

Volume No. 1— Policies and Procedures	TOPIC NO	30205
Function No. 30000—Capital Asset Accounting	TOPIC	Acquisition Method
Section No. 30200—Asset Acquisition	DATE	May 2009

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Overview

Introduction

The purpose of this topic is to establish the policies by which agencies account for asset acquisitions. There are various methods by which assets can be acquired. The asset acquisition method determines the basis for valuing the asset. See CAPP Topic No. 30210, *Acquisition Valuation*.

Asset items that meet the criteria for inclusion in the Fixed Asset Accounting and Control System (FAACS) can be acquired in the following ways:

- New purchases
- Donations
- Transfers from other State agencies
- Federal or State surplus
- Internal/external construction
- Lease purchases
- Trade-ins, and
- Forfeiture or condemnation.

Property management personnel are responsible for identifying assets that must be entered or updated in FAACS. Input documentation include the CARS transaction listing of potential capital assets (or the equivalent paid vouchers listing for institutions of higher education), vouchers, purchase orders, receiving documents, warranty data, deeds, and other source documents.

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Policy

Acquisition

In acquiring assets, agencies must adhere to the rules and regulations in the *Agency Procurement and Surplus Property Manual*, published by the Division of Purchases and Supply (DPS), Department of General Services.

To avoid unnecessary and duplicative purchases, agencies and institutions should ensure that for major acquisitions, assets requisitioned are screened against available assets from other agencies and institutions. For further information, see CAPP Topic No. 31105, *Federal Requirements*, for assets acquired with federal funds.

State agencies are authorized to make direct purchases of goods and printing within the limits delegated by DGS/DPS, the acquisition of telecommunications services within limits delegated by VITA, and the acquisition of vehicles and related supplies within limits established by DGS, Office of Fleet Management. Other requirements must be processed through DGS or VITA, as applicable.

Software and other intangible assets must be reported in accordance with CAPP Topic No. 30325, *Software and Other Intangible Assets*.

Screening Reports

Two screening reports are produced by the Fixed Asset Accounting and Control System (FAACS) listing available assets. These reports should be reviewed prior to significant asset acquisitions and are shown in the following “Procedures” topic.

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Procedures

Screening Reports

The following screening reports are generated for assets that have been coded as available and in operable condition. Additional information and a sample of these reports are located in CAPP Topic No. 70365, *Reports*.

FAACS FAC30020, Screening Report

An agency-specific report sorted by Organization and then by Nomenclature Within the Organization. This report lists assets within the agency available for use by other divisions or departments. Elements listed for this report include:

- Nomenclature Code
 - Availability Code
 - Condition Code
 - Ownership Code
 - Tag Indicator
 - Item Description
 - Inventory Number
 - Responsible Position
 - Responsible Description
 - Useful Life
 - Agency Loan To
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FAACS FAC301, Screening Report

Lists all assets within the Commonwealth that are surplussed and may be available for any agency. The report is sorted by Nomenclature and then by agency within the Nomenclature. The elements for this report are the same as those for the FAACS FAC30020. Contact DOA to obtain the statewide FAC301 screening report.

Timing of Recordation

All recordable assets, except constructed assets, should be recorded in FAACS as soon as possible after title passes. **Except in unusual circumstances, assets should be posted within 30 days after receipt and acceptance of the asset. Asset acquisitions should be posted to FAACS in the fiscal year the asset was acquired. Similarly, asset disposals should be posted to FAACS in the fiscal year the disposal occurred.**

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Procedures, Continued

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Equipment Purchases Title is considered to pass at the date the equipment is received. Similarly, for donated assets, title is considered to pass when the asset is available for the agency’s use and when the agency assumes responsibility for maintaining the asset.

Constructed Assets Constructed assets are transferred from the construction in progress account to the related building, infrastructure, or equipment accounts when they become operational. Constructed buildings, for example, are assumed to be operational when an authorization to occupy the building is issued, regardless of whether or not final payments have been made on all the construction contracts.

New Purchases New purchases must be recorded in FAACS if the asset meets the capitalization criteria or if the agency determines it is a controllable asset. See CAPP Topic No. 30305, *Capitalized or Controlled Assets*.

