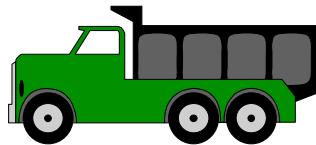
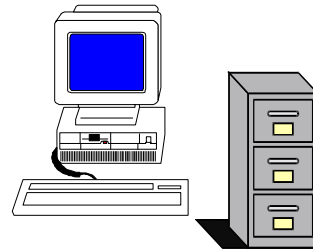


STATE OF RHODE ISLAND
DEPARTMENT OF ADMINISTRATION

OFFICE OF ACCOUNTS AND CONTROL

*FIXED ASSETS CONTROL
AND TRACKING SYSTEM*

FACTS



**POLICY AND PROCEDURE
MANUAL**

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INTRODUCTION

The policies and procedures that follow seek to establish a system to control and establish the proper stewardship over the State's investment in fixed assets.

Misleading financial statements often result from a failure to record fixed assets because fixed assets are generally a government's single largest asset. If the State's accounting records do not properly summarize fixed asset transactions or safeguards over assets are absent or inadequate, or records are absent to substantiate ownership of fixed assets, the auditors will qualify their report on the State's financial statements.

Because of a qualified auditor's report on our financial statements, interest rates on the State's borrowing might be higher.

Stewardship of the fixed assets for which the State is responsible is weakened without a fixed asset accounting system.

Without a fixed asset accounting system, preventive maintenance of equipment may not be performed as needed.

The State's risk management (insurance) program is weakened without a fixed asset accounting system. Certain risks could be over insured, underinsured, or not insured at all.

The planning for asset replacement or enhancement within the capital budget process cannot be completed if inadequate information regarding asset age, condition, handicapped accessibility, etc., does not exist.

If surplus or idle assets cannot be readily identified, unneeded purchases could be made.

Assets purchased with federal grants may have to be returned to the grantor if grant conditions were violated as a result of inadequate fixed asset records. The U.S. Office of Management and Budget (OMB) outlines cost principles and criteria for recovering certain costs associated with the execution of federal programs. One such cost is the use of agency property in the performance of the federal program. A fixed asset system can assist in tracking which assets are used by the federal program and in calculating a cost associated with this usage. This cost can be included into the agency's indirect cost proposal to the cognizant federal grantor agency for possible reimbursement.

There are several reasons why we should implement an effective fixed asset management system. This handbook outlines the State's policies and procedures to achieve this objective.

OVERVIEW OF STATEWIDE FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

The State has a significant investment in fixed assets such as land, land improvements, buildings, building improvements, machinery, equipment, furniture, and motor vehicles. In a major effort to improve financial reporting, accountability, and operational efficiencies in managing these assets, the State has established a Statewide Fixed Asset Control and Tracking System (FACTS).

The primary purpose of FACTS is to maintain auditable information concerning the State's fixed assets, in addition to detailed information concerning location and space for inventory control purposes. This will assist the State in complying with generally accepted accounting principles and increase the accountability for fixed assets.

Complete and accurate fixed asset records will help management personnel identify underutilized buildings and equipment. In addition, surplus assets can be reassigned for more productive use. Accurate records will also help identify replacement and renovation needs of existing assets. This type of management information is also useful in making budgetary decisions for specific requests, as well as, long term capital planning.

State agencies apply for a variety of grants. These funds are often used for the construction or purchase of fixed assets. To comply with grantor requirements, the State must maintain adequate records to support disposition of grant funds. Use of FACTS will ensure compliance with these requirements.

SCOPE

The FACTS is statewide in scope. It is designed to capture information from all State departments and agencies responsible for equipment and space. The cooperation of all personnel with equipment and space responsibilities is required to ensure the accuracy of FACTS.

It is the agency's responsibility to assist the Office of Accounts and Control maintain accurate fixed asset information using FACTS. The Office of Accounts and Control Fixed Asset Unit will monitor and coordinate input to FACTS, maintain the statewide fixed asset database records, distribute reports generated by FACTS, inventory fixed assets as they are reported by all agencies, and affix bar-code labels.

Fixed asset additions shall be reported to the Office of Accounts and Control via the Capital Acquisition Report- Form SFA-12. This form contains detailed information concerning the fixed asset, including its make, model, serial number, and physical location.

Bar coded labels will be used to identify State fixed assets that are included in FACTS. The Office of Accounts and Control will provide the labels that you affix to the fixed asset using established written guidelines as to placement of the labels.

Agencies shall not alter in any manner the Statewide Fixed Asset Control and Tracking system or purchase bar code labels and/or bar code label scanning equipment or purchase related computer software, without first obtaining approval, in writing, from the Office of Accounts and Control, Fixed Asset Unit.

Departments and agencies can account for items outside of FACTS thresholds by coordinating the use of their thresholds with the Office of Accounts and Control. (Agencies can use a "departmental" bar code label of a different color and number sequence for their purposes, providing they are compatible with the bar code scanner. Please note each item

should contain only one bar code label: either the "State" bar code label or the "department" bar code label. The State label is affixed for all items with a basis above \$5,000 (\$500 for lawn, landscape and grounds maintenance equipment and computer equipment)-

**FIXED ASSET CONTROL AND TRACKING SYSTEM
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**KEY POLICIES FOR STATEWIDE FIXED ASSET CONTROL
AND TRACKING SYSTEM**

INCLUSION OF ASSETS ACQUIRED BEFORE NEW SYSTEM'S EFFECTIVE DATE:

It is intended that equipment acquired prior to the effective date of the new Statewide Fixed Asset Control and Tracking System that meets the capitalization guideline will be recorded in FACTS. The Office of Accounts and Control will inventory all prior-owned assets and affix bar-code labels.

CAPITALIZATION POLICY

Capitalized assets are those included in FACTS for management control and/or financial reporting purposes. Depreciation expense and/or use allowance calculations will be completed for those items of assets that have been included. These calculations can be used for determination of an indirect cost rate or for determination of program costs for revenue analysis.

The State's capitalization policy requires capitalization of items having a useful life of more than one year and a basis at or above the established threshold. The amount capitalized is the purchase price of the asset and any costs necessary to prepare the assets for use. Donated assets should be capitalized at their fair market value at the time of acquisition.

Frequently the State purchases or constructs assets meeting the criteria described in the above paragraph, but the State is not the owner of the asset. In that case, the transaction is either a transfer to component units or a grant.

DEFINITIONS

Aircraft/Airplane- A fixed wing aircraft heavier than air that is driven by a propeller or by a high-velocity jet and supported by the dynamic reaction of the air against its wings.

Boat- A small vessel propelled by oars, paddles, sail or by an internal combustion engine.

Building and Plant Equipment-Tangible property other than land and buildings used for the operation of a building or plant (heating, air conditioning, fire safety, lighting, etc.) and in servicing buildings or plants (snow blowers, snow plows, cherry pickers, street sweepers).

Casualty Loss- Items which are destroyed through catastrophe or natural disaster.

Computer Equipment-Programmable electronic devices that can store, retrieve, process, and send data and information.

Personal Computers-A device that is used for the above purposes at a person's desk. (A personal computer consists of one monitor, one central processing unit [CPU], and

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one keyboard.)

Laptop/Notebook Computer- A device used for the above purposes that is portable and can be used outside of the office.

Mainframe Computer- A programmable device that can perform the above tasks on a larger scale for more than one user.

Computer Network- A system of computers, terminals, servers, and databases connected by communications hubs.

Construction Equipment- Tangible equipment and machinery used to assemble/improve land, buildings, and/or infrastructure assets.

Construction in Progress- Cost of construction work undertaken but not yet completed.

Education and Recreational Equipment- Furniture, equipment and tangible property used for educating/teaching in a classroom; and/or furniture and equipment used for rest and relaxation or social activities.

Farm Equipment and Livestock- 1) Equipment-tangible property and implements used for agricultural horticultural or dairy farm purposes; 2) Livestock- domesticated animals raised or kept for use or profit.

Household Furnishings and Equipment- Furniture, property and accessories used in and around living quarters.

Medical, Surgical and Lab Equipment- Furniture, implements and tangible property used for medical treatment and/or experimental testing and analysis.

Modular Furniture- A series of standardized units of furniture for use together.

Motor Vehicles and Motor Vehicle Service Equipment-1) Motor Vehicles- A self-propelled vehicle powered by an internal combustion engine used to transport people and other items. 2) Automotive Service Equipment- Furniture, implements and tangible property used to test, diagnose and repair motor vehicles.

Office Furnishings and Equipment- Furniture, equipment and tangible property used in rooms within a building(s) for the conduct of a trade, business, profession or government service.

Scrap- Items having no salvage or disposal value.

Trade-In-An item is given to the vendor who is supplying a new item to replace the old as part of the purchase price paid for the new item.

Building-A roofed and walled structure acquired or constructed for permanent use as a dwelling, for storage or commercial use.

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Fixed furniture, machinery or equipment-a piece of equipment that is attached to the room or building, but not permanently affixed and is used as furnishings, decorations, or for specialized purposes. Such equipment is considered not to be permanently affixed to the building if it can be removed without the need for costly or extensive alterations or repairs to the building to make the space useable for other purposes. Each item of fixed equipment must have an acquisition cost (including installation costs) of \$500 or more and a useful life of more than one year.

Infrastructure-Long-lived capital assets that are normally stationary in nature and can be preserved for a greater number of years than most capital assets. Most infrastructure assets are attachments or annexations to land designed for public use, health, and welfare.

Land-A portion of the earth's solid surface distinguishable by boundaries or ownership.

Movable furniture, machinery or equipment- An equipment item that is not affixed to any part of the building or room, with a unit cost of \$500 and a useful life of more than one year.

Renovation or improvement-Extensive attachments and annexations which are intended to be permanent and remain attached or annexed. The attachment or annexation increases the asset's useful life and/or increases its value.

ASSIGNING BASIS TO FIXED ASSETS:

Basis is the dollar amount capitalized and included in the fixed asset system as the book value of the fixed asset. Basis should be assigned to fixed assets based on actual historical costs, or for donated assets, at fair market value on the acquisition date. Historical cost information for assets purchased should be obtained from the vendor invoice and included on the Form SFA-12 Capital Asset Acquisition Report.

