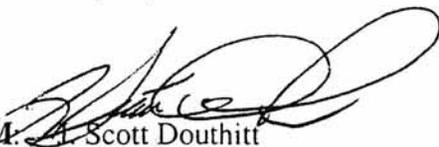




MEMORANDUM

DATE: July 21, 2005

TO: All Departments

FROM: 
A. Scott Douthitt
Finance Director

SUBJECT: Changes to the Other Equipment Inventory Requirement as Stated in Administrative Directive 4.01-3, *Fixed Assets and Other Equipment*

Departments have been required to take annual physical inventories of other equipment as a means of ensuring that departments could account for all other equipment items in their possession. However, the amount of time required to conduct the annual physical inventory, combined with the accounting treatment for these items, does not warrant the continuation of past practices. Therefore, effective immediately, departments are no longer required to conduct an annual physical inventory of other equipment items as stated in Administrative Directive (AD) 4.01-3, *Fixed Assets and Other Equipment*.

Departments will remain responsible for ensuring that other equipment items are properly safeguarded. Property tags must still be affixed to all these items to indicate the City's ownership and a perpetual inventory list must be maintained for items costing less than \$5,000 but more than \$1,000.

Also, departments have the option of maintaining a perpetual inventory list for select items costing less than \$1,000, such as laptops and digital cameras, which are portable and may be reported as lost or stolen more often than other items of similar value.

The revised version of AD 4.01-3 will be published as soon as possible. As a reminder, the fixed asset section of the AD is still in force and you will be notified of any changes to that section.

The Finance Department wishes to thank all departments for their diligence in following the other equipment inventory procedures that were in effect for many years. If you need assistance regarding the optional inventory, or you have any questions, please call Dennis Woodrich, Principal Auditor, at 4343 extension 321, or Jane Prior, Internal Audit Manager, at extension 326.

JSD:JEP

C: Mike Letcher, Deputy City Manager



ADMINISTRATIVE DIRECTIVE

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I. PURPOSE

This directive:

- A. Defines record keeping procedures concerning the acquisition, identification, location, and description of fixed assets and other equipment;
- B. Defines procedures to transfer property between departments, to Stores Surplus, from Stores Surplus, or to cannibalize property;
- C. Assigns responsibility for safeguarding fixed assets and other equipment; and,
- D. Defines procedures concerning lost, stolen, or damaged property.

(Not covered by the directive is the reporting damage to City vehicles and Heavy equipment, which is covered by A.D. 6.01-2 and the disposition of Real Property, which is covered by A.D. 4.02-1).

II. DEFINITIONS

- A. **Fixed Assets** – Those assets costing \$5,000 or more with a useful life of more than one year. The cost of major repairs or alterations (no dollar limit) which enhance the value or extend the life of an asset are added to the original cost of the asset.
- B. **Other Equipment** – Those assets costing less than \$5,000 with a useful life of more than one year. Included in this category are such items as computer equipment, small tools, small office machines, and certain office equipment. Assets costing less than \$500 may be included on the Other Equipment Inventory at the departments' discretion.
- C. **Property** – Fixed assets and other equipment.
- D. **Stores Surplus Property** – Property which has been transferred by City departments to Stores for disposition (transfer to another City department, sale, or any other method of disposal.).
- E. **Missing Property** – Property that has been lost or stolen.
- F. **Damaged Property** – Any City property whose value has been reduced by vandalism, an accident, an act of nature, or negligence.
- G. **Property Transfer Form** – A form, submitted to the Procurement Department, containing information pertaining to the transfer of property between departments, to Stores Surplus, or from Stores Surplus (see Section VI and Attachment A).



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H. Report of Survey – A form, submitted to the Audit Division of the Finance Department, which contains information pertaining to the loss, theft, damage, or cannibalizing of fixed assets, or other equipment with a purchase price of \$500 or more (see Section VII and Attachment B).

I. Surplus Property – Property not needed, obsolete, or in non-working condition.

J. Cannibalize – To dismantle or disassemble property for the purpose of reusing parts (see Section VII.C., page 7).

III. POLICY

A. Record keeping in accordance with the procedures in this directive – Department Directors are responsible for maintaining accurate records for the acquisition, transfer, and disposition of fixed assets and other equipment.

