone number
- Supervisor’s name, signature, date
- Departmental Property Custodian’s name, signature, date

How to complete the “Authorization for Off-Campus Property –Property Returned” form; Complete fields as follows:

- Property returned-UHCL tag #
- Date property was returned to campus
- Name, Signature, date of Departmental Property Custodian

11.5 Asset Update Form:

Asset update form should be completed and submitted by the Departmental Property Custodian to Asset Management: Check appropriate box to reflect the physical change in status of

11.5.1 Release to UCT Technical Services:

Department may choose to submit this form when UCT declares that such equipment is obsolete and/or the equipment has exceeded its warranty period. Submission of this form is not mandatory if the equipment is physically picked up by UCT personnel. UCT generates a work-order request or “Heat Ticket” for computer movement between UCT and all other Departments.

11.5.2 Surplus (other than DPU’s):

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Work Order issued. FMC to pick, up for auction or other disposal method: Departmental Property Custodian will report all tracked and tagged surplus property (other than data-processing units) on an Asset Update Form. This form authorizes Asset Management to review and remove tags from the listed surplus property. Thereafter, the department may proceed to place a work order request and authorize physical removal of surplus assets by FMC. Form should be submitted at least ten business days ahead of the date the department wishes to have property removed by FMC. See additional details in Section 9 under Surplus Property.

11.5.3 Trade-In (Please provide documentation):

Submit form for all tagged assets except for assets traded in through UCT. Prior approval from Asset Management must be obtained for all trade-ins. Form must be submitted at least ten business days ahead of the date the department wishes the property to be traded-in. Asset Management will review, approve, and remove tag and obtain all appropriate supporting documentation for the trade-in.

11.5.4 Cannibalized/Damaged Property: (Refer to Section 10)

11.5.5 Transferred to another Department/State Agency:

Submit form when transferring tagged personal property between departments and State agencies. The property continues to be reported by the transferring department/agency until the receiving department/agency accepts the unit and completes the transfer by acknowledging receipt of the same via signature on the form. The form is considered complete only when the transferor and the transferee Property Custodians have signed and approved the same. Asset Management will update the inventory records accordingly. Any transfers made between state agencies require State Agency Property Manager's approval in SPA for the transfer to be complete.

11.5.6 Change in Building/Floor/Room Location:

Departmental Property Custodians to provide location information for all new and/or replaced and/or transferred assets

11.5.7 Missing Property/Lost/Stolen Property: (Refer to Section 4.7)

11.5.8 How to complete the "Asset Update Form: Fill in the following fields:

- Date
- Check or place X in Transaction Type Box
- UHCL Tag #
- Serial No. if known

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- Asset description
- Departmental transfer (From & To) Complete only if asset is being transferred from one department to another department. Departmental Property Custodians must both sign
- Location Change: Input Building, Floor, Suite or Room #
- From Department Section: Complete Department Name, Property Custodian Signature
- To Department Section: Complete Department Name, Property Custodian, Signature
- Submit the completed form to Asset Management for approval, tag removal if applicable, inventory updating.

11.6 Asset Donation Form (outbound donation):

Only to Independent School Districts or other State Institutions. Must coordinate through Asset Management. Receiving agency must request (on letterhead) the specific property in advance of the donation. Departmental approvals are required. Instructions can be found on the Donation Form SOP tab of the Asset Donation Form.