



**CONTRACT NO.  
12-06-01-11**

Fixed Asset and Inventory Management Services

Bid packets must be received by

3:00 p.m.  
June 26, 2012

Delaware State University  
Room 321  
New Administration Building  
1200 North DuPont Highway  
Dover, DE 19901-2277

Point of Contact  
Jessica Wilson  
(302) 857-6272  
(302) 857- 6278

**TO: ALL RFP Responders**

The enclosed packet contains a "Request For Proposals (RFP)" for Fixed Asset and Inventory Management Services. The RFP consists of the following documents:

**REQUEST FOR PROPOSALS – CONTRACT NO. 12-06-01-11**

1. Definitions and General Provisions
2. Special Provisions, RFP, and Scope of Work
3. RFP Response
  - a. Non-Collusion Statement and Acceptance
  - b. RFP Response Section

Your response to the RFP Section must be executed completely and correctly and returned in a clearly marked envelope by 3:00 p.m., June 26, 2012, to be considered. Please submit one original and three copies of your RFP.

Submittals and requests for information relative to this Request for Proposal should be addressed to:

**Jessica Wilson**  
**Delaware State University**  
**Administration Building, Room 321**  
**1200 North DuPont Highway**  
**Dover, DE 19901-2277**  
**Phone: (302) 857-6272, Fax: (302) 857-6278**  
**Email: [jwilson@desu.edu](mailto:jwilson@desu.edu)**

Minority Business Enterprise (MBE) and Women Owned Business Enterprise (WBE) will be afforded full opportunity to submit responses and will not be subject to discrimination on the basis of race, color, national origin, or sex in consideration of this award.

Delaware State University reserves the right to extend the time and place to receive RFP responses from that described in the advertisement, of not less than two (2) calendar days' notice by certified delivery, facsimile transmission, or by verifiable electronic means to those responders who obtained copies of the plans and specification or contract descriptions. Delaware State University reserves the right to reject any and all items, bids and waive all informalities.

**DELAWARE STATE UNIVERSITY**  
**Request for Proposal**  
**Fixed Asset and Inventory Management Services**

- I. INTRODUCTION
  - A. Overview and Background Information
- II. TIMELINES AND SCHEDULES
- III. DESCRIPTION OF PROJECT AND DELIVERABLES
- IV. RIGHTS OF DELAWARE STATE UNIVERSITY
- V. CONTRACT PROVISIONS

Attachment A – Commitment and Non-Collusion Statement

Attachment B – Fixed Assets and Inventory Management Policy

Attachment C – Fixed Assets and Inventory Management Procedures

Attachment D – List of Current DSU Buildings

## I. INTRODUCTION

### B. Overview and Background Information

Delaware State University hereinafter referred to as “University” is requesting proposals from qualified vendors to provide an asset tracking software system for inventory and control of all the University owned assets, including installation and training. The Contractor will supply recommended software, barcode scanners to input the information, and training for specific personnel that will manage the system. The University will supply its own support and maintenance of the software, once the project is completed. The chosen software must be compatible and interface seamlessly with the University’s existing financial software system, Ellucian’s Banner (for higher education) fixed asset and inventory management system.

The University is also seeking a qualified vendor to supply services to inventory all the University assets and upload same information into the asset tracking software. The University has about 68 buildings of various sizes with variable assets including furniture, fixtures, technical equipment, other moveable and immovable equipment, etc. The University has a partial listing of items currently maintained in MS Excel spreadsheet, but needs to complete a full inventory of all items that can be recounted each year and updated as necessary. This will entail retagging items already asset-tagged, as well as tagging items not already tagged.

This contract should lead the University to track fixed asset and inventory management through barcode reading technology that integrate with the Ellucian’s Banner (for higher education) fixed asset and inventory management system. The contract will also cover the purchase of vendor recommended hand held portable computing devices with bar code scanning capability, extended batteries with rapid chargers, and USB connectivity capability to USB ports on both Desktops and Laptops, extra extended batteries with bulk charger able to charge multiple batteries at a time, holsters for the hand held computers, etc.

The University expects to award the contract(s) and expects the completion of the project as scheduled in RFP timeline below.

## II. TIMELINES AND SCHEDULES

### RFP Timeline \*

RFP issued by the University	June 1, 2012
Pre-proposal conference (2:00 PM. EST) Rm. 300 Administration Bldg.	June 7, 2012
Deadline for advance RFP questions (Noon EST)	June 12, 2012
Answers to RFP questions available online	June 20, 2012
Proposals due (3:00 p.m. EST)	June 26, 2012
Interviews with Respondents selected for further consideration	July 3, 2012
Selection of Finalists	July 11, 2012
Expected completion of all work related to this RFP	September 5, 2012

\* Each date subject to change

III. **DESCRIPTION OF PROJECT AND DELIVERABLES**

1.1 The University seeks the services of a person or entity with expertise in asset tagging, inventory performance and asset tracking database management. The awarded Contractor(s) will:

- A. install, and setup barcode asset tracking software that can be maintained internally by the University;
- B. recommend a compatible barcode scanner to use with the software system;
- C. recommend the appropriate size and durability of asset tags as well as the best location for each tag on each asset/group of assets;
- D. recommend a solution to enable the University to track assets that do not easily lend themselves to barcode tags such as artwork and software;
- E. propose a schedule and project timeline that will be the most cost-efficient solution to retag, optically scan, and photograph all assets in addition to conducting an actual physical inventory at about 68 University buildings (see Attachment D);
- F. retag, optically scan, and photograph all assets and upload same into the database;
- G. conduct a physical inventory of all items as an audit of the now existing database to ensure all assets and respective information are included; and
- H. train appropriate University personnel in the operation of the barcode scanners and management of the database.

2.1 Pursuant to the University's asset capitalization policy (Attachment B), all items that are loaded into the asset tracking software are to be classified into appropriate categories and tracked separately in the asset tracking software.

- A. Computer Software. The University uses custom and non-custom software programs in its daily operations. The asset tracking software should be able to track all computer software with original value of \$5,000 or over with asset tags affixed to the software licenses on file with the University.
- B. Inventory items that have an original value of less than the threshold of \$5,000.00 with an anticipated useful life of more than one year shall also be classified as an Inventory Item if it is particularly subject to loss or theft. Examples include small office equipment, laptops, printers, etc.

The following information shall be maintained in the asset tracking software for fixed assets, inventory items, and computer software:

1. Location (building, room number, etc.)
2. Division of the University to which assigned
3. Asset tag number
4. Asset description
5. Make
6. Model
7. Serial number or unique identifier
8. Name of contractor from which the property was acquired
9. Date of acquisition
10. Purchase cost
11. Purchase order number
12. Quantity

Additionally, the following information shall be maintained in the asset tracking software for Fixed Assets only:

13. *Value of the fixed asset (based on acquisition cost or appraisal at time of transfer), if applicable*
14. *Estimated useful life (if applicable)*
15. *Salvage value (if applicable)*
16. *Remaining balance (net book value), if applicable*
17. *Method of depreciation or amortization (if applicable)*
18. *Current period depreciation expense (if applicable)*
19. *Accumulated depreciation to date (if applicable)*
20. *Fund type (federal, state, etc.)*

Where any discrepancies of specifications or details exist with this RFP and the policies and procedures of the University, the latter should be considered more authentic.

2.2 Technical Requirements. In order to maintain the asset tracking software internally, technology requirements are as follow:

- A. Server software should be compatible with Microsoft Windows Server Standard 2008 R2 (note: this is a 64-bit platform).
- B. Database(s) used to support the server software should be supported on a remote Microsoft SQL Server 2008 R2 SQL Server or newer.
- C. Server software should be supported on a Microsoft Hyper-V virtual server environment.
- D. Client/user access shall be accomplished via a web browser interface, supported by Microsoft Internet Explorer 8 and 9, and not require software installation on user desktop computers.
- E. If client/user access can only be accomplished by a software client, then the client should be compatible with Microsoft Windows XP 32-bit/64-bit and Microsoft Windows 7 32-bit/64-bit.
- F. User access control is preferred through web based integration with Microsoft Active Directory and security groups.
- G. The new Fixed Asset and Inventory Management system will be installed and maintained in the University data center. Vendor will be required to coordinate with the University's information technology department.
- H. Vendor must define Fixed Asset and Inventory Management System integration process and procedures into Ellucian's Banner system. Vendor will be required to coordinate with the University's information technology department.

