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# INVENTORY AND FIXED ASSET POLICY



## ORANGE COUNTY PURCHASING DEPARTMENT POLICIES AND PROCEDURES

Revised and Approved  
By Commissioners' Court, September 18, 2018  
Effective Date: October 1, 2018

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**COMMISSIONER BARRY BURTON, PCT #2**  
**COMMISSIONER JOHN GOTHIA, PCT #3**  
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**INVENTORY AND FIXED ASSET POLICY**  
**REVISED AND APPROVED BY COMMISSIONERS' COURT, SEPTEMBER 18, 2018**  
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## 1. INTRODUCTION

The purpose of this manual is to provide a better understanding of the importance of property management, inventory control, fixed asset responsibilities and controls for Orange County. Therefore, by establishing standards for property management, inventory control and fixed asset control for the County property it will be made easier for all concerned. This manual will cover each phase of the Orange County property, inventory and fixed asset system.

In Orange County, the County Purchasing Agent serves as “property manager” for the County. The Purchasing Agent must take an inventory of all the property on hand and belonging to the County on or before July 1<sup>st</sup> of each year. This inventory is filed with the County Auditor and each of the members of the board that appoints the County Purchasing Agent. (See: Section 262.011 (i) – TEXAS LOCAL GOVERNMENT CODES.)

The Purchasing Agent also has control over the transfer of equipment from one department to another. (See: Section 262.011 (j) - TEXAS LOCAL GOVERNMENT CODE.)

### **A. ALL PREVIOUS INVENTORY AND FIXED ASSET POLICIES AND PROCEDURES SUPERSEDED**

This policy supersedes all previous manuals, letters, memoranda and understandings of Orange County, Texas regarding the inventory and fixed asset policies and procedures policies contained herein.

## **2. DEFINITIONS OF INVENTORY/FIXED ASSETS**

In order to explain the property accounting system for fixed assets, it is necessary to first define the types of fixed assets that will be included in the reporting system. Following is a list of assets to be included in the reporting system for Orange County:

All fixed assets in use by the various County departments including County owned buildings, land, and improvements made to County owned land.

Fixed asset costs consist of all expenditures necessary to acquire and make the purchase ready for its intended use, including all items that are components. The following items shall be included: purchase cost (before trade-in allowance), shipping/freight, insurance for transit, testing, assembling, and installation costs are all considered part of the cost of an asset. All items that are components of the fixed asset shall be added together. Any asset that has a value or cost of \$2,000.00 or more and a useful life of at least one-year will be recorded on the County fixed asset inventory.

There are four major classifications of County fixed assets and some minor classifications that provide a more detail description. All fixed assets of the County will fall within one of the four major classifications. These classifications are:

1. Land
2. Buildings
3. Improvements Other Than Buildings
4. Machinery and Equipment

**Definitions of each of the major and minor classifications of the County fixed assets are as follows:**

### **A. LAND**

Any land purchased or donated to Orange County will be placed on the fixed asset inventory at the price paid for the land at the time of purchase or the appraised value of any land which is donated or traded to the County.

For land already owned by the County, the price of that land will be at actual cost of the land at the time the land was purchased, if it is possible to obtain the price of the land in the deed records of the County. If we are unable to obtain a price on the land, the appraised value of the land will be used and adjusted as needed to obtain a “close-to” original estimated cost of the land.

Land, which has been deeded to the County for the purpose of building County roads, or land purchased by the County for this purpose, will be placed on the fixed asset records. If we are unable to obtain a price on the land, the appraised value of the land will be used and adjusted as needed to obtain a “close-to” original estimated cost of the land.

### **B. BUILDINGS**

County buildings will be placed on the fixed asset inventory at actual cost of the building if this actual cost is available. If actual cost is not available, the value of the building will be the appraised value plus or minus any necessary adjustments to determine the actual cost of the building at the time it was constructed or purchased by the County. If the building is donated or received in trade, it will be recorded at appraisal value.

