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| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Table of Contents

| | |
|---|----------|
| Overview | 2 |
| Introduction | 2 |
| Policy | 2 |
| Asset Nomenclature Codes | 2 |
| General | 2 |
| Procedures | 3 |
| Nomenclature Code Structure | 3 |
| Federal Cost Category | 3 |
| Asset Category | 4 |
| Major Nomenclature | 4 |
| Minor Nomenclature | 4 |
| Requesting New Nomenclature Codes | 5 |
| Assignment and Control Procedures | 5 |
| Table Form Instructions | 6 |
| List of Nomenclature Codes | 7 |
| Internal Control | 9 |
| General | 9 |
| Records Retention | 9 |
| General | 9 |
| DOA Contact | 9 |
| Contact | 9 |
| Subject Cross References | 9 |
| References | 9 |

| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Overview

Introduction The purpose of this topic is to provide guidance on the Fixed Asset Accounting and Control System (FAACS) asset classification structure. FAACS requires a standard asset classification procedure to determine the useful life for similar assets. It enables the system to produce reports needed for screening and other internal control purposes.

Policy

Asset Nomenclature Codes To distinguish asset codes required for FAACS from the other State or agency asset codes, FAACS codes are designated as **Asset Nomenclature Codes**.

General An 11-digit nomenclature code is to be entered by all central FAACS Users to establish uniformity in accounting for capital asset transactions. The nomenclature codes located in CAPP Topic No. 60302, *Nomenclature Codes*, show corresponding

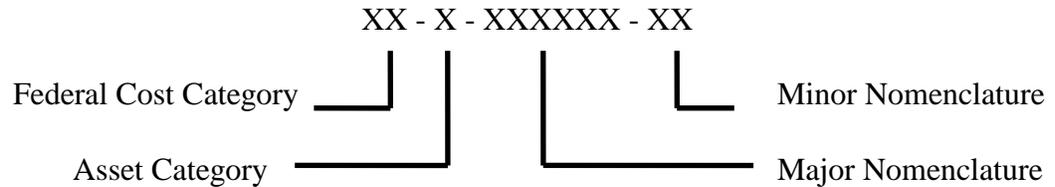
- commodity codes (developed by the Department of General Services) and
- financial object codes (groups assets in a systematic structure).

Summary FAACS users are not required to use the FAACS nomenclature code. However, they must be able to perform depreciation for indirect cost reimbursement purposes according to federally determined asset categories and the Comptroller's useful life cycle range estimates.

| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Procedures

Nomenclature Code Structure The nomenclature code is an 11-character numeric code required for each asset entered in FAACS. The code structure is as follows:



Federal Cost Category The first two digits indicate the federal cost category under which the capital asset falls. This code is used for indirect cost calculations and other related purposes. Examples of the federal cost category codes are transportation equipment, automated data processing equipment and office equipment. The currently assigned federal cost category codes are as follows:

- 01 Land
- 02 Buildings
- 03 Improvements Other Than Buildings (Infrastructure in FAACS)
- 04 Office Equipment
- 05 Research Equipment
- 06 Transportation Equipment
- 07 Automated Data Processing Equipment
- 08 Academic or Agency Support Equipment
- 09 Building Components

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| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Procedures, Continued

Asset Category The third digit indicates the major asset class under which the capital asset is assigned. The asset category is used for edit purposes and to separate assets into one of the four asset classes reported on the Comprehensive Annual Financial Report (CAFR). The asset categories are Land, Buildings, Equipment, and Infrastructure, (formerly Improvements Other Than Buildings). A fifth asset category, Construction-in-Progress (Summary Maintenance), does not require a nomenclature code.

Major Nomenclature The next six digits indicate the major asset group under which the capital asset falls. The Department of Accounts (DOA) assigns these codes in sequential order. Examples of major asset groupings are typewriters, computers and desks.

Minor Nomenclature The final two digits are reserved for agency classifications that require greater detail than that contained in the major nomenclature. This feature may be useful, for instance, if the FAACS nomenclature is for typewriters and the agency prefers to further classify its typewriters into manual and electric categories. The agency may use the last two digits to categorize any FAACS nomenclature code into a maximum of 99 subclassifications. FAACS produces agency reports to the desired level of detail. DOA FAACS personnel must enter these codes into the system. If this option is not chosen, zero fill these last two digits.

