



FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL

SECTION 11

Transfer of Fixed Assets

1 Purpose

The purpose of this section is to establish procedures for transferring fixed assets between organizational units or physical locations within a City department or between different City departments. By providing timely reporting of fixed asset transfers, these procedures ensure custodial responsibility, accountability, and the maintenance of accurate fixed asset records.

2 Scope

Both the transferring and receiving entities will appropriately account for transfers of fixed assets, whether they are transfers between departments (interdepartmental transfers) or within departments (intradepartmental transfers).

Interdepartmental transfers will be coordinated between the transferring and receiving departments, as well as with the appropriate Fixed Asset Control Group, for all real property assets, buildings, and equipment with values equal to or greater than \$5,000 or meeting Citywide controlled item classifications. The Fixed Asset Management System (FAMS) assists in providing proper accounting for transfers by distinguishing between inter/intradepartmental and inter/intrafund transfer transactions.

Fixed assets are sometimes transferred between general government funds and proprietary or trust funds. In such cases, the asset transfer is recorded by making offsetting entries to the appropriate asset accounts and to the investment in general fixed assets account by source accounts. The appropriate valuation of such a transferred asset in the receiving entity's accounts must be performed consistently. To avoid distortion of the financial statements, only the depreciated (net book) value of the transferred asset, rather than its original cost, will be reported by the receiving entity.

Transfers between departments within the general fund have no proceeds or gain or loss recorded in conjunction with the transfer in the individual FAMS records of the respective departments.

3 Guidelines

Assets can be transferred from one City department to another. When an active asset in the possession of a City department or department organizational unit (e.g., division, section) changes custodial responsibility or is physically moved from one location to another, a transfer transaction will be recorded in the FAMS.



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3.1 Transfer Due to a Change in Organizational Responsibility

A change in custodial responsibility (stewardship) will occur when there is a change in organizational responsibility for safeguarding the asset from one department (or organizational unit within a department, such as a division or section) to another that results in a department code field changing in the FAMS.

The level at which transfers will be recorded in the FAMS will be determined based upon the level at which the organization code is established by the department in the FAMS. At a minimum, departments will use the two-digit Financial Management System (FMS) department code followed by valid four-digit FMS organization code.

Examples

- If responsibility for an asset is changed from one department to another, such as from the Police Department to the Health Department, a transfer entry in the FAMS is required.
- If responsibility for an asset is changed from the Supply Division of the Fire Department to the Building Services Division of the Fire Department, and division-level department codes have been assigned in the FAMS, a transfer entry is required.
- If responsibility for an asset is changed from the Warehouse Section to the Ordering Section of the Supply Division of the Fire Department, and department and organization codes are only assigned at the division level, a transfer entry is not required.

3.2 Transfer Due to a Change in Physical Location

When a change in the physical location of an asset occurs, the determination of whether a transfer entry in the FAMS is required will depend upon whether the location code adopted by the department has changed. The level at which transfers need to be recorded in the FAMS will be determined based upon the level at which location codes are established by the department in the FAMS. The location code level in the FAMS has generally been defined as a discrete building or structure at a site. When sublocation codes (e.g., room numbers) are maintained in the FAMS, transfers between sublocations (rooms) within a location (building) will be required.



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4 Types of Transfers

Note: For clarity, organizations involved in the transfer of an asset will be referred to as follows: The receiving or buying department is the department or organizational unit **receiving** the asset as a result of the transfer. The sending or selling department is the department or organizational unit **sending** the asset as a result of the transfer.

4.1 Departmental Transfer

A departmental transfer occurs when an active asset in the custody of a City department changes organizational responsibility or is physically moved from one location to another, but remains within the same department.

Example

A transfer of an asset between divisions in the Aviation Department

4.2 Mass Transfers/Updates

A mass update transaction is available in the FAMS that will allow departmental transfers to be performed on all assets in the department FAMS that meet the transfer criteria (change in organizational or physical location). A full audit trail is provided for each individual asset included in the mass update transaction.

Example

Changing all organization codes from one code to another in conjunction with reorganization

4.3 Interdepartmental/Interfund Transfer

An interdepartmental/interfund transfer occurs when an active asset in the custody of a City department changes organizational responsibility or is physically moved from one location to a different department in a different fund.



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4.4 Interdepartmental/Intrafund Transfer

An interdepartmental/intrafund transfer occurs when an active asset in the custody of a City department changes organizational responsibility or is physically moved from one location to a different department in the same fund (e.g., one general fund department to another general fund department).

Example

A transfer of an asset between Asset Management and the Legal Department (both general fund departments)

4.5 Transfers of Grant Funded Assets

It may be necessary to obtain specific grantor approval prior to the transfer of federal or grant funded assets when it is determined that the fixed asset is no longer needed for the original grant purpose. Use of these fixed assets in other projects will be limited to other federal grant programs or programs that have purposes consistent with the original grant purpose. Guidelines for transfer of grant funded assets, as outlined in Office of Management and Budget (OMB) *Circular A-102* (revised), will apply.

