

EQUIPMENT COMPLIANCE & REGULATION(S)

Maintaining and Reporting Fixed Assets

a presentation
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DISCUSSION TOPICS

- The history of public laws on federal property management accountability
- Government regulation for capital equipment compliance
- State & Local Gov't reporting examples
- Tracking fixed assets – what makes it so difficult
- Fixed asset accountability – justifying the effort

History-Public Law

Budget and Accounting Act of 1921

- The Budget and Accounting Act of 1921 was designed to reduce the costs of operating the government and to increase its efficiency in the post World War I era. Two major points of particular interest that should be understood about the Act:
 - (1) Requires the president to submit a budget to the Congress annually.
 - (2) Created the General Accounting Office (now the General Accountability Office) that conducts audits of government accounts, including the various agencies' Federal Property, Plant and Equipment accounts.

History-Public Law

Federal Property and Administrative Services Act (FPASA) of 1949

- This act is what started our world of property accountability as we know it today and arguably is one of the "pace setters" for federal property management.
- The Act established the General Services Administration (GSA).
- GSA is primarily responsible under Title II to prescribe methods for the procurement and polices of managing personal property items and non-personal services in the most effective and efficient manner.
- The Act also permitted for the creation of the Federal Property Management Regulations (FPMR) that established a higher achy of regulations.

History-Public Law

Federal Manager's Financial Integrity Act (FMFIA) of 1982

- Public Law 97-255, enacted the requirement for each executive agency to establish and follow standards prescribed by the Comptroller General that provide reasonable assurances that:
 - (1) obligations and costs are in compliance with applicable law.
 - (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriations.
 - (3) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

History-Public Law

Chief Financial Officer's (CFO) Act of 1990

- This act was signed into law by President George H. W. Bush on November 15, 1990 and is intended to improve the government's financial management, outlining standards of financial performance and disclosure. It also mandated that all executive agencies establish the office of a Chief Financial Officer and gave the Office of Budget and Management (OMB) greater financial responsibilities.
- The Act was instrumental in creating the Joint Financial Management Improvement Program (JFIMP) of October, 2000 which establishes Property Management standards and tests to be employed by each executive agency.

Equipment Compliance

Federal Management Regulation, 41 CFR 102

- This regulation is the successor to the **Federal Property Management Regulations (FPMR)**. The FMR prescribes policies concerning Property Management and related administrative activities. GSA issues the FMR to carry out policies of the Administrator of General Services' functional responsibilities as established by the various laws, Executive orders and other directives.
- **Acquisition**
Acquisition is the process of acquiring quality products to satisfy user needs at a fair and reasonable price. The background and objectives provides the rationale and justification for the proposed acquisition. The elements involved are the statement of need, applicable conditions, costs, capability or performance, delivery or performance period requirements, trade-offs, risks, and acquisition streamlining.

Equipment Compliance

Receiving

- Receiving is the process of accepting equipment, materials, or supplies in to an organization or facility where the organization's obligation, liability and accountability begin. This process starts when the contractor or vendor's delivery is received at the receiving facility and documentation is created to establish physical custody and accountability. There are four critical steps in the receiving process are delivery, inspection and identification, documentation and internal routing and distribution.
- **Property Identification and Classification**
Property Management uses receiving reports and vendor documentation as source documentation to establish property records and the start of life cycle for tagged accountable property in the Property Management System.
- **Records Management**
It is essential that property records are established in an Agency's Property Management System promptly upon receipt and identification of the property. All general Plant, Property and Equipment (PP&E)

Equipment Compliance

Records Management

Should be recorded at cost (acquisition). The acquisition cost shall include all costs incurred to bring the PPE to a form and location that is suitable for its intended use. This is the first step that establishes accountability of the asset and ties it to the Agency's general ledger.

Capitalization

The life expectancy or useful life of an asset is defined by the estimated number of years which the assets is expected to be useful. The life of an asset is affected by factors like physical wear and tear and obsolescence. Agency established capitalization thresholds must be consistently applied.

Depreciation

Property and Equipment is depreciated over its useful life using the straight-line method. An improvement that extends the useful life of the original asset, or significantly enhances, improves capacity or mission capability of the asset, and meets threshold requirements of the Institution, should be capitalized and depreciated according to the useful life of the asset/improvement.

City of XXX XXXXXX – Historical Cost by Site

SITE	ASSET CLASS	ASSET CLASS NAME	HISTORICAL COST
001 - 100 North Market St.	20	Buildings	\$963,513.62
	30	Improvements other than buildings	\$48,247.00
	50	Machinery-Equipment-Fixtures	\$396,885.09
		Sum	\$1,408,645.71
003 - 206 Maple Ave & Station St.	20	Buildings	\$7,702.77
		Sum	\$7,702.77
004 - 129 Reservoir Rd.	20	Buildings	\$1,144,714.95
	50	Machinery-Equipment-Fixtures	\$1,490,508.00
		Sum	\$2,635,222.95
005 - 140 Reservoir Rd.	10	Land (not appraised) and land improvements	\$5,995.86
	20	Buildings	\$291,287.35
	50	Machinery-Equipment-Fixtures	\$780,859.00
		Sum	\$1,078,142.21
006 - 96 Thompson Avenue	20	Buildings	\$39,573.04
	50	Machinery-Equipment-Fixtures	\$48,106.00
		Sum	\$87,679.04