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| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Procedures, Continued

Requesting New Nomenclature Codes

Since nomenclature codes are used by many agencies, certain attributes, such as the useful life, are rarely changed. If you determine that an asset requires a different useful life other than the one(s) that has been assigned, you should submit a request for DOA to establish a new code with an appropriate useful life for your asset. Also, as new technology becomes available and new assets come into use, new nomenclature codes will need to be established. To request a new code, you may:

- send a memo or an Email to the Assistant Director, Financial Reporting, at DOA, or
- submit a Nomenclature Table Specification Form to DOA (see below in this topic).

Your request for a new code should indicate a recommended useful life and you should attach any reasonable supporting documentation.

The Assistant Director, Financial Reporting, reviews the requests or forms. If the request is acceptable, a new nomenclature code is assigned. A Nomenclature Table Specification form with instructions is in the subtopic "Instructions for Completing the Nomenclature Table Specification Form."

Assignment and Control Procedures

Agencies are periodically supplied with copies of the nomenclature code table as additional codes are created. DOA FAACS personnel perform the maintenance of the nomenclature code table.

The code values must be entered on the appropriate screen for each new acquisition. Agency personnel must check with DOA for any acquisitions in which an appropriate nomenclature code has not been established.

The first nine characters of the code are assigned by DOA and are not subject to agency modification. The remaining two characters are reserved for agency specification. Agencies must notify DOA of minor nomenclature codes as well as desired major nomenclature codes not available in the system by submitting Nomenclature Table Specification Form (FAACS Form 83). See subtopic "Instructions for Completing the Nomenclature Table Specification Form."

DOA's Assistant Director, Financial Reporting, reviews the request. If approved, changes are entered into FAACS. Agencies should be aware that changes to the useful life of an asset might necessitate adjustments to prior period depreciation calculations.

| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Procedures, Continued

Table Form Instructions

FAACS Form 83, "Nomenclature Table Specification Form," allows you to

- Add a new nomenclature code to the table.
- Establish or change the minor nomenclature code field of an existing asset.
- Establish a new nomenclature code if the useful life is different than the one assigned to an existing asset.

The following instructions for completing the "Nomenclature Table Specification Form" apply only to the fields required at your agency's level. Since a nomenclature code may have many users, the following fields may NOT be changed. Therefore, omit completing these fields on the Nomenclature Table Specification Form:

- Form Code
- Object Code
- General Ledger Account, and
- Commodity Code.

The following fields should be completed on an agency's request:

ACTION CODE - A code representing the nature of the action desired by the agency. The following are valid codes:

| <u>Code</u> | <u>Type of Action</u> |
|-------------|-----------------------|
| 1 | Delete |
| 2 | Add |
| 3 | Change |

ASSET CATEGORY - Indicate the proper category (1 = Land; 2 = Buildings; 3 = Improvements Other Than Building (Infrastructure in FAACS); and 4 = Equipment).

FEDERAL COST CATEGORY - Indicate the proper Federal cost category. (See subtopic "Nomenclature Code Structure.") This must be compatible with asset category.

MAJOR NOMENCLATURE - Leave blank and all other information completed for new assets. For assets being acquired, for which a nomenclature code does not exist, the form will serve to request a code assignment through DOA.

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| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Procedures, Continued

Table Form Instructions continued

MINOR NOMENCLATURE - This field is reserved for agency use and may be used to further categorize any FAACS major nomenclature code into a maximum of 99 subclassifications. A major nomenclature **MUST** exist before a minor nomenclature can be established. This field is "00" if no minor nomenclature is specified.

AGENCY - Enter your 3-digit agency code.

DEPRECIATION TYPE - Specifies the type of depreciation method to be applied to the asset's nomenclature code. The following are valid codes:

- S** Straight line depreciation. (normally used)
- U** Used by indirect cost calculation agencies, when the asset class receives a use allowance charge instead of depreciation.
- N** Used when an asset nomenclature class is **NEVER** depreciated and **NEVER** receives a use allowance charge.