For construction projects, basis should include all payments for each contract, plus architect fees, and management and planning fees. When a fixed asset is constructed by or for an agency, the agency shall submit periodically payment documents to process payments to the vendor(s); a Form SFA-12 shall accompany each payment reporting the amount of the payment. Upon completion of the project, one "FINAL" Form SFA-12 shall be submitted to the Office of Accounts and Control to report the total costs of the project and the date placed in service. The "memorandum only" box on the Form SFA-12 shall be checked.

Assets acquired through contribution, donation, or forfeiture shall be recorded at fair market value on the date acquired. Fair market value is the estimated amount at which the fixed asset might be exchanged between a willing buyer and a willing seller, neither being under compulsion, and each having reasonable knowledge of all relevant facts. All donations, gifts, or bequests shall comply with the applicable State statutes before the State can claim title, and the receiving agency can deem it as a fixed asset. Use the following guidelines to estimate fair market value of assets acquired by contribution, donation, or forfeiture if the cost of obtaining an independent appraisal exceeds the benefit of such (The cost of an appraisal would exceed its benefits if the asset acquired through contribution, donation, or forfeiture will be held by the State for a short time before being disposed. The cost of an appraisal would

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exceed its benefits if the apparent condition of a contributed, donated, or forfeited asset reveals a low relative value.): land, buildings, and/or motor vehicles: property tax assessment value; all other furniture, machinery and equipment, based on estimated remaining useful life: life = 5 years, fair market value (FMV) = 100% replacement cost of same asset purchased new; life = 4 years, FMV = 80%; life = 3 years, FMV = 60%; life = 2 years, FMV = 40%; life = 1 year, FMV = 20%. If the estimated value meets the capitalization threshold, the asset will be recorded in the system and depreciated over its remaining useful life.

For purposes of assigning a basis in FACTS for buildings and underlying land acquired prior to the effective date of FACTS, an estimate of cost will be made and shall be used to determine a basis.

DEPRECIATION

INTRODUCTION:

Depreciation shall be calculated on all assets other than land, land rights, furniture and equipment and computer equipment under \$5,000. Depreciation will be reported on a memo basis in reports generated by FACTS. Depreciation will provide another gauge for budget maintenance and program cost analysis purposes. Also, it will serve the agencies that have depreciation requirements for grant or reimbursement purposes.

DEPRECIATION CONVENTION:

One half year's depreciation will be calculated in the fiscal year an asset is acquired. This convention shall be used regardless of when, during the fiscal year, an asset is acquired.

DEPRECIATION METHOD:

The straight-line method of depreciation will be utilized. Straight-line depreciation is computed by establishing the basis of an asset, then dividing by the number of years of useful life to arrive at an annual depreciation charge. The following criteria are used to determine the annual depreciation amount:

1. Cost or Basis
2. Useful Life

ORIGINAL COST:

Defined as the cost to the first owner which was a department or agency of the State of Rhode Island (also known as the basis or book value). See Assigning Basis to Fixed Assets on Page 3 for a discussion of "Basis" and "Book Value."

ASSET LIVES:

The following schedule shall be used as a guide in determining the useful life of the various categories of fixed assets:

ASSET CATEGORY

LIFE

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| | |
|---|---------------|
| • Aircraft (all types) | 10 years |
| • Boats (all types) | 10 years |
| • Building Improvements and Renovations | 20 years |
| • Buildings | 50 years |
| • Computer Equipment (all types) | 5 years |
| • Computer Software | 5 years |
| • Computer Licenses | 5 years |
| • Furniture and Equipment | 5 years |
| • Land Improvements | 20 years |
| • Leasehold Improvements | Term of Lease |
| • Automobiles and Light Trucks | 5 years |
| • Motor Vehicles (heavy equipment) | 10 years |
| • Trailers | 10 years |

The natural account for the acquisition/construction of fixed assets, except via leases, is 661XXX with the XXX being the category code. A series of accounts 6660XX have been created Furniture and Equipment between \$500 and \$4,999.

SALVAGE VALUE:

The State has elected to not estimate salvage value for its assets.

UNIT GROUP CONTROL:

Assets will be inventoried and labeled on a unit basis. That is, no quantities greater than one will be entered in FACTS to account for each individual item where multiple assets of the same kind exist. This is consistent with the capitalization threshold policy (~~see page 7~~) and eases the asset verification process.

BULK PURCHASES:

For bulk purchases of furniture, equipment, etc., the cost of each asset must equal or exceed \$500 if they are each to be capitalized and included in the System. For modular furniture, the total purchase price must equal or exceed \$5,000.

FABRICATED ASSETS:

Assets, which are constructed internally using various component parts, shall be included in FACTS as one asset, if the cost of labor and material to construct the asset equal or exceeds the capitalization threshold. "Internally constructed assets are those constructed by a State department or agency using its own labor and purchasing the components."

RECORDING COMPONENT GROUPS

Assets which are purchased as a component group, such as a personal computer system (including a central processing unit, monitor and keyboard and any pre-installed software), shall be recorded in FACTS as one asset and, accordingly, one label number will be assigned

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to the total group. For furniture and equipment between \$500 and \$4,999 any type of "kit" should be treated as one asset.

If several components of a group are lost, stolen, destroyed, or sold and the disposition of these components causes the asset's useful life to cease, report the disposition of the total asset on Form A-70. If these components are replaced and all of the replacement components cost more than \$5,000 (\$500 for furniture and equipment and computer equipment) and will increase the asset's useful life to more than one year, then a new asset group will be recorded in FACTS, including the component(s) of the previous asset group that was not lost, stolen, destroyed or sold. If only one component, to which a bar code label was affixed, is lost, stolen, or destroyed, and it is replaced, a new bar code will be affixed regardless of whether or not the new component costs \$5,000 or less.

When replacing components of a fixed asset which increase its useful life or its value, the new component will be depreciated over its useful life.

FIXED ASSET COORDINATOR

FUNCTION:

The Fixed Asset Coordinator(s) shall be appointed by the Director of each agency. The Director shall notify the State Controller in writing of the employee(s) [name, title, and telephone number] in each department or agency that shall serve this capacity, and of any changes. The Fixed Asset Coordinator shall act as a contact person with the Office of Accounts and Control, Fixed Asset Unit in all matters related to the Statewide Fixed Asset Control and Tracking System. The Fixed Asset Coordinator shall assist the Office of Accounts and Control in ensuring that data maintained in FACTS is accurate and timely and assist with any physical inventory of fixed assets of his/her department.

Generally, a Fixed Asset Coordinator should not function as an Authorized Agent for the approval of Fixed Asset Invoice Vouchers as these two activities represent incompatible functions.

When a Department or Agency owns a building, but does not occupy the building, the following policy applies: The Fixed Asset Coordinator of the Department or Agency that is the owner is responsible for accounting for the building. The Fixed Asset Coordinator for the Department or Agency that occupies the building is responsible for accounting for its contents.

FIXED ASSET UNIT

FUNCTION:

The Fixed Asset Unit within the Office of Accounts and Control will maintain the Fixed Asset system database. The Fixed Asset Unit will monitor and coordinate input from the various fixed asset forms. Also, the reconciliation of perpetual records with physical assets will be performed by the Fixed Asset Unit. The Fixed Asset Unit will monitor the annual physical count of fixed assets by State departments and agencies. The Fixed Asset Unit will distribute periodic reports generated by FACTS.

The responsibilities of the Fixed Asset Unit include, but are not limited to, the following:

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1. Assigning State bar-code labels to fixed assets.
2. Reviewing, verifying and correcting activity reports generated by the system.
3. Taking a periodic physical inventory of fixed assets in accordance with law and policies.
4. Reviewing the Capital Asset Acquisition Report (Form SFA-12) for accuracy and compliance with policies and procedures. Any error found by the Office of Accounts and Control, General Audit Section, shall be returned to the acquiring department for corrections.
5. Ensuring that data maintained in the system is accurate and timely.
6. Reconciling FACTS database to RI SAIL.

CRITERIA FOR INCLUSION OF FIXED ASSETS IN SYSTEM

GENERAL:

Fixed assets are defined as tangible or intangible property with a useful life of more than one year and a certain cost or value. These assets are not intentionally acquired for resale, nor are they readily convertible to cash.

The major types of assets included in the Statewide Fixed Asset Control and Tracking System are:

- All land
 - Land improvements costing \$100,000 or more
 - All buildings
 - Building renovations and leasehold improvements costing \$100,000 or more
 - Construction in progress
 - Works of Art, Historical Treasures and Memorabilia costing \$5,000 or more
 - Motor vehicles
 - Computers
 - Equipment and furniture costing \$5,000 or more on a unit basis use natural accounts 6616XX and for those lawn, landscape and grounds maintenance equipment items costing between \$500 and \$4,999 use natural accounts 660101.
 - Intangibles
 - All land use rights
 - Computer Software and User Licenses (various thresholds)
-
-

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- Infrastructure acquisitions or improvements costing \$100,000 or more

Examples of such fixed assets include but are not limited to:

- Equipment, Vehicles, Boats and Trailers, and Computers.
- Office Furniture and Equipment, Household Furniture.
- Parks, Office Buildings, Parking Lots.

Fixed assets, which do not meet the criteria outlined in the procedures, should not be reported on the Capital Asset Acquisition Report (SFA-12) and shall not be included in FACTS.

As stated in the general definition, the identifying characteristics of a fixed asset are "cost" and "useful life"; therefore, if an asset meets the test of cost indicated above and has a useful life of more than one year, it shall be included as a fixed asset in FACTS.

LAND AND LAND IMPROVEMENTS

Each parcel of land owned by the State is initially recorded as a separate asset. Land improvements made to each parcel such as parking lots, sidewalks, retaining walls, yard lighting, fencing, etc., are also recorded as separate assets in FACTS. For example, a parking lot would be recorded as a separate asset from the land underneath. It should be noted that although land assets are included in FACTS regardless of cost, land improvements are only included if they cost \$100,000 or more and have a useful life of more than one year.

Since land is acquired on a parcel basis, it is recorded in FACTS as such, i.e., each purchase of contiguous lots are recorded in FACTS as a separate asset.

BUILDINGS, BUILDING RENOVATIONS AND IMPROVEMENTS:

All buildings and other structures owned by the State shall be recorded in the System.

Renovations made to buildings shall be recorded in FACTS if they meet the criteria established: a cost of \$100,000 or more and a useful life of more than one year. A renovation enhances an already existing asset to a condition beyond that which results from normal maintenance or repairs, and/or increases the useful life of the asset. Replacing a roof, or installing a better electrical system in a building are examples of renovations.

