



Los Angeles Community College District

## **Strategic Asset Management Plan**

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## Foreword

*The next step in Phase I of the LACCD Asset Management Program is to develop a Strategic Asset Plan to address the conditions cited in the Findings and Conclusions deliverable. As the title implies, this Strategic Asset Plan is a “Plan” designed to present components of an effective and efficient Asset Management System that is based on established compliance standards with cost effective asset management process outcomes using Industry Best Practices and Voluntary Consensus Standards.*

*In some areas there are multiple recommendations that address each condition cited; this document presents options as may best be applied to both the condition and related operating environments in the areas where they exist. The review of this submission should be done so with intent to select, or at a minimum consider, the options set forth herein.*

*This “Strategic Asset Plan” is designed to provide critical process elements for the initiation, completion and conduct of an effective and efficient LACCD Asset Management Program. Presented as a plan, the process elements described are intended to be pliable in their literal application to District and Campus business operating environments.*

*The primary objective of this plan is to create a foundation on which to build policies and procedures that produce process outcomes supporting Industry Best Practices and compliance with regulatory requirements. It should be noted that this plan addresses all areas within the asset lifecycle where weaknesses were revealed during the LACCD Asset Management System Analysis phase.*

- *Development of a Strategic Asset Management Master Plan to address organization, operations and tools*
- *Establish the criteria for a requirements matrix to evaluate, select and deploy a comprehensive Asset Management platform*
- *Recommendations for implementing change management, including the necessary technology and resources for effective asset accountability and required reporting*
- *Introduce asset management best practices via a robust communications and training program to include certification, systems and policy and procedure curriculum*

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**Executive Summary**

The initial deliverable in Phase I of the Asset Management Program was a “Findings and Conclusions” document presented to LACCD in June 2010 which detailed a high level observation of the asset management operating landscape across LACCD. The focus of that exercise was to analyze the levels of performance regarding lifecycle asset management functions across the nine LACCD campuses and District Office. Within that document, each function was evaluated and assigned a rating based upon its adequacy or the need for improvement. We have provided a summary of our findings in a following section.

Overall, the concept of asset management has been addressed informally by the District; however most key personnel have not been exposed to any training or written procedures. There is a distinct lack of standardization between campuses regarding the management of assets. At the campus level, users are looking for district-level oversight as well as the deployment of technology and training to enhance efficiency. Our findings reveal areas where significant improvement in operations can be achieved. The following graphic depicts a consolidated analysis of the District’s effectiveness in each of the asset management lifecycle functions:



This Strategic Asset Management Plan is designed to address each of these areas and provide recommendations for process implementation to bring each of these into “green” status, ensuring maximum utilization of District funds, assets and resources.

The following table consolidates the findings, operational impact, and options for corrective actions to achieve the level of asset management competency desired by the District:

Finding/ Affected Lifecycle Area	Impact Analysis	Resolution Actions		
		Basic Compliance	Industry Best Practices	Optimal Outcome
<p><b>Failure to account for assets in single master database</b></p> <ul style="list-style-type: none"> <li>Procurement</li> <li>Receiving</li> <li>Identification</li> </ul>	<ul style="list-style-type: none"> <li>No accurate inventory of assets</li> <li>Cannot maximize reutilization of assets</li> <li>Lack comprehensive fiscal or custodial accountability</li> <li>No comprehensive reporting on assets</li> </ul>	<ul style="list-style-type: none"> <li>Enhance existing system and add-ons</li> <li>"Cobble" information together with shadow systems</li> <li>Accept the use of paper receipts and request forms</li> </ul>	<ul style="list-style-type: none"> <li>Adopt a single source Asset Management Software system</li> <li>Integrate existing databases managed by single system</li> <li>Automate processes where possible, noting paper transactions into system when necessary</li> </ul>	<ul style="list-style-type: none"> <li>Adopt a single source Asset Management solution</li> <li>Replace outdated and legacy systems with current technology</li> <li>Completely automate processes and procedures</li> </ul>
<p><b>Lack of a single, centralized department for oversight and responsibility</b></p> <ul style="list-style-type: none"> <li>Use</li> <li>Location</li> <li>Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Increased loss of assets</li> <li>No accountable internal organization</li> <li>No enforcement of policies and procedures</li> <li>No platform for District-wide awareness program</li> </ul>	<ul style="list-style-type: none"> <li>Identify internal qualified headcount to oversee all Asset activity for District</li> <li>Campus operations coordinate with District position</li> </ul>	<ul style="list-style-type: none"> <li>Identify and certify District Asset Manager to oversee all Asset activity for District</li> <li>Campus operations to be accountable to this position</li> </ul>	<ul style="list-style-type: none"> <li>Create District Asset Management Office with oversight and authority</li> <li>District Asset Mgr. hired and certified to oversee all District asset activity</li> <li>Campus operations to report to Asset Management Office</li> </ul>
<p><b>No effective functional role at the campus level</b></p> <ul style="list-style-type: none"> <li>Use</li> <li>Location</li> <li>Reporting</li> </ul>	<ul style="list-style-type: none"> <li>No primary contact point for asset related issues</li> <li>Location and utilization inaccuracies</li> <li>No structured reutilization program</li> <li>No enforcement of individual accountability</li> </ul>	<ul style="list-style-type: none"> <li>Assign responsibility for assets to existing headcount at each campus</li> <li>Provide training as needed</li> </ul>	<ul style="list-style-type: none"> <li>Appoint appropriate Campus Asset Coordinator (CAC)</li> <li>Assign responsibility for campus asset operations to Coordinator with accountability to District Asset Mgr</li> <li>Train all Coordinators</li> </ul>	<ul style="list-style-type: none"> <li>Appoint/Hire qualified CACs to manage campus assets</li> <li>CAC reporting to DAM within DAMO structure</li> <li>Train and certify each Coordinator</li> <li>Promote, communicate and advertise the function and the person across campuses</li> </ul>
<p><b>Lack of pre-acquisition screening or formal reutilization processes</b></p> <ul style="list-style-type: none"> <li>Procurement</li> <li>Use</li> <li>Reporting</li> <li>Reutilization</li> </ul>	<ul style="list-style-type: none"> <li>Unnecessary purchases of new assets</li> <li>Reduced returns on investment in assets</li> <li>Inappropriate disposal of usable equipment</li> </ul>	<ul style="list-style-type: none"> <li>Identify excess assets for possible reuse at each campus</li> <li>Establish communication outlet for assets deemed reusable and process to acquire</li> <li>Maintain storage facility for these assets</li> </ul>	<ul style="list-style-type: none"> <li>Identify excess assets for reuse at each campus</li> <li>Create single source outlet for assets to be redeployed across District</li> <li>Require screening of database prior to acquisition of property</li> <li>Maintain proper storage for excess assets at campus and district sites</li> </ul>	<ul style="list-style-type: none"> <li>In addition: Promote and reward identification of excess assets at campus level</li> <li>Advertise availability of excess assets to campuses as well as community</li> <li>Maintain staging area for viewing and evaluation of assets prior to redeployment</li> </ul>
<p><b>Systems lack ability to assign and track individual accountability and actual location</b></p> <ul style="list-style-type: none"> <li>Use</li> <li>Location</li> </ul>	<ul style="list-style-type: none"> <li>Loss of assets</li> <li>Incorrect location information</li> <li>Preventive maintenance not performed based on advanced scheduling and planning</li> </ul>	<ul style="list-style-type: none"> <li>Active interaction between asset individual accountability and asset record</li> <li>Asset User/Custodial communication of activity supporting life-cycle audit trail</li> </ul>	<ul style="list-style-type: none"> <li>Utilize barcode scanners, RFID, and other electronic sources to record movement at levels which best support the internal business rule (room to room; building to building; campus to campus; off campus)</li> </ul>	<ul style="list-style-type: none"> <li>Create tools and establish methods for communication of asset activity</li> <li>Access or interface to asset record updating asset activity on continuous basis inclusive to the asset management life-cycle processes</li> </ul>

Finding/ Affected Lifecycle Area	Impact Analysis	Resolution Actions		
		Basic Compliance	Industry Best Practices	Optimal Outcome
<p><b>No physical inventory has been performed and reconciled in recent history</b></p> <ul style="list-style-type: none"> <li>• Location</li> <li>• Physical Inventory</li> </ul>	<ul style="list-style-type: none"> <li>- No accurate inventory list</li> <li>- No knowledge of loss, theft or damage</li> <li>- Financial records are likely inaccurate</li> </ul>	<ul style="list-style-type: none"> <li>- Implement existing policy on Physical Inventory</li> <li>- Reconcile and publish physical inventory results</li> <li>- Establish physical inventory metrics for evaluation of both inventory performance and effectiveness of asset management processes</li> </ul>	<ul style="list-style-type: none"> <li>- Prepare and publish a physical inventory plan, applied district-wide or unique to campus environments</li> <li>- Consider utilizing Inventory by Exception (IBE) transaction based inventory methods</li> <li>- Utilize time factors since last inventory to provide annual loss/overage rates and consistent baseline reporting</li> </ul>	<ul style="list-style-type: none"> <li>- Deploy and enforce a physical inventory policy and procedure</li> <li>- Develop and publish an effective inventory plan unique to the inventory cycle to be performed</li> <li>- Create and publish inventory outcome metrics establishing acceptable and unacceptable inventory reconciliation results</li> </ul>
<p><b>No structured program is in place to communicate and educate on policies and procedures</b></p> <ul style="list-style-type: none"> <li>• Identification</li> <li>• Records Origination</li> <li>• Use</li> <li>• Location</li> <li>• Maintenance</li> <li>• Reporting</li> <li>• Physical Inventory</li> <li>• Excess</li> <li>• Reutilization</li> <li>• Disposition</li> </ul>	<ul style="list-style-type: none"> <li>- Policies not being followed</li> <li>- Responsible entities not aware of such</li> <li>- Reduced value of equipment due to lack of care</li> </ul>	<ul style="list-style-type: none"> <li>- Publish and convey responsibilities of Asset Management policies and procedures</li> <li>- Develop and conduct training on requirements, processes, and life cycle outcomes</li> </ul>	<ul style="list-style-type: none"> <li>- Develop and publish procedures that clearly depict task level processes</li> <li>- Convey Industry Leading Practices and Best Practices that produce desired results, lead to exceptional performance and support innovative use of personnel, resources or technology</li> </ul>	<ul style="list-style-type: none"> <li>- Openly communicate asset management policies and procedures through District media, publications and websites with contacts, email links, and procedure links</li> <li>- Develop and deploy on-line media training to campus functions with asset management responsibilities</li> <li>- Emphasize responsibilities of asset stewardship</li> <li>- Market the value of effective asset management</li> </ul>
<p><b>Disposal process lacks process oriented criteria that produces desired value-added outcomes</b></p> <ul style="list-style-type: none"> <li>• Disposition</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of accurate asset condition evaluation obstructs reuse of excess assets</li> <li>- Surplus assets stored or staged in unprotected areas deteriorates value in resale or reuse</li> </ul>	<ul style="list-style-type: none"> <li>- Develop asset disposal processes that identifies excess assets with reutilization operating conditions</li> <li>- Establish protective storage capabilities to preserve reusable assets.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop criteria for Procurement to screen excess assets for reutilization when practical to ensure maximum investment already made in existing assets</li> <li>- Reutilization of available and useable assets can substantially reduce capital expenditures by eliminating duplication</li> </ul>	<ul style="list-style-type: none"> <li>- Develop disposition process that separates "excess" assets from "surplus" assets</li> <li>- Designate a facility, centralized or decentralized, specific for preservation and protection of assets in the disposal cycle</li> <li>- Establish communication method that publicizes excess assets available for reutilization</li> </ul>

As more fully detailed within this document, there are three primary options for LACCD to consider for meeting the objectives of the Strategic Asset Management Plan:

- Option 1: Primary Reliance on Human Capital
- Option 2: Primary Reliance on Technology
- Option 3: Balanced Reliance on Human Capital and Technology

Each option encompasses a specific level of human capital (people) assignments, technology adoption, and policies and procedures change management. Each of the options requires a different amount of investment in the human capital and technology areas and a corresponding level of investment in the implementation and deployment of advances in district-wide policies and procedures to achieve the goals of this strategic plan.

