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**Asset Management Manual**

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The *Asset Management Manual* provides information necessary for managing the assets of LSU Health Sciences Center New Orleans (LSUHSC-NO) from acquisition to disposal. Corrections, changes, or suggestions should be communicated to the Asset Manager at (504) 568-4841. In the event of an inconsistency or conflict, applicable Federal and State law, Louisiana Property Assistance Agency policies and University policies supercede college, department or lower unit bylaws, policies, or guidelines. The University reserves the right to add, amend, or revoke any of the contained rules, policies, regulations, and instructions or incorporate additional ones, with or without notice, as circumstances or the good of the University community may require.

**Contact Information**

Asset Management Email noinv@lsuhsc.edu

Chanel Baiamonte Asset Manager
(504) 568-4841 CBaiam@lsuhsc.edu

Crystal Nelson Administrative Coordinator IV
(504) 568-6281 CNelso@lsuhsc.edu

Rashad Ketchens Administrative Coordinator IV
(504) 568-6279 RKetch@lsuhsc.edu

Joe St. Clair Administrative Coordinator III
(504) 568-6280 JStCla@lsuhsc.edu

Holly Roberts Assistant Director Accounting Services
(504) 568-3061 HKRobe@lsuhsc.edu

**Departmental Responsibilities for Inventories**

LSU Health Sciences Center New Orleans requires departmental assistance in completing University inventories of taggable moveable equipment, answering questions relating to departmental equipment, receiving and processing Asset Management forms, coordinating the disposal of departmental equipment, and providing a contact point for University, State, and Federal audits. Moveable equipment should be secured and protected by all department personnel. Each department and/or division is required to have a Departmental Property Custodian (DPC) to facilitate this policy. The department should keep Asset Management informed of any changes in the DPC, so a current list may be maintained.

**Equipment Acquisition**

Individual departments may purchase equipment using state, local, sponsored, and agency funds. Regardless of the source of funds, all purchases must be made in accord with applicable federal and state law and university policy. Equipment also may be acquired by gift, donation, or lease/purchase; or it may be furnished by the government.

**Items of Property to be Inventoried**

To comply with federal and state requirements, Asset Management places an LSU Health Sciences Center New Orleans (LSUHSC-NO) tag number on all moveable property having an “original” acquisition cost, when first purchased by the state of Louisiana, of $1,000 or more, all gifts and other property having a fair market value of $1,000 or more, and all weapons and electronic media assets, regardless of cost, with the exception of items specifically excluded in LAC Title 34, Part VII Section 307.E, must be placed on the statewide inventory system.

LSUHSC-NO follows recommended guidance by the Louisiana Property Assistance Agency for tagging electronic media assets as defined in LAC Title 34.

* Electronic media assets to be tagged include any equipment, hardware, or system owned, managed, or utilized by an agency or its agents to transmit, store, or process data. Examples include, but are not limited to laptops, desktops, servers, routers, smart phones, PDAs, tablets, monitoring systems, printers, fax machines, or copiers.
* Electronic media excluded are currently items like CDs, DVDs, USB drives, SD cards, or internal system memory components.

Asset Management identifies and tags equipment as notification is made by the department. The department or individual receiving a taggable piece of moveable property should contact Asset Management as soon as the item is received. If an item is boxed, crated, or not in-service notification should be made to Asset Management of the circumstances.

**Acquisition of Vehicles**

Departmental purchases of vehicles using state, local, or sponsored funds must be made in accord with applicable federal and state law and university policy.

**Purchase:** Departments must follow applicable purchasing procedures in acquiring vehicles.

**Registration and Title:** Title vests with LSU Health Sciences Center New Orleans (LSUHSC-NO) immediately when a vehicle is purchased with state or local funds. Title to vehicles purchased with sponsored funds vary depending on the terms of the contract or grant.

1. The University Fleet Manager is responsible for registering the vehicle with the state Department of Motor Vehicles, adding university decals and/or any safety features applicable. A copy of the registration and title must be given to Asset Management.

2. To comply with federal and state requirements, LSUHSC-NO places a tag on all vehicles meeting the taggable criteria promptly upon receipt.