5 Departmental Transfers

5.1 Transfer Procedure

1. The individual or manager responsible for asset custody in the organizational unit sending the asset, or the Department Fixed Asset Coordinator (DFAC) if the DFAC is coordinating the transfer for the groups, will initiate a Capitalization Form–Disposals/Transfers/Mass Updates (FA-2) requesting the transfer of the fixed asset or controlled item. In Section 4 of the form, the appropriate information identifying the receiving organization (division), location, or sublocation will be entered as follows:
 - If the transfer involves a transfer in organizational responsibility, only the *New Div* is entered.
 - If the transfer involves a transfer in physical location, only the *New Location* or *New Sub-Loc* is entered.
 - If the transfer involves both a transfer in organizational responsibility and physical location, all of the *New...* fields are entered.
2. Upon receipt of a memo approving the transfer from the receiving organizational unit, the sending manager will forward the memo and the FA-2 to the sending DFAC.



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3. The sending department DFAC will proceed as follows:
 - Review and confirm the approvals of both the sending and receiving organizations and complete the FA-2.
 - Retain a copy of the FA-2 in a pending transfer file.
 - Forward the approved FA-2 to the receiving organization to arrange for actual delivery and moving of the asset.
 - Monitor the pending transfer file to ensure that expected transfer documentation has been received.
4. The **sending organizational unit** will sign the *Released By* line on the FA-2 at the time the asset is picked up by the receiving organizational unit.
5. Upon delivery of the physical asset, the **receiving organizational unit** will sign the *Received By* line on the FA-2, and return the form, with all required signatures, to the sending department DFAC for entry into the FAMS.
6. Upon receipt of the FA-2 from the receiving organizational unit indicating the transfer has been completed, the sending department DFAC will verify the transaction date, as appropriate, and forward the FA-2 to the data entry clerk for entry into the FAMS.
7. The FAMS record will be updated following established data entry procedures.

5.2 Related Accounting Transactions

The FAMS will properly reflect the transfer in the financial reports of the department and funds as follows:

- The transfer will be reflected as a reduction in the valuation of assets for the sending organization and an increase in the valuation of assets for the receiving organization.
- The appropriate changes will be reflected in the department and Central Reporting System Net Changes reports.
- The net effect of the transfer transactions will be reviewed by the department and Asset Management for posting at year-end to ensure proper City Comprehensive Annual Financial Report (CAFR) representation of the transfer information.
- Any journal entries required to reflect the net effect of transfers between funds will be made as summary entries for the department at year-end. Departmental responsibility and specific procedures for such entries will be provided by and coordinated with Asset Management.



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6 Interdepartmental/Interfund Transfers

When the transfer involves different departments and different funds, a transfer is treated as a disposal by the selling department and an acquisition by the buying department. Special method codes will be recorded to designate these transactions as transfer-type transactions. To ensure accurate City financial accounting, the proceeds and cost basis at which the transaction occurs require special consideration.

6.1 Transfer Procedure

1. The DFAC of the department selling the asset will initiate an FA-2 requesting the transfer of the fixed asset or controlled item. In Section 3 of the form, the appropriate information will be entered as follows:
 - Transaction Date – The estimated transaction date for the transfer is entered.
 - Disposal Method – *Dept Transfer – Interfund* is entered.
 - Reason – *Interdepartmental transfer to XXX Department* is entered, where XXX is the buying department that will receive the asset.
 - Proceeds – The estimated book value (original cost minus accumulated depreciation) of the asset on the transaction date is entered. This will result in a net gain or loss of \$0. A preview book value is displayed when the information is entered in the FAMS.
 - Grant Transfer Records – Any information necessary to satisfy grant transfer recording requirements is entered, as appropriate.
2. The selling department DFAC will obtain and attach a memo approving the transfer from the appropriate department management of both departments.
3. The FAMS record will be updated following established data entry procedures.
4. The selling department DFAC will retain a copy of the Capitalization Form–Disposals/Transfers/Mass Updates (FA-2) and the FAMS Transfer Summary in a pending transfer file until the transaction has cleared on the receiving department side.
5. The selling department DFAC will forward the approved FA-2 to the DFAC of the buying department, indicating final selling department approvals, to arrange for actual delivery and moving of the asset.
6. The selling department organizational unit will sign the *Released By* line on the FA-2 at the time the asset is picked up by the buying organizational unit.
7. Upon delivery of the physical asset, the designated and authorized receiving group of the buying department will sign the *Received By* line on the FA-2 and record the



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transaction in the buying department's FAMS, using the selling department's original FAI/tag number.

8. The buying department's receiving group will forward the selling department's FA-2 (with the FAMS Transfer Summary attached) to the DFAC of the buying department.
9. The DFAC of the buying department will monitor the pending transfer file to ensure that the expected transfer documentation has been received.
10. The FAMS record will be updated in the selling and buying departments following established data entry procedures.