B. Personal Use of City property – Under no circumstances is any department or employee authorized to sell, or take for personal use any City property, supplies, or material without the prior written approval of the Director of Procurement.

C. Inventory – Department Directors are responsible for conducting an annual inventory of their department’s property and for providing information needed by the Finance Director to maintain the Fixed Asset Inventory (see Section V).

D. Unneeded Property – Department Directors are responsible for reviewing their Department’s property on an ongoing basis to identify property that is no longer needed, and to make it available to other departments or dispose of it through Stores Surplus.

E. Loan of City Property to Outside Agencies – Department Directors are responsible for loans of City property to be used by outside agencies. Written approval must be obtained from Risk Management prior to loaning the use of any City property to any non-City agency or individual.

IV. SAFEGUARDING OF FIXED ASSETS AND OTHER EQUIPMENT

A. Storage – Department Directors are responsible for safeguarding all fixed assets and other equipment charged to their custody. Property is to be protected against damage, theft, or unauthorized use.

B. Staff Training – Department Directors are responsible for ensuring that employees are adequately trained in the proper use and care of assigned property.



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C. Maintenance – To maintain the value of the City's Property, Department Directors shall ensure that all assigned fixed assets and other equipment receive proper maintenance.

D. Assignment of Property – Departments shall maintain a record of accountability (such as a voucher system) for property assigned temporarily or permanently to individuals for use in the field.

V. RECORD KEEPING FOR FIXED ASSETS AND OTHER EQUIPMENT

A. Fixed Assets

1. Fixed Asset Procedure Manual – The Accounting Division of the Finance Department will record and maintain fixed asset information following procedures detailed in the Fixed Asset Procedure Manual. This manual is to be reviewed annually by the Finance Director and revised as needed. Department Directors shall ensure that their internal procedures agree with the internal control principles provided in the Fixed Asset Procedure Manual.

2. Fixed Asset Register – It is the responsibility of the Finance Director to maintain a perpetual inventory (Fixed Asset Register) of all City-owned fixed assets. It is the responsibility of Department Directors to ensure that the information provided for that Register is correct.

3. Receiving Fixed Assets – When a department receives the copy of the invoice or the packing slip it shall be compared promptly to the actual equipment, verifying that the invoice descriptions, including serial numbers are accurate. If the descriptions do not match, the Department Director or designee will specify the differences on the invoice copy and return it to Accounts Payable/Accounting Division. The Department shall notify, in writing, the Procurement Department for appropriate action.

4. Tagging of Equipment – When received from the Accounting Division, the Department will promptly affix property tags to the fixed assets. In addition, Department Directors or designee will ensure that the accompanying acquisition input documentation is promptly validated, any corrections noted, and returned to the Fixed Assets Accountant of the Accounting Division.

5. Annual Inventory – During August, the Accounting Division will provide a Fixed Asset Register to all departments. Department Directors will ensure that all department fixed assets are inventoried within 30 days of its receipt. Requests for extensions, if necessary, should be directed to the Accounting Division. The register, with changes noted, along with any necessary Reports of Survey, is to be signed by the Department Director and returned to the Accounting Division.



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B. Other Equipment

1. **Perpetual Inventory** – A detailed record (description, purchase date, cost, location) shall be maintained by departments for their Other Equipment Inventory. Deletions of other equipment from the record shall occur only upon written authorization from individuals designated by the Department Director, and after procedures for transfer, loss, or theft of property have been followed – (see Sections VI and VII below).

2. **Annual Inventory** – An annual inventory is to be conducted as of June 30 for all other equipment on the perpetual inventory record. The inventory is to be certified by the Department Director. The inventory record, along with a listing of all fiscal year deletions (with reasons noted) is to be maintained on file within each department. A memo certifying that the inventory has been performed and a copy of the inventory register shall be submitted by each Department Director to the Finance Director by September 30th each year. Requests for deadline extensions, if necessary, should be directed to the Internal Audit Section of the Finance Department.

3. **Other Equipment Tags** – Other equipment shall be promptly tagged when received. Property tags for other equipment can be ordered from Stores.