Upon notification of receipt, property management personnel inspect the item, record the item's physical condition and other characteristics, and tag the item with a unique inventory identification number. Receiving and inspection responsibilities of the agency are described in the *Agency Procurement and Surplus Property Manual*. This information can be held until cost information is available, which may not be until the agency completes payment for delivered items. The data cannot be released for update into FAACS until all required information has been entered.

Donations Donations are not recorded in CARS and, therefore, will not appear on the CARS listing of potential capital assets. **Agencies must develop their own internal policies and procedures to ensure that donated items are identified and properly recorded in FAACS.**

Transfers From Other State Agencies Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, requires that an asset transfer between state agencies be treated as a related party transaction. This requires the asset be recorded at the book value of the transferring entity. The easiest way to accomplish this task is to record the asset at the original historical cost, acquisition date and nomenclature of the disbursing agency.

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Procedures, Continued

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Federal and State Surplus Property

Assets (usually equipment) are acquired from Federal and State surplus through procedures prescribed by the Surplus Property Component of the Division of Purchases and Supply. The individual performing the property management function is responsible for inspecting, tagging, and recording the physical data of the acquired surplus property.

Internal / External Construction

Agencies that construct capital assets using their own labor and materials that meet the capitalization or controllable criteria must be recorded in FAACS. See CAPP Topic No. 30305, *Capitalized or Controlled Assets*. Basic documentation for construction may exist in CARS (or the local accounting system) if proper coding conventions are utilized (e.g., project codes). *The agency should accumulate the ongoing construction costs in FAACS as Construction in Progress (CIP) using the Form 4 data entry form. Upon completion of the construction project, the CIP should be reversed in FAACS and the asset should be recorded using the applicable “building,” “infrastructure” or “equipment” asset categories. In most instances, land will not be a component of CIP and will be recorded into FAACS directly in the “land” asset category.*

Agencies may also construct an asset using outside resources. *When a construction project is contracted out, the agency should track all costs using the CIP asset category, and upon completion, the CIP should then be reversed and the completed asset should be recorded in FAACS in the appropriate asset category as discussed above.*

Lease Purchases

Assets may be lease-purchased through installment purchases (an agreement in which title passes to the agency) or through lease financing arrangements (an agreement in which title may or may not pass). Assets acquired through installment purchases should be entered into FAACS. Assets that are leased should be entered into the Lease Accounting System (LAS), refer to CAPP Topic No. 31205, *Lease Accounting Introduction*.

Agencies considering a lease purchase for greater than \$10,000 and other than from an established State contract must consult with Treasury staff regarding the Treasury Board Equipment Financing Program.

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Procedures, Continued

Trade-Ins Agencies may acquire assets using a trade-in. For information on determining the value of trade-in assets, see CAPP Topic No. 30210, *Acquisition Valuation*.

Forfeiture or Condemnation On occasion, the State may take title to property forfeited by a taxpayer in lieu of payment of taxes. For information on determining the value of assets obtained by forfeiture or condemnation, see CAPP Topic No. 30210, *Acquisition Valuation*.

Internal Control

General Each agency and institution should implement internal control procedures to ensure that:

- All assets are acquired using an acceptable method of acquisition
 - All assets are recorded in a timely manner, and
 - All assets are properly accounted for.
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Records Retention

General Fiscal records related to managing capital assets should be retained for a period of 2 years plus current fiscal year, or until audited, whichever is greater. However, for pending, ongoing, or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements.

Destruction of records must be in accordance with policies and procedures of the Records Management Section, The Library of Virginia.

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DOA Contact

Contact Assistant Director, Financial Reporting
 (804) 225-2257
 FAX (804) 225-2430
 finrept@doa.virginia.gov

Subject Cross References

References CAPP Topic No. 30210—*Acquisition Valuation*
 CAPP Topic No. 30305—*Capitalized or Controllable Assets*
 CAPP Topic No. 31105—*Federal Requirements*
 | CAPP Topic No. 31205—*Lease Accounting*
 CAPP Topic No. 31210—*Economic Analysis*
 CAPP Topic No. 30325—*Software and Other Intangible Assets*
 CAPP Topic No. 70365—*Reports*