2.3 Contractor will propose a time schedule to complete all required tasks within the normal business hours of the University: 8:30 a.m. to 4:30 p.m. (EDST). If the most cost-efficient timeline is not within the normal business hours, Contractor will propose an alternate schedule without including any costs. The cost of each of the two alternatives will be discussed in the **Cost Proposal** and will not appear in the Technical proposal.

2.4 Some furniture configurations are arranged with individual pieces including a pedestal and file drawers, two desk top pieces, and a corner brace. As part of this project, Contractor is expected to recommend the most efficient tagging/inventory of these pieces, i.e. count the configuration as one asset with a tag placed on one of the pieces in a defined location or count and tag each individual piece.

2.5 Contractor employees who will participate in any on-site work at the University may undergo and pass a full background check as a requirement of this contract. All costs associated with the background checks must be included in the vendor's cost proposal. Vendor employees will not be granted access without a background check on file with the University.

Additionally, the University personnel will escort Contractor employees for all on-site work conducted by the Contractor. Contractor employees must be in the presence and line of sight of the University's escort at all times while work is being performed. Three to five University-designated escorts may be provided at any given time throughout the duration of this contract. It is the Contractor's responsibility to coordinate all personnel accordingly to complete the items outlined in this Scope of Work according to Contractor's proposed schedule.

2.6 The asset management software will be set up on a PC or server, and Contractor will provide training for appropriate personnel in both the operation of the bar code scanner and the asset management software. Training will also include the future export of fixed asset information to the University's existing Ellucian's Banner (for higher education) fixed asset and inventory management system.

2.7 Contractor will invoice the University following the achievement of the milestones listed below. The University will retain 10% of each invoice until final acceptance of the completed project.

**Milestone 1 - all assets are uploaded into the asset tracking software.** 100% of assets are retagged, optically scanned, and photographed with these images uploaded into the system.

**Milestone 2 - physical inventory is completed.** All assets are reconciled to the newly installed database. Assets physically located during the inventory that were not uploaded into the database were added and identified as "additions". Assets that were included in the database but not physically located during the inventory were located and returned to original location or the database was updated to reflect actual location.

**Milestone 3 - training is complete.** Contractor provided scanner operation and database management to appropriate personnel.

**Milestone 4 – final report is given to the University.** The University has performed user testing and has given final acceptance to the finished project. At this time the final 10% of the contract price will be released.

IV. **RIGHTS OF DELAWARE STATE UNIVERSITY**

- A. Amendment or Cancellation of RFP  
The University reserves the right to amend or cancel this RFP at any time if the best interest of the University requires such action.
- B. Proposal Modifications  
No additions or changes to any vendor's proposal will be allowed after the proposal due date unless such modification is specifically requested by the University.
- C. Exceptions to Bid Specifications  
The University reserves the right to require separate listings of exceptions to bid specifications, or the exceptions will be invalid.
- D. RFP Events and Timing  
The timing and sequence of events from this RFP will be determined by the University. The schedule is detailed in Section II "Timelines and Schedules". Vendor contacts will be notified of any amendment to this schedule during the RFP Process.
- E. Proposal Expenses  
The University assumes no liability for payment of any expenses incurred by any vendor in responding to the RFP.
- F. Acceptance or Rejection of Proposals  
The University reserves the right to accept or reject any or all proposals submitted for consideration in whole or in part; and to waive technical defects, irregularities or omissions, if in its sole judgment, the best interests of the University will be served. The University further reserves the right to accept a proposal for a contract other than that with the lowest cost, and to negotiate separately with any source whatsoever in any manner necessary to serve the best interests of the University.
- G. Ownership of Proposals  
All proposals submitted in response to this RFP shall become the sole property of the University.
- H. Oral Agreements and Arrangements  
Any alleged oral agreement or arrangement made by vendor with the University or any University employee will be disregarded in any proposal evaluation or associated award.
- I. Vendor Presentation of Supporting Evidence/Surety  
Vendors must be prepared to provide any evidence of experience, performance, ability, and/or financial surety that the University deems necessary to fully establish the performance capabilities represented in their proposals.
- J. Vendor Demonstration of Proposed Services  
Vendors may be asked to demonstrate specific proposed services or products including program components, software and hardware included in their response. Any

requested demonstration will be provided at a site approved by the University and without cost to the University.

K. Vendor Misrepresentation or Default

The University reserves the right to reject the proposal of any vendor and void any award resulting from this RFP to a vendor who materially misrepresents any product or defaults on any University contract.

L. Erroneous Awards

The University reserves the right to correct inaccurate awards resulting from its clerical errors.

M. Public Records

Due regard will be given for the protection of proprietary information contained in all proposals received; however, vendors should be aware that all materials associated with this procurement are subject to all rules, regulations and interpretations resulting from, and any other applicable rules, regulations or judicial decisions regarding access to the records of government.

It will not be sufficient for vendors to merely state generally that the proposal is proprietary in nature and not therefore subject to release to third parties. Those particular pages or sections which vendors believe to be proprietary and of a trade secret nature must be specifically identified as such and must be separated from other sections or pages of their proposal. **All such materials should be submitted in a separate sealed envelope and marked "CONFIDENTIAL".**

N. Offer of Gratuities

The vendor warrants, represents, and certifies that no elected or appointed official or employee of the University has or will benefit financially or materially from this procurement. Any contract and/or award arising from this RFP may be terminated by the University if it is determined that gratuities of any kind were either offered to, or received by any of the aforementioned officials or employees from the vendor, the vendor's agent or the vendor's employees.

O. Inspection of Work Performed

During and after the commencement of this project, the University, and its authorized representatives, shall be allowed access to inspect all materials, documents, work papers, equipment or products, deliverables, or any such other items which pertain to the scope of work for this RFP and contract. This requirement also applies to any subcontractors who may be engaged by the vendor.

P. Collusion

By responding, the vendors implicitly state that the proposal is not made in conjunction with any competing vendor submitting a separate response to this RFP and that it is in all respects fair and without collusion or fraud. Please complete form in Attachment A and attach it with your response.

Q. Indemnification

1. General Indemnification. By submitting a proposal, the proposing vendor agrees that in the event it is awarded a contract, it will indemnify and otherwise hold harmless the University, its agents and employees from any and all liability, suits, actions, or claims, together with all costs, expenses for attorney's fees, arising out of the vendor's agents and employees' performance work or services in connection with the contract, regardless of whether such suits, actions, claims or liabilities are based upon acts or failures to act attributable, solely or in part, to the University, its employees or agents.
2. Propriety Rights Indemnification. Vendor shall warrant that all elements of its solution, including all equipment, software, documentation, services and deliverables, do not and will not infringe upon or violate any patent, copyright, trade secret or other proprietary rights of any third party. In the event of any claim, suit or action by any third party against the University, the University shall promptly notify the vendor in writing and the vendor shall defend such claim, suit or action at vendor's expense, and the vendor shall indemnify the University against any loss, cost damage, expense or liability arising out of such claim, suit or action (including, without limitation, litigation costs, lost employee time, and counsel fees) whether or not such claim, suit or action is successful.
3. If any equipment, software, services (including methods), products or other intellectual property used or furnished by the vendor (collectively "Products") is or in vendor's reasonable judgment is likely to be, held to constitute an infringing product, vendor shall at its expense and option either:
  - a. Procure the right for the University to continue using the Product(s);
  - b. Replace the Product with a non-infringing equivalent that satisfies all the requirements of the contract; or
  - c. Modify the Product(s) to make it or them non-infringing, provided that the modification does not materially alter the functionality or efficiency of the Product or cause the Product(s) or any part of the work to fail to conform to the requirements of the Contract, or only alters the Product(s) to a degree that the University agrees to and accepts in writing.

