

Equipment and Controlled Assets

Webinar Objectives

- To educate ECI contractors on how to distinguish between equipment and controlled assets
- To inform ECI contractors of the requirements for the approval, purchase, inventorying and reporting of equipment and controlled assets for ECI



Definitions

Equipment

- Nonexpendable tangible personal property
- Useful life of more than one year
- Acquisition cost that equals or exceeds the lesser of:
 - the capitalization level established by the contractor for financial statements purposes, or
 - \$5,000

Controlled Assets

- Unit cost greater than \$500 but less than \$5,000 (except when contractor's capitalization level is less)
- Includes items listed below:
 - Copiers
 - Medical and laboratory equipment
 - Emergency management equipment
 - Media equipment such as video recorders, cameras, CD players, TVs, VCRs Desktop and laptop computers
 - Printers (not portable)
 - Communication devices and systems such as fax machines, cellular and mobile telephones, hand-held radios, wireless handheld devices, pagers, and telecopiers

Estimated Useful Life

- The length of time that a depreciable asset is expected to be useable
- **American Hospital Association (AHA) *Estimated Useful Lives of Depreciable Hospital Assets*** – guide for establishing the useful lives of equipment and controlled assets for disposal purposes



Purchasing Requirements

Purchasing Equipment

- Purchases from DARS ECI contract funds or MOE Funds must have documented prior approval and be included in the ECI funding application or ECI Revised Contract Budget
- Requests to purchase equipment must include:
 - Justification of need
 - A complete description of the item including brand name and specifications
 - Vendor's name
 - Quantity and unit price
 - Total cost of purchase
 - Identification of the funding source to be used (DARS contract or MOE funds)

Purchasing Equipment

- Cost must be supported by documentation such as:
 - Copies of vendor bids
 - Receipts and invoices
 - Debit or credit card statements
 - Cancelled checks
- Contractors must have written procedures for procuring equipment
 - Seek bids from at least three vendors
 - Make a selection based on best value

Question

DARS ECI requires use of the following to determine an asset's useful life:

- A. Your best guess
- B. IRS circulars
- C. American Hospital Association's (AHA) *Estimated Useful Lives of Depreciable Hospital Assets*
- D. None of the above

Purchasing Controlled Assets

Controlled assets not listed as an approved budget line item may be purchased without prior approval if the following are documented:

- Justification for the purchase
- Approval from the agency IT or IR dept, if applicable
- A copy of the quote and specifications
- Quantity and unit price
- Total cost of purchase
- Assurance of security of equipment and confidentiality of consumer data
- Applying the purchase to the appropriate fiscal year

Purchasing Controlled Assets

- Costs must be supported by documentation such as:
 - Copies of vendor bids
 - Receipts and invoices
 - Debit or credit card statements
 - Cancelled checks
- Controlled asset expenses are included in the “Supplies” category of the funding application and quarterly Financial Status Reports



Property Management

Property Management

- Definition: the management of the physical inventory of capital and other assets
- It is the responsibility of the contractor to account for and secure all equipment and controlled assets under its control through property records – inventories and property transfer records.
- Employees should be held accountable for assigned equipment thru the use of equipment inventories and signed equipment receipts.
- Annual inventories must be performed to account for all inventoried equipment and controlled assets to detect any losses.

The ECI Contractor must:

- Account for all equipment and controlled assets used in ECI program activities
- Ensure that these items are used only to benefit the ECI program or that costs are properly allocated
- Maintain title to the items during the contract period
- Maintain complete, accurate, and detailed records of the items
- Complete an annual physical inventory of all equipment and controlled assets having a current per unit fair market value of \$500 or more
- Submit a Nonexpendable Personal Property Report form with the status or disposition of these items to DARS ECI

Loss of Equipment or Controlled Assets

- The contractor must immediately notify DARS ECI of any missing or damaged equipment or controlled assets.
- The contractor must report stolen equipment or controlled assets to local law enforcement authorities and DARS ECI.
- The contractor must maintain a copy of the police reports to support the final disposition of items.

