

NORTHERN PONCA HOUSING AUTHORITY PROPERTY CAPITALIZATION AND MANAGEMENT POLICY

1) PURPOSE:

To establish the NPHA policy and procedures for NPHA personal property.

2) POLICY:

It is the NPHA's policy to manage its expendable and capitalized personal property within Department of Housing and Urban Development requirements.

3) SCOPE:

This policy applies to the acquisition, tracking, and disposal of both expendable and non-expendable personal property that is purchased or received from a donation by the NPHA.

4) RESPONSIBILITY:

The Board appoints and delegates acquisition, tracking, and disposal responsibilities of both expendable and non-expendable personal property to the Executive Director. The execution of such responsibility shall be at all times to the best interest of the Authority and in conformance with NPHA policy and procedures.

5) CAPITALIZATION:

It is the policy of the NPHA to capitalize all equipment having a useful life over one year and a cost of \$5,000 or more. Capitalized personal property shall be tracked using identification numbers.

6) SAFEGUARDING PERSONAL PROPERTY:

All personal property will be physically secured, protected from the elements, and accounted for using appropriate inventory methods. It is the policy of the NPHA to identify all equipment as NPHA property. This shall be done by affixing a tag to the property except for materials and supplies.

Expendable equipment will be identified as property of the NPHA.

Capital equipment will be controlled by keeping a property ledger which details a description of the property, a tag number or other identification number, the source of the property, who holds title, the acquisition date, the cost of the property, the percent of Federal participation the cost of the property and any ultimate disposition date including the date of disposal and the sale price of the property.. Capital equipment shall be physically inventoried at least once every two years.

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7) USE OF NPHA PROPERTY:

It is the policy of the NPHA that no property of any kind, whether materials, supplies, or equipment, will be used for purposes other than the conduct of NPHA business. This policy forbids personal use of materials, supplies, and equipment by employees and other persons affiliated with the NPHA.

8) PERSONAL PROPERTY DISPOSITION:

It is the policy of the NPHA that all personal property that has become worn or damaged beyond economical repair, that is no longer useful for its intended purpose, or that has no use in any of the operating units of the NPHA, shall be disposed of following the procedures herein. Personal property dispositions will be authorized as follows:

The Executive Director shall authorize dispositions of property with an estimated fair market value of under \$5,000; and

The Board must authorize all dispositions of property with an estimated fair market value over \$5,000.

9) DEFINITIONS:

A) Personal Property: For the purpose of this policy, personal property is defined as all materials and supplies, equipment, and fixtures which are not attached to the land or buildings and are not installed in a fixed position, such as ranges, refrigerators, screens, window shades, movable kitchen cabinets and tables, office equipment, individual space heaters not connected to ducts or pipes for the distribution of heat, and playground equipment, benches, clothes poles, and flag poles not permanently installed in a fixed position.

B) Materials And Supplies: Items of property which: can be used only once, such as fuel, cleaning supplies, etc.; are spent in use, such as brooms, brushes, etc.; or lose their identity or become an integral part of other property when put into use, such as nails, lumber, cement, repair parts, etc. The term materials and supplies also includes items of small tools and equipment having a useful life of one year or less.

C) Expendable Equipment: Items of property having a useful life of more than one year, the cost of which is not treated as a capital expenditure.

D) Non-Expendable (Capital) Equipment: Items of property having a useful life of more than one year, the cost of which is treated as a capital expenditure and for which financial control is maintained through appropriate control accounts in the general ledger.

E) Tags: Tags are used to identify equipment as NPHA property. All equipment, whether classified as expendable or non-expendable equipment, will be affixed with tags.

The tags will be placed on the equipment in a manner so that normal use of the equipment will not damage the tag. The tags will be made of material that will not

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deteriorate in normal operating conditions. The tags must be permanently attached to the equipment. Equipment which is expendable according to the capitalization policy will be affixed with a tag which is not pre-numbered. Equipment which is non-expendable (Capital) will be affixed with a tag which is pre-numbered.

10) EQUIPMENT PROCEDURES:

A) Procedures For Receiving Equipment: These procedures cover the receipt of all expendable and non-expendable equipment.

I) Receiving Requirements: Property and services received shall be recorded on a receiving report to:

- a) Provide a record of receipt.
- b) Provide a document of entry to the records and accounts.
- c) Provide an audit trail.
- d) Substantiate the disbursement voucher.

II) Documentation: Receiving documents shall be prepared immediately upon completion of inspection, acceptance and receipt procedures.

III) Receiving Report: The receiving person will retain a copy of the purchase order, which is the receiving report and will compare it with the invoice submitted by the vendor when the property is delivered.