VI. SURPLUS CITY PROPERTY

Surplus Department Property may be transferred between organizations within a department, transferred between departments, transferred to Surplus, or cannibalized. (specific procedures apply to the transfer and disposition of Communications and Other Electronic Equipment – see A.D. 1.08-2).

A. Transfer between Organizations within a Department

The Department Director or Assistant Department Director shall immediately notify the Accounting Division by memorandum of any transfer of fixed assets between departmental organizations. If other equipment is transferred between organizations within a department, written documentation of the transfer should be maintained in the records of both the receiving and transferring organizations.



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B. Transfer between Departments

Property determined by the department to be of value, in good condition, and with future use potential, should be made available to other departments.

1. Other Equipment: Other equipment transferred between departments requires no Property Transfer Form or notification to the Accounting Division; however, both departments will document the transfer in their Other Equipment Inventory records.

2. Fixed Assets:

a. Originating Department (department transferring property): This department initiates and completes Sections A, B, and C of the Property Transfer Form (Attachment A) and sends all copies to the Receiving Department. (Note: Current Value is not the original purchase price).

b. Receiving Department (department receiving property):

(1) Upon receiving the Property Transfer Form, the Receiving Department completes sections D (include the organization number) and E and arranges for the physical transfer of the item(s).

(2) Obtains Receiving Officer signature and employee number when the item(s) are delivered.

(3) Sends the completed Property Transfer Form to the Stores Division.

c. Stores Division:

(1) Approves the Property Transfer Form and assigns a control number.

(2) Forwards the completed Property Transfer Form to the Accounting Division for final distribution.

d. Accounting Division:

(1) The Fixed Assets Accountant updates the Fixed Asset Register upon receipt of Property Transfer Forms involving fixed assets and distributes copies. If the transfer involves enterprise or federal funds, a



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copy of the Property Transfer Form is given to the appropriate fund accountant.

(2) Transfers, including vehicles, between departments and enterprise funds (Water and Golf) or federal funds require a fee charge equal to the current value of the property transferred. The fund accountant will record/delete the property in the general ledger and make the transfer of funds, as agreed upon between the departments involved, and recorded on the form.

C. Transfer to or from Surplus

Property held in Stores Surplus is available to other departments. Departments may view property at the surplus warehouse (720 E. Ajo) daily from 7:30 a.m. – 2:00 p.m. Surplus property selected by a department will be reserved for ten (10) working days while Property Transfer Form is processed by the department. If the Property Transfer Form is not processed within ten (10) days, the property will be taken off hold and made available to other departments.

Small items of surplus (other equipment) that are broken and cannot be brought back to operating condition at a reasonable cost (e.g., a hand-held calculator or a fan), or would have no value at an auction (e.g., outdated law books) may be disposed of at the departmental level and need not be sent to Surplus. The department will update their Other Equipment Inventory records by noting the item was destroyed.

1. Department initiates the Property Transfer Form (Attachment A). If transferring property from Surplus, the department completes Sections A, D, and E. The receiving officer signature is left blank. In Section B, "Surplus" is entered as the department name. If transferring property to Surplus, the department completes Sections A, B, and C. In Section D, Surplus is entered as the department name and the shipping officer signature is left blank. The completed Property Transfer Form is sent to Stores/Surplus.

2. Stores:

- a. Approves the transfer and assigns a transfer number to the Property Transfer Form.

- b. Will pickup or deliver property to departments without transportation, with the exception of large items such as copiers. Pickup or delivery of large items will require the department to use the City's contract mover, at the department's expense.



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- c. Will notify departments that are able to transport property as to when to deliver or pickup the item(s).

If the transferred property includes only other equipment, or items with no property numbers, the Stores Division will distribute the completed Property Transfer Form. If the transferred property includes any fixed assets, the completed Property Transfer Form will be forwarded to the Accounting Division for final distribution.

3. Accounting Division:

- a. The Fixed Assets Accountant updates the Fixed Asset Register upon receipt of Property Transfer Forms involving fixed assets and distributes copies. If the transfer involves enterprise or federal funds, a copy of the Property Transfer Form is given to the appropriate fund accountant.