An effective implementation of any of the options above will provide LACCD the ability to meet their asset management objectives. Once an option is selected a full implementation plan for each of the key areas will be provided as a deliverable within Phase 2 of the LACCD asset management initiative. Within this implementation plan will be an impact analysis that determines the level of organizational and process impact and the strategies that will be deployed to address the impacts.

Given Annams' current knowledge of LACCD we recommend Option 3: Balanced Reliance on Human Capital and Technology. Adopting this option provides:

- Organizational accountability and the technology required to achieve the LACCD Strategic Property Plan objectives
- Streamlined and standardized asset management processes
- A balance between the needs of compliance and efficient operations
- Adoption of the appropriate technology for the various assets and business processes
- Best value over the long term with appropriate personnel and technology initial investments and ongoing costs.

## Document Overview

The planning, development, and implementation of an effective and efficient Asset Management strategy provides critical value to LACCD by maximizing effectiveness through accurate inventories and equipment readiness, reducing waste and property loss, increase utilization and return on asset investment, and foster greater public accountability. Asset management also helps produce accurate and validated financial reports, capital expenditure forecasts, and contribute vital data to a Disaster Recovery Plan. These functions would culminate to ensure compliance with City, State, Federal and other sponsor regulatory requirements.

The Strategic Asset Management Plan addresses the following high-level objectives:

1. Comply with laws, regulations, rules and policies governing asset management by community college districts in California and conform to Board rules and administrative regulations within LACCD
2. Increase access to all asset inventory records
3. Establish a district-wide asset manager to coordinate asset management program across district offices and the colleges
4. Establish an integrated asset management software system that increases physical and financial accountability and meets the requirements of compliance and operations
5. Deploy a district wide change management program that addresses advances in technology, policies and procedures and organizational roles and responsibilities
6. Implement technology resources to increase physical accountability and operational readiness

A set of four overarching goals for asset management excellence have been developed to guide LACCD's planning and decision making processes. These goals are intended to be the basis for action plans and funding and other resource requests necessary for implementation and improvement, while closely aligning with the District's stated mission and Strategic Plan. These overarching goals are:

- Public Accountability
- Emphasis on Excellence
- Foster a Collaborative Asset Environment
- Maximize the Investment in Assets

The sub-goals that accompany these overarching goals are meant to guide the activities and procedure development throughout the colleges as they implement asset management within their specific environments. In each functional area covered within the Plan, we have highlighted how these goals can be addressed for the benefit of the entire community.

This plan is segmented into three broad categories – Organization, Operations, and Tools and Resources. Each is described in detail with plans and recommendations for a District-wide strategy for managing assets and building the organizations, relationships, and environment for success. This plan enables LACCD to:

- Adopt a Strategic Asset Management Master Plan to address organization, operations and tools
- Initiate asset management competency through a robust communications and training program to include certification, systems and policy and procedure curriculum
- Implement functional change management, including the necessary technology and resources for effective asset accountability and required reporting
- Establish the criteria for a requirements matrix to evaluate, select and deploy a comprehensive Asset Management platform

Assessment of business (campus) systems and processes create continuous opportunities for improvement in further reducing waste, minimizing cycle time in efforts, and increasing value-added processes while recognizing and questioning non value-added tasks unique to the campus operating environment. This important function will be addressed in a Self-Assessment document as the third deliverable in Phase 1.

### Strategic Asset Management Goals

In order to achieve our mission, four high level strategic goals (along with attendant sub-goals) have been developed to guide LACCD's planning and decision making processes. These goals are intended to guide the activities and procedure development throughout the colleges as they implement asset management within their specific environments. Therefore they should be viewed as outcomes rather than specific action plans or tasks that the colleges are expected to implement.

#### Goal 1. Public Accountability

- 1.1 Compliance with all California Education Code, State of California, City of Los Angeles, United States Government and other sponsor(s) requirements
- 1.2 Maintain ethical standards in our fiduciary responsibility
- 1.3 Conduct and complete physical inventory requirements within established timeframes and accuracy thresholds
- 1.4 Reutilization of assets
- 1.5 Mitigate risk of loss both in terms of money and prestige

#### Goal 2. Maximize the investment in assets

- 2.1 Actively schedule and monitor the maintenance, repair, and calibration of equipment to manufactures standards (plan, accomplish, record and report)
- 2.2 Track the utilization of assets and promote reutilization for maximum benefit from the investment in assets
- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition
- 2.4 Develop metrics for determining usefulness of assets and the corresponding return on investment
- 2.5 Monitoring the cost of ownership of assets by class and manufacturer to determine best value for new assets of LACCD

#### Goal 3. Emphasis on Excellence

- 3.1 All lights green – implement action plans to convert all functional areas of the Findings and Conclusions Analysis Matrix to acceptable status.
- 3.2 Focus on efficiency and effectiveness
  - 3.21 Integration of Industry Leading Best Practices and Voluntary Consensus Standards into everyday activities, processes and procedures where feasible
  - 3.22 Implementation of industry-leading technologies and toolsets to maximize the efficiency of providing asset management services across LACCD

- 3.3 Promote Asset Awareness throughout the District and campus communities to highlight the necessity and value of asset management to the District's strategic goals.
- 3.4 Encourage an atmosphere of constant improvement through ongoing review and enhancement of processes and procedures
- 3.5 Practice sustainable Asset Management
  - 3.51 Participate and Support the LACCD Sustainability Collaborative to promote new ideas, issues and technologies on asset sustainability
  - 3.52 Encourage paperless processes wherever possible to reduce consumption and waste
  - 3.53 Encourage and support green procurement objectives, including research and promotion of assets meeting energy efficiency standards and sustainability guidelines
  - 3.54 Actively promote and support recycling program goals and objectives, including Zero Landfill Policy.

#### **Goal 4. Foster a collaborative Asset Management environment**

- 4.1 Establish clear reporting structure, delineating responsibilities and authorities
- 4.2 Integrate relationships and systems across diverse college departments and campuses to maximize effectiveness of the asset management program
- 4.3 Create the environment for clear and open communication between departments and campuses and raise awareness of Asset Management importance
- 4.4 Implement a purposeful change management program in which new processes and technologies are embraced by the general community
- 4.6 Plan for ongoing staff development through continuing education, training and professional certification
- 4.7 Provide transparent asset visibility to users and stakeholders via real time information provided through the Asset Management System

## Summary of Findings and Conclusions

The initial deliverable in Phase I of the Asset Management Program was presented to LACCD in June 2010 and represented a high level observation of the LACCD operating landscape. The focus of this exercise was learning and analyzing the levels of performance regarding asset management functions across the nine LACCD campuses and District Office. Early in the development of the Project Plan it was recognized that the diversity of campus operations and cultures must first be understood before any corrective actions were developed. That understanding then required this initial analysis be conducted without assumption or expectation of how campus organizations should be operating, but rather how they are operating relative to asset management.

Our findings and conclusions generally found that overall, the concept of asset management has been addressed informally; however most key personnel have not been exposed to any training or written procedures. There is a distinct lack of standardization between campuses regarding the management of assets. At the campus level, users are looking for district-level oversight as well as the deployment of technology and training to enhance efficiency.

The following summarizes our high-level findings.

- The implementation of an effective asset management system requires a robust change management campaign across all campuses. We agree with the recommendation made by the Asset Management Workgroup identifying training being a critical factor in adoption of the Policies and Procedures at each of the colleges. A coordinated training effort has not been implemented as of yet.
- Creation of an Asset Management Office (AMO) at the District Level is critical to oversee and enforce the Policies & Procedures for effective and efficient Asset management.
- Creation of an official Asset Management function at the campus level is critical to execute the Policies & Procedures of the District.
- Policies and Procedures should be enhanced to include Industry Leading Practices, Voluntary Consensus Standards, and individual responsibilities of stewardship.
- Implementation of an enterprise Asset Management system for recording all asset lifecycle transactions from acquisition through utilization to disposition that interfaces and reconciles with other required systems of record.
- Reevaluate and redefine the definition of “asset” and appropriate standard asset management lexicon. Establish levels of accountability that clarify tracking protocols for durable, movable or fixed assets from those for stock items, supplies, consumables and materials.

**Analysis Matrix**

We assigned ratings to each college and the district office in each of the functional areas related to asset management and the underlying policies and procedures as established by the District. These ratings are as follows:

- Acceptable
- Needs Improvement
- Inadequate

Each College and the District Office were rated according to:

**P&P** = level of adherence to documented policies and procedures

**CC** = Current Competency in executing functional tasks

	Build LACCD		District Office		Pierce		East LA		TTC		Harbor		West LA		City		Southwest		Valley		Mission	
	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC	P&P	CC
Acquisition																						
Procurement																						
A/P & Asset Accounting																						
Receiving																						
Identification																						
Records Origination																						
Use																						
Location																						
Maintenance	NA		NA		NA		NA		NA		NA		NA		NA		NA		NA		NA	
Reporting																						
Physical Inventory																						
Excess																						
Reutilization																						
Programs Closeout	NA	NA	NA	NA							NA	NA			NA	NA	NA	NA	NA	NA		
Disposition																						

One of the core objectives of the Strategic Asset Management Master Plan is to put the resources, organization, policies and procedures in place to effectively bring all of the campus into “green” status in all of the functional areas. However it is important to note that even in those areas where “acceptable” is noted, the Strategic Plan provides a roadmap for improving performance and increasing efficiency and effectiveness.

### Implementation Options

There are three primary options for LACCD to meet the objectives of the strategic asset management plan. Each option includes changes in human capital (people) assignments, technology and policies and procedures change management. Each of the options requires a different level of investment in the human capital and technology areas and a similar level of investment in the implementation and deployment of advances in district wide policies and procedures to achieve the goals of this strategic property plan.

Summary level information for each of the three options is included below.

#### Option 1: Primary Reliance on Human Capital

- Human Capital
  - Establish an Office of Asset Management at the District level
  - Hire an experienced, Industry-certified District Asset Manager (DAM) as a full time position
  - Hire Campus Asset Coordinators (CAC) at each of the LACCD campuses as full time positions
  - Establish an Asset Technology Services function (ATS) comprised of LACCD staff to maintain and enhance the technology hardware and software deployment and ongoing change management initiatives
- Technology
  - Procure, deploy and integrate a lifecycle asset management system for all assets to the LACCD Enterprise Resource Planning (ERP) system
  - Procure and deploy mobile asset management solutions on handheld mobile computers/barcode scanners
- Policies and Procedures Change Management
  - Implement recommendations from the Asset Management Policies and Procedures Review and Analysis, Strategic Property Plan and Implementation Plan which is expected to be created as a part of Phase 2 of the LACCD asset management initiative

#### Option 2: Primary Reliance on Technology

- Human Capital
  - Establish an Office of Asset Management at the District level
  - Appoint a District Asset Manager (DAM) as a collateral duty of an existing position
  - Appoint a Campus Asset Coordinators (CAC) at each of the LACCD campuses as collateral duties of existing positions
  - Establish an Asset Technology Services function (ATS) with appropriate staff (appropriate to the level of technology deployed) to maintain and enhance the technology hardware and software deployment and ongoing change management initiatives

- Technology
  - Procure deploy and integrate a lifecycle asset management system for all assets to the LACCD Enterprise Resource Planning (ERP) system
  - Procure and deploy mobile asset management solutions on handheld mobile computers/barcode scanners
  - Procure and deploy active RFID (fixed and mobile readers) and infrared technology for real time asset location information for all assets that are able to be tagged
  - Procure and deploy Information Technology (IT) auto-discovery tools integrated with lifecycle asset management system for all networked assets
- Policies and Procedures Change Management
  - Implement recommendations from the Asset Management Policies and Procedures Review and Analysis, Strategic Property Plan and Implementation Plan which is expected to be created as a part of Phase 2 of the LACCD asset management initiative

#### Option 3: Balanced Reliance on Human Capital and Technology

- Human Capital
  - Establish an Office of Asset Management at the District level
  - Employ a District Asset Manager (DAM) as a full time position
  - Assign Campus Asset Coordinators (CAC) at each of the LACCD campuses to lead asset management activities at the campus level in conjunction with other duties.
  - Establish an Asset Technology Services function (ATS) with appropriate staff (appropriate to the level of technology deployed) to maintain and enhance the technology hardware and software deployment and ongoing change management initiatives
- Technology
  - Procure deploy and integrate a lifecycle asset management system for all assets to the LACCD Enterprise Resource Planning (ERP) system
  - Procure and deploy mobile asset management solutions on handheld mobile computers/barcode scanners
  - Procure and deploy a mix of active and passive RFID solutions as most appropriate for the type of asset being tracked, its value, frequency of movement and sensitivity
- Policies and Procedures Change Management
  - Implement recommendations from the Asset Management Policies and Procedures Review and Analysis, Strategic Property Plan and Implementation Plan which is expected to be created as a part of Phase 2 of the LACCD asset management initiative

The implementation option analysis matrix below shows additional information about the three options:

\*The costs used in the following matrices are estimates only and are based upon Annams Systems Corporation's past experiences with implementations of similar scope. Accurate cost analysis can only be provided once an implementation option has been selected; an implementation plan developed and quotes from vendors are solicited. Salary estimates are based on Asset Management Industry survey results, and include LACCD HR Benefits and overheads allocation currently established at 43.1%.

