

KEAN UNIVERSITY

University Operating Rules and Procedures for Fixed Assets

1. PURPOSE

The purpose of these Operating Rules and Procedures is to ensure that Kean University-owned capital assets, government-funded and furnished capital assets are properly protected, controlled, and accounted for in accordance with the requirements established by Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and with the regulatory standards set forth in application federal and state law and other applicable governmental guidance.

1. ACCOUNTABILITY

Under the direction of the Chief Financial Officer (“CFO”), the Associate Vice President of University Procurement and Business Services (“UPBS”) shall implement these rules and procedures, and the Assistant Counsel of UPBS shall ensure compliance.

1. APPLICABILITY

It is the responsibility of every faculty and staff member involved in any financial activity on behalf of the University to be fiscally responsible and to exercise appropriate financial controls.

1. DEFINITIONS

Capital assets consist of:

1. *Buildings*: Roofed facilities intended for the shelter of persons and/or equipment. The building should be valued at purchase price or construction cost. When buildings are constructed, all the direct costs related to construction should be included in the valuation. These costs are labor, material, services related to construction, insurance, and other construction-related costs during the period of construction.
2. *Building Improvements*: Renovations and additions to an existing building that improve and extend the facility’s useful life of the original asset will be considered a capital asset. General repairs and maintenance are not capitalized.
3. *Fixed Equipment*: Equipment affixed to a building but separate from the building itself.  It is generally contractor installed.  Examples are counters, built-in cabinets, and benches bolted to the floor and built-in projection equipment and screens.
4. *Land*: The solid part of the earth’s surface, whether improved or unimproved. It includes all the land purchased or acquired by the University, the University’s Board of Trustees, the State of New Jersey, or land donated by a donor. The value of the land should be recorded at its cost; the donated land should be recorded at fair market value at time of the donation.
5. *Land Improvements*: Additions and improvements that enhance the usefulness and increase the value of land, some examples are excavation, fill, grading, roads, walkways, lighting, signage, parking lots, water and sewer lines, and cabling.
6. *Moveable Equipment*: Items that are neither permanently affixed to nor part of a building, such as computers, furniture, refrigerators, freezers, and vehicles. For equipment with multiple components, all the components combined can be considered one item and recorded as one capital asset.
7. *Software*: Software is computer instruction or data. Software can be divided into two categories: systems software and applications software. System software is an operating system along with all other utilities to enable the computer to function. Application software is the programs we use to complete our work. Examples are Microsoft Word, Excel, and Outlook, etc.

*Software system*: Software system includes all hardware, software, and cabling associated with the installation of the system for the University.

1. **OPERATING RULES AND PROCEDURES**
2. Kean University has a significant investment in fixed assets, which are used to carry out the University’s mission and objectives. Under the direction of the CFO, the Associate Vice President of UPBS ensures that General Accounting maintains all records related to fixed assets. Assistant Counsel of UPBS is responsible for maintaining adequate insurance on all property owned by the University or for which it controls. General Accounting details the proper accounting for, and control of, University-owned capital assets and Government-funded and furnished capital assets.
3. All employees of Kean University are responsible for protecting the institution’s assets. It is the primary responsibility of every faculty and staff member who is involved in any financial activity on behalf of the University to be fiscally responsible and to exercise appropriate financial controls. The Department Head or Chair is responsible for creating adequate procedures for the physical security of the fixed assets in their care and/or within their control, including proper care, maintenance, records, and safeguards to prevent damage, loss or theft.
4. Capital Assets
   1. Capital assets are expenditures by the University that meet the following capitalization criteria:
      1. The asset is non-expendable tangible property used in the University’s operations.
      2. The asset is not intended for investment or sale in the ordinary course of business.
      3. The asset has an estimated useful life greater than one year.
      4. The asset cost exceeds the capitalization threshold set forth below.
   2. Capitalization Thresholds:
      1. Buildings No minimum
      2. Building Improvements $50,000 and greater
      3. Land Capitalized regardless of cost
      4. Land Improvements $20,000 and greater
      5. Movable and fixed equipment $5,000 and greater
      6. Software and Software Systems $100,000 and greater
      7. Bulk Assets (Furniture, Computer

