SUBCHAPTER 15 - PROPERTY AND EQUIPMENT INVENTORY

The ACA references in this document can be found in the Financial Management Guide.

19-4-1501. Uniform system of perpetual inventory.

The Chief Fiscal Officer of the State shall prescribe and establish a uniform system of perpetual inventory for property and equipment with a central control being established and maintained in the department. In connection therewith, the Chief Fiscal Officer of the State shall:

(1) Prescribe the procedure of accounting and reporting for the sale, trade-in, exchange, discarding, junking, or other disposal of property and equipment and the system for receiving credit for lost, stolen, or damaged property and equipment. All state agencies shall be required to report promptly, upon forms approved by the Chief Fiscal Officer of the State, all such property or equipment disposed of, lost, or damaged;

(2) Require that the addition and disposition of all new property or equipment added, including purchase, trade-in, exchange, or transfer, or by constructing or making such property or equipment, shall be promptly reported upon such forms and in such detail as shall be required; and

(3) By regulation, distinguish between items of equipment, and consumable supplies or goods, and such minor tools, materials, and parts as shall be deemed by him or her to be expendable within a reasonable period of time. He or she may also prescribe that minor equipment costing less than some minimum amount shall not be included in the perpetual inventory.

History. Acts 1973, No. 876, 26; A.S.A. 1947, 13-352; Acts 2001, No. 1453, 42.

19-4-1502. Duty to keep record.

It shall be the responsibility of the executive head of each state agency to keep and maintain a record of all property of the agency, belonging to the State of Arkansas. The executive head of each agency shall be held accountable for all state property under his or her control and shall be responsible for keeping and maintaining a record of all the property.

History. Acts 1973, No. 876, 26; A.S.A. 1947, 13-352.

19-4-1503. Transfer or sale.

The Chief Fiscal Officer of the State, in order to expedite the necessary work of any state agency or to eliminate duplication and promote economy and efficiency, may do the following:

(1) Transfer property and equipment, including furniture, fixtures, and any and all kinds of office equipment and supplies from one (1) agency to another if the property or equipment of the agency from which the transfer is made is not needed by the agency at the time of the transfer; or

(2) Sell surplus property and equipment of any agency at a reasonable fair value thereof as authorized by 25-8-106.

History. Acts 1973, No. 876, 26; A.S.A. 1947, 13-352.

R1-19-4-1503 Property Management Responsibility

It is the responsibility of the executive head of every state agency, board or commission regardless of whether they participate in AASIS to maintain a record of all property of the agency belonging to the State of Arkansas.

All new acquisitions shall be promptly added to the detail of capital assets and all items transferred, lost, stolen, destroyed or sold must be promptly removed from the detail of capital assets. General information and guidance on capital assets is located in the Capital Asset Guidelines, P1-19-4-1503.

Also included in the appendix are asset category definitions, capitalization/tracking thresholds, depreciation methodologies and examples of expenditures for each class of assets. All user agencies and service bureau agencies shall record their capital assets on AASIS based on established tracking and capitalization thresholds located in the Capital Asset Guidelines. Detailed instructions on adding or removing capital assets are located under Materials Management at http://www.dfa.arkansas.gov/aasis/training-links/. Reporting agencies shall record their capital assets on their books of record based on established tracking and capitalization thresholds located in the Capital Asset Guidelines (P1-19-4-1503).

Capital Assets Defined

Capital assets include: land, land improvements, buildings, building improvements, leasehold improvements, construction in progress, equipment, infrastructure, easements, works of art, historical treasures and any other tangible or intangible assets used in operations with an initial useful life in excess of one year.

PLEASE NOTE: *Capital assets may include leased assets. For guidance on the potential capitalization of leased assets, see R1-19-11-238 for guidelines on leases of tangible personal property (equipment) and R1-22-2-114 for guidelines on leases of office space, buildings, structures, parking lots and grounds.*

Capital assets purchased should be recorded and reported at their historical costs, which include the vendor's invoice, sales tax, initial installation cost, modification cost, attachments, accessories or apparatus necessary to make the asset usable and render it in service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees. Capital assets donated should be recorded at fair market value at the time of donation.