Major renovation or construction of additions to existing building will be recorded on fixed asset inventory at actual cost.

Only those items that will improve the long-term value of the buildings will be considered as additions to the value of the buildings.

### **C. IMPROVEMENTS OTHER THAN BUILDINGS**

Improvements may, or may not, be placed on fixed asset records. This determination will be made by the County Purchasing Agent and/or by the County Auditor. Items, which are deemed to be fixed assets, will be recorded at cost.

### **D. MACHINERY AND EQUIPMENT**

Machinery and Equipment including any moveable piece of property purchased, donated, or built by Orange County or acquired from surplus property agencies. Orange County in accordance with State Purchasing Laws and County Purchasing Policies and Procedures makes purchases of all items of machinery and equipment. This equipment is placed on the fixed asset inventory at cost or at estimated value if donated.

### **E. MOTOR VEHICLE EQUIPMENT**

Motor Vehicle Equipment is defined as that which is self-powered and most of that is mobile.

### **F. OFFICE EQUIPMENT AND FURNISHINGS**

Office equipment and furnishings are items of furniture and office equipment, which are common to many offices of the County. When possible, all purchases of a like nature will be made in one annual buy in order to obtain the best possible price by group purchase. Whenever practical, the Purchasing Agent, with the approval of the Commissioners' Court, shall transfer county supplies, materials and equipment from a subdivision, department, officer, or employee of the county that are not needed or used to another subdivision, department, officer, or employee requiring the supplies or materials or the use of equipment. (See: Section 262.011 (j) – TEXAS LOCAL GOVERNMENT CODES.)

### **G. DATA PROCESSING EQUIPMENT AND SOFTWARE**

Data processing equipment includes processing equipment and used centrally or in individual departments of the County. Related expenditures for data processing equipment will also be included in fixed assets.

### **H. DONATED PROPERTY**

All assets received via donation or contribution, regardless of source, will be included in fixed assets. All departments receiving donated equipment must obtain Commissioners' Court approval. These approved items must be reported to the Purchasing Department immediately upon approval. For financial reporting these assets shall be recorded at fair market value on the date of receipt.

Proper recording of these assets is essential as some contributed assets, such as those received from the Federal Government, must be tracked at several levels and improper disposition of these assets could have penalties or severe negative impact upon the County's ability to participate in a program.

### 3. PROTECTION OF PROPERTY

The protection of property is outlined in Section 31.11 (a) of the Penal Code of Texas. In accordance with this statute, a person commits an offense if he or she:

#### § 31.11. TAMPERING WITH IDENTIFICATION NUMBERS.

(a) A person commits an offense if the person:

(1) knowingly or intentionally removes, alters, or obliterates the serial number or other permanent identification marking on tangible personal property; or

(2) possesses, sells, or offers for sale tangible personal property and:

(A) the actor knows that the serial number or other permanent identification marking has been removed, altered, or obliterated; or

(B) a reasonable person in the position of the actor would have known that the serial number or other permanent identification marking has been removed, altered, or obliterated.

(b) It is an affirmative defense to prosecution under this section that the person was:

(1) the owner or acting with the effective consent of the owner of the property involved;

(2) a peace officer acting in the actual discharge of official duties; or

(3) acting with respect to a number assigned to a vehicle by the Texas Department of Transportation and the person was:

(A) in the actual discharge of official duties as an employee or agent of the department; or

(B) in full compliance with the rules of the department as an applicant for an assigned number approved by the department.

(c) Property involved in a violation of this section may be treated as stolen for purposes of custody and disposition of the property.

(d) An offense under this section is a Class A misdemeanor.

(e) In this section, "vehicle" has the meaning given by Section 541.201, Transportation Code.