6.2 Related Accounting Transactions

The FAMS will properly reflect the transfer in financial reports of the departments and funds as follows:

- The transfer will be reflected as a disposal and reduction in the valuation of assets for the selling organization.
- The transfer will be reflected as an acquisition and increase in the valuation of assets for the buying organization.
- The change will be reflected in the Net Changes Report of both departments and funds as a disposal (selling) or an addition (buying).
- The net effect of the transfer, as reflected on accounting reports for the funds involved, will be no gain or loss reported or associated with the transaction.
- No prior depreciation will be reported for the asset in the buying department.
- The net effect of the transfer transactions will be treated by the department and Asset Management as a normal disposal or acquisition for the funds involved. Such transactions, however, will be reviewed at year-end by Asset Management for appropriate and accurate treatment in the FAMS.
- Appropriate departmental billings and transactions will be processed by the departments involved to record the interdepartmental proceeds of the transaction at book value.



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7 Interdepartmental/Intrafund Transfers

A transfer is treated as a disposal by the sending department and an acquisition by the receiving department when the transfer involves different departments **in the same fund** (e.g., within the general fund). Special methods will be recorded to designate the transactions as transfer-type transactions. The proceeds and cost basis at which the transaction occurs require special consideration to ensure that the net effect on the fund's overall financial statements is \$0.

7.1 Transfer Procedure

The same procedure will be followed as outlined in subsection 6 in this section with the following exceptions:

- In the *Reason* field for the transaction on the FA-2 requesting the transfer of the fixed asset or controlled item, the DFAC of the department sending the asset will enter *Interdepartmental/intrafund transfer to XXX Department*, where XXX is the department that will receive the asset.
- No cost entry is required by the sending department. When the transaction is entered, the FAMS will automatically remove the asset at original cost (and related accumulated depreciation) with no gain or loss reported.

Note: *The intent of this transaction is to move the asset from one department to another with no net accounting effect on the fund.*

7.2 Related Accounting Transactions

The FAMS will properly reflect the transfer in financial reports of the department and fund as follows:

- The transfer will be reflected as a disposal and reduction in the valuation of assets for the sending organization and as an acquisition and increase in the valuation of assets for the receiving organization.
- The net effect of the transfer, as reflected on accounting reports for the fund involved, will be \$0.
- The net effect of the transfer transactions will be reviewed at year-end by Asset Management for appropriate and accurate treatment in the FAMS.



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8 Transfers of Assets via the Property Disposal Management Office (PDMO)

When a department determines that personal property is surplus, it may, where a need exists, transfer the personal property between organizations within the department, in accordance with subsection 5 in this section.

The PDMO will be responsible for the ultimate disposal of City property that is either no longer needed (excess, obsolete) or found to be unserviceable (worn, scrap) by City departments in accordance with City policy and other legal mandates.

1. City departments will transfer surplus personal property to the PDMO of Finance & Administration (F&A) under the following categories and condition codes, in accordance with this procedure and Section 12 (Transfer and Removal of Surplus Property):
 - *Excess* – Personal property that is in excess of the department's requirements. Excess personal property is assumed to be serviceable.
 - *Obsolete* – Personal property that no longer meets City specifications or requirements but is in useable condition. Obsolete personal property will be transferred as serviceable.
 - *Worn* – Personal property that performs its functions but does so with excessive or uneconomical repair costs. Worn personal property will be transferred as unserviceable.
 - *Scrap* – Personal property that no longer functions and has no market value except for its basic material content. Scrap is considered unserviceable and will be disposed of in accordance with existing scrap metal/refuse contracts or as otherwise directed by the Director of Finance & Administration.
2. Upon demonstrated need on a first-come, first-served basis, the PDMO will transfer personal property to City departments. After the DFAC of the receiving department initiates a request for transfer, the PDMO will process the transfer (as the sending department) in accordance with this procedure and Section 12 (Transfer and Removal of Surplus Property).
3. The asset will be added to the receiving department's FAMS at a cost of \$0 when it meets the criteria for controlled items.

9 Transfers of Federal or Grant Funded Assets

A department will not transfer federal or grant funded assets unless the transfer is allowable in accordance with the guidelines outlined in the Office of Management and Budget (OMB) *Circular A-102* (revised) and the *Uniform Requirements for Grants and Cooperative*



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Agreements with State and Local Governments, subject to the specific guidelines of the grantor agency.

Specific regulations can be found in the *Code of Federal Regulations* (CFR). For most grants operated by the City, regulations regarding grant funded equipment disposition can be found in the following areas:

- “Housing and Urban Development” (24 CFR 85.32)
- “Justice” (28 CFR 66.32)
- “Health & Human Services” (45 CFR 74.34)
- “Federal Emergency Management Agency” (13 CFR 13.32)

Note: *The Code of Federal Regulations can be found on the Internet at <http://www.access.gpo.gov/nara/cfr/index.html>.*

When a transfer of an asset from one grant to another grant is deemed to be allowable, the DFAC of the department will initiate and complete the Capitalization Form–Financial Adjustments/Other Changes (FA-3) documenting the transfer from one grant number to another. Section 4 of the form will be completed, indicating the new grant number or reporting category to which the asset is being transferred.

The FAMS record will be updated following established data entry procedures.