- b. Transfer of Property, including vehicles, between Surplus and enterprise or federal funds requires a fee charge equal to the value of the property transferred. The fund accountant will record the property in the general ledger and make the transfer of funds, as agreed upon by Procurement and the receiving department, and as documented on the Property Transfer Form.

D. Donation of Surplus City Property

All requests for donation of surplus property will be forwarded to the Procurement Department for evaluation and processing.

VII. LOSS, THEFT, DAMAGE, OR CANNIBALIZATION OF CITY PROPERTY

A. General

1. Department Directors shall conduct an investigation of all missing or damaged fixed assets and other equipment.
2. If loss or damage of property is in excess of \$500 and is due to theft or vandalism, the Police Department shall be notified.
3. If the loss or damage is due to employee negligence, a written statement shall be obtained from the employee.
4. A Report of Survey is not required for lost or damaged other equipment under \$500.



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B. Loss, Theft, or Damage to fixed assets, or other equipment over \$500

1. Department Directors shall maintain a written record documenting the cause of loss or damage and the corrective action taken to prevent future occurrences, and will retain a copy for the Police, if applicable.

2. Department Directors shall initiate a Report of Survey (Attachment B) whenever an equipment item with a purchase price of \$500 or more, assigned to their department, is missing or damaged [see exception under 3b, below].

The Report of Survey shall include a statement from Department Director that either:

- a. The property has been lost, stolen, or damaged due to unavoidable circumstances, or
- b. The property has been lost, stolen, or damaged through negligence, and the individuals should be held liable to the extent of the estimated value of the article lost or damaged.

The Report of Survey shall be signed by the Department Director and submitted to the Audit Division of the Finance Department with all supporting documentation (employee statement and Police Report) within ten (10) working days of discovery of loss or damage.

3. Upon receipt of complete Report of Survey, the Audit Division is responsible for logging the report and obtaining appropriate documentation for the Finance Director (who conducts a review of the report), and distributing the original as follows:

- a. Missing Fixed Asset(s), or Other Equipment over \$500

(1) Other Equipment over \$500

After approval by the Finance Director, the Audit Division will return the original Report of Survey to the originating department for record maintenance (see Section V.B.1).

(2) Purchase Price \$5,000 and over (Fixed Asset)

After approval by the Finance Director, the original Report of Survey is forwarded to the Accounting Division. The Assets will be deleted from the property records and a copy of the closed Report of Survey returned to the originating department.



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b. Damaged (Usable) Fixed Asset(s) or Other Equipment over \$500: A Report of Survey will be prepared only if an employee is to be held liable. In such cases, the original copy of the Report of Survey is forwarded to Accounting for fixed assets with a purchase price over \$5,000. The damaged item is not removed from the Fixed Asset Register.

c. Damaged (Unusable) Other Equipment over \$500: Departments should attach the original copy of the Report of Survey to the Property transfer Form and forward to Procurement for approval.

d. Damaged (unusable) Fixed Assets or Other Equipment under \$500: These items need not be transferred to Surplus, they may be disposed of with the approval of the Department Director. A copy of the memorandum authorizing disposal must be maintained in the department records to document changes to the Other Equipment Inventory.

4. The Finance Director is responsible for conducting a review of the Report of Survey and any supporting documentation for consistent application of the directive. Upon completing the review of the circumstances and the Department Director's statement of opinion regarding employee liability, the Finance Director will forward the results of the review to the department.

C. Property to be Cannibalized

City property in poor, obsolete, or non-working condition may be cannibalized to make use of reusable parts.

Approval is required prior to cannibalizing the property:

1. The department is responsible for initiating a Report of Survey form requesting authorization to cannibalize the subject property and forwarding the Report of Survey to the Internal Audit Section, Finance Department, for review.

2. The Audit Division will review the request and make a recommendation to the Finance Director, who reviews the request and recommendation. If additional information is required, the department will be contacted.

3. After approval by the Finance Director, the Report or Survey is forwarded to the Accounting Division. The property is then removed from the Fixed Assets Register and a copy of the Report of Survey form will be returned to the originating department.



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4. Department will then proceed to disassemble or dismantle the property. The department is responsible for removing cannibalized other equipment from their Other Equipment Inventory records.