Option 1: Primary Reliance on Human Capital	Approximate Costs		Considerations	Comments
	Initial	Operations		
Human Capital				
LACCD	\$1,058,940.00	\$1,058,940.00	Highest degree of personnel accountability at all levels, large investment in new staff	New Positions: 1 DAM @ \$171,720 9 CAC @ \$71,550/ea 2 IT Tech @ \$121,635/ea
Contractors	\$1,200,000.00	\$800,000.00	Inventory for baseline and updated based on timeline chosen, manual and time consuming processes	Initial Physical Inventory: \$1,200,000. Ongoing Physical Inventory: \$800,000.
Technology				
Software and Implementation	\$1,450,000.00	\$362,500.00	Standard asset management processes available to all, integration needs to be maintained with ERP	Lifecycle asset management with mobile solutions
Hardware	\$150,000.00	\$30,000.00	Brings reference data and transactions to the assets, human interaction to execute mobile transactions	50 handheld mobile devices such as barcode and/or RFID readers
Policies and Procedures Change Management	\$100,000.00	\$50,000.00		Training and documentation to support advances
<b>Summary</b>	<b>\$3,958,940.00</b>	<b>\$2,301,440.00</b>		

**Option 1: Primary Reliance on Human Capital**

Option 2: Primary Reliance on Technology	Approximate Costs		Considerations	Comments
	Initial	Operations		
Human Capital				
LACCD	\$121,635.00	\$121,635.00	Investment for new IT staff. View that asset management is a secondary responsibility	No new positions for asset management, only collateral duties  1 IT Tech @ \$121,635 (for mobile application and network support)
Contractors	\$1,425,000.00	\$275,000.00	Inventory for baseline and technology only requires reconciliation going forward	Initial Physical Inventory: \$1,200,000  Ongoing Physical Inventory Reconciliation: \$50,000  3 IT Tech resources @ \$75,000 each.
Technology				
Software and Implementation	\$1,850,000.00	\$462,500.00	Standard asset management processes available to all, integration needs to be maintained with ERP	Lifecycle asset management with mobile solutions and IT auto discovery
Hardware	\$12,830,000.00	\$980,000.00	Fully automated transactions for asset tracking and real time location, minimal interaction with assets	Initial active RFID solutions for approximately 350,000 assets, 10 handheld mobile devices such as barcode and/or RFID readers. Recurring 10% asset turnover for new tags
Policies and Procedures Change Management	\$100,000.00	\$50,000.00		Training and documentation to support advances
<b>Summary</b>	<b>\$16,326,635.00</b>	<b>\$1,889,135.00</b>		

**Option 2: Primary Reliance on Technology**

Option 3: Balanced Human Capital and Technology	Approximate Costs		Benefits	Comments
	Initial	Operations		
Human Capital				
LACCD	\$293,355.00	\$293,355.00	Accountability at all levels with central coordination, moderate investment in new staff	New Positions: 1 DAM @ \$171,720  1 IT Tech @ \$121,635
Contractors	\$1,425,000.00	\$325,000.00	Inventory for baseline and technology mostly requires reconciliation activities going forward	Initial Physical Inventory: \$1,200,000  Ongoing Physical Inventory Reconciliation and investigation: \$100,000  3 IT Tech resources @ \$75,000.00 each
Technology				
Software and Implementation	\$1,450,000.00	\$362,500.00	Standard asset management processes available to all, integration needs to be maintained with ERP	Lifecycle asset management with mobile solutions
Hardware	\$4,840,000.00	\$350,000.00	Automated transactions for many tasks, balance of human and machine interaction with assets	Initial RFID solutions (active and passive) for approximately 350,000 assets, 30 handheld mobile devices such as barcode and/or RFID readers.  Recurring 10% asset turnover for new tags
Policies and Procedures Change Management	\$100,000.00	\$50,000.00		Training and documentation to support advances
<b>Summary</b>	<b>\$8,108,355.00</b>	<b>\$1,380,855.00</b>		

Option 3: Balance of Human Capital and Technology

The implementation matrix below identifies summary tasks and expected operational impact based on each of the available options. The implementation plan in Phase 2 will dive deeper into each of these summary tasks to display the lower level components of each.

Tasks	Option 1: Primary Reliance on Human Capital	Option 2: Primary Reliance on Technology	Option 3: Balanced Human Capital and Technology
Hire new staff	H	L	M
Train staff on LACCD business	H	M	M
Evaluate software system	M	M	M
Evaluate hardware	L	H	M
Changes to policies and procedures	M	M	M
Implement software	M	H	M
Deploy hardware	L	H	M
Train staff on asset management processes	H	L	M
Administer technology	L	H	M
Integrate with ancillary systems	L	H	M
Change organizational structure	H	L	M
Perform manual transactions	H	L	M

Key: Operational Impact level: H= High, M= Moderate, L= Low

An effective implementation of any of the options above can provide LACCD the ability to meet their asset management objectives. Once an option is selected a full implementation plan for each of the key areas will be provided as a deliverable within Phase 2 of the LACCD asset management initiative. Within this implementation plan will be an impact analysis that determines the level of organizational and process impact and the strategies that will be deployed to address the impacts.

Given Annams' current knowledge of LACCD we recommend Option 3: Balanced Reliance on Human Capital and Technology. This option provides:

- Organizational accountability and technology required to achieve the LACCD Strategic Property Plan objectives
- Streamlines and standardizes asset management processes
- Balances the needs of compliance and operations
- Maximizes the use of the right technology for the correct assets and business processes
- Provides best value over the long term with appropriate personnel and technology initial investments and ongoing costs.

## 1. Organizational Environment

Our Findings and Conclusions of the current business practices reveal weaknesses in LACCD's oversight of asset management throughout the district. Noted is the distinct absence of "stewardship" as it pertains to the fiduciary responsibilities of LACCD employees in possession of LACCD assets. The structural solution to mitigate this condition is to create and encourage an organization that facilitates consistent, standard asset management across LACCD. Our recommendation to establish this collaborative environment as depicted below:

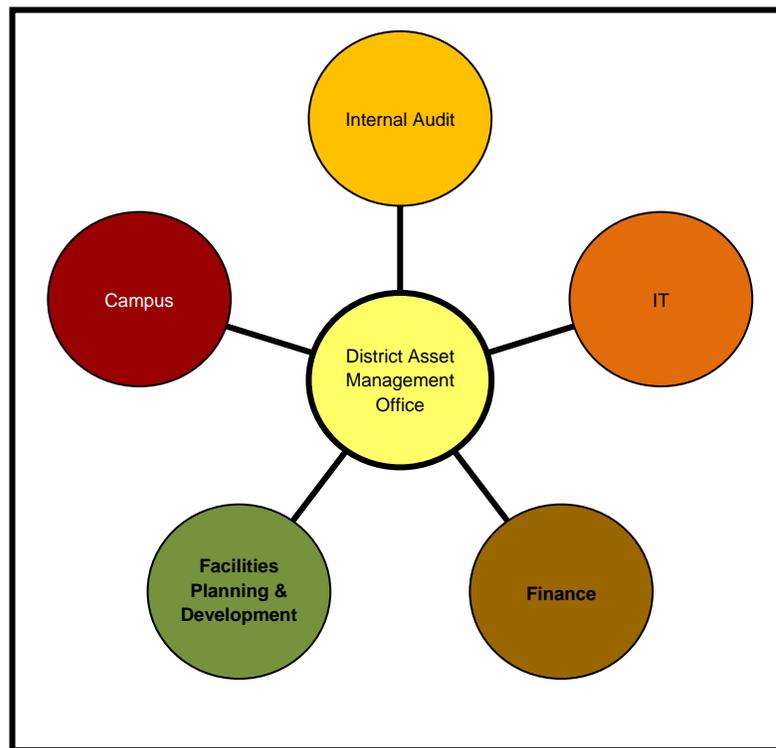


Figure 1: LACCD Asset Management Collaboration Components

District Asset Management Office: The authority for creation and compliance of the District's asset management policies and approval of campus level procedures. They will implement these procedures by developing and communicating a change management plan that includes training in three key areas; Processes, Systems and Professional Certification. DAMO holds oversight of the Campus asset management responsibility and records.

Internal Audit: Responsible to provide an independent internal audit function (oversight) for LACCD District Asset Management System to ensure compliance with policies and procedures.

Facilities Planning and Development: The authority and responsibility for requirement, approvals, acquisitions, construction, and related infrastructures of new

buildings, facilities and improvements to existing buildings and land.

IT: The responsibility for pre-acquisition screening, receiving, configuration, and issuing of all automated data processing equipment (ADPE) to include acquisitions of desktop and laptop computers. Additionally, IT will be the responsibility for screening and condition coding of all ADPE submitted to the disposition process.

Finance: The authority and responsibility for the financial recording of the Capital Assets into the system of record, in addition to all related financial lifecycle transactions and fiduciary reporting

Campus: A role of authority and responsibility assigned to existing campus staff for developing and publishing campus level asset management procedures unique to respective campus business structures, operations, and processes in compliance with District Level asset management policies. Perform asset stewardship functions and record lifecycle events into the Asset Management System (i.e. location change, physical inventory, maintenance) to establish a complete, current and auditable record of asset history.

### **The District Asset Management Office (DAMO)**

The DAMO will operate under the District Business Services Office of LACCD due to the nature of regulatory compliance and reporting requirements supporting the various needs of each campus. It will be comprised of the Asset Management Committee and the District Asset Manager. Campus Asset Coordinators will report to the DAMO through the District Asset Manager.