Improvements are defined as the addition of a new building component or section where one did not previously exist costing \$100,000 or more with a useful life of more than one year. Examples of building improvements would include installation of an air conditioning system in a building or the addition of floor space to an existing building.

LEASEHOLD IMPROVEMENTS:

Leasehold improvements made to buildings leased by the State shall be recorded in FACTS if they meet the criteria established: a cost of \$100,000 or more and a useful life of more than one year and the remaining term of the lease is more than one year.

FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

MACHINERY EQUIPMENT AND FURNITURE:

All machinery equipment and furniture that costs or has a value \$500 or more and has a useful life of more than one year will be recorded in FACTS. Equipment is defined as any vehicle, piece of machinery, or other device that meets the fixed asset criteria. Examples of equipment and furniture would include, but are not limited to:

- Appliances and Household Furniture
- Autos
- Buses
- Computers (cost/basis \$500)*
- Construction Machinery
- Trucks
- Office Equipment and Furniture
- Tractors
- Telecommunications Equipment

- * The \$500 threshold should not include the cost of the following items (if sold separately, i.e. "unbundled"): license agreements, maintenance contracts, training manuals, or software.

Repairs to equipment and furniture that cost \$5,000 or more (~~\$500 for computers~~) and that will increase the useful life of the asset by one year or more will be recorded in the system.

LEASED ASSETS:

In general, assets included in FACTS are, by definition, either owned by the State or Federal Government or leased with the various characteristics of ownership present. The five major acquisition methods are:

- Purchase
- Construction
- Donation
- Lease/Purchase
- Forfeiture (includes seizure, foreclosure, and forfeiture)

The two major categories of leases are:

1. **Lease/Purchase (Capital Lease)** - A contract entered into by an agency to make periodic payments to the owner of a fixed asset for the right to use it. Included in the contract is a provision that transfers ownership of the asset to the State at some time during or at the end of the lease

This type of lease agreement is classified as a capital lease when substantially all of the risks and benefits of ownership are assumed by the State. A capital lease is, for the most part, viewed as an installment purchase of property rather than the rental of property.

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If any one of the following four criteria is a characteristic of the lease transaction, the lease will be recorded in FACTS:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the estimated useful life of the leased property.
4. The present value of the minimum lease payments at the inception of the lease equals at least 90% of the fair value of the leased property.

Copies of all lease/purchase type leases shall be submitted with the Form SFA-12 to the Office of Accounts and Control, Fixed Asset Unit to include in the system.

Assets acquired under lease/purchase arrangements are included in FACTS and shall be reported on Form SFA-12. The memorandum only box on the Form SFA-12 should be checked for all such acquisitions. Each asset acquired via a lease/purchase contract shall be recorded in FACTS upon initial use of the asset, after the contract receives all necessary approvals and signatures.

A RI-SAIL payment document or other appropriate document should be prepared to initiate payment to the vendor. Assets acquired under a Master Lease Program and a Certificate of Participation Program are included in this category.

2. ***Operating Lease (Rental)*** - Periodic payments made to the owner of a fixed asset for the right to use the asset. The asset remains the property of the owner throughout the rental period, and is returned to the owner at the end of the lease term. Assets acquired under leases of this type are not included in FACTS.

INFRASTRUCTURE:

Assets in this category will be included in FACTS. These include roads, bridges, curbs, and gutters, streets and sidewalks, water, sewage and drainage systems, lighting systems, dams and levees, telecommunications system, water distribution, gas and electric utilities, solid waste disposal, waste water treatment, and similar assets that are immovable. Any real property that becomes part of infrastructure will be entered into FACTS, but retain its identity, i.e., land is land.

WORKS OF ART, HISTORICAL TREASURES AND MEMORABILIA

These assets are defined as one or more items 1) on public display, 2) used in furtherance of historical education or 3) involved in advancement of artistic or historical research. Administrative type buildings not considered part of a collection of historic buildings (for

FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

example, a visitor's center or a storage facility at a historical site) will be capitalized using the FACTS general policies as guidance.

These assets will be recorded in FACTS as works of art, historical treasures or memorabilia whether they are held as individual items or in a collection, if the conditions of ownership are as follows.

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.

- Protected, kept unencumbered, cared for and preserved.

Bar code label numbers will be recorded in FACTS for each asset recorded. However, the labels will not be affixed to the asset (so as to not diminish or destroy the physical integrity of the asset).

Depreciation will not be required for individual items or collections because these assets are considered inexhaustible. Depreciation will not be recorded on works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long. Items that are exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, shall be depreciated over their estimated useful lives.

Historic buildings will be recorded and depreciated consistent with the FACTS policy

COMPUTER NETWORK

A computer network, a system of computers, software, terminals, servers and databases connected by communication lines, will be recorded as one asset if the total cost of all components (hardware and software) equals or exceeds \$100,000. A bar code label will be "assigned" to this asset, but not affixed to any component thereof.

COMPUTER SOFTWARE

The State of Rhode Island considers computer software that exceeds a certain dollar amount of cost and has an estimated useful life greater than one year to be an intangible asset. Governmental Accounting Standards Board Statement No. 34 defines capital assets to include "...intangible assets that are used in operations and that have initial useful lives extending beyond one reporting period."

Computer software that costs \$50,000 or more and has an initial estimated useful life of one year or more will be capitalized. (The estimated useful life determination is to be made on the basis of functional usefulness and technological usefulness.) This policy shall apply to software that is internally developed and to software purchased from a vendor.

Computer software maintenance fees paid annually to the same vendor from whom the original application software was purchased shall **not** be capitalized.

FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

Computer software that is developed internally shall be included in FACTS as one asset if the cost of labor and material to develop the asset equal or exceeds the capitalization threshold.

Computer software applications that cost less than the above threshold and/or do not have an expected useful life greater than one year will not be capitalized.

COMPUTER USER LICENSES

For all intents and purposes, computer software vendors sell users a license to use their software. They do not sell users their software per se. Therefore, it shall be the policy of the State of Rhode Island to maintain an accounting of computer software user licenses for "major" computer applications as an intangible asset. (i.e., those computer systems capitalized under the above policy)

The Office of Accounts and Control shall maintain an accounting of all user licenses acquired at the time of the original computer software acquisition and any subsequent user license purchases for the original computer software.

If the cost of initial acquisition of the computer network system software and licenses equals or exceeds \$50,000, a Form SFA-12 will be submitted for both. The Form SFA-12 will report the cost assigned to the software and the cost assigned to the licenses.

RENOVATIONS, IMPROVEMENTS AND MAJOR REPAIRS

Renovations, improvements and major repairs made to original assets that equal or exceed the dollar capitalization thresholds and increase the original asset's value or useful life are to be included in FACTS.

A separate asset will be entered into the database for renovations, repairs and improvements to the following types of assets: land improvements, building renovations and improvements and leasehold improvements with a cost of \$100,000 or more. These improvements will be recorded separate from the original asset because the estimated useful life of the improvement is less than that of the original asset.

Renovations, repairs and improvements to vehicles, furniture and equipment that extends the estimated useful life of the original asset or restorations of works of art, memorabilia and historic treasures, the cost of which equal or exceed \$5,000 will be recorded a separate asset and depreciated over a 5-year period.

REPORTING FIXED ASSET ACQUISITIONS

GENERAL:

Each agency, when acquiring a fixed asset, shall submit a Capital Asset Acquisition Report (form SFA-12) to the Office of Accounts and Control. If the Form SFA-12 is not completed according to the procedures set forth in this section the payment will not be processed. The payment document will then be returned to the agency requesting the additional information

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required to properly process the Form SFA-12. A Form SFA-12 must be submitted for all expenditures that are charged to the natural accounts for capital assets.

The Form SFA-12 is used solely to record the fixed asset transactions in FACTS.

Instructions concerning completion of the Form SFA-12 are included as part of the document found on the Controller's WEB site. Certain aspects of the Form SFA-12 that require special attention are reviewed below.

TRANSACTION CODES:

There are five categories of transaction codes that are used on the Form SFA-12. These codes provide certain information concerning the fixed asset acquired. Each code is discussed in detail below.

ACQUISITION CODES:

The following codes shall be used to identify the fixed asset acquisition by type:

- 01 Purchased New -- New fixed assets that meet the criteria for capitalization. (Any externally fabricated assets should be treated as an Acquisition Code 01.)
- 02 Purchased Used -- Used fixed assets that meet the criteria for capitalization.
- 03 Donated -- Fixed asset that has been donated.
- 04 Fabricated -- Fixed asset that has been constructed internally.
- 05 Transferred -- Fixed asset acquired by transfer (from Form FA-80).
- 06 TBA
- 07 Forfeited - Fixed Asset Acquired by Forfeiture.
- 08 Leased -- Fixed asset acquired via a lease/purchase contract.
- 09 Initial Inventory -- Initial physical inventory upon implementation of FACTS.

TITLE CODES:

The following codes shall be used to indicate which entity holds title to the fixed asset at the time of acquisition.

- 12 State Owned -- The State has title at time of acquisition.
 - 13 Federally Owned -- The Federal government holds title.
-
-

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- 14 Master Lease -- The Trustee under the master lease program has title to the asset.
- 15 Other Capital Leases - Used for all other assets acquired under capital leasing arrangements, other than the master lease program.

In addition, if an asset is traded, a disposal code 25 should be indicated on Form SFA-12 and the trade in amount is deducted from the purchase price of the new asset. If the federal government grants legal title of an asset to the State, the State agency that is acquiring legal title shall inform the Office of Accounts and Control via Form FA-80.

The title code for an asset that is acquired with both federal and State funds shall be for whichever government has legal title at the time of acquisition.

LOCATION:

All assets on a Form SFA-12 must be situated at the same location and have the same line item assigned. Vehicles will always use a cost center as their home base, this may be either the land or building code. Each Department or Agency shall determine a home base for their vehicles.

In the Oracle Fixed Asset Module that the State is implementing, the location for the State's fixed assets will be state – city/town – land – building – line item. The Department of Transportation has additional segments.

CITY/TOWN

The city/town will be the Rhode Island municipalities plus the applicable municipalities in Massachusetts. The city/town code is part of the land and building codes, so it does not have to be entered separately.

LAND

For this you will use the land codes located on a tab of the Excel version of Form SFA-12 which is on the Controller's WEB site. The land code must be entered in the cost center square on Form SFA-12 and as part of the account structure on requisition, purchase orders and payments related to land improvements. The land code must be entered in cost center square on Form SFA-12 as the location for other assets where the land is the location of an asset rather than a building.