VIII. DISPOSITION OF FIXED ASSETS AND OTHER EQUIPMENT

The Director of Procurement is responsible for selling all surplus, obsolete, or unused supplies, material, and property. All sales will be conducted in accordance with City Code provisions requiring competitive bids.

An officer or employee may bid on surplus City property that is offered for sale through a public sale unless:

A. The officer or employee has, because of his or her official position, been able to obtain special knowledge about the condition of the goods to be sold, or

B. The officer or employee has been officially associated with the sale arrangements. All sale proceeds including sales tax collected will be deposited in the General Fund. Any sales tax due on the proceeds will be paid from the General Fund. Proceeds, net of sales tax, will be transferred by the Accounting Division to the appropriate funds upon notification from Procurement. The Procurement Department will provide documentation of all bids to the Accounting Division supporting transfer of funds.

IX. APPENDIX

Attachment A – Property Transfer Form
Attachment B – Report of Survey

X. RESPONSIBILITY FOR REVIEW

The Finance Director shall review this directive in April of each year, or as necessary.

AUTHORIZED:

JAMES KEENE, CITY MANAGER

PROPERTY TRANSFER FORM

Property Transfer Between Departments
Involving Fixed Assets and/or Other Equipment

ATTACHMENT A
A.D. 4.01-3

(PLEASE PRINT OR TYPE)

No. _____

Transfer of the following items between the listed departments is authorized.

Purchasing Authorization	Date
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A.

Other Equip. Property #	Fixed Asset Property #	Description	Condition	STORES USE ONLY	
				Lot #	Item

ORIGINATING DEPARTMENT

B.	C.		
Department	Organization No.	Contact Person (Please Print)	Phone
Department Head Signature	Date	Item(s) Located At	
		Shipping Officer Signature & Emp. No.	Date

RECEIVING DEPARTMENT

D.	E.		
Department	Organization No.	Contact Person (Please Print)	Phone
Department Head Signature	Date	Deliver Item(s) To	
		Receiving Officer Signature & Emp. No.	Date

ACCOUNTING DIVISION

F.
I certify that the necessary entries have been made in the Fixed Asset Register.

Accounting Division Signature	Date
-------------------------------	------

DISTRIBUTION: White - ACCOUNTING Canary - PROCUREMENT Pink - RECEIVING DEPARTMENT Goldenrod - ORIGINATING DEPARTMENT

**CITY OF TUCSON
REPORT OF SURVEY**

(Refer to A.D. 4.01-3 for specific reporting requirements for loss or damage to items both listed and not listed in the Property register)

TO: Finance Director,

I certify that the item(s) of property shown on the reverse side of this report and charged to this department has been destroyed or damaged, stolen (attached Police Report, or lost (indicate employee responsible).

Date loss or damage discovered _____ (Submit completed Report of Survey to the Finance Director within 10 working days)

After examining all available evidence and testimony, I have determined responsibility as follows:

Employee responsible: _____ (Attach employee signed statement of circumstances)
Employee Name No. Activity

Please state below or attach statement, Explanation, recommended administrative action, and steps taken to eliminate future loss or damage.

Signature: _____
Department Head Department Date

FINANCE DIRECTOR'S REVIEW

Date Received

The Departmental recommended administrative action is Approved Not Approved

The Department is relieved of responsibility and the Assistant Finance Director shall remove the property items stated from the Fixed Assets Property Register.

Each employee named is held financially liable in the amount of \$ _____ and the Assistant Finance Director shall deduct \$ _____ from each employee's pay for _____ consecutive pay periods.

Alternative method of restitution:

Finance Director Date Assistant Finance Director Date

REPORT OF SURVEY PROPERTY ITEMS

Property # (if none Activity No.)	Description as noted on Property Register	Date Acquired	Purchase Price	Damaged Property		*COMMENTS Recommended disposition (Repair, Surplus, Scrap). Indicate name and phone no. of resource person.
				Estimated Value Prior to Event	Present Condition	
The above property items are declared surplus Department Director _____ Purchasing Agent _____		The above property has been transferred to Stores surplus.		Good Fair Poor		*If repair is recommended, include estimated cost of repair.

(Do not transfer property until instructed by Purchasing Department)