#### 4. PURCHASING AGENT RESPONSIBILITIES

- A. The County Purchasing Agent or designated Purchasing Department employee is responsible for the maintenance of property records. All transaction having to do with assets of the County must flow through the Purchasing Department who is responsible for maintaining inventory records for all assets. The Purchasing Agent or designated Purchasing Department employee will supply department heads and County officials with all necessary forms and information concerning the transfer and accountability of inventory assigned to the various County departments.
- B. Each year the Purchasing Department will provide a detailed printed list of all assets assigned to each department in the County. The Purchasing Department will make all corrections and adjustments to inventory records to reflect actual inventory count. Inventory of all County's capital assets shall be scheduled and conducted on a rotating basis so that all capital assets are verified.
- D. The Purchasing Agent or designated Purchasing Department employee will issue a tag number for each asset that will identify the property as County owned.
- E. Accumulation and disposal of surplus property of the County will take place under the supervision of the Purchasing Agent or designate Purchasing Department employee, in accordance with the laws of the State of Texas and instructions of the Commissioners' Court.
- F. Warehoused Property – The Purchasing Department is responsible for warehousing all surplus, excess, or salvage property. The Orange County Surplus Building, 714 Polk Street, Orange, Texas, will store items no longer useful to the departments.

## 5. DEPARTMENTAL OFFICIALS' RESPONSIBILITIES

- A. User departments will be held responsible for proper accounting, maintenance and use of County assets. The Elected Official or Department Head will be required to take an inventory of all fixed assets assigned to their department, or to have a member of their staff take the inventory. All items on the printout must be accounted for. After taking a physical inventory. The inventory printout must be signed by the Elected Official or Department Head upon the completion of the final inventory, including any discrepancies that will be reported to the Commissioners' Court.
- B. Any Elected Official or Department Head leaving the employment of the County must notify the County Purchasing Agent with sufficient time for a detailed inventory to be performed of all assets assigned to the department before the Elected Official or Department Head leaves office.
- C. All furniture, equipment and machinery should be used for County business only.
- D. The Elected Official or Department Head shall report item(s) stolen immediately to the proper law enforcement agency. A copy of the report from the law enforcement agency must be provided to the Purchasing Agent or designated Purchasing Department employee. A copy of the report and listing of stolen assets are presented to Commissioners' Court for approval to remove the assets from the inventory listing. Commissioners' Court must approve all replacement of stolen item(s). Recovered item(s) are similarly reported to Commissioners' Court.
- F. The Elected Official or Department Head shall report item(s) lost immediately to the Purchasing Department or designated Purchasing Department employee. Any item(s) not located in a department will require a letter from the Elected Official or Department Head to the Commissioners' Court detailing the circumstances surrounding the missing item(s) and detailing the search for the missing items(s). A copy of the letter and listing of the lost assets are presented to Commissioners' Court for approval to remove the assets from the inventory listing. Commissioners' Court must approve all replacement of lost item(s). Recovered item(s) are similarly reported to Commissioners' Court.
- E. Annually, an inventory of the County fixed asset property will be made under the supervision of the Purchasing Agent or designated Purchasing employee. The purpose of the inventory is to verify the accuracy of the fixed asset records. Each Elected Official or Department Head will receive a computer printout of all equipment assigned to his or her department. All items on the printout must be accounted for in their department. The Purchasing Department will make all corrections and adjustments to inventory records to reflect actual inventory count. Inventory of all County's capital assets shall be scheduled and conducted on a rotating basis so that all capital assets are verified. In each department, an individual must be assigned the responsibility for locating, coordinating and the physical walkthrough of the annual inventory of capital assets assigned to that department, notification of selected personnel must be sent to the Purchasing Agent or designated Purchasing employee. Please send notification of selected individual to the office of the Purchasing Agent. If there are items (with a value of \$2,000.00 or more) in the department, which are not listed on the printout, those items will be listed and turned in with the inventory so that the assets may be added to inventory records. The Elected Official or Department Head shall sign and date the fixed asset record on or before the required deadline.
- F. An Elected Official or Department Head does not have the authority to transfer equipment from one department to another, destroy equipment, or throw away or discard equipment. Commissioners' Court must approve any transfer or disposal. Otherwise, the Elected Official or Department Head is responsible for all equipment assigned to his/her department. Any surplus inventory in any department in the County should be returned to the Purchasing Department for reassignment or auction. The Orange County transmittal form must be completed by user department, signed and sent to the Purchasing Department for any equipment transfer.
- G.