3. When the Fleet Manager receives the title, registration, and license plates the license plate should be applied to the vehicle, the registration and title should be placed in the vehicle with a copy going to Asset Management.

Vehicles that have not been properly identified and tagged may not be covered for insurance by the Office of Risk Management.

**Acquisition of Donated Equipment**

All equipment that is donated to LSU Health Sciences Center New Orleans (LSUHSC-NO) must be recorded, tagged, and placed on the Movable Property Inventory if value is $1,000 or greater of if the item is an electronic media asset.

It is the responsibility of the school or department that is receiving the donated asset(s) to have the donor complete all applicable forms and document acceptance and receipt of donated assets. Notification to Asset Management should include the following items:

1. A valuation review by the department of the donated asset consisting of documents supporting the valuation.
2. If required by donor, the completed State Tax form R-3400 Certification of Donation or Contribution of Property of a Sophisticated and Technological Nature, and/or the Federal Tax form 8283 Noncash Charitable Contributions.
3. Notification from the department by e-mail, letter or memo of the receipt and acceptance of the donation.

**Valuation Review:** A valuation review must be furnished to Asset Management for donated asset(s) having an estimated fair market value of $1,000 or more and/or electronic media assets. The Asset Management Department neither furnishes nor confirms an appraisal to the donor.

Valuation review methods include, but are not limited to, the following:

1. A written appraisal,
2. The net value of the asset as stated by the donor with documentation (for the new asset),
3. Documentation obtained from a qualified outside source such as “blue book” or a knowledgeable dealer, or
4. Identifying what it would cost the university if it were to purchase the gift outright from a vendor or an original bill of sale for new equipment.

The donated asset is recorded at fair market value at the date of the gift in the accounting records. Upon receipt of notification of the donated asset, Asset Management staff will contact the Departmental Property Custodian (DPC) and make an appointment to tag the asset. The Inventory database will then be updated to reflect the donated asset.

**Trade-In**

If the department determines that an asset can be traded-in, the department must include the asset tag number on the requisition and indicate that a trade-in is desired. All state and Health Sciences Center policies and procedures must be followed. This includes data sanitization guidelines are met for all electronic media. Bid and quote documents will clearly indicate the option of a trade-in to competing vendors.

Purchasing or Auxiliaries will notify Asset Management when a trade-in has been requested providing at least three quotes or sole-source documentation, if required by regulations. Asset Management will create the transfer on the LPAA system and forward a copy of the trade-in documentation. Once approved by the Louisiana Property Assistance Agency the trade-in may be completed.

**Relocation of Equipment On-Campus**

Departments moving taggable equipment from building to building, room to room (an intradepartment transfer), or department to department are required to notify Asset Management by either completing a Notice of Change in Moveable Equipment form or emailing an Asset Management designee.

**Relocation of Equipment Off-Campus**LSU Health Sciences Center New Orleans (LSUHSC-NO) taggable and non-taggable moveable property may be taken and used off-campus if used for permissible reasons and properly authorized.

Non-taggable movable property are tangible items that are non-consumable, have a useful life of more than 1 year but have an original acquisition cost/value of less than $ 1,000, and are not considered electronic media. These items are exempt from the inventory requirements. However, these items are still considered state property and should be handled accordingly.

Authorization by the Department Head or designated official is required for relocating taggable and non-taggable movable equipment off-campus. Proper approval and receipt includes a written authorization by using the Off-Campus equipment form or by electronic authorization (ie. email). Requests to remove non-taggable equipment should be requested/signed by the employee and approved/signed by the employee’s supervisor or Department Head. Departments are responsible for maintaining all inventory records including removal and return of non-taggable movable equipment. Title 34, Part VII of the Louisiana Administrative Code requires the University to obtain a receipt when state property is entrusted to employees taking property off-campus. Receipt and return of equipment should be sent to the Property Manager in the Asset Management Department.

Each taggable off-campus moveable equipment item will be inventoried by a form letter or other form of official acknowledgement of receipt.