BUILDING

For this you will use the building codes located on a tab of the Excel version of Form SFA-12 which is on the Controller's WEB site. The building code must be entered in the cost center square on Form SFA-12 and as part of the account structure on requisition, purchase orders and payments related to building improvements or renovations. The building code must be entered in cost center square on Form SFA-12 as the location for other assets to identify what

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building the asset is in or associated with. Leased building and/or space will have a building code assigned for this purpose.

CATEGORY CODE:

The category code is a three-digit number used to designate the type, by broad category, of fixed asset acquired. Depending on the nature of the fixed asset, one of the codes shall be entered on form SFA-12 in the appropriate field.

FUND/AGENCY

Four-digit code corresponding to the first four digits of the appropriation account number of the agency within the RI-SAIL accounting system which is responsible for custody of the furniture and equipment or occupies the building. If the source of funds for capital acquisitions is a Master Lease, use the four-digit code 08XX. The code for Certificates of Participation (COPS) is 09XX. The last two digits of the master lease and COPS primary account code will be the two-digit State agency number that is acquiring the fixed asset. This code will be used to sort assets for reporting purposes.

For assets purchased with funds from the Bond Accounts, the first four digits of the appropriation account for the responsible fund/agency should be used.

FUNCTION CODE:

One-digit code to designate the program category that will receive benefit from use of the assets:

| <u>Description</u> | <u>Code</u> |
|---------------------------|--------------------|
| General Government | 1 |
| Human Services | 2 |
| Education | 3 |
| Public Safety | 4 |
| Natural Resource | 5 |
| Transportation | 6 |
| Component Units | 9 |

NOTE: See APPENDIX VII for a list of function codes and RI SAIL fund agency codes. Please inform the Fixed Asset Unit of the Office of Accounts and Control of any exceptions to these function code assignments.

BUILDING PURCHASES:

When a building is purchased, the agency responsible for the management and operation of the building shall submit the Form SFA-12. The insurance form, which is included in the SFA12 form must be submitted with the SFA-12. Once the Form SFA-12 is accepted, the Office of Accounts and Control will assign the building code.

CONSTRUCTION:

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When a fixed asset is constructed by or for an agency, the agency shall process payments to the vendor(s). For buildings, all requisitions, purchase orders and payments should use the applicable building cost center code. The insurance form must be submitted with the first payment for construction or related costs. These codes are on a tab of the Form SFA-12. For construction of other assets, obtain a cost-center code from the Office of Accounts and Control. All related payments should be submitted with a Form SFA-12. Upon completion of the project, a final Form SFA-12 shall be submitted to the Office of Accounts and Control to report the total costs of the project and the date placed in service. The memorandum only box on the Form SFA-12 shall be checked. The Form SFA-12 is needed with all payments because a project is rarely done all within one fiscal year. Payments made in the fiscal years prior to completion have to be reclassified as construction in progress.

The following natural accounts have been created so that certain transactions related to the construction of an asset are properly included in the cost of the asset.

- 661102 - Surveying costs related to the purchase of land
- 661202 - Architecture and engineering costs related to capital improvements

RENOVATIONS:

Renovations that qualify as a fixed asset shall be reported by the agency responsible for the management and operation of the building, using Form SFA-12. Follow the instructions in CONSTRUCTION above.

LAND IMPROVEMENTS

All requisitions, purchase orders and payments should use the applicable land cost center code. These codes are on a tab of the Form SFA-12. All related payments should be submitted with a Form SFA-12. Upon completion of the project, a final Form SFA-12 shall be submitted to the Office of Accounts and Control to report the total costs of the project and the date placed in service. The memorandum only box on the Form SFA-12 shall be checked.

DONATIONS:

All donations, gifts or bequests, shall comply with the applicable State Statutes before the State can claim title, and the receiving agency can deem it as a fixed asset - (See appendix III.) When an agency receives a fixed asset that has been donated, the agency receiving the asset should first determine the fair market value of the fixed asset and its remaining useful life. Then file Form SFA-12 if its value equals or exceeds the dollar amounts outlined on page 7, and it has a useful life of more than one year, stating on the Form SFA-12 that the asset was donated and by whom. Acquisition code 03 shall be used on the Form SFA-12 and the memorandum only box on the Form shall be checked. (See page 3 under "Assigning Basis to Fixed Assets" for a discussion of determining the asset's fair market value.)

CUSTODIAL ASSETS

Capital assets acquired with funds held in custody for an inmate, patient, client or ward will not be recorded in FACTS and will not have a bar code label affixed. This policy applies also

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to a capital asset(s) donated for use by a specific inmate, patient, client, or ward only.

The State agency responsible for the care, custody, and control of these assets should affix a label indicating the owner of the asset as the inmate, patient, client, or ward.

FORECLOSURE

No record of foreclosed property shall be maintained in FACTS unless the property is placed into operation by a State department or agency. However, if the State has taken possession, contact the Division of Central Services within DOA because an insurance form may be needed. When a foreclosed property is placed into operation instead of sold, the agency shall submit a Form SFA-12 to the Office of Accounts and Control in order to establish a record of ownership. A barcode label will be assigned to it, and depending upon the type of asset, the label might be required to be affixed to the asset.

THE STATE DEPARTMENT/AGENCY THAT FORECLOSED ON THE PROPERTY AND IS HOLDING IT PENDING ITS SALE IS REPONSBILE FOR MAINTAINING A RECORD OF THIS PROPERTY UNTIL IT IS SOLD OR PLACED INTO OPERATION.

The term "foreclosed property" means any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities acquired under price support programs); All properties included in foreclosed property are assumed to be held for sale.

Foreclosed property is recorded at cost and adjusted to the lower of cost or its net realizable value; any difference is carried in a valuation allowance.

The expected net realizable value shall be based on an estimate of the market value of the property adjusted for any expected losses and any other costs of the sale. The estimate of market value shall be based on (1) the market value of the property if an active market exists; (2) the market value of similar properties if no active market exists; or (3) a reasonable forecast of expected cash flows adjusted for estimates of all holding costs, including any cost of capital. In addition to considering market value, the expected net realizable value shall consider the entity's historical experience in disposing of foreclosed properties, i.e., if the entity is typically unable to obtain market value for properties, the expected net realizable value shall be adjusted to be consistent with historically experienced losses. Additionally, if the entity will not be able to sell the property under normal market conditions or is forced to sell the property within a given time, this factor shall be considered in arriving at net realizable value.

If the property is taken subject to claims of the lender, debtor, or other party, these claims shall be accounted for in a valuation allowance. These claims can be in the form of a lien or a residual interest of the debtor or lender. These claims shall be recorded at the expected amount of the cash required to settle the claims.

Any receipts or disbursements associated with acquiring and holding foreclosed assets shall be charged or credited to foreclosed property. This shall include rental receipts, maintenance and repair expense, advertising costs, and any other elements of the projected cash flows considered in arriving at the net realizable value.

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Upon sale, any difference between the net carrying amount of the foreclosed property and the net proceeds of the sale shall be recognized as a gain or a loss on the sale of foreclosed property.

Assets not sold but placed into operation shall be removed from foreclosed property when such action is taken. If reimbursement for the transfer of assets from one program to another is made, the proceeds from the transfer shall be treated in the same manner as a sale to a third party.

Agency accounting policies, procedures, and records shall contain the following minimum requirements:

- Basis for establishing value of foreclosed property.
- Changes from prior year's accounting methods, if any.
- Restrictions on the use/disposal of the property.
- Balances in the categories described above.
- Number of properties held and average holding period by type or category.
- Number of properties for which foreclosure proceedings are in process at the end of the period.

LEASES:

Assets that are leased and meet the criteria for inclusion in FACTS should be reported on Form SFA-12 under the applicable title code (either 13 for Master Lease or 14 for other capital lease). The memorandum only box on Form SFA-12 should also be completed. The "memorandum" SFA-12 should be submitted upon use of the asset, after the lease agreement receives all necessary approvals and signatures.

FEDERAL SURPLUS PROPERTY:

The acquisition of Federal Surplus Property shall be reported on Form SFA-12 under code 02 for acquisition and codes 12 or 13 for title, when the property meets all of the criteria to qualify it as a fixed asset. The Office of Accounts and Control, Fixed Asset Unit, will determine if the fair market value of the fixed asset meets the criteria for inclusion into FACTS.

SEIZURE

As a consequence of various laws, certain property is seized by authorized law enforcement agencies, and much of it is subsequently forfeited to the government through abandonment or administrative or judicial procedures. The forfeited property is ultimately sold, converted for use by the government, or transferred to other governmental entities. Because this property is first seized, then all or a portion of it is forfeited, this standard separately addresses the accounting for seized property.

“Seized property” includes monetary instruments, real property, and tangible personal

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property of others in the actual or constructive possession of the seizing agency.

Seized property shall be accounted for in an agency's property management records when an agency has gained actual or constructive possession of it under statutory and/or regulatory authority.

The value of the seized property shall be accounted for in an agency's property management records until the property is forfeited, returned, or otherwise liquidated. No record of any capital assets acquired through seizure shall be maintained in FACTS until legal title passes to a State agency through administrative or judicial proceedings, i.e., until the asset is forfeited. (SEE THE FOLLOWING PARAGRAPHS CONCERNING FORFEITURES FOR THE ACCOUNTING PROCEDURES TO FOLLOW FOR FORFEITED PROPERTY.)

Seized monetary instruments shall be recognized as seized assets of the entity when they are seized. In addition, a liability shall be established in an amount equal to the seized asset value. Seized monetary instruments are recognized upon seizure due to (1) the fungible nature of monetary instruments and (2) the high level of control over the assets that is necessary.

Seized property shall be valued at its fair value when seized or, if fair value cannot be readily determined, as soon thereafter as reasonably possible. Fair value shall be based on the value of the property assuming an active market exists for the property. If no active market exists for the property in the general area in which it was seized, a value in the principal market nearest the place of seizure shall be used. Seized monetary instruments shall be valued at their market value.

Agency accounting policies, procedures, and records shall contain the following minimum requirements.