IV) Receiving Person Duty: The receiving person will compare the purchase order/receiving report with the invoice and shall make a visual, physical check of the property received.

V) Non Conforming Merchandise: Shortages, overages and damages shall be noted and handled in accordance with procedures established in the procurement manual.

VI) Back Orders: When invoices show that back orders are indicated, the receiving person shall verify the quantity received and make the necessary entries on the receiving report. If a partial payment is requested, the necessary paperwork will be processed and forwarded to accounts payable.

B) Procedures for Assigning Custodian and Location:

For both expendable and non-expendable equipment, the department director will be considered the custodian of the equipment.

If an item is considered lost, destroyed, or stolen by an employee, the employee should immediately inform the supervisor. The employee should prepare a memorandum describing the loss, destruction, or theft. The memorandum will be given to the Executive Director, who will then take the appropriate action. As applicable, Insurance claims will be processed by accounting.

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C) Procedures for Safeguarding Equipment:

All equipment will be protected from physical damage. This includes using the equipment in a safe manner and for which the equipment was intended. When not in use, equipment will be kept secure and protected from theft, misuse, and the elements.

All equipment will be kept in good repair for use in the manner intended. Equipment that is not considered cost-effective to repair will be disposed using the property disposition procedures outlined below.

D) Procedures for Inventorizing Equipment:

All non-expendable capitalized equipment will be inventoried at least every two years.

The physical inventory procedures should be performed by an authorized NPHA employee or consultant with the necessary expertise. The NPHA accounting department shall generate an inventory listing of all capitalized equipment. Equipment that is physically verified (i.e. the item is located and properly tagged with an NPHA tag) should be identified as such on the inventory list. All tagged equipment that is found on location but not on the inventory list should be recorded and the information forwarded to the accounting department. The accounting department shall be responsible to research the item and update the accounting property records. All changes to the property records should be documented and reported to the Executive Director. Equipment that is found and not properly tagged should be researched for possible NPHA ownership. If the equipment is owned by the NPHA, the accounting office should issue the custodial division with the appropriate tag (i.e. a pre-numbered tag for capital equipment or a non-numbered NPHA ownership tag).

The property ledger should be reconciled with the results of the physical inventory by the custodial department director and the accounting department. Adjustments should be made in a timely manner.

The accounting department should reconcile the property ledger with the appropriate general ledger accounts on an annual basis. Any difference between the property ledger and the general ledger account balance should be investigated promptly.

E) Accounting for Expendable Equipment:

Unused expendable equipment held in stock pending issuance to projects shall be accounted for in the same manner as the materials and supplies inventory.

F): Accounting for Non-expendable (Capitalized) Equipment

All capitalized equipment shall be controlled and accounted for in a property ledger.

A property record for each capitalized item shall be maintained by the accounting office. The record shall include a record of all physical inventory procedures performed by the NPHA.

11) CAPITALIZATION OF PROPERTY:

All personal property (including purchased items, donated items, or constructed property)

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which meets the capitalization criteria established in the policy statement shall be recorded as capitalized property in the property ledger.

All items of equipment which cost more than \$5,000 shall be considered "non-expendable" and be capitalized for budgetary and financial control purposes.

12) DISPOSAL OF EQUIPMENT:

Personal property shall not be sold or exchanged for less than its fair market value. Fair market value will be determined by an appraisal or other method of estimating fair market value.

Property of the NPHA will not be sold under fair market value to NPHA employees, Board Members, federal employees, or any person who has been an employee of the NPHA.

The NPHA shall document the sale of all equipment using a bill of sale. Note: Title transfers must be completed for certain types of equipment (such-as trucks or other vehicles).

Sales of excess personal property shall be made in the following manner:

If the estimated sales value of the personal property offered for sale is less than \$5,000, the Executive Director may negotiate a sale in the open market after such informal inquiry as he/she considers necessary to ensure a fair return to the NPHA. The sale shall be documented by an appropriate bill of sale.

For sales of \$5,000 or more, the Executive Director shall obtain Board approval for the disposition. Upon Board approval, the NPHA shall advertise the disposition for at least 60 days or until the item is sold (whichever is less). As determined by the Executive Director, the NPHA shall advertise the sale in the most practicable manner possible (i.e. newspapers, circular letters to prospective purchasers, radio, notices posted in public places, etc.). The first qualifying purchaser to meet the minimum sales price shall be selected.

For personal property which does not generate any interested buyers using reasonable advertising methods, the Executive Director shall prepare a memo listing all efforts made to sell the property and the manner by which the items were ultimately disposed of. All documentation in support of the destruction, abandonment, or donation of the property shall be retained in the appropriate property files.