Off-campus equipment should be returned to the University prior to an individual’s separation or upon notice by the Department Head, Dean, Vice Chancellor, Property Manager, or other authorized individual without reason or notice. Failure to produce the property could result in the individual reimbursing LSUHSC-NO the cost of the property.

A yearly inventory is performed for all LSUHSC-NO off-campus property as required by the Louisiana Administrative Code Title 34, Part VII, Chapter 5, Section 305. Off-campus property should be returned to the University prior to an individual’s separation or upon notice by the Department Head, Dean, Vice Chancellor, Property Manager, or other authorized individual without reason or notice.

In accordance with Section 5-8 of the Regulations of the LSU Board of Supervisors, “no one shall use for his or her own benefit or for any other personal purposes any University System property of whatever description; and no one shall be permitted to remove from the buildings or grounds any property belonging to the University System, unless approved by the President or appropriate official designated by the President.”

Title 34, Part VII, Chapter 5, Section 305 of the Louisiana Administrative Code requires the University to obtain a receipt when state property is entrusted to employees. Furthermore, employees to whom property is entrusted shall be liable for the payment of damages whenever his wrongful or grossly negligent act or omission causes any loss, theft, disappearance, damage to or destruction of property of his agency for which he is responsible. (Louisiana Administrative Code Title 34, Part VII, Chapter 5, Section 305 (e)). Receipt and return of equipment should be sent to the Property Manager in the Asset Management Department.

Violation of this policy constitutes misuse of University equipment, materials, services and other property and may result in University disciplinary action and/or criminal charges.

**Relocating Equipment to Subcontractor or Affiliated Entity Facilities**

University subcontractors or affiliated entities who control or possess university, government, or sponsor owned equipment must adequately care for and maintain this equipment and ensure that it is used as authorized by the contract or grant.

Asset Management may survey property control systems at subcontractor facilities at will. Subcontractors and affiliated entities must assist in the inventory of university, government, and sponsor owned equipment located at their facilities once every year. Asset Management will forward to each subcontractor or affiliated entity an inventory listing that must be reviewed and verified. **Annual Inventory**LSU Health Sciences Center New Orleans (LSUHSC-NO) is required by the Louisiana Property Assistance Agency (LPAA) Administrative Code Title 34, Chapter 5, Section 305 and the federal government to perform a physical inventory of all capital equipment each year. Asset Management/Property Control conducts inventories building-by-building using bar code scanners. When the inventories of all buildings on campus are completed, departments receive a “Missing” report of property that was not found. Departmental personnel then work on and complete the “Missing” reports.

Procedure for Inventory

Asset Management

1. Determine which buildings are scheduled to be inventoried, using a rotating schedule.
2. Conduct inventory of each building by using a blueprint of the building, and scanning room to room.
3. Conduct a manual search of items on the interim unders/discrepancy report.
4. A schedule should be prepared by building showing the start date of inventory, start date of manual search, and the ending date of inventory.

Upon completion of all buildings on campus:

1. Send “Missing” reports to department heads, deans, directors, business managers, or designees. (Note: the “Missing” report reflects all inventoriable equipment not found during the physical inventory.)

Department

1. Respond within 30 days to the “Missing” report by:
	1. Looking for assets that are “missing” and Confirm with Asset Management/Property Control whether asset(s) have been found.
	2. Include location of assets that have been found.
	3. Correct any other discrepancies for the asset(s) on the “Missing” report.
	4. Notate what might have happened to or circumstances regarding item if it remains “Missing”.

Asset Management

1. Any equipment not located remains in a missing inventory status for three years and then is reviewed for final disposition.
2. Equipment coded as missing may be found in future inventories. When this occurs the asset will be reinstated to in-service.

**Maintenance or Repair of Capital Equipment**

Capital equipment should be maintained by department personnel or outside vendors in accordance with the manufacturer’s recommended maintenance schedules. Records of maintenance performance or repair should be kept for each item of capital equipment.

**Use of University Equipment**

LSU Health Sciences Center New Orleans (LSUHSC-NO) prohibits personal use of University or sponsor owned equipment.