R. Applicable Law

1. The laws of the State of Delaware shall apply, except where Federal Law has precedence. The successful vendor consents to jurisdiction and venue in the State of Delaware.
2. In submitting a proposal, Vendors certify that they comply with all federal, state and local laws in its activities and obligations including:
  - a. The laws of the State of Delaware;
  - b. The applicable portion of the Federal Civil Rights Act of 1964;
  - c. The Equal Employment Opportunity Act and the regulations issued thereunder by the federal government.

- d. A condition that the proposal submitted was independently arrived at, without collusion, under penalty of perjury; and
  - e. That programs, services, and activities provided to the general public under resulting contract comply with the Americans with Disabilities Act of 1990, and the regulations issued there under by the Federal Government.
- 4. If any vendor fails to comply with any of the applicable laws, the University reserves the right to disregard the proposal, terminate the contract, or consider the vendor in default.
  - 5. The selected vendor shall keep itself fully informed of and shall observe and comply with all applicable existing Federal and State laws, and County and local ordinances, regulations and codes, and those laws, ordinances, regulations, and codes adopted during its performance of the work.

**V. CONTRACT PROVISIONS**

The contract to be entered into between the University and the successful Respondent shall contain negotiated provisions based on the specific requirements set forth in this RFP and the successful Respondent's treatment thereof as contained in this proposal, as well as general University contract provisions.

The final award of this contract will be subject to the contractor's execution of such a contract and the contract's approval by the Board of Trustees. Proposals should include an acknowledgment that the standard provisions included in University contracts are comprehended by the Respondent.

The contract will include:

- A. Time for commencing each of the services accepted;
- B. A provision for financial penalties for failure to adhere to the time commitments without reasonable justification;
- C. A provision stating there will be no assignment of subletting of the work to be performed without the written consent of the Associate Vice President for Finance;
- D. A provision specifying that if for any reason a professional assigned to work on a specific contractor service proves to be incompatible with the staff of Delaware State University, the University reserves the right to require the assignment of another person of equal qualifications to be assigned;
- E. A provision specifying that the contract may be extended as mutually agreed upon by the University and the Contractor for a specified period(s) based on current performance and the continuing good integrity of the contractor being maintained;
- F. All standard contract provisions generally required of contracts with the University.

**Termination**

The contract to be entered into between Delaware State University and the successful Respondent shall contain the following provisions dealing with termination. If the Contractor fails to fulfill any of the terms of the agreement on time, the University shall have the right to terminate the said agreement indefinitely and award a new contract to another Vendor, and the Contractor shall be responsible for damages and for additional costs incurred in rebidding the contract.

**Disclaimer**

Delaware State University is not liable for any costs incurred by Respondents in the preparation of proposals or for any work performed prior to the approval of an executed contract.

**Notification of Selection**

After the proposal has been selected, all Respondents will be notified accordingly.

Upon selection, the University and the successful Respondent will negotiate a contract. The selected proposal in whole or in part as well as content from this RFP may be incorporated into and made part of the final contract. Should negotiations fail to result in agreement within 14 days of notification of acceptance of a proposal, the University reserves the right to take other action consistent with the best interest of the University.

By issuing this RFP, the University is not obligated to award a contract.

**Accounting System**

The Contractor shall maintain an accounting system for purposes of audit and examination of any books, documents, papers and records maintained in support of the contract.

**Delaware State University Rights**

The University reserves the right to accept or reject any or all proposals received in response to this RFP or to take other action consistent with the best interest of the University. The University reserves the right to negotiate separately with any source to serve the best interest of the University.

**EXCEPTIONS TO THIS RFP SHALL BE BY WRITTEN NOTIFICATION ON THE AWARD PURCHASE ORDER (PO) IN ORDER TO BE BINDING. ALL SUBMITTED BIDS BECOME THE PROPERTY OF DELAWARE STATE UNIVERSITY. AFTER THE AWARDED OF THE CONTRACT TO THE SUCCESSFUL BIDDER, ALL BIDS ARE OPENED FOR PUBLIC VIEWING.**

**Attachment A**

**Commitment and Non-Collusion Statement**

This is to certify that the undersigned vendor has neither directly nor indirectly, entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with this proposal submitted this date to the Delaware State University.

This is to further certify that the signed delivery of this bid represents the vendor's acceptance of the terms and conditions of this invitation to bid including all specifications and special provisions. This statement is signed by an official of the contractor who is authorized to enter the contractor into a legal agreement with Delaware State University.

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NAME OF CONTRACTOR

---

ADDRESS OF CONTRACTOR

---

AUTHORIZED OFFICIAL

---

TITLE OF OFFICIAL

---

PHONE NUMBER FAX

---

SIGNATURE OF OFFICIAL DATE

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FEDERAL EMPLOYER IDENTIFICATION NUMBER DELAWARE BUSINESS LICENSE NUMBER

THIS PAGE MUST BE SIGNED AND NOTARIZED FOR YOUR BID TO BE CONSIDRED

SWORN AND SUBSCRIBED before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

City of \_\_\_\_\_

County of \_\_\_\_\_

State of \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

This Statement must be completed and signed before contract is awarded.



## Delaware State University

**University Area(s) Responsible:** Finance and Administration Division, Controller, Associate Controller of General Accounting, Fixed Asset and Inventory Manager, Central Receiving, and responsible individuals and their designee.

**Policy Number & Name:** General Finance - Fixed Asset and Inventory Management Policy

**Approval Date:** \_\_\_\_\_

**May 4, 2012**

**Related Policies & Procedures:** Purchasing and Accounting

### Purpose

Delaware State University (DSU) has a significant investment in fixed assets, such as land, buildings, equipment, software, furniture and vehicles which are used to carry on its missions of purposefully integrating the highest standards of excellence in teaching, research and public service. The purpose of this policy is to ensure that the University's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, audit requirements, and generally accepted accounting principles. DSU will specifically comply with the federal Office of Management and Budget Circulars, Federal Acquisition Regulations and State of Delaware Asset Management Accounting Policy.

### Policy

DSU will provide proper stewardship over all assets. Fixed assets are defined as tangible property items, have an estimated life of more than one year, and be of significant value. The federal threshold for asset tracking is \$5,000 and up. The threshold to capitalize assets purchased with federal and state funds is \$25,000 and up. It is management's responsibility to ensure that assets purchased with federal and state funds are properly accounted for at DSU. Responsible staff and/or their designee will maintain proper stewardship over all assets. Assets will be maintained in DSU's Fixed Asset and Inventory Management System.

The System is designed to support all control, accounting, and reporting functions of physical asset items. The system will maintain detailed records of all land, buildings, improvements to land, betterments, equipment, software and vehicles, etc. owned by DSU. The specific components of the fixed asset system will be outlined in the Fixed Asset and Inventory Management Procedures Manual.

It is the responsibility of management to carry out physical verification of property, plant and equipment annually in order to ensure that assets are in existence. Responsible staff and/or their designee will conduct verification. Verification evidence is required by way of obtaining a certification document from responsible staff to ensure a physical inventory has been conducted. A physical inventory certification must be forwarded to the Fixed Asset and Inventory Manager no later than July 31 following the fiscal year in which the inventory was taken. The certification document can be found in the Fixed Asset and Inventory Management Procedures Manual.

### **Scope and Applicability**

This policy applies to responsible individuals and/or their designee for carrying out this policy in each division, department, section, unit, and all other components.

### **Definitions**

Fixed Assets at DSU are defined as a purchase with a value of \$5,000 and above and a useful life of more than one year. Fixed assets are segregated and defined below in the following classification:

1. Buildings - A *building* is any structure erected to stand permanently and designed for human use or occupancy or as shelter for animals or goods. Each building is comprised of components such as framing, interior finish, roof structure and cover, and building service systems.
2. Building Improvements - A building improvement's primary purpose is to increase output, lower operating costs, improve working conditions, enhance the original quality, extend the useful life, or otherwise add to the worth of future benefits or utility expected to be received from the asset.
3. Easements - An *easement* is a non-possessory interest in land owned by someone else, which entitles the owner of the interest to a limited use or enjoyment of the land and to protection from interference with its use. The landowner retains fee title to the property, while the easement holder maintains the rights to control development of the land.
4. Infrastructure - *Infrastructure* is defined as long-lived fixed assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most fixed assets. Examples include highways, roads, bridges, dams, and lighting systems.
5. Land - *Land* is considered real property. Land costs include initial purchase costs, surveying fees, appraisal and negotiation fees, legal and title fees, damage payments, site preparation costs (clearing, filling, and leveling), and the assumption of any liens, mortgages, or encumbrances on the property.