When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment with a current per-unit fair market value may be retained, sold or otherwise disposed of. Items retained must be used for valid housing purposes. All proceeds from the sale of equipment are program income and must be accounted for.

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13) INVENTORY MATERIALS AND SUPPLIES:

Warehouse Contents:

The NPHA warehouse shall only be used to house materials and supplies that are utilized frequently and are relatively inexpensive. Under no circumstances shall the warehouse be used to capture “volume discounts” or house big ticket items (appliances, air conditioners etc) that are not obligated to a particular project prior to ordering them.

Warehouse setup - The warehouse will be kept in a neat and orderly fashion. Storage racks will be installed that will hold bins and have part numbers and descriptions affixed to the front of the bin. The re-order point, unit of measure, and order quantity will be noted on the front of the bin. Materials that are large and cannot be stored in the warehouse will be kept in the secure yard and protected from the elements

Accounting method – All inexpensive materials used in routine maintenance activities (washers, light bulbs etc.) shall be expensed using NPHA’s current accounting estimate for maintenance materials

Ordering materials - A requisition will be prepared for restocking materials and supplies. Order quantities will be taken from the order quantity noted on the bin. The NPHA part number should be noted on the requisition form.

Receiving materials - Upon receipt of the material in the receiving area, the appropriate NPHA staff will prepare a receiving report using a copy of the purchase order. After the shipment is received, the materials will be placed into the appropriate inventory bins.

Issuing materials - Charging the cost of materials and supplies to the appropriate program and account for which the materials and supplies are being used is a primary goal of the inventory system. The “Inventory Issue” form will be filled out and signed by the employee requesting the material. At a minimum, the program that is benefiting must be noted on the form. The requesters supervisor will then sign the form before the issue is made. The inventory custodian will pull the inventory and deliver it to the requester. The requester will initial each line vouching that the count is correct, and that he/she has received the material. The inventory custodian will then post the issue to the stock cards and the price of the material to the issue slip. The original issue slip will be batched and transmitted weekly to the accounting office. The accounting office will charge the cost of issuances to the appropriate programs and prepare the necessary journal entries to record the reduction in inventory and the increase in expenses.

Counting Inventory - A member of the accounting department will perform physical inventory procedures at least once each year by comparing the materials on-hand in the bins to the materials listed on-hand per the stockcards. The results of the count will be noted on the stockcard. A copy of the inventory cards will be placed in the appropriate files for audit trail purposes. The count must start and end at one specific place in the warehouse. Any materials that are not on the cards will be noted and added to the inventory count during reconciliation. Where there are discrepancies, the discrepancies will be researched. An adjustment memo will be prepared and given to the inventory

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custodian to adjust the balance of the card. The card balances will be summarized, and totaled. A total dollar value will be calculated by multiplying the number of items on-hand by the appropriate per unit cost. The total of the card balances should be reconciled to the appropriate general ledger account as of the inventory date. Any adjustments must be charged as materials shrinkage in the fund that owns the inventory. A memo describing the adjustments must be provided to the Executive Director for review and approval.

Job Site Control - In accordance with the HUD Accounting Guidebook 7510.1, the NPHA will employ the physical inventory method to account for materials and supplies located at construction sites when there is only one development activity being charged for the materials (i.e. the materials can be entirely charged to one program or project). These inventory sites will be temporary in nature and will be closed out at the end of the project. Under this method, the cost of materials and supplies is charged to expense when the items are sent to the construction site (as opposed to when they are used). No individual records will be maintained for items received and issued at the construction site. Note: The issuance will be documented by the inventory custodian when the items are transferred from the warehouse. If the items are shipped directly to the construction site, the receiving report will be used to record the expense of the items. When this method is used, a physical inventory of materials and supplies shall be taken at the end of the development period or at the end of the fiscal year (as is required for proper reporting for program costs). The total cost of materials and supplies on hand at the end of each period, as disclosed by the physical inventory at the end of the project or fiscal year and priced by an appropriate method, shall be the basis for adjusting the expense accounts to an amount equal to the cost of unused materials and supplies on hand. When the job site is closed, and a physical inventory is completed, the materials will be either returned for credit to the vendor, disposed of through sale or donation, or moved to the central warehouse site for inclusion into the inventory storage facility there.

Proper Care - Proper custodial care of materials in inventory is essential at these projects to prevent misuse, waste, damage, or pilferage. As is considered practical and necessary by the Projects Department, the materials and supplies will be safeguarded and protected from possible theft and damage from the elements.

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