LSU Health Sciences Center New Orleans (LSUHSC-NO) property may be taken and used off-campus if used for permissible reasons and properly authorized.

In accordance with Section 5-8 of the Regulations of the LSU Board of Supervisors, “no one shall use for his or her own benefit or for any other personal purposes any University System property of whatever description; and no one shall be permitted to remove from the buildings or grounds any property belonging to the University System, unless approved by the President or appropriate official designated by the President.”

Employees to whom property is entrusted shall be liable for the payment of damages whenever his wrongful or grossly negligent act or omission causes any loss, theft, disappearance, damage to or destruction of property of his agency for which he is responsible. (Louisiana Administrative Code Title 34, Part VII, Chapter 5, Section 305 (e)). Receipt and return of equipment should be sent to the Property Manager in the Asset Management Department.

Violation of this policy constitutes misuse of University equipment, materials, services and other property and may result in University disciplinary action and/or criminal charges.

**Stolen University Equipment**

LSU Health Sciences Center New Orleans (LSUHSC-NO) departmental personnel must report stolen (or believed to be stolen) equipment immediately to University Police. Police reports are required by Louisiana Administrative Code Title 34, Part VII, Chapter 5, Paragraph 503, D.5. Act 1101 of the 2001 Legislative Session also requires the Legislative Auditor and the District Attorney to be notified of any apparent theft of public funds or assets. The police report is utilized for this notification.

**Disposal of Idle/Surplus Equipment or Scrap Equipment**

University departments are responsible for coordinating with Asset Management, I/T Administrators, and/or Safety for the disposal of all surplus or scrap equipment.

Electronic media equipment as defined by the Office of Technology Services that are subject to surplus, transfer, disposal, or otherwise permanently leave the possession of a state agency or its agents, except for lawful purpose shall be sanitized in accordance with Office of Technology Services Data Sanitization policies. In addition compliance with Louisiana Property Assistance Agency requirements are required.

Idle or surplus equipment should be made available to other university units or sent to Surplus Property. University property may not be donated to any organization. Departments should identify idle or surplus equipment, and if the property is determined to be of no use to another department, send it to surplus or salvage.

**Restrictions:** Departments are responsible for removing all paper, chemicals, biohazard materials, supplies, wires, data etc. that are not part of the intended Surplus or Scrap of Property. Contractors and/or Physical Plant will not pick up any equipment that has not been emptied. Compliance with University HIPAA, state, and federal regulations should be followed when preparing equipment for surplus or disposal. Property found not in compliance with these restrictions will be returned to the Department.

**Pick-up of Equipment:** The pick-up of equipment to relocate property to the Surplus location should be coordinated with Asset Management. Any special relocations or moves with Surplus or Scrap may need to be contracted individually with a moving company by the Department or Facilities.

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**Procedure for Surplus**

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| **Responsibility** | **Action** |
| Department | 1) Complete Notice of Change in Moveable Equipment form or e-mail Asset Management designee tag #(if tagged), item description, speedtype, location and department, etc. |
| Asset Management | 2) A form is electronically prepared to send to LPAA to get approval to surplus equipment.  |
|   | 3) Notify Department of approval or denial from LPAA to surplus equipment.  |
| Department | 4) Contact I/T Administrator to sanitize electronic data on computer equipment. |
| I/T Administrator | 5) I/T Administrator will sanitize electronic data on computer equipment as required by State law. |
| Asset Management | 9) Asset Management designee goes to Surplus location at time of delivery to verify equipment against original Notice of Change in Moveable Equipment Form or e-mail. |
|   | 10) Peoplesoft Location changed to Surplus location. |
| LPAA | 11) LPAA picks up the equipment at the Surplus location.  |
| Asset Management | 12) Equipment retired from the PeopleSoft Asset Management module. |