6. Land Improvements - *Land improvements* are physical changes in, or appurtenances to, land of such character as to increase the utility of the land (exclusive of structures). Land improvements meeting the \$100,000 per unit historical cost threshold will be capitalized and entered into DSU's Fixed Asset and Inventory system.
7. Leasehold Improvements - *Leasehold improvements* are capital expenditures made to real estate not owned by the State, where the State has the right to the use of the real estate by virtue of a lease.
8. Leased Assets - DSU leases some assets through lease purchase agreements. DSU has elected not to capitalize these leases due to the relative immateriality of these assets to the financial statements as a whole. In many cases, the DSU does not take possession of the asset at the end of the lease term. If a fixed asset is transferred to DSU at the conclusion of a lease, the asset is added to the Fixed Asset and Inventory Management system based on the costs incurred to purchase the asset, including interest costs.
9. Software - The University recognizes divisions purchase computer software for many of the same reasons they purchase other fixed assets, including reducing costs, improving efficiencies, strengthening internal controls, and improving customer service. DSU Information Technology Department will review all hardware and software prior to procurement to ensure the equipment is compatible with the University's ability to manage and support, is configured correctly and that all appropriate security measures are addressed. All computer software with a useful life of one year or more and purchased with a cost of \$5,000 or more must be tracked in the Fixed Asset and Inventory system for reporting purposes. However, the capitalization threshold is \$1,000,000 and above which is amortized over an estimated useful life of five years.
10. Vehicles/Furniture/Equipment - Costs of vehicles/furniture/equipment include the total purchase price after discounts, plus any trade-in allowances, transportation charges, installation costs, and any other costs required to prepare the asset for its intended use.
11. Works of Art and Historical Treasures - The Governmental Accounting Standards Board's (GASB) 34 states that governments should capitalize works of art, historical treasures, and similar assets at their historical cost or fair value at the date of donation (estimated if necessary), if they are held as a collection. Governments are exempted from capitalizing collections, given certain conditions are met. The conditions will be outlined in the Fixed Asset and Inventory Management Procedures Manual.

While the State of Delaware requires that only computers and telecommunications equipment costing \$25,000 and above need to be included in a listing of Fixed Assets, the federal government requires record keeping on computer and information system fixed asset of \$5,000 or more. Delaware State University will maintain appropriate records of federally funded computer and information system fixed assets for federal audit purposes.

Depreciation:

All capitalized assets are depreciated using the straight-line method of depreciation, except those assets that are considered inexhaustible such as land, works of art, historical treasures, and similar assets.

Depreciation is calculated monthly in the Fixed Asset and Inventory System, based on the date the asset was available for use or placed in service.

No residual or salvage value is used in the depreciation calculations. When a fixed asset is deemed lost, obsolete, sold, stolen, or otherwise disposed, all accumulated depreciation is expensed and the fixed asset is retired from the active Fixed Asset listing.

The estimated useful lives of capitalized assets are as follows:

Buildings and building improvements .....	40 years
Vehicles.....	7 years
Furniture/Equipment .....	10 years
Land improvements .....	20 years
Software.....	5 years

DSU procedures and guidelines will address this policy in detail to include the following areas:

1. Acquiring a Fixed Asset
2. Receipt of Fixed Asset, Inspection and Tagging
3. Receipt of Donations
4. Recording Assets in the Fixed Asset and Inventory System
5. Property Inventory
6. Retiring and Disposing of Fixed Assets
7. Grant Equipment
8. Procedures for Disposal
9. Library Books
10. Fiscal and Record Control

**Responsibility**

Responsible staff and/or their designee will maintain proper stewardship over all assets. Assets will be maintained in DSU’s Fixed Asset and Inventory Management System.

The University Controller is responsible for the coordination, development, and implementation of the policies and procedures that comprise the university-wide fixed asset system. It is the responsibility of the Associate Controller of General Accounting, the Fixed Asset and Inventory Manager for the University and its Foundations and the Central Receiving staff to support the fixed asset system. All assets must come through Central Receiving in order to ensure accuracy of the inventory. Assets that go directly to users must be reported to Central Receiving for proper tagging and recording. The “Receiving Record” completed by Central Receiving verifies materials have been received, inspected, and verified against purchase orders. No payments will be processed by University Finance Division without a signed “Receiving Record” from Central Receiving.



## Delaware State University

**University Area(s) Responsible:** Finance and Administration Division, Controller, Associate Controller of General Accounting, Fixed Asset and Inventory Manager, Central Receiving, and responsible individuals and their designees.

**Procedures Number & Name:** General Finance - Fixed Asset and Inventory Management Procedures

**Approval Date:** \_\_\_\_\_

**May 4, 2012**

**Related Policies & Procedures:** Purchasing and Accounting

### Purpose

The purpose of Delaware State University (DSU) policy is to ensure that the University's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, audit requirements, and generally accepted accounting principles. DSU will specifically comply with the Federal Office of Management and Budget Circulars, Federal Acquisition Regulations and State of Delaware Asset Management Accounting Policy. The procedures will ensure proper implementation of the Fixed Asset and Inventory Management policy.

DSU will provide proper stewardship over all assets. Fixed assets are defined as tangible property items, have an estimated life of more than one year, and be of significant value. The Federal threshold for asset tracking is \$5,000 and up. Assets valued at \$25,000 and above that are purchased with federal and state funds are maintained as fixed assets in the Fixed Asset and Inventory System. However, certain grants require assets to be capitalized at \$5,000. It is management's responsibility to ensure that assets purchased with Federal and state funds are properly accounted for at DSU.

DSU Information Technology Department will review all hardware and software prior to procurement to ensure the equipment is compatible with the University's ability to manage and support, is configured correctly and that all appropriate security measures are addressed. Responsible staff and/or their designee will maintain proper stewardship over all assets. Assets will be maintained in DSU's Fixed Asset and Inventory Management System.

## Procedures

DSU procedures will address this policy in detail to include the following areas:

- A. Definitions
- B. Equipment Screening Procedures
- C. Fixed Asset Classifications Description
- D. Fixed Asset Threshold
- E. Acquiring a Fixed Asset
- F. Inspection and Tagging
- G. Property Inventory
- H. Depreciation
- I. Retiring and Disposing of Fixed Assets
- J. Impairments
- K. Work-In Progress – Future Assets
- L. Construction-Work-In Progress (CWIP)
- M. Software-Work-In Progress (SWIP)
- N. Fiscal and Record Control

### A. Definitions

Fixed Assets at DSU are defined as a purchase with a value of \$5,000 and above and a useful life of more than one year. Fixed assets are:

- Tangible property items,
- Have an estimated life of more than one year, and
- Be of significant value

Fixed assets may also be stated as “capital assets” for those assets that require capitalization. Capitalization is the process of recording an item as a fixed asset.

### B. Equipment Screening Procedures

Equipment screening is the process of checking for existing available equipment before purchasing additional equipment using federal funds. Equipment screening is required by federal regulations (Office of Management and Budget Circular A-110) mandating the avoidance of unnecessary equipment purchases with federal funds.