PLEASE NOTE: *The book value of assets shall never be increased to reflect appraised value, insurance value, etc.*

Low Value Items

Although capital assets costing less than the capitalization/tracking threshold as detailed in the Capital Asset Guidelines Appendix are not considered capital assets for financial statement reporting purposes, the executive head of each state institution, department, board, commission or other state agency is not in any way relieved of the duty to account for all state property under his/her control regardless of the dollar value.

Assets valued from $500 - $2,499.99 will be considered Low Value High Risk Equipment while assets valued from $2,500 - $4,999.99 will be considered Low Value Equipment. Assets that are easily susceptible to pilferage shall be included in either the Low Value Equipment category or Low Value High Risk Equipment category depending on their value. These items will include laptop computers, guns, camera equipment, video equipment, printers, tools, cell phones, handheld radios, binoculars and any other items that are easily susceptible to theft or loss.

Items costing less than $2,500 individually that are part of or used with a group or set such as kitchen utensils, groups of chairs, hospital linens should be capitalized in groups or sets at total cost as Low Value Collective items. A listing of the contents of the aforementioned sets or groups should be maintained by the agency for internal control and audit purposes.

Donated Items

A donation is defined as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, or one party may be a non-governmental entity, including an individual. Equipment donated to state agencies shall become property of the State and shall be accounted for and disposed of according to the procedures set forth for property of the State.

Donors may set restrictions on the use and disposition of property donated. In such instances the donor's guidelines shall be followed. Adequate records must be maintained to demonstrate the guidelines were followed.

All donated equipment shall be valued and placed on the agency's capital asset records at the fair market value of the donated property at the time the donation is received. Donated items determined to have no value for its manufactured purpose shall be treated as consumable material, (i.e. donated items used for parts or training aids).

PLEASE NOTE: *A voluntary contribution of resources between state agencies is not a donation and should be accounted for as a transfer.*

Federal Surplus Property Donees

The Federal Surplus Property (FSP) is administered by the Arkansas Department of Emergency Management. Generally, property received from FSP must be put into use within twelve months from the date acquired and used for eighteen months from the date the property is put into service. After the eighteen months, ownership of the property passes on to the entity. The property must be entered on the entity's inventory and primarily used in Arkansas. At the time the asset is received, if the asset meets the capitalization requirements of the State, the fair market value of the asset should be debited and deferred revenue should be credited in the fund financial statements of an enterprise fund and in the government-wide financial statements for a

governmental fund. At the end of the eighteen-month period, the revenue should be recognized. Consumable items would be recorded like other consumable donations.
PLEASE NOTE: *Items that are to be held in trust for the federal government (ownership will never be transferred to the State) are not handled in the above manner. They should be handled as described in the following subsection, "Loaned Assets".*

Confiscated Assets
Although not voluntary, confiscated assets awarded to an agency by judicial decision are accounted for in the same manner as donations.

Loaned Assets
Loaned assets are assets that are possessed but not owned by an agency. The agency may have fiduciary or administrative responsibility for such assets, but the agency only has temporary control of the asset and does not hold the asset's title or other ownership responsibility. These assets include, but are not limited to, art collections owned by families, estates or others, as well as equipment on loan from the federal government. Such assets shall not be included in the agency's capital asset records.

Other adequate supplemental records must be maintained by the agency on assets loaned (not donated) to the agency. The records must include an acquisition date, an adequate description of the property, location, if feasible, serial number, if applicable, the entity that owns the asset. Such information may be required to be reported to the Department of Finance and Administration-Office of Accounting-Comprehensive Annual Financial Report (CAFR) Section-(DFA-OA-CAFR Section) in the Year-End Disclosure Package.
The assets shall be subject to all other property procedures of the agency including, but not limited to, inventory and lost/stolen procedures.