- Explanation of what constitutes a seizure and a general description of the composition of seized property.
- Method(s) of valuing seizures.
- Changes from prior year's accounting methods, if any.
- Analysis of change in seizures, including the dollar value and number of seizures that are
 - (1) on hand at the beginning of the year,
 - (2) made during the year,
 - (3) disposed of during the year, and
 - (4) on hand at the end of the year as well as known liens or other claims against the property. This information should be presented by type of seizure and method of disposition.

FORFEITURE:

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“Forfeited property” consists of (1) monetary instruments, real property and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability, and (3) unclaimed and abandoned merchandise.

The property shall be valued at its fair market value at the time of forfeiture. A valuation allowance shall be established for liens or claims from a third party. This allowance shall be credited for the amount of any expected payments to third-party claimants.

Revenue from the sale of property shall be recognized when the property is sold.

Property not held for sale may be

- placed into official use
- transferred to another State government agency, or
- distributed to a local enforcement agency

Property acquired by the government in satisfaction of a taxpayer's liability shall be recorded when title to the property passes to the State. The property shall be valued at its fair value less any third-party liens. Upon sale of the property, revenue shall be recognized in the amount of the sale proceeds, and the property and the third-party liens are removed from the accounts.

Unclaimed and abandoned merchandise shall be valued at its fair value. Upon sale of the merchandise, revenue shall be recognized in the amount of the sales proceeds.

When a law enforcement or regulatory agency receives a fixed asset that has been forfeited, the agency receiving the asset should first determine the fair market value of the fixed asset and its remaining useful life, then file Form SFA-12 if its value equals or exceeds amounts listed on page 7, and it has a useful life of more than one year, stating on the Form SFA-12 that the asset was forfeited and from whom. Acquisition code 07 shall be used on the Form SFA-12 and the "memorandum only" box on the form shall be checked. Any subsequent transfer or sale of the fixed asset shall comply with these accounting policies and procedures. (See page 2 under Assigning Basis To Fixed Assets” for a discussion of determining the asset's fair market value.)

DISPOSITION OF FIXED ASSETS

Property and equipment may be disposed of as follows:

Casualty Loss - Items which are destroyed through catastrophe or natural disaster. Items lost in this manner should be reported on form FA-70, Report of Retired Assets, to the Office of Accounts and Control in order to update the fixed asset database.

Lost - If after investigation they cannot be located, a copy of form FA-70, Report of Retired Assets is to be sent to the Office of Accounts and Control. The Office of Accounts and Control will update the inventory system.

Stolen - Stolen items should be reported to the police. If after investigation they cannot be located, a copy of form FA-70, Report of Retired Assets and a copy of the police report is to

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be sent to the Office of Accounts and Control. The Office of Accounts and Control will update the inventory system.

Sale - Items of significant value that are sold by the Division of Purchases via public auction or bid. The items sold should be reported on form FA-70, Report of Retired Assets, to the Office of Accounts and Control in order to update the fixed asset database.

Trade-in - The item is given to the vendor that is supplying a new item to replace the old one as part of the purchase price paid for the new one. The item traded is to be reported on form SFA-12, Capital Asset Acquisition Report. The Office of Accounts and Control will update the inventory system.

Transfer - The item which is no longer needed by the current owner Fund/Agency can be transferred to another Fund/Agency (i.e Internal Service fund to General Fund) or agency. The items(s) transferred is (are) to be reported on Form FA-80, Report of Fixed Asset Transfers. Also report a transfer in the assets change buildings or line item.

Surplus - Once an agency no longer has use of an asset it declares it surplus and fills out form FA-70-

- For all computer equipment, the agency must contact Frank Pate at Department of Information Technology, Department of Administration.
- For all other fixed assets contact William Ferguson or Robert Pesaturo at Central Services, Department of Administration.

Scrap - Items having no salvage or disposal value may be discarded as scrap or scrapped for parts with permission from the Division of Central Services. The items scrapped should be reported on form FA-70, Report of Retired Assets to the Office of Accounts and Control in order to update the fixed asset database.

GENERAL:

There are two forms that are available, depending on the circumstances, to report surplus assets or disposal of fixed assets:

- (1) Form FA-70- Report of Retired Fixed Asset- Obtain from Central Services within DOA.
- (2) Form FA-80-Report of Fixed Asset Transfers – Available on the State Controller’s WEB site.

Instructions concerning the purpose and proper completion of the form FA-80 are included are included as part of the form on the Controller’s WEB site.

There are six, two digit numeric codes, called Disposition Codes, which shall be used on the appropriate form to designate the method of disposition. These codes are outlined below:

21 Surplus - Used when fixed assets are declared surplus

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- or obsolete by the agency.
- 22 Lost - Used to report involuntary retirement of a fixed asset.
- 23 Destroyed - Used to report destruction of a fixed asset.
- 24 Sold - Used to report a fixed asset sold through the State bidding process or other authorized method.
- 25 Traded - Used to report a fixed asset exchanged along with cash consideration for another fixed asset.
- 26 Transfers - Used when the physical location of a fixed asset changes between State agencies.
- 27 Stolen - Used to report involuntary retirement of a fixed asset. Must submit a police report.

TRANSFERS:

A department or agency may transfer a fixed asset within the same department or agency or to another State agency or department. Transfers shall be reported under disposition code 26. Form FA-80 should be initiated by the releasing agency. Upon completion by the releasing agency, the FA-80 Form is sent to the receiving agency for additional information. Upon completion by the receiving agency, the FA-80 Form is submitted to the Office of Accounts and Control, Fixed Asset Unit. Only complete form FA-80 if the transfer is between funds, buildings or line items.

RETIREMENT OF ASSETS:

Property and/or components with an original basis that qualifies for inclusion in the system that are Lost - Stolen, Destroyed or Sold, will be reported on Form FA-70 using the proper disposition code. The Form FA-70 shall be submitted to the Office of Accounts and Control, Fixed Asset Unit. All information relative to the fixed asset, including the original cost and label number, shall be included on the form. Items having no utilization potential by State agencies will be sold by the Division of Purchases to potential buyers in order to obtain the best possible market value.

Those items sold will be reported to the declaring (reporting) agency, which will prepare and process Form FA-70 in accordance with procedure.

The Division of Purchases will report sales, proceeds, and disposition of funds in accordance with established procedures.

CONDUCTING INVENTORIES

POLICY GUIDELINES - EQUIPMENT:

FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

To comply with OMB Circulars and to ensure the accuracy of the equipment inventory system, the following guidelines have been established:

- Department inventories are conducted at least every two years.
- Department Fixed Asset Coordinators assist in conducting the physical inventories in their departments. The Office of the Accounts and Control will schedule and coordinate this effort.
- The Office of Accounts and Control resolves discrepancies identified between recorded and actual inventories discovered by submitting database changes based on documentations signed by the Fixed Asset Coordinator and the Department Director, and
- Each item selected for inspection during the biennial inventory is reviewed to verify its existence, current utilization, and continued need for the property.

INVENTORY, TIMING, AND PROCEDURES

The inventory will be conducted as follows:

- The Office of Accounts and Control will have access to every building and/or room selected to be inventoried.
- The equipment located in each building/room will be checked for tag number, condition of the item, availability of the item, and other physical characteristics recorded on the Inventory Report.
- If untagged items meeting the capitalization criteria are identified during the sample inventory, these items will be tagged and appropriate data recorded into the inventory system.
- Once all selected equipment items have been inventoried, the Office of Accounts and Control will process changes to FACTS .
- The Office of Accounts and Control will investigate the status of equipment items not verified through the same physical inventory prior to deleting the equipment from the inventory system.

POLICY GUIDELINES – SPACES:

To ensure the accuracy of the Space Inventory, FACTS will be updated at least every two years to reflect modifications made periodically to the database.

INVENTORY TIMING AND PROCEDURES:

Biennial inventories of space will be conducted concurrently with the inventory of the equipment. The Office of Accounts and Control will also coordinate and schedule this effort.

FIXED ASSET CONTROL AND TRACKING SYSTEM (FACTS)

The space inventory will be conducted by the Office of Accounts and Control according to the following procedures:

- The Office of Accounts and Control will have access to every room in the building selected.
- The room measurements will be taken (utilizing established measuring techniques) and compared to the dimensions in the space inventory system of the Division of Central Services and FACTS.
- The Office of Accounts and Control will conduct an interview with the appropriate department person to determine the activity, description, and department in control of the space selected for review.
- The Office of Accounts and Control will resolve discrepancies discovered between the actual and recorded space data.

LABELING INSTRUCTIONS

GENERAL:

The primary purpose of labeling is to maintain a positive identification of assets owned by the State. Labeling is important for:

- Providing an accurate method of identifying individual assets;
- Facilitating the physical inventory process on a periodic basis;
- Controlling the location of all physical assets;
- Assisting in maintaining fixed assets;
- Providing a common ground of communication for both the fiscal staff and the asset users.

All fixed assets other than the categories of assets listed in Appendix I must be physically labeled with a State Bar Code Label. The Office of Accounts and Control, Fixed Asset Unit, will affix bar-code labels to the fixed assets reported on the Form SFA-12 received from the agency. At the discretion of the Fixed Asset Unit, the bar-code labels may be given to the agency to affix. The labels should be affixed in the proper location to allow for re-examination and Bar Code scanning.

If part of a fixed asset is stolen that has the bar coded label affixed to it, a new label will be assigned to the replacement part, regardless of its cost.

The placement of the label is very important. Appendix II contains guidelines concerning the placement of the labels on various categories of assets. Labels

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**REPORTS GENERATED BY THE STATEWIDE
FIXED ASSET ACCOUNTING SYSTEM**

GENERAL:

On a biennial basis, each department and agency will receive a complete listing by primary appropriation account number, location, and floor code, and category of all assets reflected in the System from the Office of Accounts and Control.

The asset listing prepared every other year, will contain a certification to be completed by the Department Director indicating that the listing is a complete and accurate inventory of the assets held by that agency. The completed certification shall be returned to the Office of Accounts and Control, Fixed Asset Unit within 45 days after receipt of the listing.

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APPENDIX I

FIXED ASSETS NOT REQUIRED TO BE LABELED

The following items should not be labeled due to their physical characteristics, general use, or location of the item. However, information concerning all items in these categories shall be reported on a Form SFA-12 and shall be included in the Statewide Fixed Asset Control and Tracking System should they meet the Fixed Asset threshold value.