### C. Fixed Asset Classifications Description

Fixed assets are segregated and defined below in the following classifications:

#### 1. Buildings

- a. A *building* is any structure erected to stand permanently and designed for human use or occupancy or as shelter for animals or goods. Each building is comprised of components such as framing, interior finish, roof structure and cover, and building service systems.
- b. *Building service systems* are those systems and their components that provide plumbing, sewerage, heating, ventilation, air conditioning, lighting, power, elevators or escalators, and fire protection. Building service systems also include special or unique services to specific structures, such as public address or emergency power systems.
- c. The cost of a building includes its construction or purchase costs and the costs of all fixtures permanently attached and made part of the building. Purchase costs include original purchase price, expenses for altering a purchased building to make it ready to use for the purpose for which it was acquired, and any professional fees (legal, architect, inspections, tile searches, etc.)
- d. Building expenditures have no capitalization threshold. All building expenditures are capitalized, if the expenditures meet the criteria.
- e. Construction costs are those costs incurred to complete construction projects or additions (extension, expansion, or enlargement to an existing capital asset such as a second floor or new wing on a building). The construction costs should be capitalized if the costs are valued at \$100,000 or more.
- f. Land costs, furniture, or other equipment to furnish the building **should not** be included in the building costs. These items should be recorded separately by the appropriate asset class.

## 2. Building Improvements

A building improvement's primary purpose is to increase output, lower operating costs, improve working conditions, enhance the original quality, extend the useful life, or otherwise add to the worth of future benefits or utility expected to be received from the asset. The following expenditures are examples of improvements to buildings that are capitalized, if the cost of the improvement is valued at \$100,000 or more:

- a. Conversion of attics, basements, etc. to usable office, clinic, research, or classroom space.
- b. Structures attached to the building such as covered patios, garages, carports, enclosed stairwells, etc.
- c. Installation or upgrades of heating and cooling systems.
- d. Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other framing.
- e. Installation or upgrade of window or door frames, upgrading of windows or doors, built-in closets, and cabinets.
- f. Interior renovations associated with casings, baseboards, light fixtures, ceiling trim, etc.
- g. Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
- h. Installation or upgrade of plumbing and electrical wiring.
- i. Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building).
- j. Other costs associated with the above improvements; i.e. architectural fees, construction management fees, etc.

**NOTE:** Expenditures for alterations are not capitalized, unless they represent extraordinary alterations or the expenditures are so major in value the entire asset is substantially rebuilt. An alteration refers to the modification or modernization of buildings and structures. Examples of alterations include

installation of new entry and exit openings, closing old ones, erecting new walls, windows, and partitions, and removing old ones.

The following expenditures are examples that **are not** capitalized as improvements to buildings and should be recorded as maintenance expenses:

- a. Adding, removing, and/or moving of walls relating to renovation projects, which are not considered major rehabilitation projects and do not increase the value of the building.
- b. Improvement projects of minimal or no added life expectancy and/or value to the building.
- c. Plumbing or electrical repairs.
- d. Cleaning, pest extermination, or other periodic maintenance.
- e. Interior decorations, such as draperies, blinds, curtain rods, wallpaper, etc.
- f. Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
- g. Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections, sink and fixture refinishing, etc.
- h. Maintenance-type exterior renovation, such as repainting, replacement of deteriorated siding, roof, or masonry sections.
- i. Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities.
- j. Moving of furniture from one building to another during construction.
- k. Any other maintenance-related expenditure, which does not increase the value of the building.

If any alteration or maintenance repair item is so major in value the entire asset is substantially rebuilt, a determination should be made as to whether the alteration should be classified as an improvement or an addition. Agencies should contact DSU's Fixed Asset and Inventory Manager for assistance with any questions in making these determinations.

### 3. Easements

An *easement* is a non-possessory interest in land owned by someone else, which entitles the owner of the interest to a limited use or enjoyment of the land and to protection from interference with its use. The landowner retains fee title to the property, while the easement holder maintains the rights to control development of the land. DSU's purchase of such easements is reported in the Fixed Asset and Inventory Management System.

**For example**, a conservation easement is a legal agreement between a landowner and a conservation organization. The easement places permanent restrictions on future uses of the property to protect its agricultural character. Conservation easements prohibit residential or commercial development and uses or practices, which would be destructive to the agricultural value and productivity of the land.

### 4. Infrastructure

- a. *Infrastructure* is defined as long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include highways, roads, bridges, dams, and lighting systems. Government Accounting Standards Board (GASB) 34 separates infrastructure assets into *networks* and *subsystems*.

- b. A *network* of assets is a group of assets that provide a particular type of service for a government. An example of a network of infrastructure assets would be a dam composed of a concrete dam, a concrete spillway, and a series of locks.
- c. A *subsystem* of a network of assets is composed of all assets that make up a similar portion of segment of a network of assets. Interstate highways, state highways, and rural roads would each be considered a subsystem of the network of all the roads of a government.

Most buildings should not be considered infrastructure assets for purposes of GASB 34, with the exception of buildings that are an ancillary part of a network or infrastructure assets. Examples of buildings that may be an ancillary part of a network or subsystem include road maintenance structures, such as shops or garages associated with a highway system.

Certain assets, which may appear to meet the definition of infrastructure assets, may be more technically considered land or building improvements, which are directly related to a capitalized asset (land or building). These assets include roadways, walks, parking lots, lighting systems, fencing, docks, piers, boat ramps, telecommunications cabling, etc. These assets are ancillary capital assets (ancillary to another asset i.e., land, building or a group of buildings) that increase the level of service of an existing capital asset.

## 5. Land

Land is considered real property. Land costs include initial purchase costs, surveying fees, appraisal and negotiation fees, legal and title fees, damage payments, site preparation costs (clearing, filling, and leveling), and the assumption of any liens, mortgages, or encumbrances on the property. The demolition of unwanted structures at the time of the acquisition with the intention of using the cleared land is also considered a part of land costs.

Land that is purchased with the intent to resell is accounted for as inventory. Each “parcel” of land owned by DSU is recorded as a separate asset (exclusive of buildings). If property is purchased that includes a building(s), the value of the land must be separated from the total cost and recorded as a separate asset.

Land has no minimum dollar threshold. Therefore, all land must be recorded in the Fixed Asset and Inventory Management System. Rights-of-way are not capitalized; however, land purchased for highway construction is capitalized.

## 6. Land Improvements

*Land improvements* are physical changes in, or appurtenances to, land of such character as to increase the utility of the land (exclusive of structures). Land improvements meeting the \$100,000 per unit historical cost threshold will be capitalized and entered into the Fixed Asset and Inventory Management System.

Land improvements include, but are not limited to:

- a. Paving (parking lots)
- b. Curbing
- c. Sidewalks

- d. Fences
- e. Retaining Walls
- f. Boat Ramps
- g. Piers and Docks
- h. Utility Distribution Systems
- i. Lighting Systems
- j. Swimming Pools
- k. Playgrounds

## **7. Leasehold Improvements**

*Leasehold improvements* are capital expenditures made to real estate not owned by the DSU, where DSU has the right to the use of the real estate by virtue of a lease. The lessee capitalizes leasehold improvements, and the capitalization threshold for leasehold improvements is \$100,000. Improvements made in lieu of rent should be expensed in the period incurred.

## **8. Leased Assets**

Assets purchased via lease purchase agreements are entered into the Fixed Asset and Inventory Management System after final payment has been made on the lease. *A lease purchase asset's in-service date* is the date of final payment, when the asset becomes DSU property. Lease purchase assets valued at or above \$25,000 with an in-service date of July 1, 2004, or later, are tracked in the Fixed Asset and Inventory Management System. Lease purchase assets with an in service date prior to July 1, 2004 are tracked in the Fixed Asset and Inventory Management System if the asset's value is \$15,000 or more.

## **9. Software**

The University recognizes divisions purchase computer software for many of the same reasons they purchase other fixed assets, including reducing costs, improving efficiencies, strengthening internal controls, and improving customer service. DSU Information Technology Department will review all hardware and software prior to procurement to ensure the equipment is compatible with the University's ability to manage and support, is configured correctly and that all appropriate security measures are addressed. All computer software with a useful life of one year or more and purchased with a cost of \$5,000 or more must be tracked in the Fixed Asset and Inventory system for reporting purposes. However, the capitalization threshold is \$1,000,000 and above which is amortized over an estimated useful life of five years.

## **10. Vehicles/Furniture/Equipment**

Costs of vehicles/furniture/equipment include the total purchase price after discounts, plus any trade-in allowances, transportation charges, installation costs, and any other costs required to prepare the asset for its intended use. Library Books: Periodicals, texts, journals, books of reference and other books for use in the libraries

An asset with associated component parts that are necessary to the functioning of the asset is considered to be one asset when the life and utility of the component parts are mainly dependent on

that of the asset. Effective July 1, 2004, the cost of the asset and its component parts, together, are subject to the \$25,000 threshold.