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**Procedure for Scrap**

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| **Responsibility** | **Action** |
| Department | 1) Complete Notice of Change in Moveable Equipment form or e-mail Asset Management designee tag #(if tagged), item description, speedtype, location and department, etc. |
| Asset Management | 2) A form is electronically prepared to send to LPAA to get approval to scrap equipment.  |
|   | 3) Notify Department of approval or denial from LPAA to scrap equipment.  |
| Department | 4) Contact I/T Administrator to sanitize electronic data on computer equipment. |
| I/T Administrator | 5) I/T Administrator will sanitize electronic data on computer equipment as required by State law. |
| Asset Management | 9) Asset Management designee coordinates with the Department instructions on pick-up for Scrapped equipment. Equipment is verified against original Notice of Change in Moveable Equipment Form or e-mail. |
| Asset Management | 12) Equipment retired from the PeopleSoft Asset Management module. |

**Relocation of Sponsor-Funded Equipment**

Faculty or principal investigators desiring to relocate their on-going research and property to another university may do so at no charge to the acquiring university except for shipping or freight. Sponsor-funded equipment that has been cost shared with state or local funds may be subject to reimbursement for the state or local participation.

University personnel are responsible for notifying a Sponsored Projects coordinator and Asset Management when sponsored-owned or funded equipment is being transferred to another university.

**Electronic Media Disposal and Data Sanitization**

For all electronic media, as defined by Office of Technology Services IT-POL-1-04 Data Sanitization policy, that are subject to surplus, transfer, disposal, or otherwise permanently leave the possession of a state agency or its agents, except for lawful purpose shall be sanitized in accordance with Office of Technology Services IT-STD-1-17 Data Sanitization – Standards and Requirements. In addition, compliance with HIPAA, all other state and federal regulations, all additional policies as established by the Office of Information Technology, LSU System Office PM-36 and University policy dictates for the removal of electronic data prior to any movement of equipment, including surplus, scrap or University department to department transfers.

The scope of this policy applies to all LSUHSC-NO electronic media. The method of sanitization should follow the Office of Information Technology policy IT-STD-1-17 and the matrix adopted from U.S. Department of Defense 5220.22-M.

 Procedures

Prior to any means of transfer, surplus, or disposal, systems should be adequately “sanitized”. This policy does not mandate computers transferred within a department.

1. Departments should complete a Change in Movable Equipment form or e-mail the appropriate information and forward to Asset Management.
2. Departments should contact their Information Technology representative to sanitize the equipment.
3. Computer equipment will be placed into a designated area for a technician to sanitize.
4. The Department or Information Technology should contact Asset Management once data sanitization is complete.
5. Asset Management will gain approval to surplus or scrap equipment from the Louisiana Property Assistance Agency.
6. After approval from LPAA the electronic media equipment will be picked up for scrap or surplus.

Reminder: Asset Management will not accept any equipment capable of storing information for surplus or scrap that has not been sanitized. Similarly, no electronic media equipment is to be transferred from a department until sanitization occurs. Such processes enable the institution to keep complete records for verification that information was adequately destroyed and enables equipment to be tracked to ensure appropriate data sanitization policies were followed.

Periodic audits by Asset Management may be performed to determine the effectiveness of this policy.

**Cannibalized Equipment**

In accordance with State Property Control Regulations Chapter 5.501E moveable property cannot be dismantled or cannibalized without prior approval of the Louisiana Property Assistance Agency. The act of cannibalization includes disassembling or dismantling equipment to the point of making the equipment unable to perform its intended use.

**Separation of Employment**

When an employee is separated from the University for any reason including but not limited to resignation, termination for cause, layoff, etc., it is the responsibility of the Department to follow up with separating employees to make arrangements for receipt of University property. The LSUHSC-NO Separation from the University Policy outlines in further detail all necessary steps to take when an employee is separating.

It is the responsibility of the departing employee to return all University property to the Department business manager or their designee. Failure to do so may result in delayed payment of terminal pay and/or leave.

If there is a dispute involved as to the receipt of moveable property, Departments must notify the Assistant Director of Cost Accounting after sufficient effort has been made to resolve the issue. Separating employees can resolve disputes by returning property in a timely manner and submitting written proof of receipt that the property was returned. If there is any unreturned property, University Counsel should be contacted to ensure withholding of funds is in accordance with the law.