**Asset Management Committee (AMC)**: District level membership representing stakeholders within the asset management function

**District Asset Manager (DAM)**: District level Asset Manager to coordinate Campus Asset Coordinators at all campuses and is member of the AMC

**Campus Asset Coordinator (CAC)**: A role assigned to existing campus staff at each campus, dotted-line reporting to the District Asset Manager

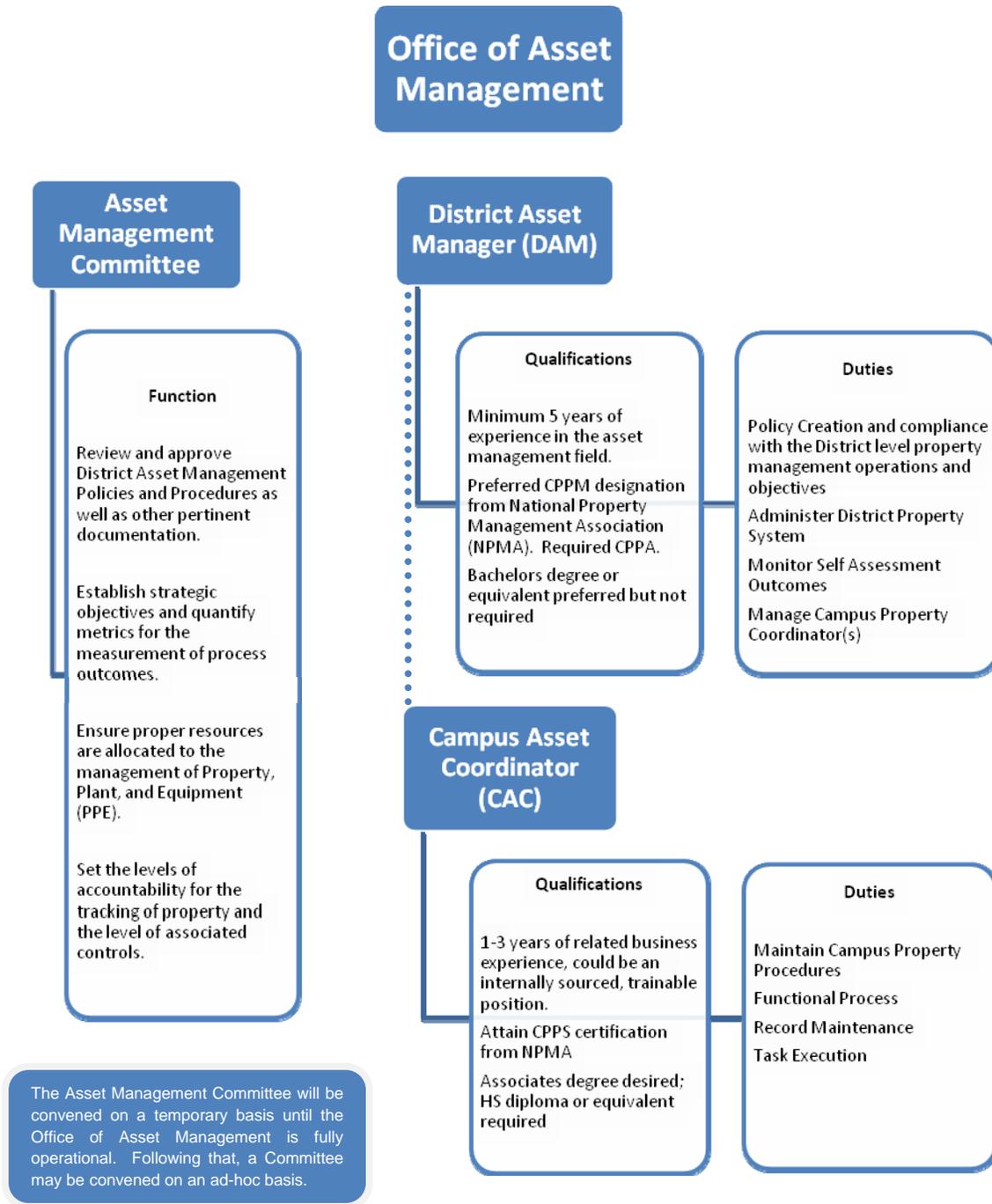


Figure 2. Asset Management Organization

**Strategic Goals addressed in the above section:****Goals: Excellence, Collaboration**

- 3.2 Focus on efficiency and effectiveness*
- 3.22 Implementation of industry-leading technologies and toolsets*
- 3.3 Promote Asset Awareness throughout the District and campus communities*
- 4.1 Establish clear reporting structure, delineating responsibilities and authorities*
- 4.2 Integrate relationships and systems*
- 4.3 Create the environment for clear and open communication*
- 4.6 Plan for ongoing staff development through continuing education, training and professional certification*
- 4.7 Provide transparent asset visibility to users and stakeholders*

## 2. Operations

The Strategic Asset Management Plan is presented as the framework for the LACCD Asset Management System to support both required and best practice outcomes which will complete the structure. Adopting and implementing this plan and allocating associated resources will produce optimal outcomes within the LACCD Asset Management System and mitigate risk to the District's educational mission. The following section addresses the components necessary for the effective operation of an asset management program. These outcomes would be:

*Property Management.* LACCD campuses shall have a system to control, use, preserve, protect, repair, maintain, and manage LACCD Asset in their possession. The system shall incorporate industry standards, including ASTM E2279-09 Standard Practice for Establishing the Guiding Principles of Property Management<sup>1</sup>, and support LACCD mission objectives and LACCD asset management policies.

*Acquisition of Property.* LACCD campuses shall document that all property was acquired consistent with capital planning, Grant or Agreement requirements, campus budgetary guidelines, conservation initiatives supporting green purchasing and reasonable and allocable needs of material support operations. Additionally, all donations of Personal Property to an LACCD campus shall be coordinated through the district Asset Manager.

*Receipt of Property.* LACCD campuses shall document the receipt of property, record the information necessary to meet the record requirements, identify ownership in a manner appropriate to the type of property (e.g., stamp, tag, mark, or other identification). The (campus) shall take all actions necessary to adjust for overages, shortages, damage and/or other discrepancies discovered upon receipt, occurring during transit of LACCD, Customer, Grant or Agreement property from a vendor or supplier to the campus. All receipts of property donated directly to a campus shall be documented, reviewed and identified for ownership in a manner appropriate for the property type and established value of the donation.

*Records of LACCD Asset.* LACCD campuses shall create and maintain records as required by LACCD Policy, of property accountable to LACCD, Customer, Grants or Agreement, including Customer or Grant/Agreement-furnished and LACCD-acquired property.

Asset records shall enable a complete, current, auditable record of all transactions unless otherwise exempted by LACCD Policy.

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<sup>1</sup> ASTM Standard 2279-09, "Standard Practice for Establishing the Guiding Principles of Property Management" ASTM International, West Conshohocken, PA, 2003, DOI: 10.1520/E2132-01, [www.astm.org](http://www.astm.org).

Physical inventory. LACCD shall periodically perform, record, and disclose physical inventory results, in accordance with ASTM standard E2132-01 (reapproved 2007) Standard Practice for Physical Inventory of Durable, Moveable Asset, to the LACCD District Asset Manager<sup>2</sup>. A final physical inventory shall be performed upon Grant or Agreement completion or termination. The Grant or Agreement Sponsor may waive this final inventory requirement.

Risk Remediation. LACCD shall have a process to create and provide reports of discrepancies; loss, damage, destruction, or theft; physical inventory results; audits and self-assessments; corrective actions; and other property related reports as required by (campus) procedures. LACCD will implement ASTM E2131-09 Standard Practice for Addressing and Reporting Loss, Damage, or Destruction of Tangible Property<sup>3</sup>.

The loss, damage, destruction, or theft of LACCD property shall be investigated and a written narrative of all such incidents provided to the District Asset Manager as soon as the facts become known.

Relief of stewardship responsibility. The LACCD (campus) shall be relieved of stewardship responsibility for LACCD property when such property is:

Consumed or expended, reasonably and properly, or otherwise accounted for, including reasonable inventory adjustments as determined by the LACCD Asset Manager; or relief of responsibility due to loss, damage, destruction or theft.

Shipped or transferred from (campus), by direction or mutual agreement or disposed of in accordance with (campus) procedures.

Utilizing property. The LACCD (campus) shall utilize, consume, move, and store LACCD property in a manner that ensures best value, maximum utilization, preservation, and availability. The (campus) shall promptly record and report LACCD property in its possession that is excess to known current or future business requirements.

Maintenance. The LACCD shall properly maintain LACCD property to ensure maximum utilization. The maintenance program shall enable the identification, disclosure, and performance of normal and routine preventative maintenance and repair. The maintenance program shall capture and record on a cumulative basis, the cost of repairs and repeated repairs by asset identifier.

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<sup>2</sup> ASTM Standard E2132-01 (reapproved 2007) Standard Practice for Physical Inventory of Durable, Moveable Asset” ASTM International, West Conshohocken, PA, 2003, DOI: 10.1520/E2132-01, [www.astm.org](http://www.astm.org).

<sup>3</sup> ASTM Standard E2131-09, “Standard Practice for Addressing and Reporting Loss, Damage, or Destruction of Tangible Property” ASTM International, West Conshohocken, PA, 2003, DOI: 10.1520/E2132-01, [www.astm.org](http://www.astm.org).

Grant and/or Agreement Property closeout. At the end of the specified period of performance, the (campus) shall promptly perform and report to the District Asset Manager completion of Grant and/or Agreement property closeout, to include reporting, investigating and securing closure of all loss, damage, destruction, or theft cases; physically inventorying all property as may be required by the Customer or Grantee; and disposing of items at the time they are determined to be excess to any Grant, Agreement, or LACCD needs.

Asset Categorization establishes the assets to be managed throughout the asset lifecycle

#### a) Asset Categorization

The first area to be addressed is how LACCD defines assets and how these items are managed. Currently, there are various dollar amounts used to classify the asset types; however, the threshold values are different for LACCD and BuildLACCD. In addition, what items qualify as assets differs between departments and campuses. The following is our recommended approach on how to differentiate types of Assets in order to manage them effectively, efficiently, and consistently across the district:

- Capital Assets

Financial asset records should only be created for items that are above the threshold of \$5,000 as set by LACCD. This will use the financial system for the purpose intended which is to book journal entries for the write-on, depreciation and write-off transactions. In addition, it will save time in the data entry, splitting of procurement lines and receiving mismatch issues for the Administratively Controlled Assets.

For example: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasurer, infrastructures, and all other tangible and intangible assets that are used in operations and that have initial lives extending beyond a single reporting period (a year).

- Expendable/Non-Capital

Non-Capital asset records should be created and maintained in an Asset Management System that incorporates all of the useful fields, fiduciary transactions and historical tracking to support the government and grant reporting as well as provide a central repository for data needed to develop metrics and analysis details. These administratively controlled assets should be defined in the following categories to support proper workflow during the life-cycle transactions.

- Low Value Property

These items are purchased as expenditures whether individually or as a bulk line item on a purchase order. Usually, they have a certain threshold value and take into account potential risk of exposure to determine what tagging requirements are necessary. They are normally serialized containing visible features that will allow you to tell one item from the next and may be interchangeable. Reasons for tracking these items are described in the Identification section regarding Administratively Controlled Assets. These items, which may fall below the dollar value threshold, may be considered sensitive if lost and/or hazardous waste if improperly disposed.

For example: Automated Data Processing Equipment (ADPE) or other IT Equipment and Lab Equipment

- Consumables

These items are purchased as expenditures either individually or as a bulk line item on a purchase order. Usually, they are low-value, low-risk items that are consumed to support the functions of the campus facilities. Material items are normally not serialized, nor do they contain any other features that allow one to be distinguished from another; and are there for completely interchangeable. Most often the items are not tagged or identified in any manner other than that of the manufacturer. These items may be hazardous waste if improperly disposed.

For example: Fluorescent Light Bulbs, Alkaline Batteries, size or shape dependant items (uniforms, cones), Raw Stock (wire, tubing, piping)

- Software / Intangible Assets

These items are usually virtual rather than physical but often require tracking for protection under intellectual property rules and user license compliance. Software items typically have a license key that is used as the unique identifier for the item in conjunction with the manufacturer and model, in this case the software title, to track the item in a database. In addition, auto-discovery tools can retrieve this information directly from properly configured computer equipment that connects via an IP address. Other intangible property items are tracked by using patent, copyright or other unique identifiers and often tagging a copy of the documentation before filing physically or electronically.

