

October 7, 2022

**GENERAL LETTER NO. 24-H-5**

ISSUED BY: Bureau of Accounting Services  
Division of Fiscal Management

SUBJECT: Employees' Manual, Title 24, Chapter H, **Capital Asset and Supply Inventory Control**,  
Title Page, Contents I, I-6, 7 and 8, 9 and 10, revised.

**Summary**

This chapter is revised to reflect current capital asset and supply inventory practices and update style and formatting throughout.

**Effective Date**

Immediately.

**Material Superseded**

Remove the following pages from Employees' Manual, Title 24, Chapter H, and destroy them:

<u>Page</u>	<u>Date</u>
Title Page	August 7, 2009
Contents I	March 16, 2007
I-6	March 16, 2007
7 and 8	August 7, 2009
9 and 10	March 16, 2007

**Additional Information**

Refer questions about this general letter to your division administrator.

STATE OF IOWA DEPARTMENT OF

Health AND Human

SERVICES

Employees' Manual  
Title 24,  
Chapter H

Revised October 7, 2022

# Capital Asset and Supply Inventory Control

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## **Overview**

The Department of Health and Human Services is charged by law to maintain an up-to-date inventory of capital assets and to reconcile that inventory.

## **Legal Basis**

The legal basis for the policies in this chapter is found at:

- Iowa Code section 7A.30, “Inventory of state property”
- Iowa Code section 218.48, “Annual reports”
- 11 Iowa Administrative Code 110.2(1), Department of Administrative Services rules on personal property
- 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

## **Definitions**

“**Capital asset**” is any item or equipment that has an acquisition value of \$5,000 or more and has an anticipated useful life of one year or more. Computer software is excluded from this definition.

“**Capital improvement**” is an improvement to assets costing \$5,000 or more or to buildings and infrastructure costing \$50,000 or more, which will enhance the value of the capital asset or extend the useful life of the asset. Upon completion, the capital improvement shall be reflected as a separate item on the Capital Asset Inventory System.

“**Central office**” includes all Department offices located in Polk County with the exception of Polk County field offices.

“**Expendable item**” means any item or piece of equipment that has an acquisition value of less than \$5,000 or any item or piece of equipment with a useful life of less than one year.

“**Infrastructure**” means items that are long-lived capital assets and normally can be preserved for a significantly greater number of years than most capital assets. These assets are normally stationary in nature, and generally of value only to the government. Examples include:

- Roads,
- Bridges,
- Tunnels,
- Drainage systems,
- Water and sewer systems,
- Dams,
- Street lighting systems, and
- Buildings that are an ancillary part of a network of infrastructure asset, such as rest area facilities and road maintenance shops.

**“Lease purchase”** is an item acquired through a purchase agreement in which installment payments are made.

**“Major maintenance”** means any expenditures made beyond the regular, normal upkeep of physical properties (i.e., land, buildings, and equipment) for the repair or replacement of failed or failing building components as necessary to return a facility to its currently intended use, to prevent further damage, or to make it compliant with changes in laws, regulations, codes or standards.

**“Rentals”** means items that the Department pays a usage fee to occupy or utilize.

**“Repairs”** are improvements and maintenance costing less than \$5,000 that are considered ordinary and recurring. Repairs are expensed as incurred. Repairs shall not be reflected on the Capital Asset Inventory System.

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## **Capital Asset Responsibilities**

Overall responsibility for compliance with this policy lies with:

- For central office, the Bureau Chief of Accounting Services
- For service areas, the Service Area Managers (SAMs)
- For department facilities, the Superintendents
- For child support recovery, the Regional Administrators
- For case management, the Bureau Chief of Case Management Services

The day-to-day activities associated with maintaining inventory records may be delegated to appropriate staff, herein referred to as the designated employee.