**Disaster or Emergency Preparation –Asset Mananagement**

In the event of a perceived or known disaster or emergency the following steps should be taken where possible. If there are any questions or issues, please contact one of the numbers or e-mail addresses below for further instruction.

1. Download an inventory of current tagged assets or retrieve a list from Asset Management.
	1. (link not available at this time)
2. Document any untagged asset/equipment/inventory including manufacturer, model, and serial number. Digital pictures are also helpful in documenting information.
3. Protect and safeguard equipment by putting items away from windows or off the floor, locking doors, etc.
4. In the event that equipment is moved off-campus or to another location, please complete the *Notice of Change in Moveable Equipment Form or email Asset Management*. This process is important for Asset Management to complete an inventory of items that have been moved.

Any biohazard or chemical inventory items should refer to the Safety Department manual or instructions for Disaster or Emergency Preparation.

**Capitalization**

Capital assets acquired by the University departments are classified for accounting purposes into several major classes of assets. These include land, land improvements, buildings, construction in progress, infrastructure, equipment, intangibles, library acquisitions, and historical treasures and works of art. Special considerations must be noted for certain acquisitions and their related costs.

**Land**

All land acquired or donated shall be capitalized, except any land that is purchased for speculative purposes.

1. Acquisition by Purchase – Land purchased by the University is recorded at cost. Cost includes land; legal, title, and broker’s fees; landfill; and clearing, grading, and other costs necessary to prepare the land for its intended use. Land shall not be depreciated, but improvements to the land will be depreciated.
2. Acquisition by Gift or Bequest – Recorded at the fair market value at the date of the gift (appraisal usually has been completed).
3. Acquisition through Eminent Domain – Recorded at the amount of the court award made to the landholder(s).

**Land Improvements**

This category consists of land improvements outside the building. Improvements to land other than buildings, are required to make land ready for its intended use.

This category includes landscaping, fences, curbs, and similar items.

**Buildings**

Expenditures for new building or new construction must be $5,000 or greater to be capitalized.

1. Buildings – The cost of buildings (permanent structures housing persons and personal property) is the construction cost of the building shell and its components. Examples of construction costs include, but are not limited to, building materials, architects’ fees, building permit fees, subcontract fees, rent for property, other than real property, to complete construction, operating and maintenance costs for property used in the construction, site preparation, compensation for work performed, and cost of supplies consumed in the construction. Capitalization takes place during the completion of the project.
2. Building Components or Fixed Equipment – Building components are items permanently attached to the building shell necessary for the building to be used as intended. Building components are either integral to the building or cannot be removed without damaging the building or component. Examples of building components are plumbing systems, electrical wiring, and air-conditioning duct work. Examples of fixed equipment are flooring, lab benches bolted to floor, shelving constructed to affix to building, and awnings.
3. Building Additions – New additions to buildings resulting in additional square footage are capitalized regardless of the dollar threshold.
4. Renovations – Major building component replacements or renovations of a building that extend the original life of the building and/or increase its value to the university are capitalized with the exception of projects involving expenditures less than $5,000, which are considered an expense.
5. Fixed Property – Property affixed to the building. Examples include fume hoods, autoclaves and sterilizers, dormant scales, etc.
6. Demolition Costs – The cost of building demolition in preparation of new construction is added to the cost of the new building as “site preparation costs.” If new construction is not planned, the demolition costs are not capitalization.

**Construction in Progress**

Construction in Progress is the cost of construction work undertaken but not yet completed. The Construction in Progress asset account is a holding account which accumulates the costs of construction completed to date. Upon completion, capitalized costs are transferred to an asset classification such as buildings, equipment, etc. Construction in Progress amounts should not depreciate.

**Infrastructure**

Infrastructure is defined as long-lived capital assets associated with governmental activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Although these assets are long-lived, useful lives are assigned to these assets and they are depreciated. The capitalization threshold for infrastructure assets is $3 Million.