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Excellence**

- 1.1 *Compliance with all statutory and sponsor requirements*
- 1.2 *Maintain ethical standards in our fiduciary responsibility*
- 1.5 *Mitigate risk of loss both in terms of money and prestige*
- 3.1 *All lights green – implement action plans to convert all functional areas to acceptable status.*
- 3.2 *Focus on efficiency and effectiveness*
- 3.21 *Integration of Industry Leading Best Practices and Voluntary Consensus Standards*

**b) Records of physically identified assets**

The official records of an asset management system are a crucial component of the system. It is through system records that the existence of all assets under LACCD Stewardship is established and verified. These records must be maintained with discipline to ensure the record is current, complete and accurate. The use of auxiliary or “shadow” systems for recording additional asset information should be examined closely and consideration given to adding the additional information found to the official records. At a minimum, the official records must contain:

- Asset Identification (physical ID marking)
- Manufacturer
- Model Number
- Asset Description (standardized by category)
- Serial Number
- Asset Location (current and history of any prior locations)
- Financial Codes or Accounts
- Asset Stewardship or End User (assigned responsibility)
- Acquisition Date
- Acquisition Cost
- Acquisition Method (purchase order, donation, etc)
- Date of last physical inventory

In addition to the above, records of *capitalized* assets must include:

- Date placed in service
- Useful Life
- Depreciation amount (as record periodically)
- Remaining Book Value (as calculated by amount depreciated)

**Strategic Goals addressed in this section:****Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

- 1.1 Compliance with all statutory and sponsor requirements*
- 1.2 Maintain ethical standards in our fiduciary responsibility*
- 1.3 Conduct and complete physical inventory requirements*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.2 Track the utilization of assets and promote reutilization*
- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition*
- 2.4 Develop metrics for determining usefulness of assets and the corresponding return on investment*
- 2.5 Monitoring the cost of ownership of assets*
- 3.1 All lights green – implement action plans to convert all functional areas to acceptable status.*
- 3.2 Focus on efficiency and effectiveness*
- 3.22 Implementation of industry-leading technologies and toolsets*
- 3.4 Encourage an atmosphere of constant improvement*
- 3.5 Practice sustainable Asset Management*
- 3.53 Encourage paperless processes wherever possible*
- 4.3 Create the environment for clear and open communication*
- 4.7 Provide transparent asset visibility to users and stakeholders*

## c) Asset Life Cycle Operations

### Acquisition

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-03 “Asset Definitions Capitalization Thresholds, AM-05-04 “Asset Acquisitions” and interviews with designated Campus Subject Matter Experts.

While it is not within our scope to re-write the Procurement Policies and Procedures, we are responsible for recommending changes as they relate to the asset management lifecycle. All acquisitions of assets should be recorded in an “asset accountability” system and interfaced with the asset system of record to ensure that the receipt of goods is in compliance with federal, state and local laws. If the item is a gift or donation, the VP of Administrative Services and District Business Services Office should be notified so that they can record the proper value of the donors lifetime giving. If the item is loaned or leased, then the Finance office will need to record the proper transactions to track terms, conditions, warranties and other associated features of the contract. As mentioned in the SFP section, each campus has specific grant requirements that must be addressed by them during the lifecycle.

All other items will be acquired via the procurement process outlined in the following section. However, consideration should be made for standardizing common purchases into logical ordering types with associated catalog records in SAP to simplify the acquisition choices for more efficient processing of requisitions. Some examples of these types of catalogs include:

- Desktops & Laptops
  - Classroom
  - Lab
  - Staff
  - Faculty
  - High Performance & Special Function
    - Art & Design
    - Engineering & Programming
- Tables, Chairs & Desks
  - Classroom
  - Lab
  - Office
  - Conference Room
  - High Performance & Special Function

There are many benefits to having a more structured acquisition approach. A standard process across all campuses will provide elements of consistency and efficiency when acquiring new assets, including but not limited to the following:

- Leveraging BULK buying opportunities provides the most visible area of savings by negotiating contracts for a few options rather than a whole catalog of items. This still allows you to order special requirements for the small population that actually requires them for here
- Standardized ordering ensures ergonomic, OH&S and other related guidelines that must be adhered to regardless of personal preference in order to protect LACCD from insurance risk.
- Mobilizing common items to accommodate fluctuation in furniture and fixtures capacity needs with known size and shape data from accountability system records.
- Pre-acquisition screening for reutilization of currently-owned assets, which can result into cost savings and reduced excess inventory.

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Excellence, Collaboration**

*1.1 Compliance with all statutory and sponsor requirements*

*3.1 All lights green – implement action plans to convert all functional areas to acceptable status.*

*3.2 Focus on efficiency and effectiveness*

*3.21 Integration of Industry Leading Best Practices and Voluntary Consensus Standards*

*3.22 Implementation of industry-leading technologies and toolsets*

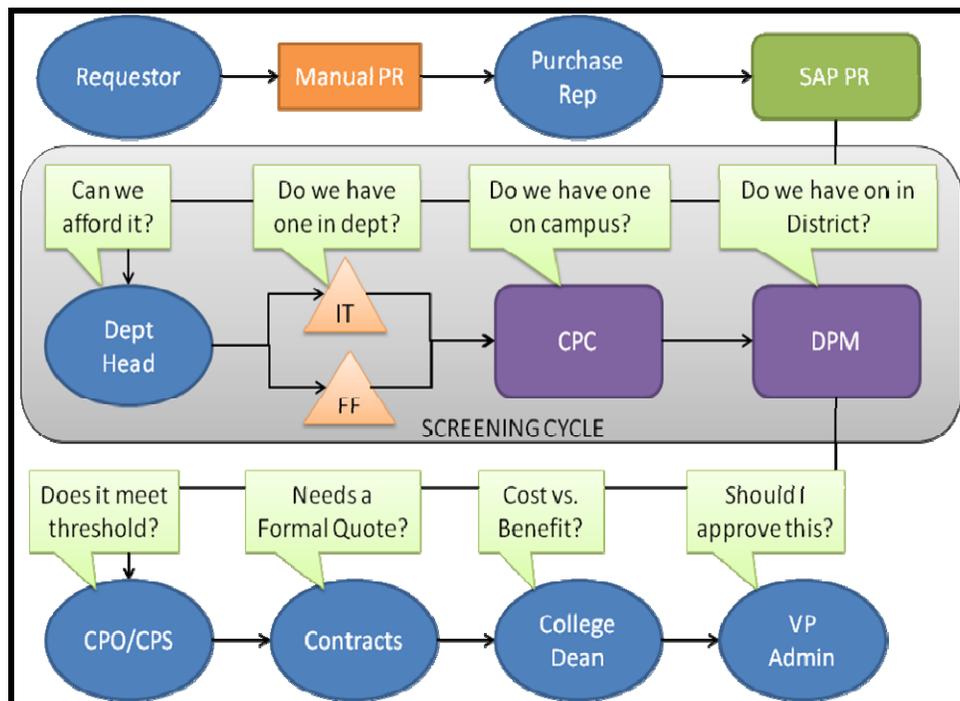
*4.2 Integrate relationships and systems*

## Procurement

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-03 “Asset Definitions and Capitalization Thresholds, AM-05-04 “Asset Acquisitions” and interviews with designated Campus Subject Matter Experts

The procurement process should consist of a single flow of information in which the pertinent individual at the required level touches/sees/validates each line item once for approval. The only exception to this process should be when a line item has been modified and re-approval is required.

Below is the high-level process flow for the procurement of an item:



**Figure 3. Purchase Requisition Process**

### Purchase Requisition Process

- Offline process from Faculty to Authorized Staff
- Initiate Purchase Request in SAP by Requestor or Authorized Agent
- Route for Approval
- Excess Screening & Purchase Authorization process
- Department Head validates budget
- Screening should be performed by the most appropriate employee who would have the knowledge and skill set to determine whether an existing item satisfies the acquisition request.

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Excellence, Collaboration**

- 1.1 Compliance with all statutory and sponsor requirements*
- 1.2 Maintain ethical standards in our fiduciary responsibility*
- 1.4 Reutilization of assets wherever feasible*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 3.1 All lights green – implement action plans to convert all functional areas to acceptable status.*
- 3.2 Focus on efficiency and effectiveness*
- 3.21 Implementation of industry-leading technologies and toolsets*
- 3.4 Encourage an atmosphere of constant improvement*
- 3.5 Practice Sustainable Asset Management*
- 3.51 Participate and Support the LACCD Sustainability Collaborative*
- 3.52 Encourage paperless processes wherever possible*
- 3.53 Encourage and support green procurement objectives*
- 4.2 Integrate relationships and systems*
- 4.3 Create the environment for clear and open communication*
- 4.4 Implement a purposeful change management program*
- 4.7 Provide transparent asset visibility to users and stakeholders*

### Accounts Payable – Asset Accounting

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-03 “Asset Definitions and Capitalization Thresholds, AM-05-04 “Asset Acquisitions” and interviews with designated Campus Subject Matter Experts.

The accounts payable and asset accounting process involves payment of the invoice for goods received as well as the recording of the respected journal entries if the item is a Capital Asset. Excluding depreciation, no additional accounting transactions are required by Federal, State or Local law until the item is disposed, therefore no further enhancements should be added in this phase to the Capital Asset accounting process

However, the process of how Non-Capital Assets are financially accounted for in SAP, as well as the method of tracking Property, Plant, and Equipment (PP&E) acquired under the Capital Projects, should be reviewed in order to streamline the lifecycle transactions that occur after receiving. The ability to track tagged Assets with related warranty, repair and maintenance metrics can help establish a trend analysis for future cost avoidance.

Notwithstanding the above, there are other processes related to Capital Assets that must be performed, accurately recorded and measured throughout the asset lifecycle. This includes substantially all of the lifecycle events specified within this plan, including history of stewardship responsibility, current and historical asset maintenance and repair, physical inventory history and reconciliation, and chronological location changes.

#### **Strategic Goals addressed in the above section:**

##### **Goals: Public Accountability, Excellence, Maximize Investment**

- 1.1 Compliance with all statutory and sponsor requirements*
- 1.2 Maintain ethical standards in our fiduciary responsibility*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.2 Track the utilization of assets and promote reutilization*
- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition*
- 2.5 Monitoring the cost of ownership of assets*
- 3.1 All lights green – implement action plans to convert all functional areas to acceptable status.*
- 3.2 Focus on efficiency and effectiveness*
- 3.21 Integration of Industry Leading Best Practices and Voluntary Consensus Standards*
- 3.4 Encourage an atmosphere of constant improvement*
- 4.6 Plan for ongoing staff development through continuing education, training and professional certification*

## Receiving

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-006 “Receipt, Tagging and Identification” and interviews with designated Campus Subject Matter Experts.

Receiving is the process of accepting equipment or materials into an organization or facility and the point at which an organization’s liability and accountability begin. The same departmentalized procurement system rules will assign the proper default location for the appropriate functional department to receive the item. The system shall incorporate industry standards, including ASTM E2605-08 Standard Practice for Receiving Property<sup>4</sup>. Industry Leading Best Practices suggest a receiving process to follow these basic steps:

1. Validate item delivered matches item ordered by:
  - Manufacturer
  - Model
  - Description
  - Quantity
2. Create receiving record in system of accountability and it shall include:
  - Serial Number
  - Manufacturer
  - Model
  - Description
  - Quantity
3. The optimal time for the asset to be “tagged” with a physical identifier is during the receiving process
4. Release funds for payment [Interface to SAP]
  - Use 1 to 1 matching for items that are purchased on a single line item (i.e. 20 laptops)
  - Use actual percentage of quantity received on invoice for payment on partial shipment

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<sup>4</sup> ASTM Standard E2605-08, “Standard Practice for Receiving Property” ASTM International, West Conshohocken, PA, 2003, DOI: 10.1520/E2132-01, [www.astm.org](http://www.astm.org).

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

- 1.1 Compliance with all statutory and sponsor requirements*
- 1.2 Maintain ethical standards in our fiduciary responsibility*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition*
- 3.1 All lights green – implement action plans to convert all functional areas to acceptable status.*
- 3.2 Focus on efficiency and effectiveness*
- 3.21 Integration of Industry Leading Best Practices and Voluntary Consensus Standards*
- 3.22 Implementation of industry-leading technologies and toolsets*
- 3.4 Encourage an atmosphere of constant improvement*
- 3.5 Practice sustainable Asset Management*
- 3.52 Encourage paperless processes wherever possible*
- 4.3 Create the environment for clear and open communication*
- 4.4 Implement a purposeful change management program*
- 4.7 Provide transparent asset visibility to users and stakeholders*

## Identification

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-006 “Receipt, Tagging and Identification” and interviews with designated Campus Subject Matter Experts.