**For example**, a mainframe CPU, with a cost of \$24,000 and its associated cables with a cost of \$1,500, would qualify for financial reporting since their combined cost exceeds the \$25,000 financial reporting threshold. Assets with associated component units that qualify for financial reporting are reported as one asset, and the component parts are included in the description of the asset.

Also included are assets with associated attachments (e.g. a collator installed in a copy machine). Attachments purchased at the same time as the asset are considered part of the asset because their life and utility coincide with that of the asset. Attachments obtained subsequent to the purchase of the asset are not considered to be associated with that asset. Therefore, such attachments are accounted for as separate assets, if they meet the capitalization criteria.

**For example**, if a copier with a cost of \$26,000 and a collator with a cost of \$12,000 are purchased *at the same time*, they are considered associated assets. Since their combined cost exceeds the \$25,000 threshold, the copier is reported at a cost of \$38,000 and the collator is included in the description of the asset. The same assets purchased at different times are not considered associated assets. The copier is reported at a cost of \$26,000 and tracked as a FIXED asset, but the collator is not reported or tracked as a FIXED asset, since its cost does not meet the \$25,000 threshold. (The collator may, however, need to be tracked as a not capitalized (NOCAP) asset based upon other agency or federal requirements.)

Vehicles, furniture, and equipment that cost \$25,000 or more that have a useful life of one year or more are recorded in the Fixed Asset and Inventory Management System. Capital assets placed in the system with a value equal to or greater than \$15,000 but below \$25,000, should also be tracked in the system. Vehicles, furniture, and equipment include, but are not be limited to:

- a. Cars
- b. Trucks
- c. Construction Machinery
- d. Computers (i.e., processing units, tape drives, disk drives)
- e. Printing Presses and Reproduction Equipment
- f. Tractors
- g. Buses
- h. Telecommunications Equipment
- i. Furniture

All programs receiving a gift in kind (gifts other than cash and securities) should notify the Fixed Asset and Inventory Manager immediately upon receipt as the failure to comply with Internal Revenue Service regulations could result in a loss of the tax deduction to the donor and/or penalties to DSU. When the donor's claimed value of the gift exceeds \$5,000, IRS Form 8283 (Noncash Charitable Contributions) must be properly completed and attached to the donor's tax return for the gift to be tax deductible.

## **11. Works of Art and Historical Treasures**

GASB 34 states that governments should capitalize works of art, historical treasures, and similar assets at their historical cost or fair value at the date of donation (estimated if necessary), if they are held as a

collection. Governments are exempted from capitalizing collections, however, if the following conditions are met:

- a. The collections are not held for financial gain but for public exhibition, education, research, or other reason of public service.
- b. The collections or individual items are protected, cared for, and preserved.
- c. The collections are subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

This exemption does not apply to collections already capitalized as of June 30, 1999, even if they meet the above conditions for exemption from capitalization. These collections will continue to be capitalized, along with all future additions to the collection.

For clarification purposes, the following definitions are used regarding collections of works of art and historical treasures:

- a. *Exhaustible collections or items* – are items whose useful lives are diminished by display or educational or research applications.
- b. *Inexhaustible collections or items* – are items where the economic benefit or service potential is used up so slowly the estimated useful life is extraordinarily long. Because of its cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

GASB 34 states that capitalized exhaustible collections should be depreciated over their estimated useful lives. Inexhaustible collections do not require depreciation.

GASB 34 does not define what or how many works of art, historical treasures, and similar assets constitute a “collection.” Therefore, the definition is left to professional judgment. The State of Delaware defines collections of works of art, historical treasures, and similar assets as one or more inexhaustible items, which are held for public education, educational purposes, or research for enhancement of public service, rather than for financial gain.

DSU should be diligent in identifying collections that need to be reported. The listing below includes, but is not limited to, examples of possible historical treasures, works of art, and similar assets.

- a. Paintings, photography, maps, manuscripts, libraries, musical instruments, recordings, film, furnishings, artifacts, tools, weapons, and other memorabilia located at various State museums and office buildings.
- b. Monuments and statues on display at DSU sites around the State.

Delaware State University has elected not to capitalize collections to expedite the completion of the Comprehensive Annual Financial Report (CAFR) each year. By not capitalizing collections, DSU also has reduced the amount of time and effort required to maintain this information in the Fixed Asset and Inventory Management System.

In order for DSU to be exempt from the capitalization requirements in GASB 34 for works of art, historical treasures, and similar assets, all assets must have in place a policy concerning those assets. These policies should include language stating that all collection items donated to DSU or purchased with state funds are:

- a. Not held for financial gain, but rather for public exhibition, education, or research in furtherance of public service.
- b. Protected, cared for, and preserved.
- c. Subject to DSU policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

#### **D. Fixed Asset Threshold**

DSU's asset reporting/capitalization thresholds are established in compliance with national standards to accurately reflect the assets' respective utilities, any associated administrative and maintenance costs and to determine the relative materiality of the assets or asset groups to DSU's consolidated and general purpose financial statements.

Assets meeting DSU's thresholds are required to be tracked in the Fixed Asset and Inventory Management System for reporting purposes.

#### **Fixed Asset Reporting Thresholds**

<b>Asset Classification</b>	<b>Delaware State University Requirement</b>
Buildings	All Buildings
Building Improvements	≥ \$100,000
Easements	All Easements
Infrastructure	≥ \$1,000,000
Land	All Land
Land Improvements	≥ \$100,000
Leasehold Improvement	≥ \$100,000
Leased Assets	See specific Asset Class
Software	≥ \$1,000,000 for Assets purchased or put in service after July 1, 2005
Vehicles, Furniture and Equipment	≥ \$15,000 prior to July 1, 2004 ≥ \$25,000, effective July 1, 2004
Works of Art and Historical Treasures	Not Capitalized

#### **E. Acquiring a Fixed Asset**

The University follows the same basic procurement policies and procedures for the purchase of equipment and other fixed assets as it does for the purchase of any other goods or services. These procedures address the basic requirements for fixed assets and do not address specific regulation related to the approval, authorization and appropriation of building construction or capital outlay projects.

1. Fixed assets must be recorded at the acquisition cost, which includes the cost on the vendor's invoice (plus the value of any trade-in), tax, initial installation costs (excluding in-house labor), modifications, attachments, accessories, and any apparatus necessary to make the asset usable and render it into service. Acquisition costs also include freight and transportation charges, site preparation costs, and professional fees.
2. Donated or confiscated capital assets are reported at the estimated fair value of the asset at the time of acquisition, plus any ancillary charges. *Donations* are defined as voluntary contributions of resources to a governmental entity by a non-governmental entity. The donated items must have a valuation by a professional to support the fair market value. The cost of the valuation is included in the value of the asset, when the asset is entered into the system.
3. Central Receiving must include a Vehicle Identification Number, tag number, model number and the manufacturer's name in the asset record in the Fixed Asset and Inventory Management System for all vehicle purchases.

#### **F. Inspection and Tagging**

Asset identification tags are affixed to each asset at the University unless it is not physically practicable. During the tagging process, Central Receiving verifies the description of the asset and collects additional information such as serial number, model number and location. This information will be entered in the Fixed Asset and Inventory System. Components of an asset will be identified with a related asset number. If a component is moved from one asset to another, the Fixed Asset and Inventory section should be notified to change the fixed asset system record for the component unit.

#### **G. Property Inventory**

Delaware State University requires responsible staff to conduct a physical property inventory each year. Inventory results are reconciled to the State's property records, and any required adjustments to property records, as a result of the inventory, must be completed by June 30.

DSU is required to maintain documentation to illustrate the physical inventory was performed. Responsible staffs are required to submit a certification verifying that such inventory has been conducted to the Fixed Asset and Inventory Management Section no later than July 31 of each year.