- H. Orange County assumes no liability for employee's personnel assets located in a County facility.
- I. Repairs to any County equipment must be monitored by the user department. If the original fixed asset equipment is replaced the Purchasing Agent or designated Purchasing Department employee shall be notified immediately. The replaced fixed asset must be deleted by Commissioners' Court, and then re-assigned a new asset number reflecting the new part number and serial number.
- J. Prior to submittal of the transfer form, special attention should be given to indicate the funding source of the item(s) being declared surplus for disposition. The funding information provided by the department should help expedite the timely completion of the Surplus Auction Report.
- K. The County may not sell or transfer a marked patrol car or other law enforcement motor vehicle to the public unless the County first removes any equipment or insignia that could mislead a reasonable person to believe that the vehicle is a law enforcement motor vehicle, including any police light, siren, amber warning light, spotlight, grill light, antenna, emblem, outline of an emblem, or emergency vehicle equipment. (See: Section 272.006 (b) – TEXAS LOCAL GOVERNMENT CODES.)
- L. The County may not sell or transfer a marked patrol car or other political subdivision law enforcement motor vehicle to a security services contractor who is regulated by the Department of Public Safety and licensed under Chapter 1702, Occupations Code, unless each emblem or insignia that identifies the vehicle as a law enforcement motor vehicle is removed before the sale or transfer. (See: Section 272.006 (c) – TEXAS LOCAL GOVERNMENT CODES.)
- M. The County may dispose through a recycling program under which the property is collected, separated, or processed and returned to use in the form of raw materials in the production of new products. (See: Section 263.152 (6) (c) – TEXAS LOCAL GOVERNMENT CODES.)

## **6. ACCOUNTING SYSTEM FOR INVENTORY/FIXED ASSETS**

The Purchasing Agent has overall responsibility to maintain accurate records of assets of Orange County. The current accounting system includes the following elements:

- A. Property Tagging-System – All assets will be tagged with a unique number which will also be entered in the Incode inventory system. The location in which tags will be affixed to assets will be determined by the Purchasing Agent or designated Purchasing Department employee and administered in a standard manner. After assets are initially tagged, it shall be the responsibility of the user department to notify the Purchasing Agent or designated Purchasing Department employee of a missing tag.

## **7. DISPOSITION OF FIXED ASSETS**

Salvage and surplus property owned by the County may be disposed of by sale, by competitive bid or auction, by trade-in for new property, or by being destroyed as worthless if it cannot be sold. The following procedures should be followed:

1. Salvage and surplus property owned by the County may be disposed of by sale or competitive bid or auction, trade-in for new property, or by being destroyed as worthless if it cannot be sold, or donated to a tax exempt entity. (SEE TEXAS LOCAL GOVERNMENT CODE – CHAPTER 263 – SECTIONS 263.151 through 263.158.
2. Disposition of abandoned or unclaimed property seized by a peace officer must be conducted in accordance with Article 18.17, TEXAS CODE OF CRIMINAL PROCEDURE.
3. Equipment which is broken or no longer needed in a department or which is to be traded-in, shall be transferred to surplus after approved by Commissioners’ Court.
4. The Purchasing Agent will periodically request that the Commissioners’ Court declares property “surplus” (in excess of needs useful) or “salvage” (has no value – not useful). Competitive bid or auction will sell surplus and salvage property under the State laws on disposition of property

**8. COUNTY AUDITORS' RESPONSIBILITIES**

- A. The Auditor may audit asset records held in the Purchasing Department and audit actual equipment held by various departments in the County to determine the accuracy of inventory records.
- B. The Auditor may verify that all equipment is charged to correct expenditure accounts as approved by the Commissioners' Court.