The Department utilizes the Integrated Information for Iowa (I/3) Capital Asset Inventory System provided by the Department of Administrative Services (DAS) to track capital asset inventory. This includes capital improvements and infrastructure. I/3 is an on-line system that allows update of inventory records and periodic inventory status reports. Information regarding use of I/3's capital asset inventory system can be found in Communication 281, Capital Asset Inventory System On-Line user's Guide on the DHS internal SharePoint. The purpose of these records is to:

- Account for all capital assets,
- Provide accurate depreciation information, and
- Provide a management tool to aid in planning for the replacement of capital assets.

The Department facilities may use the I/3 Capital Asset Inventory System or an alternative system that tracks the information required for the annual Generally Accepted Accounting Principles (GAAP) report and all other reporting requirements.

The designated employees are responsible for the following duties for their respective locations:

- Determining which items will be included in the Capital Asset Inventory System according to the policies set forth in this chapter.
- Computing the final acquisition value of an item.
- Assigning appropriate life expectancy and salvage values.
- Ordering inventory tag numbers from DAS Printing and issuing the tags to the authorized personnel.
- Reviewing the capital asset inventory update forms for completeness.
- Providing instructions and oversight for entering all additions, changes, deletions, and transfers in the Capital Asset Inventory System whenever an update is required to the inventory.
- Maintaining a file of all Departmental capital asset inventory transactions. The file shall contain:
  - The agency's master inventory list (by tag number within agency number),
  - A copy of the transaction report, and
  - A copy of all inventory forms.
- Requesting that a physical inventory be taken. A complete physical inventory is recommended annually and must be completed at least every two years.

Each facility business manager shall be responsible for downloading reports from the I/3 data warehouse and distributing these reports to the responsible personnel for verification of the physical inventory. The Bureau of Purchasing, Payments, and Receipts is responsible for these duties for all other Department locations.

All paperwork related to the purchase, disposal, or tracking of capital assets (such as reports, purchase orders, receiving slips, and inventory update forms) shall be forwarded to the business office for each facility or to the designee for all other locations. The individual with overall responsibility for the capital assets or their designee shall retain all paperwork for each asset for one year past the disposal date of the asset.

### **Inventory Tags**

Upon receipt, each capital asset shall be tagged by receiving personnel. The purpose of the tag is to provide a unique identifier for ensuring all assets are properly maintained. Where it is determined that the use of inventory tags is not effective, e.g. farm equipment, buildings, etc., another system may be used that precludes entry of duplicate numbers into the inventory system.

Inventory tags (blank and pre-numbered) shall be those provided by the Department of Administrative Services.

Property tags that do not contain a pre-set number (a blank tag) shall be used to identify items valued at less than \$5,000 which, based on their appearance, could otherwise be assumed to be inventoriable equipment. Items that may be considered desirable for "personal use", such as laptops and printers, may also be tagged with a blank tag.

## **Capital Asset Inventory Tracking**

The I/3 Capital Asset Inventory System, if used, provides a history on each capital asset. Information shall be entered in the system for additions, transfers, and deletions. All entries related to additions, transfers, and deletions to the capital asset inventory must be entered and approved in the I/3 system within the proper fiscal year by the deadline established by DAS for final transactions. This ensure the depreciation is recorded accurately in the correct fiscal year. The deadline is typically around the last working day of July.

Reports received from the capital asset inventory system shall be used to prepare the annual generally accepted accounting principles (GAAP) package report requested by the Department of Administrative Services each year.

For facilities using a tracking method other than the I/3 Capital Asset Inventory System must ensure information is available to support the additions, transfers, and deletions to the capital asset inventory.

### **Acquisitions**

All capital assets shall be entered onto the Capital Asset Inventory System at the time of acquisition and shall remain on the inventory system until asset disposal.

Form 470-0048, *Capital Asset Acquisition Input* shall be used to capture all required information. Information regarding completion of form 470-0048 may be found in the Chapter 24-H-Appendix.

### **Acquisition Value of Capital Assets**

The acquisition value of capital assets shall include the purchase price and all transportation and installation costs associated with the purchase. Items purchased on lease-purchase agreements shall be priced at the contract price. Ongoing interest charges and service costs shall not be included in the asset's value. Depreciation shall start at the time of receipt or possession.

