

Subject:		Issued By:	
<b>FIXED ASSETS</b>		<b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado President & CEO	
Policy #:	Issue Date:	Revised Date:	Effective Date:
700.1	May 26, 2008	June 4, 2008	June 4, 2008

Reference: Old HRA/PSA Policy ACC-012, original HRA Fixed Assets Policy dated July 1999 and updated as of 10-1-2006, 4-20-2008, 5-26-2008; and USC Equipment Policies and Procedures dated 7-1-1999 located here: <http://fbs.usc.edu/depts/eqp/files/2007/4/25/1.pdf>; and USC Expenditure Policies and Procedures dated 5-1-2008 located here: <http://policies.usc.edu/policies/expmanual050108.pdf>.

**PURPOSE**

To clarify when items purchased by HRA need to be capitalized and depreciated rather than expensed. *Note: HRA prefers the term “Fixed Asset” to “Equipment” when talking about capitalized items despite the fact that USC exclusively uses the term “equipment” to refer to all Fixed Assets in the university’s policies and procedures.*

**BACKGROUND & GUIDELINES**

HRA's capitalizes items costing  $\geq$  \$5,000 with a useful life of more than one year. Depreciation is as follows:

- Project Fixed Assets – 8 years or until the project terminates;
- Computer Equipment – 5 years;
- Office Equipment – 5-8 years;
- Buildings – 31½ years;
- Tenant Improvements are to be depreciated based on the remaining lease term or the remaining useful life of the building, whichever is shorter;
- Vehicles and Software – 3 years;
- Research Equipment – 8 years;

Items gifted or donated with a fair market value  $\geq$  \$5,000 also are capitalized. The term “cost” includes the actual price of the item plus any applicable sales tax, shipping costs, installation and any other costs incurred to ready the item for use. Group purchases such as workstations, conference desk and chair sets, etc., are to be viewed as single purchases with the total cost considered. All project Fixed Assets remain the property of HRA, or the granting agency, as noted in the project’s contract.

Specific regulations and requirements established by the funding agency on purchase, usage, capitalization of property and disposition take precedence over this policy. Where the agency regulations are more lenient, or silent, those of HRA/USC will prevail.



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY & PROCEDURE**

Page 2 of 7

Subject: <b>FIXED ASSETS</b>		Issued By: FINANCE DEPARTMENT	
		Approved By: Kathleen R. Hurtado President & CEO	
Policy #: 700.1	Issue Date: May 26, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

**POLICY**

- HRA MAINTAINS FIXED ASSET INVENTORY RECORD:** In order to comply with the requirements of granting agencies, state and federal regulatory offices and to safeguard and account for all Fixed Assets, HRA’s Finance Department maintains a Fixed Asset inventory record. HRA’s Staff Accountant is responsible for maintaining this inventory record;
- PIs ARE RESPONSIBLE & ACCOUNTABLE:** Principal Investigators (PIs) are responsible and accountable for all Fixed Assets purchased for their projects. Appropriate control over such assets must be maintained at all times. The PI is responsible for:
  - The care and maintenance of all purchased equipment;
  - Restricting the utilization of Fixed Assets acquired for use under a specific contract or grant to the purposes of that contract or grant;
  - Assisting in the completion of sponsored project final property reports and physical inventories;
  - Ensuring the routine maintenance and security of all equipment;
  - Ensuring that HRA’s Finance Department is notified before relocating equipment;
  - Checking equipment periodically for utilization or disposal; and
  - Notifying HRA’s Finance Department of any changes with respect to condition, location, loss, or damages to Fixed Assets as soon as they occur;
- FIXED ASSET TAGGING AND INVENTORY:** All project-related Fixed Assets purchased by HRA will be assigned an HRA tag number equal to the purchase order number. The Fixed Asset will then be added to the inventory schedule. Any items costing less than \$5,000 will not be reported on the Fixed Asset listing or the inventory schedule and should instead be charged to the appropriate project expense account. However, multiple Fixed Asset items (three laptop computers costing \$2,000 each) on a single invoice (\$6,000 in this example) will be capitalized. A single laptop at a cost of \$2,000 on one invoice will not be capitalized. HRA will make its best effort to tag all Fixed Assets requiring capitalization;

*Note: For detailed information on purchasing, please see HRA’s Purchasing Policy located at <http://www.health-research.org/files/PurchasingPolicy.pdf> and HRA’s Purchasing Procedures located at <http://www.health-research.org/files/PurchasingProcedures.pdf>.*



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY & PROCEDURE**

Subject: <b>FIXED ASSETS</b>		Issued By: <b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado <b>President &amp; CEO</b>	
Policy #: 700.1	Issue Date: May 26, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