- Antennae
- Books
- Building Improvement and Renovations
- Buildings
- Computer Equipment to be installed internally within a computer (e.g. expansion board)
- Computer Software (see page 10)
- Handguns and Rifles
- Historical Treasures
- Infrastructure
- Land
- Land Improvements
- Memorabilia
- Modular Work Stations
- Monuments
- State Police Vehicles
- Statues
- Works of Art

ASSETS NOT INCLUDED IN THE FIXED ASSET SYSTEM

The following assets should not be recorded in the Fixed Asset System:

- Blinds
- Carpeting
- Curtains
- Drapes
- Hearing Aids, Contact lenses, Eye Glasses

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APPENDIX II

PLACEMENT OF LABELS

GENERAL:

The following are instructions for the placement of State property identification labels. These instructions describe the location of labels for various fixed assets from the vantage point of facing the front of the asset (unless specifically noted otherwise). When placing the label, press firmly to ensure complete adhesion.

OFFICE FURNITURE AND EQUIPMENT

1. Air Conditioners -- Place on front near control panel.
2. Appliances -- Stoves, Refrigerators, Washing Machines, Dryers, Microwaves, Etc. Place on upper left corner on right side of appliance toward front.
3. Bookcases -- Place on upper left corner on front.
4. Cabinets -- File: Place at upper left corner on front. Lateral: Place at upper left corner on front. Storage: Place inside of right door at upper right corner.
5. Calculators, Dictating Machines, Transcribers, Cassette Recorders, Tape Recorders, etc. -- Place underneath machine.
6. Cameras -- Place on bottom of camera.
7. Chairs -- Executive: Place at base of stem connecting to legs. Steno: Place on any leg. Swivel, Side Arm: Place on upper left part of metal frame of back seat. Stacking: Place outside at top of back support.
8. Check Signers and Protectors -- Place underneath machine.
9. Computers -- Place on front of Central Processing Unit (CPU). Terminals: Place on front of terminal base. Laptop or Notebook -- Place on keyboard.
10. Copiers -- Place at upper left corner on front.
11. Credenzas -- Place at left upper corner on front.
12. Desks -- Place inside of middle drawer on left side toward front of drawer. For desks without middle drawer, place on left side of kneehole toward front of desk.

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13. Fax Machines -- Place on front.
14. Furniture -- Such as Sofas, Stuffed Chairs, Etc., place at the side of the left front leg.
15. Lamps -- underneath base of lamp.
16. Microfilm Readers -- Place on left side of base on front.
17. Microphones -- If microphone and base is one unit, place on base. For microphones only, place on stem.
18. Projector Stands -- Place on upper corner.
19. Projectors -- Place underneath base of projector.
20. Shelving Units -- Top left corner in front of each separate freestanding unit.
21. Storage Bins -- Place at left upper corner on front.
22. Tables -- Square: Place on underside of any corner. Round: Underside.
23. Televisions -- Place on upper left corner on front.
24. Typewriters -- Place on exterior of typewriter, left, or right side.
25. Typing Stands -- underneath stand on left side.
26. Typing Returns -- On exterior of side panel, place on upper left corner.
27. VCR's -- Place at upper left corner on front.

OPERATING & MAINTENANCE EQUIPMENT

1. Air Compressors -- By manufacturer's I.D. plate.
 2. Autos -- On front door jam of driver's side door.
 3. Band Saws -- On front in a visible location.
 4. Boats -- Alongside registration sticker. For unregistered boats, place where sticker would be located.
 5. Buffers/Grinders -- On motor by manufacturer's I.D. plate.
 6. Buses -- Same as auto or middle of dashboard.
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**FIXED ASSET CONTROL AND TRACKING SYSTEM
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APPENDIX II

7. Chain Saws -- By manufacturer's I.D. plate.
8. Construction Heavy Equipment -- On steering column or control column.
9. Drafting Tables -- Underside of any corner.
10. Drill Presses -- On front in a visible location.
11. Electric Drills -- By manufacturer's I.D. plate.
12. Electric Grinders -- By manufacturer's I.D. plate.
13. Floor Buffers -- By manufacturer's I.D. Plate on motor.
14. Generators -- By manufacturer's I.D. plate.
15. Hand Held Portable Radios -- Bottom of unit.
16. Heavy Metal Cutters -- By manufacturer's I.D. plate.
17. Hydraulic & Mechanical Presses -- By manufacturer's I.D. plate located on frame.
18. Jointers -- On front in a visible location.
19. Lathes -- On front in a visible location.
20. Mobile Radio Units -- Upper left corner on front.
21. Mowers -- By manufacturer's I.D. plate.
22. Planers -- On front in a visible location.
23. Pumps -- By manufacturer's I.D. plate.
24. Radial Arm Saws -- On front in a visible location.
25. Sanders -- On front in a visible location.
26. Shapers -- On front in a visible location.
27. Street Sweepers -- Steering column.
28. Table Saws -- On front in a visible location.
29. Trailers -- Place near registration plate.
30. Trucks -- Same as auto or middle of dashboard.

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31. Vacuum Cleaners -- By manufacturer's I.D. plate located on motor housing.
32. Weed Eaters -- By manufacturer's I.D. plate.
33. Welders -- Upper right hand corner on front panel.
34. Workbenches -- Underside of any corner.

AUTOMOTIVE SERVICE EQUIPMENT

1. Battery Chargers -- By manufacturer's I.D. plate.
2. Brake Service Equipment -- By manufacturer's I.D. plate.
3. Distributor Tester -- By manufacturer's I.D. plate.
4. Engine Analyzers -- By manufacturer's I.D. plate or main unit.
5. Generator, Regulator Tester -- By manufacturer's I.D. plate.
6. Lubrication Equipment -- By manufacturer's I.D. plate.
7. Paint Spray Booths -- Outside in a conspicuous location.
8. Power Lifts -- By manufacturer's I.D. plate.
9. Service Jacks -- By manufacturer's I.D. plate.
10. Tire Changers -- By manufacturer's I.D. plate.
11. Valve Refacers -- By manufacturer's I.D. plate.
12. Wheel Alignment Units -- By manufacturer's I.D. plate.
13. Wheel Balancers -- By manufacturer's I.D. plate.

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APPENDIX II

Laboratory and Test Equipment:

1. Centrifuges -- by manufacturer's I.D. plate on base.
2. Electronic Equipment – on front.
3. Hardness Testers -- by manufacturer's I.D. plate located by controls.
4. Meters -- on back panel.
5. Oscilloscopes -- by manufacturer's I.D. plate.
6. Ovens and Dryers -- by manufacturer's I.D. plate located on lower front panel.
7. Power Supplies -- by manufacturer's I.D. plate located on back.
8. Sound Generators -- by manufacturer's I.D. plate.
9. Spectrophotometers -- by manufacturer's I.D. plate.
10. Stills -- by manufacturer's I.D. plate.

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APPENDIX III

GENERAL LAWS PERTAINING TO FIXED ASSETS

GL-30-24-6. Acceptance of gifts -- Veterans' home fund.

The said director of social and rehabilitative services is hereby authorized and empowered to take and receive in the name of the State any grant, devise, gift or bequest of real or personal property that may be made for the use and benefit of the Rhode Island Veterans' Home or the residents or purposes thereof. All money so received, and all money received under the provisions of § 30-24-9, shall be paid over to the general treasurer and shall be kept by him as a special fund to be known as the "veterans' restricted account." Use of the Veterans' Home restricted account funds may only be made upon prior approval of the House of Representatives Finance Committee and Senate Finance Committee. The director, with the approval of the governor, may sell and dispose of any real or personal property received under this section, and any property received under § 30-24-9, and the proceeds of such sale be paid over to the general treasurer to be made a part of the restricted account. The said restricted account shall be used for the improvement of the social, recreational and educational programs, including the purchase of educational and recreational supplies and equipment for the welfare of members and capital improvements at the Veterans' Home and Veterans' Cemetery deemed necessary by the director of social and rehabilitative services.

GL-30-24-9. Property of deceased residents.

All goods, chattels, property, money, and effects of a deceased resident of the Rhode Island Veterans' Home, which have not been otherwise disposed of by him or her by a completed inter vivos conveyance or gift, or by a valid will, after payment therefrom of the funeral expenses, which shall not exceed five thousand dollars (\$5000), and after payment therefrom of the reasonable debts and expenses of the deceased resident to be determined by rules and regulations as shall be adopted by the director, shall upon his or her decease become the property of the state, and shall be applied by the director of human services or his designee to the uses and purposes of the veterans' restricted account; provided however, that the director may in his or her discretion deliver to any surviving relative of the deceased resident any of the property or effects as may serve as a memento of the deceased resident. For purposes of this section, the provisions of Chapter 24 of Title 33 shall be applicable.

GL-35-4-6. Acceptance of gifts and bequests.

The general treasurer is hereby further authorized and empowered, with the approval of the director of administration, to accept on behalf of the state any gift or bequest of personal property, money, securities, or other similar gift or bequest, given to the state absolutely by any state employee, person or organization; provided, that no acceptance by the state shall make the state in any manner legally or equitable liable to any state employee, person, or

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organization relative to the care, preservation, or use of the gift, bequest, or property; provided further, that the right shall be reserved by the general treasurer, and/or the director of administration, to refuse any gift or bequest so offered to the state; and provided further, that to the extent any gift or bequest is placed in a restricted receipt account, the gift and any identifiable earnings thereon shall remain in that account in the event any existing and/or future funds in the account are diverted or otherwise transferred or withdrawn to the general fund or used for any other use whatsoever.

GL 35-4-7. Sale of gifts and bequests - Deposit of proceeds -

Whenever a gift or bequest is in the form of personal property, securities, or a similar gift or bequest, the general treasurer is authorized and empowered in his or her discretion to sell at public sale that gift or bequest, and the receipts from the sale or sales and all other moneys accepted by the state as a gift or bequest to the state shall be deposited by the general treasurer in the general treasury in the general fund for the use of the state.

GL-37-1-1. Acceptance by director of administration - Report to general assembly.

Whenever any grant, devise, bequest, donation, or gift or assignment of money, bonds, or chooses in action, or of any property, real or personal, shall be made to this State, the director of administration is hereby authorized, if he or she shall deem it for the best interests of the State, to receive and accept the same so that the right and title to the same shall pass to this State; and all such bonds, notes, or chooses in action, or the proceeds thereof, and all other property or thing of value, so received by the State as aforesaid, shall be reported by the governor to the general assembly.