Hardware Telephone Equipment) $50,000 and greater

* + 1. Leased Assets (LQ reporting) Building/Equip $50,000 and greater
    2. Leased Assets (LQ reporting) Software $100,000 and greater
  1. Capital equipment (Movable and Fixed) where the value of each item is over $5,000 must be purchased using the following Colleague object codes:

**Object Code** **Description**

5075 Audio/Visual

5076 Equipment (all other)

5077 Computer Equipment

5034 Software

5971 Construction Equipment

5991 Other Construction Equipment

If additional smaller components are required for the operation of the asset, the smaller items are included in the aggregate cost of the asset. Additional services including delivery and installation of the item for operation are included in the total capitalized cost. Capital assets are recorded into Colleague (or any equivalent software that the University uses) by a designated employee in Materiel Services (hereinafter referred to as “Custodian”). Bulk asset purchases of similar items that have an aggregate value of $50,000 or more are captured as a fixed asset regardless of the individual price of the item. For example, if the University purchases 25 computers at $2,000 each, the total purchase of $50,000 will be considered a fixed asset purchase.

1. Depreciation
   1. Depreciation of capital assets is dependent upon the estimated useful life of the asset. All new additions to Colleague shall be depreciated (except land and art). The following table in Attachment 1 represents the general asset life guidelines using the straight-line depreciation method, with a half year depreciation allocated in both the first and last years of the asset life and zero salvage value.
   2. Construction in Progress is not depreciated. Capital expenditures recorded as Construction in Progress are not entered into the fixed asset database until the construction or renovation is complete and asset is deemed placed into service.  A determination is made as to the proper asset category and life.
   3. Fully depreciated assets remain in Colleague with their related accumulated depreciation for as long as the assets continue to be used in University operations.  Bulk assets, once fully depreciated, are reviewed for removal from the general ledger.
2. Acquisition and Title
   1. Equipment is acquired by the University through purchase, donation, capital lease or Government funding.  The title to capital equipment vests with the University unless specifically stated otherwise in donation or award documentation. Copies of donor letters and/or grant contracts will be requested when needed to determine ownership.
3. Capital Equipment
   1. An equipment purchase to be capitalized will be recorded in Colleague by the Custodian.
   2. Periodically, UPBS executes a program to capture all University invoices with a value equal to or greater than the capitalization threshold (currently set at $5,000). To determine whether an equipment expense captured by this program shall be capitalized in accordance with the stated policy, the invoice must be obtained and analyzed.  If the description of the item or items purchased is not clear as listed on the invoice, the purchase order referenced in Colleague shall be located and analyzed.
   3. Records of all capitalized assets shall be maintained by the UPBS.
   4. Physical Security, Maintenance, and Care: Kean faculty and staff are required to make adequate provisions for the physical security of equipment in their care. Areas containing capital equipment should be kept locked after business hours or when not in use. Special precautionary measures should be taken for high-value, portable capital equipment.
      1. Kean faculty and staff are responsible for exercising the necessary care to maintain the condition of the capital equipment so that the longest useful life is obtained.
4. Physical Inventory
   1. Inventory of Fixed Assets. Heads of each department are responsible for conducting an annual inventory of assets in their departments based on departmental listings of inventory that will be distributed by UPBS and/or Materiel Services. Heads of each department are responsible for ensuring that the information regarding the asset is correct and updated with UPBS. Inventory listings should be signed off on by the Department head and forwarded to UPBS. Any discrepancies should be indicated.
5. Financial Reporting
   1. The following reports are generated by General Accounting based on the information contained in the Colleague Fixed Asset module. Such reports are utilized when compiling the Fixed Asset information reported in the University’s Financial Statements.
      1. Asset Listing for Equipment, Buildings, Land and Other Assets
      2. Analysis of capital assets purchased or donated during the year
      3. Analysis of Construction in Progress (CIP) and any items that were completed and transferred from CIP to Fixed Assets
      4. Allocations of current year depreciation expense
      5. Analysis of retired and sold capital assets
      6. Listing of all University Leases (as pertains to GASB87)
      7. Listing of all University Software agreements (as it pertains to GASB 96)
6. Fixed Asset Disposal
   1. If a Department head would like to dispose of a fixed asset, the following procedure must be followed:
      1. Department head must fill out the Fixed Asset Disposal Form set forth in this policy as Attachment 4 and send it to Materiel Services. Upon receipt of the completed form, Materiel Services will enter the disposal of the fixed asset into Colleague, where it will be removed from the University’s fixed asset inventory list and inform the Department head that the fixed asset can be disposed. The Department head shall not dispose of the fixed asset until getting confirmation from Materiel Services that the Fixed Asset Disposal Form has been properly completed and the disposal of the fixed asset has been properly recorded.
   2. Exceptions:
      1. If the fixed asset is a computer or related equipment, the Department head must contact Office of Computer and Information Services (“OCIS”). OCIS will determine the appropriate disposal method for this fixed asset. OCIS must then follow the procedure set forth in paragraph 9.a.i.
      2. If the fixed asset is a hazardous material or related equipment, the Department head must contact the Office of Environmental Health and Safety to determine the appropriate disposal method for this fixed asset. The Office of Environmental Health and Safety must then follow the procedure set forth in paragraph 9.a.i.
      3. If the Department has determined that the fixed asset should be sold on Govdeals, the Department head must contact Materiel Services to determine the appropriate procedure for the sale of this fixed asset. Materiel Services must then follow the procedure set forth in paragraph 9.a.i.
7. **ATTACHMENTS**
8. Attachment 1 – Depreciation Schedule
9. Attachment 2 – Acquisition and Title
10. Attachment 3 – Physical Inventory of Capital Assets
11. Attachment 4 – Fixed Asset Disposal Form