4. **INVENTORY TAGGING:** HRA’s Finance & Purchasing Departments are responsible for notifying HRA’s Shipping & Receiving Department whenever a capitalized Fixed Asset has been purchased. The Shipping & Receiving Department is then responsible for attaching an HRA purchase order number tag to each item, or group of items, which are  $\geq$  \$5,000 in value and have a useful life of more than one year. PIs and/or their Study Team are responsible for locating the inventoried items when requested by HRA and/or its auditors; and/or when requested by auditors from a project’s funding source;
  
5. **FIXED ASSET GIFTS OR DONATIONS:** HRA’s Finance Department **MUST** be notified **PRIOR TO** the acceptance of any gifted item. The description of the gift, the name of the donor, and the intended purpose of the donated item must be included in such notification. If the item is usable by the HRA project; if it can be placed in use without significant preparation costs; and if it can be maintained at a reasonable cost; HRA’s Finance Department will then acknowledge the gift from the donor via a letter. Donated items worth  $\geq$  \$5,000 will be tagged with a purchase order number and recorded in the Fixed Assets and Inventory records. Donations from corporations are recorded at fair market value based on a letter from the corporation, the invoice or the price list. Donations from private individuals are recorded at fair market value indicated by the appraisal company or a private appraiser;
  
6. **INCOMING TRANSFER OF FIXED ASSETS:** Furniture or equipment  $\geq$  \$5,000 received by a project through transfer from another agency must be reported to the HRA Finance Department. A complete description of the property, serial number, name of manufacturer, number of items, original cost, original date of purchase, name of transferring agency and any other pertinent information about the property must be included in the report.
  
7. **LOANING FIXED ASSETS BETWEEN PROJECTS:** On a short-term basis, property may be relocated, loaned or transferred between projects without notifying HRA’s Finance Department. However, permanent relocations, loans or transfers of property between projects **MUST** be reported to HRA’s Finance Department;
  
8. **STORAGE OF FIXED ASSETS:** When Fixed Assets are temporarily idle, but required for authorized future use, the PI must ensure that the equipment is stored with adequate security and that controls are provided for any stored items in that may be subject to corrosion, humidity, temperature, etc. If a Fixed Asset needs to be stored on a temporary basis, the Finance Department must be notified of the current status and location of the equipment. It is recommended that the status of the item in storage be reviewed every six months for possible



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY & PROCEDURE**

Page 4 of 7

Subject: <b>FIXED ASSETS</b>		Issued By: <b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado <b>President &amp; CEO</b>	
Policy #: 700.1	Issue Date: May 26, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

utilization or processing for disposal. If equipment has been stored for a considerable period of time and there are no future plans for using the equipment, the equipment is then considered excess. All excess equipment needs to be reported to the Finance Department so they may determine what action should be taken for disposition.

All Fixed Assets should be utilized or declared excess, as HRA can only take depreciation or indirect cost recovery on items that are “usable” and in “use.” As soon as a PI has determined that an excess Fixed Asset exists, the PI must initiate the disposition process. Disposition requirements vary. If the PI is unsure of the requirements, HRA’s Finance Department should be contacted to assist with the disposition;

- MOVEMENT OR OUTGOING TRANSFERS OF FIXED ASSETS:** When property is relocated from one area to another, it is defined as “movement.” Government-owned equipment may not be moved to an off-campus site unless the PI requests permission and receives approval from the Government Property Administrator or the Administrative Contracting Officer through HRA’s Office of Contract Administration. In the event that a Fixed Asset needs to be moved off-campus temporarily, the PI or their designee must notify the Finance Department prior to relocation.

A property transfer is when property is permanently moved to another entity. HRA no longer has title to, ownership of, or accountability for the property. For Strict projects, the Government "DD1149 Form" must be submitted and approved by the Project Manager and the cognizant agency in order for the equipment to be permanently transferred to another entity. For all non-Strict (i.e., non-government sponsored) projects, the PI must notify HRA’s Finance Department of any planned property transfers involving HRA Fixed Assets.

The Finance Department must be notified of any change in condition and/or location of HRA Fixed Assets. This includes equipment that is in use or idle. In the case of portable equipment (e.g. laptop computers, cameras, cell phones), that is assigned to an individual, the PI must inform the Finance Department of the name of the individual who will be listed under the secondary location, along with their address and phone number.

If HRA-owned Fixed Assets are loaned to anyone for a short period of time, a record must be filed with the Finance Department. If the period of the loan exceeds six months, it must be reported in writing to the Finance Department via a memorandum identifying the name of the borrower, the Fixed Asset tag number, and the new location;



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY & PROCEDURE**

Subject: <b>FIXED ASSETS</b>		Issued By: <b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado <b>President &amp; CEO</b>	
Policy #: 700.1	Issue Date: May 26, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