GL 37-2-45 - Supply disposition process

The chief purchasing officer shall sell or otherwise dispose of all property of the state which is not needed, or has become unsuitable for public use, or would be more suitable consistent with the public interest for some other use, as determined by the chief purchasing officer. The disposal of real property shall be subject to the approval of the state properties committee and pursuant to the provisions of chapter 7 of this title. The determination of the chief purchasing officer shall be set forth in an order and shall be reached only after review of a written request by the agency desiring to dispose of the property. The request shall describe the property and state the reasons why the agency believes disposal should be effected. All instruments, required by law to be recorded, which convey any interest in any of the real property so disposed of shall be executed and signed by the acquiring authority pursuant to the provisions of chapter 7 of this title.

G.L 37-2-54 Chief Purchasing Officer – Purchases –

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37-2-54(f) The department of administration shall have the power, with the approval of the State properties committee, to: transfer between departments; salvage; exchange, and to condemn supplies, equipment, and real property.

37-2-54(g) Unless the chief purchasing officer deems it is in the best interest of the State to proceed otherwise, all property (including any interest in real property) shall be sold either by invitation of sealed bids or by public auction; provided, however that the selling price of any interest in real property shall not be less than the appraised value thereof as determined by the department of administration or the department of transportation for the requirements of that department.

37-2-54(h) Subject to the provisions of this chapter, the chief purchasing officer shall purchase, or otherwise acquire, all real property determined to be needed for state use, upon the approval of the state properties committee as to the determination of need and as to the action of purchase or other acquisition, provided that the amount paid shall not exceed the appraised value as determined by the department of transportation (for such requirements of that department) or value set by eminent domain procedure.

GL-37-7-6. Transfer of land between departments and agencies.

The governor, upon the request in writing of any interested general officer or the head of any department, board, bureau, commission, or agency of the State government, may execute a certificate transferring custody and control of and supervision over any land, and all buildings and improvements thereon and other real property, title to which is vested in the State of Rhode Island, or the title to which will be vested in the State upon completion of any condemnation or other proceeding then pending, from the department, board,

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bureau, commission, or agency exercising custody, control, or supervision to another department, board, bureau, commission, or agency of the State government.

GL-37-7-7. Filing, publication, and recording of transfers between departments and agencies -- Costs.

The governor shall file the certificate referred to in § 37-7-6 with the Secretary of State who shall place the certificate on file and who shall cause a true copy of the certificate to be published at least once in a newspaper published in the county in which the land or property is situated, and shall file a certified copy of the certificate for record in the office of the recorder of deeds or town clerk in the city or town where the land or property is situated. The date and hour of the filing of the certified copy shall be noted thereon, and the filing shall be deemed to constitute a transfer of the custody and control of and supervision over the land described therein in accordance with the provisions of the certificate as of the day and hour noted upon the certified copy. No fee shall be charged or collected for the filing or recording. The cost of the publication shall be borne by the department, board, bureau commission, or agency to which custody, control, or supervision has been transferred.

G. L. 42.75.2-4 Allocation for Art for Public Facilities

- (a) A state building or state facility constructed, remodeled or renovated after January 1, 1988 shall include works of art for public display.
- (b) All state agencies or departments shall expend, as a non-deductible item, out of any monies appropriated for construction, remodeling or renovation of any state facility an amount of at least one percent (1%) for the purpose of including works of art in the facility.
- (c) Where construction, remodeling or renovation of a state facility is budgeted at under two hundred fifty thousand dollars (\$250,000), funds may be transferred to the art for public facilities fund for expenditure by the Rhode Island State Council on the Arts for art in other state facilities
- (d) Nothing in this chapter shall prohibit additional expenditures for art beyond the amounts provided by specific appropriation.

G.L 42-75.2-5 Establishment of Fund

A separate account is established within the state treasury to be known and maintained as the art for public facilities fund. The fund shall be used for acquisition for art as provided in this chapter and for expenses incurred in the administration of this program. The fund may derive income from

- (1) Appropriations made as provided by this chapter.
- (2) Grants, from governmental or other sources.
- (3) Gifts, if the terms of the gift are consistent with the purposes of this chapter and other lawful requirements.
- (4) Other appropriations made by the general assembly.

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G. L. 42-75.2-6 Administration

- (a) The Rhode Island state council on the arts is responsible for the administration of this chapter. It has the power and authority to contract with artists in any manner that is in conformity with this chapter, and it has the authority to make expenditures from the art for public facilities fund, from the funds available in that fund. It shall select and appoint each panel provided by this chapter and has the authority to make expenditures for the expenses of the panel as provided in this chapter.
- (b) The Rhode Island state council on the arts shall keep an inventory of the works of art acquired under this chapter. It shall also periodically review and examine the artwork, reporting to the general assembly when restoring, repairing, or replacing any work of art is necessary and how that should be accomplished. Any costs in this connection shall be charged against the art for public facilities fund. The costs of administering the program, other than immediately aforementioned, shall be provided by the general assembly as it deems fit in its annual appropriation to the Rhode Island state council on the arts.
- (c) The Rhode Island state council on the arts shall submit an annual report to the general assembly listing all action taken pursuant to this chapter.

G. L. 42-75.2-7 Selection of works of art and artists.

- (a) Artists and their works of art to be acquired under this chapter shall be selected by the Rhode Island state council on the arts with the advice of a panel specifically chosen for each project, pursuant to procedures established by the Rhode Island state council on the arts. Each panel shall contain at least one representative of the architect, one representative of the user, one representative of the community, and one professional artist.
- (b) The acquisition of art under this chapter shall be exempt from any and all state bidding requirements. Panel members shall not be paid except for reimbursement for necessary costs and in-state travel expenses. Panel members and members of their families shall not be considered in the selection of an artist. All formal or informal meetings and deliberations by the panel shall be open and public. Cooperation with other local and national art agencies is required.
- (c) Whenever possible the selection of art, artwork, or works of art of Rhode Island artists shall be encouraged by the panel.

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APPENDIX IV

**FEDERAL RULES, REGULATIONS AND GUIDELINES
PERTAINING TO FIXED ASSETS**

**OMB CIRCULAR NO. A-87 – COST PRINCIPLES FOR
STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS**

Attachment B, Paragraph 19, 22, and 24

19. Equipment and other capital expenditures.
- a. As used in this section the following items have the meanings as set forth below:
- (1) “Capital expenditure” means the cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from, capital expenditure cost in accordance with the governmental unit’s regular accounting practices.
 - (2) “Equipment” means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental limit for financial statement purposes, or (b) \$5,000.
 - (3) “Other capital assets” mean buildings, land, and improvements to buildings or land that materially increase their value or useful life.
- b. Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation on buildings, capital improvements, and equipment (see section 15). See also section 38 for allowability of rental costs for buildings and equipment.
- c. Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency. Federal awarding agencies are authorized at their option to waive or delegate this approval requirement.
- d. Items of equipment with an acquisition cost of less than \$5,000 are considered to be supplies and are allowable as direct costs of Federal awards without specific awarding agency approval.
- (b) The amortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by (1) continuing to claim the otherwise allowable use allowances or depreciation charges on the equipment or by
- 2) amortizing the amount to be written off over a period of years negotiated with the
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cognizant agency.

- (c) When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.
22. *Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs.*
- a.(1) Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.
- (d) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:
- (e) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under sections 15 and 19.
- (f) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.
- (g) A loss results from the failure to maintain permissible insurance, except as otherwise provided in subsection 25.d.
- (h) Compensation for the use of the property was provided through use allowances in lieu of depreciation.
- b. Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires Federal agency approval. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation charged to date may require negotiation of space charges for Federal awards.
- c. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subsection a., e.g., land or included in the fair market value used in any adjustment resulting from a relocation of Federal awards covered in subsection b. shall be excluded in computing Federal award costs.

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24. *Idle facilities and idle capacity.*

a. As used in this section the following terms have the meanings set forth below.

- (1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital assets, wherever located, and whether owned or leased by the governmental unit.
- (2) "*Idle facilities*" means completely unused facilities that are excess to the governmental unit's current needs.

"Idle capacity" means the unused capacity of partially used facilities. It is the difference between (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

- (3) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

- (1) They are necessary to meet fluctuations in workload; or
 - (2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes, which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.
- a. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

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APPENDIX IV

**OMB UNIFORM ADMINISTRATIVE REQUIREMENTS
FOR GRANTS AND COOPERATIVE AGREEMENTS
TO STATE AND LOCAL GOVERNMENTS (“OMB COMMON RULE”)**

Section 32: Equipment.

- (a) *Title.* Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.
- (b) *States.* A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section.
- (c) *Use.*
 - (1) Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
 - (2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.
 - (3) Notwithstanding the encouragement in Section 25(a) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute.
 - (4) When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.
- (d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of property, or percentage of Federal participation in the cost of the property, the location, use, and condition of the property, and any ultimate disposition data including the date of disposal and

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sale price of the property.

A physical inventory must be taken and the results reconciled with the property records at least once every two years.

- (2) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
 - (3) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (4) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- (e) *Disposition.* When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:
- (1) Items of equipment with a current per unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
 - (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
 - (3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.
- (f) *Federal equipment,* in the event a grantee or subgrantee is provided federally-owned equipment.
- (1) Title will remain vested in the Federal Government.
 - (2) Grantees or subgrantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory listing.
 - (3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the Federal agency.
- (g) *Right to transfer title.* The Federal awarding agency may reserve the right to transfer title to the Federal Government or a third party named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers shall be

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subject to the following standards:

- (1) The property shall be identified in the grant or otherwise made known to the grantee in writing.
- (2) The Federal awarding agency shall issue disposition instruction within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar-day period, the grantee shall follow Section 32(e).
- (3) When title to equipment is transferred, the grantee shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

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APPENDIX V

WORKSHEET

How to Identify a Fixed Asset

If you are uncertain whether the acquisition is a fixed asset, answer each of the following questions to make this determination. If the State is not going to own the asset, do not complete this form. The transaction is either a transfer to component unit or a grant.

| 1. Are you acquiring or constructing: | <u>YES</u> | <u>NO</u> |
|---|--------------------------|--------------------------|
| (a) Land? | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) A Building? | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) A renovation that costs over \$100,000 and extends the useful life of the component which involves the enhancement of a major part or component of a building? | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) An improvement at a cost of over \$100,000 involving the addition of a building component or section that did not previously exist at a cost of over \$100,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) Equipment having a unit historical cost of over \$5,000 (computers \$500) and a useful life of one year or more? | <input type="checkbox"/> | <input type="checkbox"/> |
| (f) An equipment improvement which costs over \$5,000 (computers \$500) and extends the useful life of one year or more? | <input type="checkbox"/> | <input type="checkbox"/> |
| (g) A road, street, or highway? | <input type="checkbox"/> | <input type="checkbox"/> |
| (h) A bridge? | <input type="checkbox"/> | <input type="checkbox"/> |
| (i) A sidewalk, curb, or gutter? | <input type="checkbox"/> | <input type="checkbox"/> |
| (j) A water sewage or drainage system? | <input type="checkbox"/> | <input type="checkbox"/> |
| (k) A dam or levee? | <input type="checkbox"/> | <input type="checkbox"/> |
| (l) A monument or lighting system? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered **YES** to any one of questions #1(a) through 1(l), then you are acquiring a fixed asset. Therefore, you must follow the procedures in your handbook for acquiring a fixed asset that has to be accounted for under State policy.