State Owned Motor Vehicles
Motor vehicles shall be recorded and maintained in the capital asset records of the State Financial Management System. Refer to R1-19-4-903 and the Department of Finance and Administration-Office of Administrative Services web site
http://www.dfa.arkansas.gov/administrative-services/vehicle-fleet-management/
for additional information on motor vehicles.

Capital Asset Additions
All additions are to be promptly added to the agency's detail of assets in the State Financial Management System. In the event that assets, which should have been added, are not included on AASIS prior to the end of the fiscal year, the agency shall remit a complete "Create Asset Master Record" Form located at http://www.dfa.arkansas.gov/accounting-office/forms/ to the DFA-OA-CAFR Section for each capital asset to be added to AASIS. The DFA-OA-CAFR Section will complete the necessary transactions to add the asset to the agency's capital asset records.

Depreciation

Generally Accepted Accounting Principles require capital assets to be reported and depreciated over their estimated useful life in the government-wide financial statements. Capital assets that are inexhaustible are not depreciated.

The purpose of depreciation is to spread the cost of the asset over the asset's economic life. The straight-line depreciation method will be used to calculate depreciation. Depreciation data will be calculated and stored by AASIS for each eligible asset of user agencies and service bureau agencies. Reporting agencies shall have a GASB 34 compliant fixed asset system to record fixed assets and calculate depreciation data. Accumulated depreciation shall be summarized and posted to the accounting general ledger of the State Financial Management System.

Each state agency, board or commission shall utilize the estimated useful lives outlined in the useful life appendix P2-19-4-1503. Additionally, each agency shall annually evaluate the estimated useful lives assigned to their assets to ensure depreciation is spreading the cost of the asset over the asset's economic life. If the current estimated useful life varies more than one year from the estimated useful life assigned to the asset, the agency shall request approval from DFA-OA to change the estimated useful life. Upon approval the estimated useful life of the asset will be changed, and the related accumulated depreciation and depreciation expense will be adjusted on a prospective basis.

Equipment Transfers - Inter-Agency

The transfer of equipment accountability from one agency to another agency shall be approved by the DFA Director prior to the transfer. (ACA 19-4-1503)

- *If the transfer involves the transfer of funds, the agency wishing to transfer the asset shall complete the sending agency section of the Asset Transfer Request form and have the agency CFO or designee sign and send the form to the receiving agency.*
- *The receiving agency shall complete the receiving agency section of the Asset Transfer Request form and have the agency CFO or designee sign.*
- *Once both the sending and receiving agency portions of the form have been completed, the receiving agency will submit the form to the Department of Finance and Administration-Office of State Procurement-Marketing and Redistribution (DFA-OSP-M&R).*
- *Upon receipt of the Asset Transfer Request form, DFA-OSP-M&R will review and either approve or deny the request.*
    - *If the request is denied, the form will be returned to both the receiving and sending agencies with an explanation.*
    - *If approved, DFA-OSP-M&R will sign the Asset Transfer Request form and notate their fee.*
        - *If the asset transfer involves a commercial bank account for either the sending or receiving agency, DFA-OSP-M&R will bill the receiving agency for the total cost of the asset. After receipt of the money, DFA-OSP-M&R will issue a check to the sending agency for the amount of the asset less their fee.*
- *DFA-OSP-M&R will then forward the Asset Transfer Request form to the Department of Finance and Administration–Office of Accounting–CAFR Section (DFA-OA-CAFR) .*
- *DFA-OA-CAFR will complete the transfer of the asset in the State's Accounting System.*

- *If the asset transfer involves Treasury funds only, DFA-OA-CAFR will then send the Asset Transfer Request form to the Department of Finance and Administration–Office of Accounting–Funds Section (DFA-OA-Funds).*
- *DFA-OA-Funds will then complete the fund transfer between the receiving and sending agencies and transfer the fee to DFA-OSP-M&R.*
- *DFA-OA-Funds will then forward the completed Asset Transfer Request form to the sending agency, receiving agency, and DFA-OSP-M&R as documentation of the completed transfer.*