- DISPOSITION/DISPOSAL:** All dispositions of Fixed Assets  $\geq$  \$5,000, whether voluntary or involuntary, must be properly documented and communicated to HRA’s Finance Department in a timely fashion. Excess equipment that is in working condition but is no longer required should be sold through USC Surplus Sales. Please see USC’s Surplus Sales Policies & Procedures located here: <http://policies.usc.edu/policies/surplussales030107.pdf>. Voluntary dispositions, which require notification prior to disposition, include trade-ins, sales, donations, permanent transfers to other institutions and worn-out, fully-depreciated or obsolete property. Involuntary dispositions, which require notification immediately after discovery, include theft and casualty. Proper notification to HRA’s Finance Department ensures that appropriate action can be undertaken for potential insurance and maintenance coverage, donation credits, police reports and subsequent notification to Sponsors. Theft must be reported to USC’s Department of Public Safety. For information on reporting theft and receiving subsequent police reports, please see Policy # 13 below. When a project is being closed, the PI must provide a complete list of that project’s Fixed Assets, as well as their location and status to HRA’s Finance Department;
- TRADE-IN OF PROPERTY:** Furniture and equipment may be used as a trade-in provided that HRA’s Purchasing Department is notified in writing prior to any such trade-in and provided that HRA be allowed to negotiate the best value for the trade-in. The Purchasing Department then will notify the Finance Department that the item has been traded in and the property will be deleted from Fixed Asset and Inventory records;
- SALE, DONATION OR PERMANENT TRANSFER OF PROPERTY TO ANOTHER INSTITUTION:** Furniture and/or equipment  $\geq$  \$5,000 may be sold, donated or permanently transferred to another institution only after written approval has been secured from the granting agency, the Department Chair and HRA. Property to be sold, donated and/or transferred must be reported to HRA’s Finance Department with description, serial number, tag number and condition noted. If requested, HRA will assist the PI and/or their Study Team with advertising the property for sale. Project Team staff must notify HRA’s Finance Department when a capitalized item has been sold and convey the amount received in exchange. When appropriate, the granting source will be notified of the sale proceeds and disposition of proceeds will be made in accordance with the granting source’s requirements. For donations or transfers to another institution, an appropriate acknowledgement receipt from the qualifying charity or recipient institution shall be secured by the project and forwarded to HRA’s Finance Department for documentation;



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY & PROCEDURE**

Subject: <b>FIXED ASSETS</b>		Issued By: <b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado <b>President &amp; CEO</b>	
Policy #: 700.1	Issue Date: May 26, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

13. **STOLEN, DAMAGED AND MISSING PROPERTY:** Furniture or equipment costing more than \$4,999.99 that is missing, damaged or stolen must be reported to HRA as soon as possible. The description, serial number, tag number, and other information about the lost, damaged or missing item should be included in the report. When a theft has occurred, an official report must be filed with USC’s Department of Public Safety. The phone number for business (non-emergency) calls is (323) 442-1200. A copy of such report is to be submitted to HRA along with the notification. In order to obtain a copy of a police or incident report from the Department of Public Safety, the requesting party must be listed as a victim or reporting party. The requesting party must fill out a "Report Request" form located in the DPS front lobby, and may return in three business days to receive the report. For additional information call (213) 740-5524. When equipment is damaged by a casualty such as an earthquake, flood or accident, all damaged items should be listed and attached to the report. It is the responsibility of the PI and their Study Team to ensure that this reporting is made in a timely manner. If necessary and upon notification, HRA will inform the related insurance company and seek reimbursement and/or replacement. The missing property will then be deleted from HRA’s inventory records;
14. **AUDIT OF FURNITURE AND EQUIPMENT INVENTORY:** Inventory will be audited periodically by HRA by selectively auditing Fixed Assets both in Administration functions and also in Project functions to make sure that the Fixed Assets are still in use. All projects under HRA Administration will have selected Fixed Assets audited periodically. Prior to any physical inventory audit, the custodian will receive a listing of their tagged furniture and equipment for confirmation and updating. PIs are responsible for verifying the condition, location, existence and current utilization of any equipment in their possession whenever such verification is required by HRA. HRA performs a biennial inventory count (once every two years). PIs will be given a 30-day time limit to locate equipment that was not found during an HRA physical inventory audit. If the equipment still remains unlocated, the PI must submit a report to HRA’s Finance Department relative to the missing Fixed Asset. If the physical inventory differs from HRA’s list of inventory, changes are made and the inventory schedules are adjusted accordingly. All audit findings are summarized in a report and maintained in HRA’s Administrative Offices.



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY & PROCEDURE**

Page 7 of 7

Subject: <b>FIXED ASSETS</b>		Issued By: <b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado <b>President &amp; CEO</b>	
Policy #: 700.1	Issue Date: May 26, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

**RESPONSIBILITY**

PIs and their Study Team  
CFO  
Finance Manager  
Staff Accountant  
Purchasing Agent / Budget Technician  
Shipping and Receiving

**REFERENCES**

OMB Circulars A-21 & A-110,  
Federal Acquisition Regulations,  
California State and local government restrictions, and  
The University's Negotiated Indirect Cost (F&A) Rate Agreement with DHHS  
(Department of Health and Human Services)