If you answered **NO** to any one of these questions, you are not acquiring a fixed asset.

If you are unsure about the correct answer to any of the questions above, please review your handbook or contact Accounts and Control Fixed Asset Unit at 222-4800 or 222-4802.

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APPENDIX VI

PORTABLE COMPUTER EQUIPMENT SECURITY POLICY

1. Objective: Protection of portable computer equipment.

Laptop, pentop, and notebook computers are highly mobile technological devices which allow for greater employee efficiency. Because of the ability to transport the computers freely from site to site, these business tools are at greater risk of being damaged or stolen. Beyond the hardware and software loss that may result from theft or damage, is the business interruption that occurs with the loss of valuable data or information. Liability may also result from the abstraction, misuse, or release of confidential information.

The following policy is intended to provide a basis by which State agencies may reduce the likelihood of property loss, business interruption, and unauthorized release of confidential information.

2. Policy:

State agencies will inventory and maintain a current list of laptop, pentop, and notebook computers. State departments will also keep a list of employees authorized to take portable computer equipment out into the field. The State agency should record the equipment released to / returned by employees. Employees assigned portable computers will be held accountable for the safety and security of the State equipment released to their care, custody, or control.

The inventory of the data processing equipment will include the make, model, and serial number of the device.

The portable computer as part of its inventory will have a fixed asset barcode number label.

Products are available on the market that provides labeled security plates that are difficult to remove without damaging the computer case. Some labels when physically removed can leave a chemical etching on the case that reduces the sale of the purloined device.

2.1 Office

Laptop computers and other mobile computer devices used within the office should not be left unattended for protracted periods of time (i.e., overnight). Depending upon the accessibility of an agency's offices to the general public, and the security of the facility, it may be necessary to secure portable computers during lunch breaks or other periods of time when the devices will be left unattended.

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Secured closets of substantial construction with no internal window, or cabinets, protected by a locking mechanism that has limited keys should be designated for portable equipment storage when the computers are left in the office.

In the event that more than one employee may have access to the same computer equipment, a checkout protocol needs to be instituted to ensure that the assignment and location of the units can be tracked.

2.2 Travel

Mobile electronic computer equipment utilized in field operations should be transported in nondescript padded cases that do not identify the units as portable computers.

Portable computer equipment should not be left inside vehicles where passersby can see them. Laptop computers and other forms of mobile data processing equipment should only be stored within trunks when it is absolutely necessary to leave them in the vehicle.

Because of heat considerations, computer equipment should not be left where direct sunlight or temperatures in excess of 80 degrees Fahrenheit will occur.

Computers taken on business trips should not be checked as luggage. Computers taken through airport security check points should be removed from the case and handed to the security guard while the State employee walks through metal detectors.

Portable computers should not be left unattended while traveling to or while in attendance at a business meeting.

Computers should not be left visible in a hotel room.

Portable computers at luncheon meetings or breaks should be secured within the function room. A request to security at the meeting to lock the meeting room during breaks should be made.

2.3 Home

A surge protector as part of the power pack or as a separate unit should be included with the equipment released.

Computers should not be left where liquids or beverages can be spilled on them.

Portable computers should be stored in the home in an area in which they are

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APPENDIX VI

not readily visible. In this way, the chances of the computer being stolen during a break-in will be reduced.

2.4 Confidentiality

Employees who are privy to confidential information should be required to attest to the fact that they will not release the information within their custody to any unauthorized individual.

Unique passwords should be assigned to those individuals designated use of portable computers.

Data encryption may be warranted in certain circumstances.

Security software applications may be needed depending upon the confidentiality of the information contained within the computer. Software incorporated into the portable computer may automatically test for computer viruses. Each State agency must decide upon the importance of the information within the domain of their portable computers to determine the merits of obtaining security applications.

Periodic testing of portable computers for software viruses should be part of the maintenance of these devices. This is especially important if the portable devices are accessing the Internet, Internet or LAN systems in which other State agency computers may become infected with rogue data or programs.

**FIXED ASSET CONTROL AND TRACKING SYSTEM
(FACTS)**

APPENDIX VII

CITY/TOWN CODES FOR USE IN FACTS LOCATION CODE

CODE CITY OR TOWN

| | | |
|----|-------|-----------------------------|
| 01 | ..... | BARRINGTON |
| 02 | ..... | BRISTOL |
| 03 | ..... | BURRILLVILLE |
| 04 | ..... | CENTRAL FALLS |
| 05 | ..... | CHARLESTOWN |
| 06 | ..... | COVENTRY |
| 07 | ..... | CRANSTON |
| 08 | ..... | CUMBERLAND |
| 09 | ..... | EAST GREENWICH |
| 10 | ..... | EAST PROVIDENCE |
| 11 | ..... | EXETER |
| 12 | ..... | FOSTER |
| 13 | ..... | GLOCESTER |
| 14 | ..... | HOPKINTON |
| 15 | ..... | JAMESTOWN |
| 16 | ..... | JOHNSTON |
| 17 | ..... | LINCOLN |
| 18 | ..... | LITTLE COMPTON |
| 19 | ..... | MIDDLETOWN |
| 20 | ..... | NARRAGANSETT |
| 21 | ..... | NEWPORT |
| 22 | ..... | NEW SHOREHAM (Block Island) |
| 23 | ..... | NORTH KINGSTOWN |
| 24 | ..... | NORTH PROVIDENCE |
| 25 | ..... | NORTH SMITHFIELD |
| 26 | ..... | PAWTUCKET |
| 27 | ..... | PORTSMOUTH |
| 28 | ..... | PROVIDENCE |
| 29 | ..... | RICHMOND |
| 30 | ..... | SCITUATE |
| 31 | ..... | SMITHFIELD |
| 32 | ..... | SOUTH KINGSTOWN |
| 33 | ..... | TIVERTON |
| 34 | ..... | WARREN |
| 35 | ..... | WARWICK |
| 36 | ..... | WESTERLY |
| 37 | ..... | WEST GREENWICH |
| 38 | ..... | WEST WARWICK |
| 39 | ..... | WOONSOCKET |
| 40 | ..... | WEST SPRINGFIELD |
| 41 | ..... | LITTETON |

Source: Department of Administration, Office of Municipal Affairs

**FIXED ASSET CONTROL AND TRACKING SYSTEM
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APPENDIX VII

ACCOUNT NUMBERS WITH CORRESPONDING FUNCTION CODES

| FUNCTION CODES | RI-SAIL ACCT. NOS. (FUND/AGENCY) | FUNCTION CODES | RI-SAIL ACCT. NOS. (FUND/AGENCY) |
|---------------------------|---|---------------------------|--|
| 2 | 1076 | 2 | N/A |
| 2 | 1075 | 5 | 1051 |
| 2 | 1069 | 2 | 1046 |
| 4 | 1077 | 1 | 1044 |
| 3 | 1072 | 1 | N/A |
| 1 | 1073 | 1 | N/A |
| 5 | 1074 | 1 | 1041 |
| 1 | 1071 | 1 | N/A |
| 1 | 1012 | 1 | 1043 |
| 1 | N/A | 4 | 1048 |
| 1 | N/A | 3 | 1053 |
| 4 | 1018 | 1 | 1042 |
| 1 | 1013 | 5 | 1050 |
| 1 | N/A | 2 | 1045 |
| 2 | 1022 | 2 | 1078 |
| 1 | 1024 | 2 | 1079 |
| 2 | 1025 | 3 | 1085 |
| 2 | 1023 | 1 | N/A |
| 3 | 1026 | 5 | 1592 |
| 3 | 1027 | 6 | 1270 |
| 3 | 1027 | 6 | 1270 |
| 4 | 1015 | 6 | 1270 |
| 4 | 1019 | 1 | 1473 |
| 4 | 1020 | 1 | 6473 |
| 4 | 1021 | 5 | 6473 |
| 4 | 1017 | 2 | N/A |
| 4 | 1014 | 2 | 2268 |
| 4 | 1014 | 6 | 2268 |
| 4 | 1014 | 6 | 2268 |
| 4 | 1014 | 3 | 2268 |
| 4 | 1014 | 5 | 2268 |
| 4 | 1016 | 5 | 2268 |
| 1 | 1065 | 5 | 2268 |
| 4 | 1066 | 5 | 2268 |
| 1 | 1067 | 1 | 2268 |
| 1 | 1068 | 2 | 2268 |
| 1 | 1011 | 2 | 2268 |
| 4 | 1099 | 1 | 2268 |
| 1 | N/A | 1 | 2268 |
| 2 | 1047 | 1 | 2268 |
| 3 | 1052 | 2 | 2268 |

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APPENDIX VII

| | | | |
|---|------|---|------|
| 4 | 1049 | 3 | 2268 |
| | | 5 | 2251 |
| | | 5 | 2274 |

**FIXED ASSET CONTROL AND TRACKING SYSTEM
(FACTS)**

APPENDIX VIII

**CAPITAL ASSETS CATEGORY CODES, DEFINITIONS,
AND CAPITALIZATION THRESHOLDS**

CAPITAL PURCHASES AND EQUIPMENT

Includes all expenditures for furniture, fixtures, vehicles, machinery, or other apparatus that may be used repeatedly without material impairment of their physical condition, and which have an accepted useful life of considerable length; and all expenditures for improvement of a permanent nature and structures other than buildings. Refer to the Policies and Procedures of the Fixed Assets Control and Tracking System.

See the Fixed Asset Control and Tracking System Policy and Procedure Manual for more guidance and the Expenditure Classification Handbook for the list of natural accounts.