For property liability purposes, all building acquisitions, new occupancies, improvements, renovations, additions, and demolitions to state-owned property must be reported by agencies to the Insurance Coverage Office on a Property Inspection Form. Delaware State University Safety and Risk Management and Facilities Management are responsible for completing and submitting the form to OMB when the asset is placed in or out of service. Coverage of buildings with damage claims may be denied if the Property Inspection Form, documenting the value and details of the property, has not been submitted to the Insurance Coverage Office.

#### **H. Depreciation**

All capitalized assets are depreciated using the straight-line method of depreciation, except those assets that are considered inexhaustible such as land, works of art, historical treasures, and similar assets. Depreciation is calculated based on the date the asset was available for use or placed in service.

No residual or salvage value is used in the depreciation calculations. When a fixed asset is deemed lost, obsolete, sold, stolen, or otherwise disposed, all accumulated depreciation is expensed and the capital asset is retired from the active Fixed Asset listing.

<b>The estimated useful lives of capitalized assets are as follows:</b>	
Buildings and building improvements	40 years
Vehicles	7 years
Furniture/Equipment	10 years
Land improvements	20 years
Software	5 years

#### **I. Retiring and Disposing of Fixed Assets**

All equipment, supplies, and material, including vehicles, purchased in whole or in part with State appropriated funds are considered assets of DSU and not of the individual program which holds or uses the material. When assets held or used by a DSU are determined to be in excess of the program's needs, the holder and/or user of the asset is responsible for recording any disposals or transfers of assets and for notifying the Fixed Asset and Inventory Manager, for appropriate reallocation or disposal.

State agencies receiving property from another state agency must record the carrying value of the property, with any accumulated depreciation recognized from the original date the property was placed into state service. Any fees or other monetary consideration between state agencies for the transfer of state-owned property is not capitalized.

The fixed asset end user must submit fixed assets for disposal. DSU personnel must submit a DSU Property Change Form to Fixed Asset and Inventory Manager and Central Receiving. After all forms are processed to dispose or retire assets in the System, Central Receiving will properly dispose of non-capital assets. DSU responsible personnel and/or their designee are responsible for maintaining documentation to support the retirement or disposal of an asset of any value.

#### Allowable disposals and transfers

1. Stolen assets-The custodian is responsible for contacting DSU Police and retaining a copy of the police report. A copy of the police report must be mailed or faxed to Fixed Asset and Inventory Management section. When recording the disposal of the stolen asset, you must include the police report number must be included on the disposal form.
2. Assets destroyed-loss due to fire, flood, etc. must be reported to Risk Management with a reference date of loss on disposal screen.
3. Retain copy of disposal form for Delaware Solid Waste Authority and State Surplus
4. Trash
5. Trade-in for new equipment
6. Transfers to other University departments

## J. Impairments

According to GASB Statement No. 42, (Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries), *asset impairment* is defined as a significant, unexpected decline in the service utility of an asset. The term *significant* refers to the magnitude of the impairment when compared to the service utility of the asset. An *unexpected decline* refers to a decline in the net book value of an asset that exceeds the amount expected through accumulated depreciation. The *service utility* of a capital asset is the usable capacity at the acquisition of the asset that was expected to be used to provide service (as distinguished from the *level of utilization*, which is the portion of the usable capacity that is currently being used).

- a. **Determining Impairment** - The determination of whether a capital asset has been impaired is a two-step process. First, capital assets that have experienced events or changes in circumstances that could potentially indicate impairment should be identified. Then, these identified assets should be tested to determine if actual impairment has occurred.

In GASB 42, the emphasis is on events or changes in circumstances that are prominent and known to the government. In other words, DSU is not required to perform additional procedures to identify impairment beyond those already performed as part of normal operations.

The five most common indicators of potential impairment include:

1. Physical damage, such as a building damaged by fire or flood, which requires significant costs to restore the asset's service utility.
2. Changes in laws or regulations that limit or curtail the use of a capital asset, such as a water treatment plant that does not meet, and cannot be modified to meet, new standards.
3. Technological development or evidence of obsolescence.
4. A change in a manner or expected duration of use of a capital asset, such as closure of a University program/ department prior to the end of its useful life.
5. Construction stoppage due to lack of funding.

A decrease in the use of capital assets is not, in itself, considered a separate indicator of impairment unless it is associated with one of the items listed above.

- b. **Measuring Impairment** - The amount of impairment for capital assets that are permanently impaired and remain in service must be calculated, net of insurance recoveries, and recognized as an expense. The carrying value must also be decreased by the calculated amount of the asset's impairment.

GASB 42 discusses several methodologies for calculating the amount of a capital asset's impairment. The following are the methods for measuring impairment:

- c. **Restoration Cost Approach** – Under this approach, the amount of impairment is derived from estimated costs to restore the utility of the capital asset. The estimated restoration cost can be converted to historical cost either by restating the estimated cost using an appropriate cost index or by applying a ratio of estimated restoration cost over estimated replacement cost to the carrying value of the capital asset.

- d. **Service Units Approach** – This approach isolates the historical cost of the service utility of the capital asset that cannot be used due to the impairment event or circumstance. The amount of impairment is determined by evaluating the service provided by the capital asset before and after the event or change in circumstance.
- e. **Deflated Depreciated Replacement Cost Approach** – This approach replicates the historical cost of the service produced. A current cost for a capital asset to replace the current level of service is estimated. This estimated current cost is depreciated to reflect the fact that the capital asset is not new, and then is deflated to convert it to historical cost dollars.

The relationships between the types of impairment and the methodology used to calculate the impairments are outlined below:

Type of Impairment	Method Used to Calculate the Amount of the Impairment
Physical Damage	Restoration Cost Approach
Changes in legal or environmental factors	Service Units Approach
Technological change	Service Units Approach
Change in manner or duration of use	Service Units Approach or Deflated Depreciated Replacement Cost Approach

- f. **Accounting for Impairments** - Assets that are impaired and taken out of service permanently should be carried at the lower of carrying value or fair value, with no further annual depreciation expense. Capital assets impaired from construction stoppage should also be reported at the lower of carrying value or fair value.

State agencies should assess their capital assets at least annually to determine if they have any impaired capital assets with material carrying values. DOA must be notified if any assets have been determined to be impaired by the common indicators above. DOA will make the determination as to which method will be used to calculate and report the asset values in the State’s CAFR.

Departments should contact Fixed Asset Management personnel for assistance in identifying and managing impaired assets.

**K. Work-In-Progress – Future Assets**

Delaware State University does not capitalize Construction-Work-In-Progress (CWIP) and Software-Work-In-Progress (SWIP). The underlying future assets are tracked in the system's Asset Management module only when the assets are put into service.

**L. Construction-Work-In Progress (CWIP)**

Paid labor, material, and overhead costs of a construction project are temporarily tracked and recorded in the financial management system as Project Costs. Cumulative expenditures to all vendors involved in the project are tracked and documented if the expenditures meet the criteria for construction items.

When the project is completed, construction costs are aggregated as acquisition costs for the asset(s), and allocated to one or more of the major asset classes, such as buildings and/or land improvements.

Documentation to support Construction-Work-In-Progress must be maintained throughout the project in order to properly value the asset when construction is completed. Construction-Work-In-Progress information is usually maintained by the Finance and Administration Division. However, any department that has responsibility for construction projects must follow the proper record management procedures.

At the close of the fiscal year, departments and Finance and Administration Division are responsible for reporting Construction-Work-In-Progress balances to the CAFR team for inclusion in the DSU's financial statements.

Completed construction projects are entered into the Fixed Asset and Inventory Management System by asset management personnel. The department responsible for the construction project must notify central asset management personnel that construction is complete and that the asset is ready to be placed in service. The asset must be added to the DSU asset listing in the same fiscal year that the project is removed from the Construction-Work-In-Progress list.

Asset values can be changed after the original fixed asset has been added to the fixed asset listing. Any unpaid bills or retainage fees paid after the asset is transferred from the CWIP list to the fixed asset listing may only be added to the recorded value of the asset by asset management personnel. Departments should contact the DSU fixed asset personnel for assistance.