If an invoice for an asset acquired in the fiscal year ending June 30 has not been received in order to meet the deadline established by DAS for final transactions, the asset should be added at the estimated acquisition cost. Once the invoice is received and paid, a "Fixed Asset Increase/Decrease (FI)" document shall be entered in the I/3 Capital Asset Inventory System if an adjustment to the acquisition value is required. Manual adjustments shall be made to the financial reports submitted on the GAAP Package to account for any differences between the estimated cost and the actual cost.

### **Components of Capital Assets**

Components of capital assets that are attached to the asset at the time of purchase shall be carried on the Capital Asset Inventory System as part of the capital asset until asset disposal. When a component that was part of the original capital asset is replaced or removed and disposed of, no deletion will be recorded for the disposal of the original component that was considered part of the capital asset at the time of purchase. When an attached component of a capital asset is replaced, the replacement asset shall be tagged and carried on the Capital Asset Inventory System as a separate item.

### **Lease-Purchase**

Items obtained through a lease purchase agreement shall be added to the Capital Asset Inventory System if

- Title or ownership for the asset will pass to the Department at the end of the lease term, or
- There is an option to purchase the item at a discounted price.

Title for items purchased on a lease-purchase agreement is considered to pass to the Department at the time the lease-purchase agreement is signed. These items shall be entered onto the Capital Asset Inventory System with the acquisition method marked as “lease/purchase acquisition”.

The asset is added at a value equal to the principal amount of the total payments and depreciated under normal depreciation rules. Depreciation begins upon receipt of the capital asset.

When the lease purchase agreement is paid in full, the acquisition method shall be changed to “purchase”.

### **Gifts or Acquisitions From Surplus**

Property received from surplus property or as a gift, excluding works of art or historical treasures, shall be entered with an estimated fair market value at the time of receipt and shall include any ancillary costs. These items will be subject to depreciation over the estimated useful life unless they are either inexhaustible or infrastructure assets.

### **Rentals**

Items that are rented are not added to the Capital Asset Inventory System. Rentals are considered operating leases and should be tracked separately. Policies regarding operating leases can be found in Title 24 Chapter C of the Employees’ Manual.

### **Works of Art or Historical Treasures**

Works of art and historical treasures acquired on or after July 1, 1999, will not be capitalized unless they are:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

However, collections already capitalized as of June 30, 1999, will remain capitalized and all additions to those collections shall also be capitalized.

Capitalized collections or items may require depreciation. Collections defined as inexhaustible, i.e., jewelry, paintings, etc., do not require depreciation, but exhaustible collections or items must be depreciated over their estimated useful lives.

“Inexhaustible” collections or individual works of art or historical treasures are those with extraordinarily long useful lives. Because of their cultural, aesthetic, or historical value, the holder of the assets applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic or historical value.

### **Transfer of Capital Assets**

In the event an asset is scheduled to be transferred to another division or facility, an inventory transfer/loan authorization form should be completed (Form 470-0046). This form can be found on the Department’s internal SharePoint. The transfer is important to ensure depreciation is charged to the correct department.

Information for how to complete the form can be found in the Chapter 24-H Appendix.

### **Disposal of Capital Assets**

When a capital asset is no longer in service, form 470-4287 “Destruction of State Surplus Property” should be completed. This form can be found on the Department’s internal SharePoint. The form, approving asset disposal, must be signed by an appointing authority or a bureau chief or equivalent.

One copy of the request for disposal shall be retained with the requestor and a second copy forwarded to the Storekeeper in the Bureau of Purchasing, Payments, and Receipts for non-facility assets. For facilities, the copy shall be sent to the facility business manager.

In compliance with State policy, disposal of capital assets is conducted through offering the asset for surplus sale via GovDeals.com. GovDeals training opportunities and more information can be found by going to the DAS General Services website on State Surplus Property Program Information found at <https://das.iowa.gov/general-services/state-surplus-property/information>.