PLEASE NOTE: *If the transfer does not include the transfer of funds, a transfer request including an acknowledgement from the receiving agency, board, commission or institution shall be submitted to the Department of Finance and Administration-Office of Accounting-CAFR Section as the DFA Director's designee for approval. Upon receipt of an approved transfer request, the agency receiving the asset may transfer the asset value to their capital asset records and, if a reporting agency, the agency transferring the asset may remove the asset from their capital asset records.*

P2-19-4-1503 Asset Transfer Request Form

A copy of the Asset Transfer Request Form can be found at:
http://www.dfa.arkansas.gov/images/uploads/accountingOffice/AssetTransferChangeRE.pdf

Removal of Equipment

Upon determination by the owning agency that property is no longer usable in its original state or no longer needed, Department of Finance and Administration-Office of State Procurement-Marketing and Redistribution Section (DFA-OSP-M&R) should be contacted for proper disposition (disposal, cannibalization or sale). See additional instructions in R1-19-11-243 Marketing and Redistribution.

Assets may be impaired but continue to be in service. Any capital asset that has a permanent reduction in service utility should be adjusted accordingly. If an impairment (physical damage, technological developments that reduce the use of an asset, changes in environmental factors that reduce production or abandonment of a project) occurs, the agency should certify in writing to DFA-OA-CAFR Section the date the impairment occurred, the percentage or dollar amount of the impairment and what caused the asset to be impaired. The DFA-OA-CAFR Section will assist the agency in making the journal entries necessary to properly account for the impairment.

Lost/Stolen Personal Property

When an agency is unable to locate personal property contained on its capital asset records, the following possibilities must be considered:

1. *The property was turned in to the proper disposal agency and the property records were not correctly posted.*
2. *The location of the property on the records is wrong, or it was relocated and the new location was not recorded on the records.*
3. *The property has been lost.*
4. *A theft has occurred.*

When property on record cannot be located, the executive head of the agency should immediately appoint an individual with supervisory or managerial responsibility to investigate the case and present the facts. A memorandum from the executive head of the agency should be written to the appointed individual notifying the individual of his/her investigative duties. The appointed individual should proceed in the following manner:

1. *Obtain the full identification of the missing property and last recorded location from the agency property records.*
2. *Check the last recorded location and adjacent areas. An interview should be conducted with all individuals assigned to the area where the missing property was last located according to the property records.*
3. *Conduct a search of property disposal and transfer documents to see if the property could have been turned in to Marketing and Redistribution or transferred to another agency.*
4. *Establish whether the property involved may have been temporarily loaned to other activities. If so, the activities identified should be searched in an attempt to locate the missing property.*
5. *If the above actions fail to locate the missing property, all areas occupied by the agency should be searched beginning with the activities most likely to have a use for the property.*
6. *If at any time during the investigation it is suspected that a theft has occurred, the matter should immediately be brought to the attention of the agency executive head. If after notification the agency executive head also suspects theft, the appropriate law enforcement official(s) should be contacted for investigation and further action as warranted.*
7. *If at any time during the investigation process the missing property is located, the proper location shall be recorded on the property records. At the conclusion of the investigation the appointed investigator shall submit a final investigation report outlining the circumstances surrounding the case and recommendations to the agency executive head for any action deemed necessary.*

If the agency executive head is satisfied that the missing property cannot be located after the investigation report, a "Credit for State Property" Form (P3-19-4-1503) along with copies of the investigation report and the police report in the case of stolen property shall be prepared and submitted to the Department of Finance and Administration-Office of Accounting, Administrator as the DFA Director's designee for approval. Upon receipt of an approved "Credit for State Property" Form, (P3-19-4-1503), the agency may remove the missing property from the capital asset records. This approval becomes part of the documentation to be used on the audit of the agency's property records by the Arkansas Legislative Audit. The agency executive head shall take any action he/she considers appropriate to prevent recurrence. (ACA 19-4-1501)