Projects requiring Construction-Work-In-Progress tracking must meet the following criteria:

1. The Project is intended to produce a fixed asset upon completion.
2. The estimated total cost of the project at completion is \$100,000 or greater.
3. The project must not have a final inspection, in service, or occupancy date prior to the close of the fiscal year.

A project is considered complete when it is ready for its intended use and the status is changed to "in service" in the DSU's financial management system. For example, when a new building has received an occupancy certificate or the building is ready for its intended use, departments should remove the project from Construction-Work-In-Progress list and change the status of the project to "in service". Departments should then notify fixed asset personnel of the change in status, so the asset may be added to the fixed asset listing.

For example, if a building is ready for occupancy in May 2012, but the employees do not move in until July 2013, the building should be entered into the financial management system in May. DSU departments should contact fixed asset personnel for guidance if there are questions as to whether or not a project is complete.

Costs not considered Construction-Work-In-Progress are:

- a. Audit Fees;
- b. Non-Construction Insurance Costs;
- c. Furniture Purchases;
- d. Equipment Purchases;

- e. Unpaid Bills; or
- f. Encumbered Funds.

#### M. **Software-Work-In-Progress (SWIP)**

The standard for capitalizing the costs of software developed or obtained for internal use is the American Institute of Certified Public Accountants (AICPA) State of Position (SOP) 98-1, (Accounting for the Costs of Computer Software Developed or Obtained for Internal Uses). Under this standard, software projects are divided into three stages:

- Preliminary Project Stage;
- Application Development Stage; and
- Post-Implementation Operation (or Production) Stage.

Software projects with an estimated value of \$1,000,000 or more are capitalized.

Only costs associated with the Application Development Stage are capitalized. These costs include the following activities:

- a. Design of chosen path, including software configuration and software interfaces
- b. Coding
- c. Installation of hardware
- d. Testing, including parallel processing phase
- e. Vendor costs for commercially purchased software
- f. Contractors or employee costs to implement and install commercially purchased software
- g. Contractors or employee cost to design, program, install, and implement internally developed software
- h. Salaries and fringe benefits costs for employee time spent directly coding and testing
- i. External direct costs of material and services consumed in developing or obtaining software, such as fees paid to third parties for services and costs incurred to obtain the software from third parties

When a project is complete, the DSU departments are responsible for notifying the project change status of the project. In-service is when the end user begins using the software. The paid costs in the Application Development Stage must be tracked by the appropriate department using a tracking system like Construction-Work-In-Progress.

Costs that are associated with the Preliminary Project Stage and the Post-Implementation Operation (Production) Stage are not capitalized. These costs are to be expensed as incurred. Examples of costs for each stage are as follows:

- a. Preliminary Project Stage - These costs include the following activities:
  - 1) Conceptual formulation of alternatives
  - 2) Evaluation of alternatives
  - 3) Determination of existence of needed technology
  - 4) Final selection of alternatives
- b. Post-Implementation Operation (Production) Stage - These costs include:

- 1) Training
- 2) Application maintenance

Costs of reengineering activities associated with new or upgrade software applications are not to be capitalized. General and administrative costs related to software development **are not** capitalized. These costs include heat, electric, rent, security, building maintenance or secretarial expenses. Cost of upgrades and enhancements to computer software are capitalized only if the upgrades or enhancements provide additional functionality, and the cost exceeds \$1,000,000.

#### **N. Fiscal and Record Control**

The "Receiving Record" completed by Central Receiving verifies materials have been received, inspected, and verified against purchase orders. No payments will be processed by the University Finance Division without a signed "Receiving Record" from Central Receiving.

Fixed asset records will be a complete and accurate accounting for fixed assets of significant value and are fundamental to sound financial management. This responsibility can only be discharged effectively through adequate fixed assets accounting and control. Fixed asset records will be maintained for the life of each asset and retained in accordance with the requirements of Delaware State University for the retention of accounting records.

While Delaware State University requires fixed assets costing \$25,000 and above need to be included in a listing of Fixed Assets, the federal government requires record keeping of fixed assets costing \$5,000 or more. Delaware State University will maintain appropriate records of federally funded fixed assets for federal audit purposes.

## Attachment D

	BDLG. NO.	BDLG. CODE	BUILDING DESCRIPTION
1	40	ADMBLG	ADMINISTRATIVE BUILDING
2	OFF	ARPT	AIRPORT
3	31	BOA	BANK OF AMERICA BLDG
4		BARN	BARN (HISTORIC)
5	39	BUS	BUS STOP
6	OFF	CPCC	CAPITAL PARK COMM CENTER
7	OFF	SPRANX	COLLEGE ROAD SPORTS ANNEX
8	19	CONR	CONRAD HALL
9	MODULAR	CONST	CONSTRUCTION TRAILER
10	9	CONW	CONWELL HALL
11	OFF	UC1	COURTYARD BLDG 1
12	OFF	UC2	COURTYARD BLDG 2
13	OFF	UC3	COURTYARD BLDG 3
14	OFF	UC4	COURTYARD BLDG 4
15	OFF	UC5	COURTYARD BLDG 5
16	OFF	UC6	COURTYARD BLDG 6
17	OFF	UC7	COURTYARD BLDG 7
18	OFF	UC	COURTYARD OFFICE
19	28	DH	DELAWARE HALL
20	32	EH	EDUCATION & HUMANITIES CTR
21	38	ETV	ETV BLDG
22	7	EVER	EVERS HALL
23	14	FLEET	FLEET MAINTENANCE
24	4	STADM	FOOTBALL STADIUM
25	12	GREEN	GREENHOUSE
26	29	GH	GROSSLEY HALL
27	16	HERB	HERBARIUM
28	OFF	HHC	HICKORY HILL FARMS
29	8	JENK	JENKINS HALL
30	24	LAWS	LAWS HALL
31	18	LOOCK	LOOCKERMAN HALL
32	13	MAINT	MAINTENANCE
33	20	MT	MAURICE THOMASSON BLDG
34	5	MH	MEMORIAL HALL
35	6	MHG	MEMORIAL HALL - GYMNASIUM

36	33	SC	MISHOE SCIENCE CENTER NORTH (ORIGINAL)
37	34	SCS	MISHOE SCIENCE CENTER SOUTH
38	3	MLK	MLK STUDENT CENTER
39	35	ARWY	MOBILE - AIRWAY SCIENCE
40	MOBILE	MOBE	MOBILE - ATHLETICS DEPT
41	MOBILE	MOBW	MOBILE - FITNESS CENTER
42	MOBILE	MOB1	MOBILE - MAILROOM
43	25	C502	MOBILE - SPONSORED PROGR
44	OFF	NWC	NEW WILM CAMPUS - MARKET STREET
45		POLE	POLE BUILDING
46	1	PDI	POLICE DEPARTMENT INFO CENTER
47	26	PRES	PRESIDENT'S HOUSE
48	37	JP	PRICE BUILDING
49	22	HE	PUBLIC SAFETY (FORMERLY HE)
50	OFF	SCHWTZ	SCHWARTZ CENTER
51	OFF	SORC	SMYRNA OUTREACH & RESEARCH CENTER
52		SPORTS	SPORTS STORAGE BUILDING
53	21	SHC	STUDENT HEALTH CENTER
54	OFF	SXTC	SUSSEX TECH HIGH SCHOOL
55	23	TUBM	TUBMAN HALL
56	15	WASH	U. S. WASHINGTON
57	43	UV1	UNIVERSITY VILLAGE BLDG 1
58	42	UV2	UNIVERSITY VILLAGE BLDG 2
59	41	UV3	UNIVERSITY VILLAGE BLDG 3
60	44	UVC	UNIVERSITY VILLAGE CAFÉ
61	47	AG	W.W. BAKER
62	11	AGANX	W.W. BAKER ANNEX
63	27	W - FE	WARREN - FRANKLIN EAST
64	27	W - FW	WARREN - FRANKLIN WEST
65		WATER	WATER TOWER
66		WILD	WILDCAT MANOR
67	30	LB	WM. C. JASON LIBRARY LRNG. CENTER
68	22	WYND	WYNDERS HALL

OFF = Off campus