Information regarding the date of posting, selling information, and date of pickup shall be forwarded to the Storekeeper in the Bureau of Purchasing, Payments, and Receipts for non-facility assets or to the business manager for facility assets.

## **Depreciation**

All items purchased with an acquisition value of \$5,000 or more and a useful life of one year or more must be depreciated. Questions relating to federal programs and how they apply to depreciation shall be referred to the Bureau of Budget and Planning.

All items added to the inventory system should be coded in the inventory system using the straight-line depreciation method. Depreciation shall be charged to the cost center using the item at the end of each fiscal year. For reporting purposes, when an asset is disposed of, the balance of the unclaimed depreciation is netted against any sales revenue or trade-in value in order to calculate a gain or loss on the disposition of the asset.

## **Life Expectancy**

Items shall be depreciated using the life expectancy guidelines found in appendix of this chapter unless otherwise specified by grant requirements or extraordinary circumstances. Those instances shall be documented and filed with the asset records.

## **Capital Improvements**

Capital improvement projects shall be listed separately on the Capital Asset Inventory System. The value shall be the cost of the improvement, including all construction costs, materials, labor, etc. In some instances, projects may extend over two or more state fiscal years. The portion of the project completed as of the end of the state fiscal year is to be added to the Capital Asset Inventory System as construction in progress.

Capital Improvements for buildings and infrastructure are completed in partnership with the Department of Administrative Services (DAS), Design and Construction Bureau. The DAS Design and Construction Bureau shall determine if the useful life of the capital asset has been extended and for how long the useful life is extended. Facility requests for a review of redetermination of useful life by DAS Design and Construction staff shall be submitted to DAS through the Division of Mental Health Services.

If DAS determines the useful life has been extended, the life expectancy shall be updated in the Capital Asset Inventory System and the depreciation value shall be recalculated using the balance of the undepreciated cost and the new life expectancy. The capital improvement project shall be depreciated over the remaining useful life.

## **Salvage Value**

Salvage value shall always be set at zero unless otherwise specified by grant requirements. Those instances shall be documented and filed with the asset records.

## **Inventory Reporting for Grants**

The following information is entered and available for reporting from the I/3 Capital Asset Inventory System:

- Brief description
- Vendor name
- Purchase order number or invoice number
- Date of acquisition
- Warrant number
- Model number and serial number
- State property tag number
- Location of equipment
- Life expectancy or useful life
- Purchase cost

The grant manager shall establish and maintain adequate control records for all government property, including property provided to, and in the possession or control of, a subcontractor. The grant manager's property control system shall be subject to internal control standards and be supported by adequate property records.

Grant managers shall track the equipment purchased with grant funds for all durable equipment with an acquisition value of \$5,000 or more. Grant managers must be able to provide a *Report of Government Property in Possession of Contractor* during the closeout steps at the end of the grant. Specific requirements are available in the grand award documentation, however at a minimum, the equipment report shall include the following information:

- Equipment name,
- Quantity,
- Purchase date,
- Manufacturer,
- Originating cost,
- Condition,
- Location, and
- Serial numbers.

## **Equipment Repair**

DAS policy requires repairs to equipment be completed using local vendors, to the extent possible. Estimates should be requested by the designated employee from local repair shops prior to authorizing outside repairs.

Cost of repairs is not added to the value of the asset.

### **Supply Inventory**

Each Department facility and any other Department unit that maintains an expendable inventory shall maintain perpetual inventory records for all expendable items maintained in a warehouse or storeroom and all items specifically listed in Iowa Code Section 218.48.

An individual(s) other than the individual(s) regularly responsible for the perpetual inventory records shall verify perpetual inventory records annually on a staggered basis. Each location shall establish a schedule identifying the warehouse or storeroom to be inventoried and when it shall be inventoried. All inventory variances shall be investigated and corrected by the designated personnel.