**Equipment Acquisitions**

Equipment Acquisitions are divided into two categories:

1.  Moveable Assets – Capital Equipment
2.  Moveable Assets – Capital Major Improvements

**Movable Assets – Capital Equipment**

Capital Equipment for LSUHSC-NO financial statement purposes defines capital equipment as a movable asset that costs $5,000 or more and has a useful life expectancy of greater than one year.When an item is purchased, it shall be considered to be Capital Equipment when it meets all of the following criteria.  If it does not meet all of the criteria, then it shall be considered a supply.

1. Under normal conditions of use, including reasonable care and maintenance, it has an anticipated useful life of greater than one year.
2. The total acquisition cost of the item meets the minimum cost criteria of $5,000 (Total acquisition cost is defined later).
3. The item will retain its original shape and appearance with use.
4. It is non-expendable; that is, if the item (in part or whole) becomes damaged or has worn parts, it is more cost effective to repair the item than to replace it with an entirely new item.
5. It does not lose its identity through incorporation into a different or more complex unit or structure.
6. It is not permanently affixed to a building or structure.

Care must be taken in applying the capitalization criteria to newly acquired assets.  In many instances, a single item may consist of several components that function together, but are often purchased separately (or listed on the purchase order as several line items).  In these instances, a thorough understanding of the item being purchased is required.

**Moveable Assets – Capital Major Improvements**

In addition to the initial purchase of a movable asset, expenditures that represent major improvements to an existing asset should be capitalized and the value added to the original asset cost.  This is not intended to include repairs and/or maintenance, which are expenditures that serve only to restore an asset to its original operating condition.

When a non-recurring expenditure is made that improves an existing Capital asset, it shall be capitalized and the value of the expenditure added to the asset when it meets **all** of the following criteria.  If it does not meet all of the criteria, then it shall be considered a repair part, repairs, or maintenance.

1.      The expenditure relates to an existing asset.

2.      The purpose of the expenditure is to improve the original asset – not merely repair or maintain it.  (Does the expenditure extend the useful life of the item?; does it allow the asset to function in more ways than it did when it was originally purchased?; does it upgrade the asset beyond its original capabilities?  Or does it merely return the asset to a condition similar to its original condition when purchased and/or allow its usual functions to continue unchanged?)

3.      The expenditure must be non-recurring.

**Total Acquisition Cost for Capital Moveable Assets**

When a movable asset is acquired, the following costs should be included in the total cost associated with acquiring the asset.

1.      The original invoice price actually paid for the item.

2.      All freight, handling, and/or storage charges paid that relate to the asset through delivery and installation.

3.      All specific in-transit insurance paid for the asset.

4.      All sales, use, or other taxes related to the purchase of the asset.

5.      All costs associated with installation of the asset including site preparation.  If the installation and/or site preparation is done by an outside contractor, the actual invoice amount should be added to the asset.

6.      All costs of testing and preparation.

7.      All books, manuals, or training guides necessary for the operation of the asset.

8.      All operating systems software purchased with the computer.

**Capital vs. Non-Capital**

When acquiring equipment correct coding is essential in determining capital vs. noncapital equipment.

**Equipment is capitalized for financial statement purposes with costs of $5,000 or more and has a useful life expectancy of greater than one year and should be coded to the capital equipment acquisition codes (570000-579699).**

If the total acquisition cost of the purchase is less than $5,000 the equipment will be considered an operational or supply purchase for financial statement purposes. This will not affect the original coding by the department or the tagging of the equipment.

Asset Management records the Capital equipment in the asset management peoplesoft asset management system at cost (net of any discounts and inclusive of freight, taxes, and installation), tags the Capital equipment with a unique identification number, and performs a physical inventory of the Capital equipment once a year.

**Intangible Assets**

An intangible asset is an asset with an initial life that extends beyond a single reporting period, lacks physical substance, and is nonfinancial in nature. Intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software which can be purchased or licensed or internally generated. Intangible assets, excluding software should be capitalized if the costs equal or exceed $100,000.

**Software**

Computer software that is purchased separately from the hardware should be capitalized if the cost of the software equals or exceeds $5,000and has a useful life expectancy of 2 years or greater.