**ATTACHMENT 1**

**DEPRECIATION SCHEDULE**

The following table represents the general asset life guidelines using the straight-line depreciation method, with a half-year depreciation allocated in both the first and last years of the asset life and zero salvage value.

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Type** | **Years** | **Asset Type** | **Years** |
| Furniture, Computer, Telephone Equipment (bulk) | 5 – 10 | Custodial Equipment | 5 – 10 |
| Computer Hardware | 5 | Grounds Equipment | 5 – 10 |
| Telephone Equipment | 5 | Musical Instruments | 10 |
| Engineering, Scientific Equipment | 5 – 10 | Firefighting Equipment | 10 |
| Medical Equipment | 5 – 10 | Police Special Equipment | 10 |
| Radio, Communications Equipment | 5 – 10 | Traffic Control Equipment | 10 |
| Recreational/Athletic Equipment | 5 – 10 | Software - Large Systems | 10 |
| Automobiles/Light Trucks | 7 | Software | 10 |
| Kitchen Equipment | 5 – 10 | Buses | 7 |
| Outdoor Equipment | 5 – 10 | Heating, Air Conditioning | 10 |
| **Life for New Construction and Improvements** | **Years** |
| Building Improvements / Infrastructure | 15 |
| Land Improvements | 15 |
| New Construction / Buildings | 40 |

**ATTACHMENT 2**

**ACQUISITION AND TITLE**

Equipment is acquired by the University through purchase, donation, capital lease or Government funding. The title to capital equipment vests with the University unless specifically stated otherwise in donation or award documentation. Copies of donor letters and/or grant contracts will be requested when needed to determine ownership.