The primary purpose of the asset identification by marking is to readily identify ownership, and where applicable to provide a unique record identifier to the asset’s lifecycle information within the Asset Management System. Assets will be marked and/or identified to determine ownership and when required provide a link to the system of record for establishing ownership, tax reporting, regulatory compliance, depreciation, and insurance purposes. The physical identification will be affixed to the asset, when practical, and referenced on support and/or receiving documentation as associated to the accountable records for audit trail purposes. Methods employed for physical marking and identification supporting these requirements will be clearly described in LACCD’s policies and procedures.

Within the LACCD operating environment, there are three distinct levels of physical identification requirements:

- LACCD owned capital assets  
Assets acquired with LACCD funds as Capital, based on an established Capital Threshold Value (CTV)
- Non LACCD owned assets  
Assets that may require tracking and reporting for accountability purposes such as assets under Operating Lease or Capital Lease (Lease To Own)
- Specially Funded Program assets  
Assets acquired with Customer, Grant, or funds provided to LACCD
- Administrative Controlled assets  
Administratively Controlled Assets are those which are equal to or exceed an acquisition value of \$250 and will require identification and tracking by District policies *or* as stipulated by approved Campus procedures or mandated by Federal, State, or Local environmental regulations. This threshold is subject to change as a result of changes to District policy and/or Campus requirements.
- All other assets determined to require ownership identification may be marked with a “Property of LACCD” tag only.

Generally, LACCD should establish and maintain district-wide control requirements of Asset that strike a balance between the costs of control and the risks of sustaining incidents of Loss, Damage, Destruction, and Theft (LDDT).

Asset records inclusive of data elements required for regulatory compliance and business operations will be adequate and readily available to support the following business needs:

- OMB A-87
- OMB A-110
- GASB 34 / 35
- Annual Capital Requirements Forecast
- Equipment Replacement Forecast
- Loss, Damage, Destruction, Theft (LDDT) Reporting
- Pre-Acquisition Screening
- Asset Reutilization

**Strategic Goals addressed in the above section:**

**Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

- 1.1 Compliance with all statutory and sponsor requirements*
- 1.2 Maintain the ethical standards in our fiduciary responsibility*
- 1.3 Conduct and complete physical inventory requirements*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.2 Track the utilization of assets and promote reutilization*
- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition*
- 2.4 Develop metrics for determining usefulness of assets and the corresponding return on investment*
- 2.5 Monitoring the cost of ownership of assets*
- 3.1 All lights green – implement action plans to convert all functional areas to acceptable status.*
- 3.2 Focus on efficiency and effectiveness*
  - 3.21 Integration of Industry Leading Best Practices and Voluntary Consensus Standards*
  - 3.22 Implementation of industry-leading technologies and toolsets*
- 3.4 Encourage an atmosphere of constant improvement*
- 3.5 Practice sustainable Asset Management*
  - 3.52 Encourage paperless processes wherever possible*
- 4.7 Provide transparent asset visibility to users and stakeholders*

### Use – Utilization

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM 05-02 “Asset Management Internal Controls”, AM-05-07 “Physical Inventory”, and interviews with designated Campus Subject Matter Experts.

The primary objective of an effective utilization management program are 1) to maximize the use of an asset throughout its useful life and 2) to make it available for reutilization in a timely manner should it become idle.

It is the Campus Asset Coordinator’s role and responsibility to establish, monitor, report on and, if necessary, change this process so that it provides value to the organization in a way that is visible. The District Asset Manager must also establish, support and maintain the utilization program by actively participating in the many management processes that establish and adjust the requirements on which the District operations are based. A utilization management program must provide a means to:

- Ensure that assets are used for the purpose for which they were acquired
- Authorize and track utilization for any different purpose
- Maximize the degree of use of each asset
- Identify when an asset is idle and available for shared use or transfer
- Communicate that information to all potential users
- Facilitate any necessary relocation
- Periodically review and assess the utilization of each asset

Because all assets are acquired for a planned use, both the appropriate use of assets and who is authorized to use them are identified in the policies and procedures. Improved asset utilization is an inherent outcome of an Asset Management System through records of asset life cycle activities from receipt to disposition, ensuring assets effectively and efficiently support the mission of LACCD. Visibility into activities such as repairs, calibration, location changes, or changes in asset user can disclose possible idle assets, thereby identifying redeployment opportunities.

Implementing a robust Asset Management System, to include capture of status data and processes to evaluate usage metrics, will allow LACCD to increase effective asset utilization across the organization.

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

- 1.1 Compliance with all statutory and sponsor requirements*
- 1.4 Reutilization of assets*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.1 Actively schedule and monitor the maintenance, repair, and calibration of equipment*
- 2.2 Track the utilization of assets and promote reutilization*
- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition*
- 2.4 Develop metrics for determining usefulness of assets and the corresponding return on investment*
- 2.5 Monitoring the cost of ownership of assets*
- 3.1 All lights green – implement action plans to convert all functional areas to acceptable status*
- 3.2 Focus on efficiency and effectiveness*
- 3.21 Integration of Industry Leading Best Practices and Voluntary Consensus Standards*
- 3.22 Implementation of industry-leading technologies and toolsets*
- 3.3 Promote Asset Awareness throughout the District and campus communities*
- 3.4 Encourage an atmosphere of constant improvement*
- 3.5 Practice sustainable Asset Management*
- 3.51 Participate and Support the LACCD Sustainability Collaborative*
- 3.52 Encourage paperless processes wherever possible*
- 3.54 Actively promote and support recycling program goals and objectives, including Zero Landfill Policy*
- 4.2 Integrate relationships and systems across*
- 4.3 Create the environment for clear and open communication*
- 4.4 Implement a purposeful change management program*
- 4.6 Plan for ongoing staff development through continuing education, training and professional certification*
- 4.7 Provide transparent asset visibility to users and stakeholders*

### Location Management

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-02 “Asset Management Internal Controls” and interviews with designated Campus Subject Matter Experts.

Specially Funded Programs (SFPs), i.e. The Carl D. Perkins Funds, are currently using “shadow systems” to track and record initial asset location and movements to satisfy sponsor audit requirements by verifying current asset location upon request. These practices have been adequate to address the audit requirement of the SFPs but fall short of industries best practices. The SFP’s are limited by a lack of consistent location management system and process. The recording of historic asset locations is critical to establishing the audit trail in order to maintain asset visibility and use in compliance with the California Education Code (§ 35168 Inventory of Equipment).

Some examples of effective tools and processes based on best practices are:

- RFID (Radio Frequency Identification)
- Email
- Direct access by user to record updates and changes to location into the Asset Management System
- Electronic Request/Accept process for moves and changes
- Proper use and submission of hard copy documentation to update location change

LACCD will adopt an effective location management tool that supports audit requirements, utilization, excess and reutilization, establishes a clear audit trail of the asset lifecycle critical to the investigation of loss, damage, destruction and theft, and the reconciliation of physical inventories. Proper location management maximizes the capital investment of asset acquisition by aligning the physical asset with the financial record (i.e. avoiding ghost assets and eliminating need for shadow systems).

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

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- 1.2 Maintain ethical standards in our fiduciary responsibility*
- 1.3 Conduct and complete physical inventory requirements*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.1 Actively schedule and monitor the maintenance, repair, and calibration of equipment*
- 2.2 Track the utilization of assets and promote reutilization*
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- 4.3 Create the environment for clear and open communication*
- 4.4 Implement a purposeful change management program*
- 4.7 Provide transparent asset visibility to users and stakeholders*

## Maintenance

The following section contains recommendations based on the absence of an LACCD Asset Management Procedure addressing the asset management requirements for Performance of Preventive Maintenance and interviews with designated Campus Subject Matter Experts.

The primary purpose of a Maintenance System is to ensure actions are taken to keep assets in an existing (and desirable) state, to preserve from failure or decline. The performance of maintenance whether preventative, calibration, unscheduled, or repair, yields key data to an asset's life cycle when recorded in the Asset Management System. Maintenance events logged in a system can also serve to verify asset existence, and may validate or update an asset location. These transactions also enable a physical inventory event through the recording of the maintenance action in the Asset Management System resulting in an Inventory by Exception event. Additionally, recording maintenance events is a useful tool for utilization assessment and when events involve repairs, recording frequency and cost provides data to analyze the need for and the financial implications of repair or replacement of an asset.

LACCD Campus Maintenance Organizations operate independently and are viewed as effective but limited in efficiency. The observation of the cause for this condition is twofold: inadequate tools and no structured methodology.

Within a comprehensive Asset Management System is the functional process titled "Maintenance". LACCD will develop and implement a workable, efficient, and cost-effective maintenance program that includes a Maintenance Management System (tool) accessible by all campus Maintenance functions for establishing requirements, scheduling, and performance of maintenance on assets.

The system will record:

- The Service Group (campus)
- Technician
- Vendor (when outsourced)
- Service required (detail)
- Service procedures (detail)
- Service frequency
- Service Scheduling (Work Orders – scheduled or unscheduled)
- Initial service date
- Warranty Information
- Repair event date

- Cause of equipment failure
- Repair action
- Repair cost
- Asset location

The system could be a module or component of the Asset Management System or, an independent stand-alone system. If a stand-alone system, an interface with the Asset Management System (methodology) to permit asset maintenance record updates is crucial. Some examples of this interface are:

- Number of Maintenance events (within specified time frame)
- Maintenance cumulative costs (within specified time frame)
- Repair events
- Vendor repair events
- Repair cumulative costs (by asset)
- Replacement events (resulting from Beyond Economical Repair)

The ability to report metrics such as these examples presents the opportunity to analyze current or past costs in order to reasonably forecast future costs. In addition, this data lends credible reference to projecting an Equipment Replacement Forecast into the following year or years for financial budgeting purposes.

**Strategic Goals addressed in the above section:**

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- 4.7 Provide transparent asset visibility to users and stakeholders*

## Reporting

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-09 “Asset Accounting, Reporting and Auditing” and interviews with designated Campus Subject Matter Experts.

As with asset records, property reports touch all facets and are the primary method of conveying information from an originator to either a consumer or consumers of that data. Reports convey data and provide the bases for numerous management decisions relating to the Asset Management System across LACCD. The System implemented must have the capability to capture and disperse all relevant data elements required for a robust reporting function. Reports also document various property actions, establish baselines, verify property or system condition, identify trends, justify exceptions to accepted business practices, track progress of various tasks, recognize and aid in organizing compliance issues and present the roles and responsibilities of the Asset Management System participants.

Contained within the Reports function is a business requirement that whatever is being furnished to the consumer is current, reliable and accurate information. Therefore, in order to provide such, the business process which generates the data must be maintained with strict discipline by adhering to established procedures.

### **Strategic Goals addressed in the above section:**

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- 4.3 Create the environment for clear and open communication*

### Physical Inventory

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-00 "Asset Management Policy", LACCD Asset Management Procedure AM-05-07 "Physical Inventory", and interviews with designated Campus Subject Matter Experts

The primary objective of a physical inventory is to verify the physical existence, location and quantity, by actual count, of assets tied to the financial and/or Asset record to determine if unrecorded (or improperly recorded) transactions have occurred. To comply with the California Education Code §35168 requirements, a physical inventory will be conducted every two years for assets over \$500 in Market Value and all pertinent data elements will be captured and recorded.

Prior physical inventory efforts have been unsuccessful in completing and reconciling a definitive LACCD asset base. The lack of common asset definition before the counting processes has led to incorrect tagging and recording of items. This condition has resulted in an inability to accurately report LACCD's net worth, as it currently exists and continues to change with the acquisition and disposition of assets. The absence of identification and valuation of legacy assets compounds this condition. This condition is mainly due to the lack of an Inventory Plan to facilitate the cycle count process.