City of XXX XXXXXX – Historical Cost by Department/Fund

Dept ID	BLDG#	Fund ID	Fund Description	# ITEMS	HISTORICAL COST
101	001	101-0000	General Fund	79	\$697,615.75
	021A	101-0000	General Fund	4	\$42,542.23
	021B	101-0000	General Fund	15	\$129,840.71
	021C	101-0000	General Fund	7	\$72,059.18
			Sum	105	\$942,057.87
201	030	201-0000	Street Fund	123	\$15,566,986.18
	031	201-0000	Street Fund	40	\$1,361,030.81
			Sum	163	\$16,928,016.99
202	003	202-0000	Highway Fund	1	\$7,702.77
			Sum	1	\$7,702.77
204	020	204-0000	Recreation Fund	8	\$723,311.04
	020A	204-0000	Recreation Fund	1	\$1,535.07
	020B	204-0000	Recreation Fund	1	\$5,739.10
	020C	204-0000	Recreation Fund	1	\$5,739.10
	020D	204-0000	Recreation Fund	1	\$128,071.08
	020E	204-0000	Recreation Fund	1	\$2,420.70
	020F	204-0000	Recreation Fund	1	\$42,073.60
208	002	208-0000	Police Fund	5	\$284,215.79
	106	204-0000	Recreation Fund	1	\$124,618.73
			Sum	20	\$1,277,728.22
	002	208-0000	Police Fund	1	\$15,613.17
			Sum	1	\$15,613.17

City of XXX XXXXXX – Summary Cost & Depreciation by Type

Governmental Type				
Asset Class	Historical Cost	Annual Depreciation	Accumulated Depreciation	Net Value of Asset
10	\$1,360,478.00	\$0.00	\$0.00	\$1,360,478.00
11	\$10,060,188.24	\$273,880.19	\$11,743,027.70	\$4,816,660.54
12	\$4,261,383.90	\$168,839.71	\$1,750,384.33	\$2,510,999.57
20	\$1,259,460.91	\$27,875.17	\$910,896.32	\$348,604.60
30	\$646,215.60	\$45,017.83	\$492,587.43	\$153,628.17
50	\$236,769.23	\$8,326.92	\$199,507.69	\$37,261.54
Total	\$24,324,992.88	\$622,544.82	\$15,096,833.46	\$9,227,669.42
Light Type				
Asset Class	Historical Cost	Annual Depreciation	Accumulated Depreciation	Net Value of Asset
10	\$306,596.00	\$0.00	\$0.00	\$306,596.00
11	\$6,434,298.64	\$146,466.87	\$2,427,350.69	\$4,007,644.95
20	\$1,400,016.00	\$40,834.13	\$559,597.87	\$840,418.13
30	\$483,344.00	\$26,461.03	\$286,773.57	\$206,570.43
50	\$151,000.00	\$0.00	\$151,000.00	\$0.00
Total	\$8,764,954.64	\$213,762.04	\$3,404,722.12	\$5,360,229.52
Sewer Type				
Asset Class	Historical Cost	Annual Depreciation	Accumulated Depreciation	Net Value of Asset
11	\$10,983,697.63	\$219,262.15	\$3,981,017.41	\$7,002,680.22
12	\$47,000.00	\$1,120.00	\$21,240.00	\$25,760.00
20	\$762,048.43	\$26,402.88	\$512,137.51	\$279,910.92
30	\$369,271.00	\$20,427.40	\$246,122.13	\$124,148.87
50	\$1,016,576.17	\$12,401.14	\$1,371,648.03	\$143,727.14
Total	\$13,716,992.22	\$279,613.56	\$6,134,365.09	\$7,576,626.14
Water Type				
Asset Class	Historical Cost	Annual Depreciation	Accumulated Depreciation	Net Value of Asset
11	\$3,546,183.34	\$108,319.98	\$1,944,892.16	\$3,601,291.18
12	\$20,975.04	\$633.00	\$2,517.01	\$18,458.04
20	\$209,422.34	\$3,604.44	\$95,174.08	\$114,248.26
30	\$33,064.00	\$0.00	\$33,064.00	\$0.00
50	\$1,006,119.00	\$25,646.30	\$794,013.80	\$211,105.20
Total	\$5,811,773.72	\$138,499.32	\$2,869,461.04	\$3,945,312.68

Justifying the Effort

"Juice worth the Squeeze"

1. Compliance with GASB 34 & GAAP (UG) requirements
2. Ability to provide asset life recommendations/study of financial accounting classes for depreciation calculations
3. A "snap shot" in time on equipment/building/infrastructure existence and location
4. Location information provides increased use of equipment
5. Removal of "ghost items"
6. Audit Confidence & Certification of efforts for compliance
7. Positive impact on financial overhead calculations/budget
8. ROI – Management will be interested (they love these 3 letters)

HCA Services

- Real and personal property valuation services including Land, Land Improvements, Infrastructure, Buildings, Leasehold Improvements and Movable Equipment.
- Risk management insurance placement and proof of loss support.
- Movable Equipment Inventories supported by bar-code inventory & optical scanning technology (Standard Or RFID).
- Valuation conclusions on assets for insurance placement purpose of Replacement Cost New RCN and under the appropriate premise of Fair Market Value (FMV) for mergers, acquisitions in the Health Care Industry and beyond.
- Contractor Self-Assessment services that addresses the requirement of Federal Acquisition Regulation (FAR) 52.245-1 (Government Property) that contractors perform periodic reviews, surveillances, self-assessments or audits.
- Software and Fixed Asset Systems Integration
- Property management out sourcing and inventory perpetuation services
- Depreciation accounting, supporting financial, Uniform Guidance (UG), F&A reporting and Federal step down cost allocation requirements, audit compliance and support.

THANK YOU

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