1. Direct Purchase: The majority of University capital equipment is acquired through direct purchase using the same UPBS procurement policies and procedures as those for any other product. Those policies can be accessed at the Kean UPBS website, accessible via this link: <https://www.kean.edu/offices/university-procurement-and-business-services/purchasing-operating-rules-procedures>.
2. Donation: The Kean University Foundation will inform General Accounting of any equipment gifts with an estimated fair market value that meets or exceeds the University’s capitalization thresholds.
3. Capital Lease: UPBS must provide General Accounting with copies of all lease agreements. General Accounting will determine if it is a capital lease if it meets at least one of the following criteria.
   1. Ownership transfers to the University at the end of the lease.
   2. It contains a bargain purchase option.
   3. The period is at least 75% of its useful life.
   4. The present value of the lease payments is at least 90% of fair market value.
4. Software Agreements (SBITA): UPBS must provide General Accounting with copies of all Software agreements above software asset reporting thresholds. General Accounting will determine if the Software agreement is to be included in the Lease Query software module.
5. Government-Funded or Furnished Capital Equipment
6. Government-Funded: Unless otherwise specified in the sponsored award agreement, title to capital equipment purchased or fabricated with Government funds will vest with the University. In special situations the sponsored award agreement may require that title to such capital equipment pass directly to the Government. In these cases, the University is prohibited from capitalizing the asset and recognizing the depreciation expenses. However, if the asset must be tracked, the asset is tagged, labeled, and entered into the fixed asset inventory.
7. Government-Furnished Capital Equipment: Sponsored activity may result in the University obtaining use and/or ownership of capital equipment outside the procurement process. If title passes to the University, the items must be valued by methods like those described in the Donation section above. If title does not pass to the University, the University is prohibited from capitalizing the asset and recognizing depreciation expense. The asset will be tagged, labeled, and entered the fixed asset inventory for tracking and control purposes.  In either case, the Custodian is responsible for notifying General Accounting.
8. Loaned Capital Equipment: Capital equipment on loan to the University from an external organization must have prior written approval of the receiving department head or their designee. Assets on loan to the University cannot be further loaned to an external organization or individual without the written approval of the title holder. All equipment on loan to the University must be reported to General Accounting by the Custodian. Such assets will be entered into the fixed asset inventory for tracking and control purposes. When capital equipment is returned, the Custodian must inform General Accounting.

**ATTACHMENT 3**

**PHYSICAL INVENTORY OF CAPITAL ASSETS**

Department Heads are responsible for conducting an annual inventory of assets in their departments based on departmental listings of inventory. Department Heads are responsible for ensuring that the information regarding the asset is correct and updated with UPBS. Inventory listings should be signed off on by the Department Unit head and forwarded to UPBS. Any discrepancies should be indicated.

The purpose of the physical inventory listing is to:

* Verify the existence of equipment recorded in Colleague.
* Verify location and condition.
* Determine equipment disposals.
* Identify obsolete assets on hand.
* Comply with Government inventory requirements.
* Tag and photograph the item, if feasible, for reference purposes.

Capitalized equipment will be tagged, if feasible. Current fiscal year additions to equipment are tagged, if feasible, periodically throughout the fiscal year.

To ensure adequate tracking of fixed equipment, additional information is required in the requisition notes when purchasing equipment over $5,000 which should indicate:

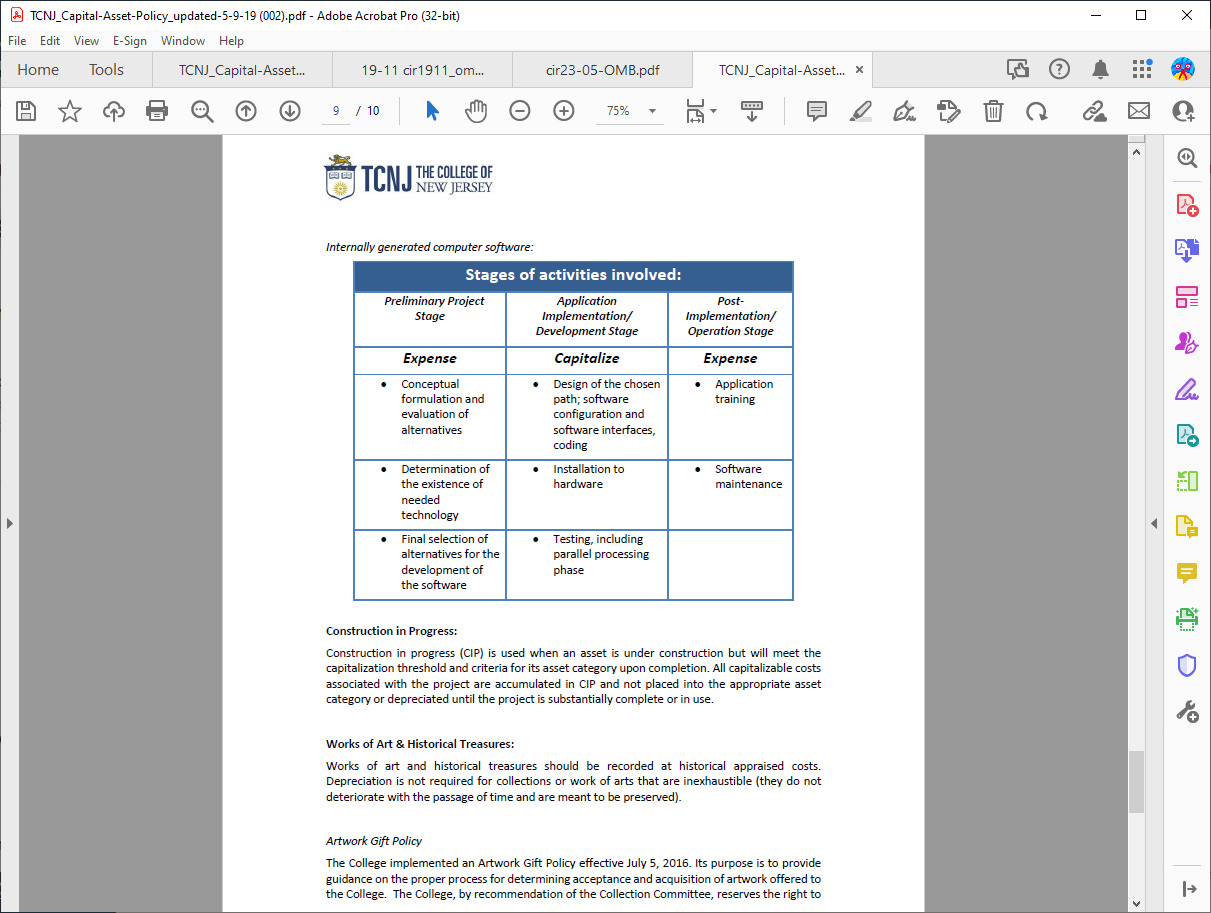
* name of the department;
* physical location of the item;
* description of the equipment;
* intended usage; and
* estimated useful life of the asset.

**Software Implementation:**

Software implementation is capitalized if it has an expected useful life of at least five years and a

cost of at least $100,000. The useful life for depreciation purposes is 10 years. External costs

associated with the application development phase will be capitalized. UPBS and the Custodian will determine whether it is possible and cost effective to sufficiently track and document internal costs associated with the application development phase for capitalization on a project‐by‐project basis.



**ATTACHMENT 4**

KEAN

Fixed Asset Disposal Form

Disposal Date: \_\_\_\_\_\_\_\_\_\_\_

Department Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Building: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Room: \_\_\_\_\_\_\_\_\_\_

Disposal Method: Demolished  Stolen  Sold

Manufacturer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Model: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Purchase Order Number (if known): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Quantity: \_\_\_\_\_\_\_\_\_\_\_\_\_

Serial Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Tag Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Description: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Reason: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Requested by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name

Authorized by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature of Authorizer

If items are sold

Price Sold for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ GL Account 14-91155-4901

Date Entered \_\_\_\_\_\_\_\_\_\_\_\_