The first step in addressing this gap is for LACCD to perform a comprehensive, wall to wall, validation inventory with reconciliation to establish a verifiable asset baseline. Once established, a continued physical inventory plan as part of the Asset Management System sustains the asset baseline through continuous determination of asset inventory by actual count.

Some examples of physical inventory methods which would accomplish this goal are:

- Periodic Inventories conducted at predetermined intervals
- Continuous Inventory (aka Inventory by Exception). These events are some examples where Inventory by Exception can be deployed:
  - Changes in User or Stewardship
  - Transfer of accountability
  - Cyclical maintenance, repair or calibration activity
  - Computer repair, upgrade, configuration
  - Computer Intranet connection (IP Address ping)
  - Off-campus use

Methodology and system processes used to achieve Inventory by Exception might be, but are not limited to:

- Electronic communication between users to facilitate documentation of changes in Stewardship, location and/or user
- The request and acceptance of transfer of asset accountability effecting depreciation cost and allocation
- Interface with existing maintenance and calibration system to record the execution and cost of these events
- Electronic recording of IT events and active computer intranet use
- Documentation and recording of off-campus usage in the Asset Management System
- Cyclical Inventories performed on a continuous basis with fixed beginning and end dates
- Grant or Agreement Closeout Inventory
- Wall to Wall Inventory
- ABC Inventory

By whatever method used to continuously validate the asset base line, the critical component is the development and publishing of a Physical Inventory Plan which delineates:

- Objective or required outcome
- Verify asset existence and location
- Determine value of assets for appraisal or tax purposes
- Determine asset condition
- Validate accuracy of official asset record data
- Confirm accountability information or Stewardship
- Verify component and asset configuration
- Specific types of assets to be inventoried
- Inventory timeframe, including specific start and completion dates
- Inventory data collection method
- Personnel conducting, coordinating and supervising the inventory
- Establish Inventory methodology
- Determine the information to be collected during the inventory

In the conducting of future physical inventories LACCD will adopt the ASTM standard E2132-01(reapproved 2007) Standard Practice for Physical Inventory of Durable, Moveable Property<sup>5</sup>.

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<sup>5</sup> ASTM Standard E53, 2007, "Standard Practice for Physical Inventory of Durable, Moveable Property," ASTM International,

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

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- 2.3 Maintaining complete, accurate records of all assets, their location, status and condition*
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  - 3.21 Implementation of industry-leading technologies and toolsets*
  - 3.22 Integration of Industry Leading Best Practices and Voluntary Consensus Standards*
- 3.4 Encourage an atmosphere of constant improvement*
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  - 3.52 Encourage paperless processes wherever possible*
- 4.2 Integrate relationships and systems*
- 4.4 Implement a purposeful change management program*

### Excess and Reutilization

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-00 “Asset Management Policy”, LACCD Asset Management Procedure AM-05-05 “Asset Screening, Losses and Disposition”, and interviews with designated Campus Subject Matter Experts.

Excess assets are those items which are no longer needed for the purpose or requirement for which it was acquired. The primary objective of a reutilization program is the identification of items which are excess, idle or no longer needed by one function or department and are made available and deployed for use by other functions or departments based on an existing requirement. Reutilization of excess assets is the first step toward sustainability and proper stewardship of resources, and the key to an effective reutilization program is the accurate recording of an excess asset’s operational condition. Based on best practices, the operational condition is an evaluation recorded during the Excess stage of the disposition process. Assets determined to be in an adequate operating condition are made available to the user community through a media practical for identification of functionality and request for redeployment (e.g. a website or report).

The most efficient method for reporting the operating condition of excess assets is through the use of standard “Condition Codes”. Condition Codes commonly used are:

- 1- **Serviceable/issuable without qualification** = new, used, repaired, or reconditioned property which is serviceable and issuable to all customers without limitations or restrictions
- 2- **Serviceable/issuable with qualification** = new, used, repaired or reconditioned property which is serviceable and issuable for its intended purpose but is restricted by limited usefulness or short service life expectancy.
- 3- **Unserviceable/repair required** = economically repairable property which requires repair, overhaul or reconditioning to restore to Serviceable condition
- 4- **Unserviceable** = Property which has been determined to be unserviceable and does not meet repair criteria
- 5- **Scrap** = Property which has no value except for its basic material content

Reutilization of excess should be limited to assets condition coded **3** and above. LACCD Asset Management Policy and Procedure 05-05 states the need for a storage location. The challenge facing LACCD is establishing a storage location(s) that efficiently address the logistics of campus locations when redeploying excess

assets. Additionally, such storage locations require protection and preservation of assets held for a specific screening period prior to redeployment in an eco-friendly environment which would prevent degradation of assets and possible contamination. Best practices have established internal screening periods of 30, 60, and in some cases 90 days for identification by users for reutilization prior to disposal.

**Strategic Goals addressed in the above section:**

**Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

- 1.2 Maintain ethical standards in our fiduciary responsibility*
- 1.3 Conduct and complete physical inventory requirements*
- 1.4 Reutilization of assets*
- 1.5 Mitigate risk of loss both in terms of money and prestige*
- 2.2 Track the utilization of assets and promote reutilization*
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- 3.51 Participate and Support the LACCD Sustainability Collaborative*
- 3.52 Encourage paperless processes wherever possible*
- 3.53 Actively promote and support recycling program goals and objectives, including Zero Landfill Policy*
- 4.2 Integrate relationships and systems*
- 4.4 Implement a purposeful change management program*
- 4.7 Provide transparent asset visibility to users and stakeholders*

### Program/Grant Close-Out

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-08 “Specially Funded Program Assets” and interviews with designated Campus Subject Matter Experts.

The primary objective of a Program or Grant closeout is the accounting and reconciliation of all property purchased, fabricated, provided or otherwise acquired under Program or Grant funding. The expected outcome of a Program or Grant closeout is a certification that the property inventory is at zero balance through customer directed or LACCD established disposition actions.

While Program and Grant closeout processes are adequate, it is being achieved through a patchwork of shadow systems requiring duplicate data entry and SFP unique inventories. Adopting an integrated, automated system with tools and processes that address LACCD data element requirements and supports SFP customer data recording and reporting requirements will eliminate the need for shadow systems and reduce redundant efforts.

#### **Strategic Goals addressed in the above section:**

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- 1.1 Compliance with all statutory and sponsor requirements*
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## Disposition

The following section contains recommendations based on the analysis of LACCD Asset Management Procedure AM-05-00 “Asset Management Policy”, LACCD Asset Management Procedure AM-05-05 “Asset Screening, Losses and Disposition”, and interviews with designated Campus Subject Matter Experts.

Disposition is the final phase of the asset Life Cycle. The primary objective of property disposition is the physical removal of dispositioned property from an organization’s facilities. The process includes reutilization, donation, sale (including as scrap), recycling (including E-Waste), destruction, and the removal of sponsor-owned property from organizations’ accountability. Effective Disposition of Assets will enable LACCD to move forward toward a zero landfill outcome.

The disposition process has two specific asset “status” categories:

- Excess: Assets that are no longer required for the requirement for which they acquired and are available for internal reutilization
- Surplus: Assets that, as a result of internal screening, have no further identified requirement for use

The campus level disposition processes are effective as campus level resources permit. LACCD utilizes a public website operation (Public Surplus.com) for the submission, posting, LACCD internal review, public review and sale of assets in the disposition process. While the use of the website service is beneficial to the LACCD campus operating environments in the handling and logistics of surplus LACCD property, the overall disposition process has significant weaknesses with the steps leading to and including actual sale of the assets listed on the website. Assets are not consistently or adequately inspected for operational condition and posted to the related asset record or on the website. As a result, potential internal reutilization is defeated when interested parties are unable to evaluate “operational capabilities” relative to the intended requirement reutilization would fulfill.

Absence of protected and secured temporary storage of surplus assets has, in some cases, required surplus assets to be stored outdoors subject to the elements and deterioration. In some cases buyers from the website refuse assets purchased due to the fact that the asset condition, from exposure, was not that of the condition presented on the website and required refunds.

Surplus IT assets are to be cannibalized of reusable components to a level that produces recyclable surplus or scrap for material content. This process has no oversight to manage the cannibalization and reutilization of those components and how the asset condition is reflected in the asset management system. Evaluation of the asset and use of the Condition Code by IT will minimize reusable assets being

unnecessarily disposed of as scrap.

While some Aerospace, DoD and Federal Contractor business operations have and do realize noticeable returns on the sale of the surplus property, an industry-wide best practice is a disposition process that offsets the cost of resources to manage disposal of surplus property. The primary objective is to have excess property available for reutilization when internal requirement establish a need while minimizing disposal cost and waste. LACCD will achieve this balance by applying a campus-wide process that involves five basic steps.

Step 1: Using departments or functions notifies the Campus Asset Coordinator that they have excess property.

Step 2: Campus Asset Coordinator arranges for pickup and, depending on the asset “type”, has the asset delivered to a pre-determined storage or staging area.

Note: Depending on asset “type”, delivery arrangements may include campus IT organizations or Health & Safety personnel for evaluation of operating condition and/or HAZMAT content, prior to delivery to storage or staging area.

Step 3: Campus Asset Coordinator inventories and records assets placed in storage or staging area in the asset management system for updating of status (Excess) and reporting purposes.

Step 4: Assets are physically reviewed for operating condition and usability. Operating conditions should be simple and readily understood by Users looking to reutilize excess assets.

Step 5: All asset with a condition code “1”, “2” or “3” are posted on an internal website or other generally accessible format where assets records reside for viewing during a specified period of time while excess assets with a condition code “4” or “5” are excluded from internal reutilization screening and forwarded into *surplus* status for the appropriate disposal action.

Under best practices, an accounting structure is established to collect proceeds received from disposal of property. This account allows for cumulative reporting of proceeds over a specified time period and an analysis of the proceeds received compared to the cost of resources used to support the disposition process. This revenue tracking is used as a metric validating the Asset Management Office as a profit center in this functionality. In addition, the transaction should also be used to ensure that capital assets are written off the books properly if disposed of before the service life is completed and the item is fully depreciated.

**Strategic Goals addressed in the above section:****Goals: Public Accountability, Maximize Investment, Excellence, Collaboration**

- 1.2 Maintain ethical standards in our fiduciary responsibility*
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- 2.1 Establish clear reporting structure, delineating responsibilities and authorities*
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### 3. System Resources

There is a wide discrepancy between what the current asset tracking systems can do and what LACCD's Policies and Procedures require from them in order to efficiently and effectively track assets across campuses. SAP is the financial system of record, however the modules do not support all of the functions required to monitor items from acquisition through disposition. We have evaluated AssetTech, PS2 and the many shadow systems on campus and none of them can currently support LACCD's Asset Management requirement. We recommend that LACCD implement a single source district-wide asset management system that is integrated with SAP to use common nomenclature, tables and fields that will reconcile the accountability record with the financial record.

Functions to be integrated and reconciled include:

- Receiving
- Grants and SFP
- Stewardship assignment
- Location management
- Physical Inventory
- Reporting and retention of event data to create a historical audit trail for all asset activity

The following systems have been identified as having data elements and/or processes that should be kept in synchronization with the Asset Management System:

- OSS – Student Affairs Database
- Fusion – Facilities Space Allocation System for asset location
- TAMIS / PS2 – Maintenance & Repair Work Order Systems
- SAP
- ACQ/PUR
- CMMS
- FIN
- HR
- State Recycle/Landfill Record
- Disposal / Surplus Sales
- Ull – Access / Oracle Invoice Database
- P3 (Primavera) – Reporting Universe for budget, burn rates & data verification
- Costpoint
- IT Database / Help Desk

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#### 4. Technology Resources

An industry leading Asset Management System will incorporate existing software and ancillary toolsets. Radio Frequency Identification (RFID) technology can be used to manage and track highly mobile assets and interface with the Asset Management System, and Auto Discovery tools may be used to virtually track and update ADP equipment and information to the System. The System must be compatible with handheld barcode technology for efficiently and accurately recording events throughout the asset lifecycle, including receiving and physical inventory. This integrated System will create a technology web providing functional menus for all transactions required by participants in the asset management process, including:

Campus Asset Management	Disposition
SFP Management, Program Closeout	IT
Finance	Moves, Adds and Changes
Maintenance	Facilities
Human Resources	Occupational Safety and Health
Procurement	End Users

The attached “Appendix A – Asset Management System Requirement Matrix” compiles and summarizes the functional requirements of a single source asset management application which will integrate with the financial system of record (SAP). The matrix addresses:

- Function
- Transactions
- Resources
- Required Data Elements
- Data Capture Methods
- System Interface Requirements
- Reports

Phase 2 of this project will provide specific and granular evaluation of the products available in the marketplace. This evaluation will begin with the analysis of the existing LACCD technologies to determine their viability and conclude with a full recommendation to LACCD of an industry leading Asset Management System that will meet the strategic and functional requirements for effectiveness, efficiency and integrity.

