

I. INTRODUCTION

The following fixed asset control policies and procedures help ensure proper stewardship of the School's real property which includes land, buildings, improvements to land other than buildings and capital equipment (computers, furniture, machinery, vehicles, medical and surgical items and other apparatus).

The Finance Department's Capital Assets group is responsible for helping to administer and monitor the system of controls governing the acquisition, utilization and disposition of fixed assets and helps ensure that it is operating according to this policy.

Fixed asset internal controls and related processes include:

- Recording the book value and location of fixed assets in a timely fashion;
- Using appropriate useful lives for depreciating fixed assets;
- Promoting control of and accountability for fixed assets;
- Complying with third party capital asset reporting requirements;
- Providing documentation for insurance purposes;
- Maximizing utilization of fixed assets;

- Providing management information and reports;
- Assisting the capital budgeting process; and
- Properly disposing of fully depreciated assets.

II. ACQUISITIONS OF PROPERTY: IDENTIFICATION AND CODING

A. Definition of Fixed Assets:

Real Property is defined as land, buildings, and improvements to land other than buildings.

Capital Equipment is defined as an article of nonexpendable tangible property having a useful life of more than one year and an acquisition cost of \$500 or more per unit. Acquisition of all such items are either coded to: 4660 – Capital Equipment (if charged against a conventional account or fund) or are charged to capital project funds (if the equipment is acquired under a larger project).

Examples of Capital equipment are computer systems, hardware, software that costs more than \$500, furniture & fixtures, clinical equipment, and major office equipment.

In those cases where an item consists of interdependent component parts and accessories, the combined cost of all

components make up the unit cost and is capitalized. *However, if the individual parts are usable in a separate state (e.g., a group of chairs purchased in bulk; each chair is usable on an individual basis) then those components should not be aggregated. If individually they fall below this \$500 threshold then they should NOT be capitalized.*

(Please refer to Finance Policies and Procedures - Section 10 on Sinai Central)

B. Add-on Expenditures:

For capitalization purposes, the acquisition cost should include all costs necessary to prepare the asset for its intended use.

These include:

- Invoice price of asset;
- Freight and delivery charges;
- Installation costs;
- Cost of “tuning up” equipment as well as trial-runs;
- Title investigation, legal fees, brokers’ commissions;
- Reconditioning costs for used equipment; and

- Warranty (only if it extends for the full life of the asset. If it does not then the warranty should be excluded from the capitalized component)

C. Proper Coding of Capital

1. Purchases of Capital on Operating accounts/ funds

To help ensure the accuracy of the School’s financial statements, capital purchases should be coded accurately. When a check request is coded using the ‘4660’ subcode, an automatic journal entry is recorded which ultimately records the item in the School’s Fixed Asset System. If entries are erroneously coded as 4660, they will be rejected during a quality control check of transaction coding that takes place each month. Administrators will be notified of any required reclassifications. (For full reference, please refer to MSSM Finance Policies and Procedures User Guide Section 10)

Note:

Leases: All leases should be coded to 4441, ‘Equipment Rental/Lease’ specifically. Leases must not be assigned the Capital Equipment code of 4660 under any circumstance.

2. Capital Project Expenditures:

Ongoing Capital Projects are tracked in the Construction in Progress Ledger (the '0294' account series of funds). There is a specific series of subcodes to use when coding expenditures against capital project accounts. Under no circumstances should 4660 be used when coding on a Construction in Progress Ledger 0294 account. If there are questions on which codes to use for capital project funds, please contact the Director of Finance at 212.731.3422.

D. Physical Count of Fixed Assets and Assignment of Asset Tag Numbers

The Finance Department will identify, record, and tag all fixed assets in accordance with the following procedures:

1. Each month the Capital Assets Group will identify all new fixed assets from the '4660' transactions processed in the general ledger.
2. When practical, a Mount Sinai School of Medicine property identification tag will be affixed to fixed asset items. The property identification tags are generally silver with the Mount Sinai logo, and has the asset bar code (refer to **Exhibit B**). Capital Assets staff will tag an asset after the item has been delivered to the appropriate department

and the asset is operational to ensure that: (1) the proper location can be recorded and verified; and (2) the proper classification of the item can be recorded and verified with the users of the asset.

3. Property tags will be affixed to the asset by the Capital Assets staff in a standard and visible location. The property identification tags are not to be removed under any circumstances. If a tag is removed, departments are required to notify the Capital Assets Group immediately so that it can be replaced.
4. Assets that cannot be tagged will be considered "non-tagable" and the asset's location will be recorded in the property ledger in preparation for future audits of the School. Examples of "non-tagable" assets include items that could be harmed by the tag or restricted by the size of the item, i.e. lenses, surgical instruments, software CDs, cables, etc.

III. PERIODIC VERIFICATION OF ASSETS

A. General Information:

Mount Sinai School of Medicine's fixed asset policy, Federal grant management requirements and Medicare/Medicaid requirements mandate periodic reviews of equipment inventory. The following types of reviews are conducted by Finance to satisfy this requirement: department

reviews, field audits, and comprehensive audits of specific departments.