Disposal of Equipment or Controlled Assets

- The contractor must follow guidelines in the American Hospital Association's (AHA) – *Estimated Useful Lives of Depreciable Hospital Assets* for determining remaining useful life of equipment and controlled assets at time of disposal
- The contractor must submit a written request to DARS ECI to dispose of equipment or a controlled asset before the end of the item's useful life, to include:
 - Condition of the equipment or controlled asset
 - Estimated value
 - Reason for the disposal

Disposal of Equipment and Controlled Assets

- Any compensation from the sale, loss or approved disposal of equipment or controlled assets must be used to offset the cost of replacement items or as program income.
- Contractors may retain, sell, or dispose of equipment or controlled assets that have reached the end of their useful lives with no further obligation to DARS ECI.
- The contractor must ensure that disposition of any equipment or controlled asset is in accordance with the terms of the ECI contract or prevailing federal or state regulations.



Nonexpendable Personal Property Report (NPPR)

Completing the NPPR

- **Item/Description** – should include the brand name, make, model and model number
- **Inventory #/Serial #** - must include either for each unit reported
- **# of Units** – must have the number of units that meet the description and cost
- **Unit Cost** - unit cost of *each* item (including installation); not the total cost of all units reported
- **Date Acquired** – date the unit was received; use date format of MM/DD/YY

Exception: If the unit(s) are ordered before the end of the fiscal year, but received after August 31st, date acquired should be 08/31/YY.

Completing the NPPR

- **Acquired Under Contract #** - insert your specific contract number (e.g., 53802C70NN)
- **Source of Funds** - DARS contract or specific MOE source; Note: If the specific MOE source cannot be determined, DARS ECI will assume ownership of the item
- **Location (if in use) or Disposition (if no longer in use)**
 - This is the physical site.
 - The disposition reported must be specific (e.g., FMV < \$500; obsolete; sold; transferred to XYZ ECI Program). The item must be reported on the NPPR through the year in which it is disposed and deleted from the NPPR the following year.

Question

When a piece of equipment or a controlled asset is reported lost or stolen, ECI Standard requires the contractor to report the incident to:

- A. The agency's chief executive officer
- B. Local law enforcement authorities and DARS ECI
- C. The ECI program director
- D. No one

Contract Oversight

- Review of the agency's procurement policy for fixed assets
- Comparison of the items listed in the NPPR to the agency's fixed assets report
- Assurance that inventory labels are visible and referenced in the agency's fixed assets report
- Inspection of assets and asset assignments
- Review of general ledger and equipment/controlled asset purchases, including requisitions and invoices
- Comparison of approved ECI budget with the general ledger and related journal entries

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Equipment and Controlled Assets Q/A

- **Q:** If a group wants to donate some computers or equipment to us, will we need to get approval from DARS ECI before we can accept them?
- **A:** A contractor does not have to acquire DARS ECI's prior approval to accept donated items. The established Fair Market Value (FMV) of the items at the time of acquisition will determine the acquiring agency's reporting requirements as follows:
- Computers must meet the contractor's requirements for equipment and information technology security guidelines.
- For items with an established FMV of \$500 or more at the time of acquisition, the receiving program must report:
 - The established FMV value of the item on the Form 269a in the "Other Category";
 - The FMV as in-kind non-cash in the Expenditure Summary by Funding Source (ESFS) at year end; and
 - The item(s) on the Nonexpendable Personal Property Report (NPPR) at year end.
- For items with an established FMV < \$500 at the time of acquisition, the receiving program must report:
 - The established FMV value of the item on the Form 269a in the "Other Category"; and
 - The FMV as in-kind non-cash in the Expenditure Summary by Funding Source (ESFS).
- **NOTE:** In either case, the revenue must NOT be reported on the Program Income Attachment as "Other Program Income".