DEPRECIATION RATE – Completed only if a use allowance charge (Depreciation Type "U") is being applied to the asset class. This field indicates the percentage of use allowance to be charged per year for the particular asset class. For example, 2% for buildings and 6 2/3% for equipment class.

USEFUL LIFE - If an agency determines that an existing asset class' useful life does not meet its needs, a new nomenclature code with a new useful life, expressed in whole years, should be requested and submitted to DOA for approval. Upon approval, DOA will establish a **new** nomenclature code with the requested useful life. A useful life that is within 20% of that specified by the relevant nomenclature code may be entered in an asset's master file record.

ITEM DESCRIPTION - Up to 30 characters may be used to describe the asset class.

List of Nomenclature Codes

A list of Nomenclature Codes can be viewed by following the procedures shown in CAPP Topic No. 60302, *Nomenclature Codes*. There are two lists available—one in numeric order and another in alphabetical order.

The nomenclature codes should be reviewed by agency property managers to ensure that all agency property is located in one of the available codes. DOA creates additional codes as necessary to capture all agency capital assets not currently listed in the nomenclature code table.

| | | |
|---|----------|--------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

**FIXED ASSET ACCOUNTING AND CONTROL SYSTEM
NOMENCLATURE TABLE SPECIFICATION FORM**

| | | | | | |
|--|----------------------|-------------------|-----------------------|-----------------------|----------------|
| FORM CODE | FED COST CATEGORY | ASSET CATEGORY | MAJOR NOMENCLATURE | MINOR NOMENCLATURE | AGENCY |
| ACTION 1 - DELETE 2 - ADD 3 - CHANGE | Q/L ACCT | DEPREC TYPE | DEPREC RATE | USEFUL LIFE | COMMODITY CODE |
| OBJECT CODE | ITEM DESCRIPTION | | | | |

| | | | | | |
|--|----------------------|-------------------|-----------------------|-----------------------|----------------|
| ACTION 1 - DELETE 2 - ADD 3 - CHANGE | FED COST CATEGORY | ASSET CATEGORY | MAJOR NOMENCLATURE | MINOR NOMENCLATURE | AGENCY |
| OBJECT CODE | Q/L ACCT | DEPREC TYPE | DEPREC RATE | USEFUL LIFE | COMMODITY CODE |
| ITEM DESCRIPTION | | | | | |

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| ACTION 1 - DELETE 2 - ADD 3 - CHANGE | FED COST CATEGORY | ASSET CATEGORY | MAJOR NOMENCLATURE | MINOR NOMENCLATURE | AGENCY |
| OBJECT CODE | Q/L ACCT | DEPREC TYPE | DEPREC RATE | USEFUL LIFE | COMMODITY CODE |
| ITEM DESCRIPTION | | | | | |

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|--|----------------------|-------------------|-----------------------|-----------------------|----------------|
| ACTION 1 - DELETE 2 - ADD 3 - CHANGE | FED COST CATEGORY | ASSET CATEGORY | MAJOR NOMENCLATURE | MINOR NOMENCLATURE | AGENCY |
| OBJECT CODE | Q/L ACCT | DEPREC TYPE | DEPREC RATE | USEFUL LIFE | COMMODITY CODE |
| ITEM DESCRIPTION | | | | | |

| | | |
|---|-----------------|---------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30315 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Nomenclature Codes |
| Section No. 30300—Asset Categorization | DATE | July 2012 |

Internal Control

- General** Each agency and institution should implement internal control procedures to ensure that—
- Assets are assigned the appropriate nomenclature code.
 - Assets are assigned the correct depreciation type. For example, assets that are depreciated should have a depreciation type of **S**.
 - A Form 83, *Nomenclature Table Specification*, is submitted to DOA for assets requiring a new nomenclature code or changes to an existing nomenclature code.
-

Records Retention

General Fiscal records related to managing capital assets should be retained for a period of two 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.

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. 20705, *Indirect Cost Recovery*
 CAPP Topic No. 60302, *Nomenclature Codes*