B. Department Reviews:

Periodically, the Capital Assets Group will provide each department with a complete list of equipment that is not fully depreciated from the School's property ledger. Each department is responsible for reporting inconsistencies between the property listing and the actual holdings to the Capital Assets Group. The department will work with Finance and Management to resolve any inconsistencies.

C. The Departmental Inventory Report:

The Departmental Inventory Reports will contain information concerning property in the possession of the responsible department. Information reported will generally include: the funding source; the property number on the asset tag applied by the Capital Assets Group; standard description of the asset; location of the asset (building and room number); and acquisition data. The department administrator, or designee will review the report and verify its accuracy and indicate discrepancies, sign and date the report and return the report to the Capital Assets group. Any change in location of the asset must be reported in the Property Status

form and submitted to the Capital Assets Group in Finance.

D. Change in Property Status:

Departments must submit a Change in Property Status form to the Finance Department requesting changes and corrections of discrepancies to be incorporated in the Fixed Asset System. Finance will contact the department to resolve any discrepancies.

E. Field Audits:

Management will conduct periodic field audits. A random selection of property holdings will be reviewed to ensure the integrity of the departmental reviews. Capital Assets will send a representative to conduct the audit, which will be read from the bar-coded identification tags. This information will be matched with information contained in the Fixed Asset System.

Finance will contact the departmental property coordinator to resolve any inconsistencies. When applicable, management will assist the department to establish internal procedures that ensure the accuracy of the department's property records.

F. Comprehensive Reviews:

Finance will perform comprehensive audits of specific departments when results of departmental reviews and field audits warrant such an examination. A complete inventory of all assets will be conducted within the area of concern. The audit will be performed by using the bar-coded identification tags of each asset. This information will be matched with the information in the Fixed Asset System. All inconsistencies (e.g., missing items, additional items, items that have been upgraded) will be reviewed by Finance, the department administrator, and if necessary the department Chairperson. The review will identify discrepancies, and suggest procedures to maintain accuracy of the department’s property records. All corrections will be made within the Fixed Asset System.

and approved by the appropriate party (See chart below).

<i>1. Approval</i>	Original Acquisition Cost
Principal Investigator	\$500-\$2,500
Department Administrator	\$500-\$2,500
Department Chair	\$2,501-\$10,000
Chief Financial Officer	\$10,001-\$25,000
Office of the Dean	\$25,001 and over

IV. DISPOSALS AND GEOGRAPHIC TRANSFERS OF PROPERTY

A. Disposal of Property:

Fully depreciated equipment that is not longer useful will be disposed of using a Change in Property Status form which must be filled out

B. Transfer of Property out of Mount Sinai School of Medicine

When faculty members/investigators leave Mount Sinai School of Medicine, it is possible that they may take with them as part of their ongoing research certain equipment.

For any equipment purchased on grants, additional approvals above and beyond the above requirements may be applicable. Please also refer to *Financial Memorandum No 101A, Section II-B. and PI Exit Checklist for move details. These policies are available on the finance website under ‘Grant and Restricted Funds’.*

1. Transfer and report of location change of major movable assets

Once all required approvals have been obtained, the department is responsible for notifying the Capital Assets Group, Finance and the transferor department of the transaction via a Change in Property Status form (refer to **Exhibit A**).

2. Transfers between departments within the School:

When an equipment item is permanently transferred from one department to another, Finance must be notified via a Change in Property Status form. The transferring department should indicate their fund/cost center number and the recipient department's name, fund/cost center number on the form. Upon receipt of this information, the item will be deleted from the equipment list for the transferring department and added to the list of the recipient department. The department transferring the equipment is responsible for preparing the Change in Property Status form. A copy of the form will be sent to the department receiving the equipment.

Once all required approvals have been obtained, the department is responsible for notifying the Capital Assets Group, Finance, the transferee department and the transferor department of the transaction via a Change in Property Status form (refer to **Exhibit A**).

3. Transfers to other locations within departments:

If an equipment item is permanently transferred from one location to another, Finance must be notified via a Change in Property Status form. The transferring department should indicate their fund and cost center number. Upon receipt of this information, the location will be changed in the Fixed Asset System records.

4. Each department is responsible for the functions listed below.
 - a) Property obtained as the result of a transfer;
 - b) Property obtained as the result of a long-term loan;
 - c) Property that results from combining smaller parts of equipment;
 - d) Report all changes regarding fixed asset items using a Change in Property Status form and send to the Capital Assets Group in Finance;
 - e) Change in condition, e.g. from "good" to "damaged beyond repair";

- f) Enhancement or upgrade of fixed assets;
- g) Permanent transfer of asset to another department within Mount Sinai School of Medicine;
- h) Transfer of Title or Ownership;
- i) Report all dispositions of all fixed asset items using a Change in Property Status form to the Capital Assets Group in Finance. Departments must obtain the prior approval of signators, depending on the acquisition cost – the Primary Investigator, the Department Administrator, Department Chairperson, or Dean’s Office before disposition of fixed assets;
- j) Loss or theft of a fixed asset;
- k) Transfer of asset to another institution;
- l) Trade-in of capital asset; and
- m) Transfer to surplus.

V. APPENDICES

Exhibit A. Transfer of Property Status Form (including levels of approval based on acquisition cost.

Exhibit B. Reference to Mount Sinai School of Medicine Asset Tag