Internally developed software should be capitalized if the costs equal or exceed $1,000,000 with a useful life expectancy of 3 years or greater. In accordance with Generally Accepted Accounting principles directed by NACUBO Advisory Report 99-7 which makes AICPA Statement of Position 98-1 applicable to public not-for-profit higher education institutions, only internally developed software costs associated with the application development phase should be capitalized. Costs associated with the preliminary project and the post-implementation/operating phases should be expensed as incurred. General and administrative costs and overhead expenditures associated with software development should not be capitalized.

**Library Books**

Library books are generally a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional or research libraries.

If library books are considered to have a useful life of greater than one year, they are capital assets and may be depreciated. Because most library collections consist of a large number of books with modest values, the changes in value for professional, academic or research libraries may be reported on an aggregated net basis.

**Historical Treasures and Works of Art**

Works of art as defined by this University are items which are considered inexhaustible and held for public exhibition, educational purposes, or research enhancement of public service instead of financial gain. Generally, collections of historical treasures and works of art will be considered inexhaustible, and therefore not be depreciated. However, special rules apply for the capitalization of these assets. If a collection was capitalized as of June 30, 1999, the collection must continue to be capitalized along with all additions to the collection. However, if the collection was not capitalized as of June 30, 1999, do not capitalize.

**Depreciation**

Generally, capitalized assets will be depreciated with the exception of land and other inexhaustible assets. LSU Health Sciences Center New Orleans (LSUHSC-NO) defines depreciation as the allocation of the total acquisition cost of a fixed asset over its estimated useful life.

**Depreciation Convention:** Straight-line depreciation, using the half-year convention with an assumed salvage value of zero, are the recommended methods to record depreciation expense. Straight-line depreciation is calculated by dividing the total net book value of the asset cost by the estimated remaining useful life. In the half-year convention, all property is deemed to be placed into service or disposed of at the midpoint of that fiscal year.

**Asset Cost:** Total asset cost includes purchase price or cost of construction plus any other charges incurred to place the asset in its intended location and condition for use. Donated assets are valued at their fair market value at the date of acquisition.

**Useful Life:** The estimated useful life of a depreciable asset is the period over which services are expected to be rendered by the asset. LSUHSC-NO uses the American Hospital Association (AHA) depreciation schedule to determine and validate the useful life of assets. Asset components and related estimated useful life is shown below:

Equipment                                                          AHA schedule

Software 3 year life

Land                                                                    No useful life

Land Improvements                                           20 year life

Building Shell                                                     60 year life

Building Systems                                               20 year life

Building Interior/Renovations                           18 year life

Building Fixed Equipment                                AHA schedule

Intangible Assets (excluding software) Contractual or legal term life/no useful life assigned to inexhaustible assets

Infrastructure 40 year life (Preliminary)

Historical Treasures & Works of Art No useful life

It is LSUHSC-NO’s position that the tables utilized in the American Hospital Association’s Estimated Useful Lives of Depreciable Hospital Assets booklet and other useful life estimates better meet the depreciation needs of the system. Guidelines are provided by OSRAP except in instances where the AHA lists a different useful life.

Changes to estimated useful lives, due to a material amount of assets fully depreciated but still in use, should be accounted for as changes in accounting estimates and reported prospectively per Governmental Accounting Standards Board (GASB) 34.

**Depreciable Basis:** The depreciable basis is what was paid for the item or its cost. Some adjustments to the basis may be made such as improvements to buildings or a casualty loss. If the asset is donated, the basis is usually the fair market value of the item at the time of transfer. An asset involving a trade-in of another asset requires adjusting its basis to account for the value of the asset traded in. If the asset traded in had already been depreciated, the new item’s depreciable basis is its cost less the trade-in value obtained.

**When Depreciation is Claimed:** An asset becomes qualified to claim depreciation when it is placed into business use or for the production of income, not necessarily when it was originally bought. LSUHSC-NO considers it being placed into use “when it is ready and available for specific use.” Assets considered as missing/retired are treated as disposed and do not claim depreciation unless the asset is located and is reinstated as active. Depreciation of newly constructed buildings will commence in the year of useful occupancy.