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### Conclusion and Next Steps

The LACCD Asset Management Policies and Procedures Review and Analysis involved onsite campus interviews and observations of task level operations and process. The product of these interviews and observations revealed a level of asset management unique knowledge and the understanding of its distinct importance to the LACCD strategic asset management mission.

This “plan” is designed to implement corrective actions that alone are not a comprehensive solution. Once deficient conditions have been identified and actions taken to address the causes, a System must be put into place that promotes continuous improvement and prevents deficiencies from reoccurring.

Property is one of only four components required for a business to function effectively; Capital, Resources, Operations and Property. Remove any one of the four and business ceases to function. Effective asset management is that process that ensures Property continues to contribute to the function of the business. Although the label “Asset Management System” may suggest this is a function apart from other LACCD operations, all organizations within LACCD make a direct, value-added contribution to the success of the System. The following are examples of those organizations:

Procurement	Human Resources
Contracts – Agreements – Grants	Custodial
Maintenance	Security
FP&D and Campus Facilities	Administration
IT	Operations

There is no Asset Management System, regardless of complexity or simplicity, that will be effective without Users voluntarily contributing to the system and Senior Leadership committed to supporting the system.

There is recognition that LACCD is committed to implementing a system for the management, preservation, and protection of the investment made by the District to provide property necessary for the business of community education to function. It is evident that LACCD Senior Leadership supports this commitment and intends this commitment to go forward.

Once the system has been put in place and operating, resources necessary to sustain the effectiveness and efficiency must prevail by business system analysis establishing the level of knowledge, skills, and resources necessary to sustain the system. Anything less and the system will deteriorate to the point where there is no system at all.

The planning, development, and implementation of an effective and efficient Asset

Management System provides visible added value to the LACCD mission by reducing waste and property loss, increase utilization, maintaining campus effectiveness through accurate inventories and equipment readiness. This System would also contribute vital data to a Disaster Recovery Plan and produce accurate and validated financial reports and capital expenditure forecasts. These functions would culminate to ensure compliance to Federal, State, and other sponsor regulatory requirements

Assessment of business (campus) systems and processes create continuous opportunities for improvement in further reducing waste, minimizing cycle time in efforts, and increasing value-added processes while recognizing and questioning non value-added tasks unique to the campus operating environment.

We strongly recommend LACCD establish a definitive authority and responsibility for the operation of the asset management system across the District. Beginning with a district level Asset Management Committee (AMC) comprised of select individuals within the District Office, each representing a District Office function (e.g. Operations, Finance, Purchasing, Facilities Planning and Development, and Legal). There should then be a staff position at the district level of District Asset Manager with oversight authority of campus Asset management functions and responsibility for asset management compliance, and is a charter member of the PMC. Each LACCD campus should then have a staff position of Campus Asset Coordinator with authority and responsibility for campus level asset management operations and processes and a reporting relationship to the District Asset Manager.

To establish and support this hierarchy, we recommend the development and publishing of a district level Policy Statement for LACCD Asset Management. The policy should be specific in purpose and detailed in objectives. Campuses would then be responsible for development, authoring, and publishing of campus level asset management procedures describing processes between organizations unique to each campus operating environment. These campus level procedures would be reviewed and approved by the District level AMC to ensure functional process outcomes are achieved and in compliance with LACCD asset management policy, strategic objectives and mission. Across all campuses, regardless of the organizational structure or operating environment, there will be a common reference established at the district level with which to measure the effectiveness of the campuses' procedures and processes.

#### Next Steps:

1. Assist District in selecting comprehensive technology tools in order implement a solution which can be integrated into the District's existing SAP Asset Management module or related SAP modules. Recommend and assist with implementation of a District selected system including integration of system into the financial and

procurement database, as well as utilization of the hardware and software necessary to perform asset assessment services.

2. Implementation of Asset Management Policies and Procedures as approved by the District, including any additional development of these policies and procedures, as well as any necessary training required to ensure understanding and compliance with the Asset Management Policies and Procedures;
  - a. This includes any written manuals required for the deployment of training.
3. Develop and deliver a comprehensive training program to include certification courses, policies and procedures workshops, and system and tool training.
4. Work with District Asset Manager, College Asset Coordinators, Program Manager, and relevant teams to develop and implement a system necessary to integrate the SAP asset management database with the asset management system.
5. Recommend an inventory data update program which manages mass imports, exports and data batch scheduled into the financial and procurement database. If data requires manual entry, develop necessary input procedures ensuring that a checklist is created identifying the data updating has occurred, and by whom.
6. Provide assistance and consultation of SAP conversion and/or data migration of bond asset procurement and asset management to SAP database.
  - a. This includes development of District approved nomenclature of description of assets.
7. Develop and implement a site-specific Inventory Plan for each district location for each complete physical inventory. Information to be included, at a minimum, per guidelines:
  - Verify Asset Existence
  - Confirm Locations
  - Confirm Custodial Responsibility
  - Identify Unrecorded Assets
  - Verify the Status of Assets
  - Asset Types and Facilities
  - Inventory Physical Location
  - Reconciliation
  - Reporting
  - Adjustments
  - Quality Assurance
  - Close-Out

8. Prepare physical inventory schedules as requested and identify issues of concern and or challenge.

**Appendix A – Industry Leading Practices for Asset Management**

Ascot Associates performed a comprehensive industry analysis utilizing research and performing interviews with a variety of educational institutions across the United States in August 2010. The following table summarizes the operations and internal organizations of a representative sample of the institutions surveyed:

Institution	San Francisco State University	Stanford University	Mississippi Gulf Coast Community College	Baltimore City Community College	University of Southern California	Central New Mexico Community College	Northern Virginia Community College
How many campuses do you support?	3 - Main, Romberg Center, Downtown	One campus, 7 colleges within and multiple research locations	8 campuses, plus multiple learning centers	4 main campuses and approx. 80 off-campus learning sites	10 campuses	5 campuses with one new under construction	Six campuses plus two educational centers
How many total students?	30,400	15,000	11,000	22,000	35,000	29,000	78,000
Total # of Assets being tracked	16,525	80,000	19,436	40,000+	90,000	Well over 20,000	17,000
Total \$\$ Value of Assets	\$75M	800M	31MM	\$45MM	Over \$1 Billion	\$35MM+	\$52MM
Where does Asset Management report to within your institution?	Director of Purchasing which reports to Finance	VP Research Administration	VP Administration and Finance	Procurement and then to Finance	Financial and Business Services	Purchasing	Purchasing -> Finance
Do you have an Asset Manager? Who do they report to (title)?	Yes. Reports to Director of Purchasing.	Director of Property, to the VP	Director of Purchasing and Property Control	Yes, Assistant Director of Property Administration . Reports to Procurement Director	Yes. Manager, Equipment Management. Reports to Director of Financial Services	Yes. Manager of Records Retention and Property Control	Yes. Property Control Manager. Reports to Purchasing Director
Total Number of Staff in the asset management group	2	11 direct, full time reports	One full time inventory clerk at Central Campus, then each campus has an assigned property/purchasing clerk	11	5	3 directly	2 at the administrative level. Each department and division has a designated person responsible for managing all the assets and keeping the records.

Institution	San Francisco State University	Stanford University	Mississippi Gulf Coast Community College	Baltimore City Community College	University of Southern California	Central New Mexico Community College	Northern Virginia Community College
<b>Describe how the department is structured</b>	Mgr. resolves campus issues, handles technology and integrating Assets from Purchasing. Specialist reports to him and handles the day to day tagging and interaction with end users.	Central Property oversees and works with over 200 DPA's across campus/schools/projects	Clerks at each campus reporting to the Business Services office acting as property contact on campus. Department Heads are Property control officers with accountability for assets in their purview	3 in Receiving, 3 in warehouse operations, 2 administrative assistants for keeping records, 1 inventory supervisor, 1 inventory specialist, 1 receiving/warehouse manager	Strictly equipment management. Manager and four specialists.	Manager and two staff members. Responsible for records management and retention AND property control. There are about 30 custodians across all the campuses who are ultimately responsible for the assets.	Manager of Property Control and a Surplus Property Officer. There is a Store Manager on each campus who has responsibility.
<b>How often do you perform a physical inventory?</b>	28 inventory locations, once every two years	Cycle inventory with a 2 year window, counting is done 18 out of 24 months	Yearly, closed out June 30	Monthly reconciliation of all new purchases. Annual wall-to-wall inventory	Every two years. Wall-to-Wall major inventory.	Three times a year. At the beginning of each semester. Lists are sent to every custodian who must certify.	Quarterly inventory on all newly purchased items. Annual inventory on the entire base. Store Manager on campus receives a list and is responsible for performing and reporting to the MPC.
<b>What is your historical loss rate?</b>	n/a but while inventorying the Science Dept. 26% of the equipment could not be found	For federal research contracts – 0	97% inventory	Used to be 5%, but new system and department has reduced that to less than .5%	Unknown	Not sure but it is getting better. Usually about 20-30 items now in each inventory cycle. It used to be worse.	WND
<b>What other departments also do asset management ?</b>	Procurement Group, Purchasing and receiving	Group for IT asset management and for Software licenses management as well	receiving (does tagging), procurement, A/P	None. All report through property administration	Equipment Mgmt. is responsible for everything on campus. All other departments have some level of interaction, and perform some of the equipment management tasks/transactions.	None. Property control has all responsibility for everything,	Everything runs through Property Control. No other asset management functions.

Institution	San Francisco State University	Stanford University	Mississippi Gulf Coast Community College	Baltimore City Community College	University of Southern California	Central New Mexico Community College	Northern Virginia Community College
<b>Who does receiving? Centralized or decentralized?</b>	Centralized Receiving Group	No Asset warehouse, all receiving is to end user of building within a School. Excess asset sales staging has one warehouse.	Decentralized, at each campus because of geography. Dept. head assumes accountability	Used to be decentralized but there were many issues. Now it is centralized.	Receiving is decentralized; however Equipment Management must approve all procurements involving equipment and tracks them when they are received.	Centralized. Any new purchase goes into a Property Control cage in the warehouse, where it is tagged and put into the system before delivery to the end users.	Receiving is centralized and tagging done at time of receipt before issuance. Policy requires property reviews.
<b>Warehousing? Centralized or decentralized?</b>	No storage warehouse, only a receiving holding dock. 1 - 2 days to end user	If capital item, it is assigned in Oracle to kick off A/P transaction with receiving event. If not, the DPA works with the end user and Property Dept to get it assigned asap	No storage warehouse, only a receiving holding dock	Centralized		Centralized.	Both. Each campus has a Campus Store with a manager.
<b>Is accountability assigned to the end user and tracked at the end user?</b>	As soon as they get it	Sunflower to interface with org hierarchy, location information and people in Oracle	Receiving tags property and notifies Property/Purchasing office accountability is assigned to the dept. head who will act as end user	Three levels. The Accountable Officer is generally the Cost Center Manager at a department-level. Inventory Control Assistant is generally the department admin who is the "custodian". The end user is captured when applicable.	Responsibility at the end users level. Professors, department heads, office managers, etc.	Accountability is at the department level. The department head assigns a custodian who is ultimately responsible for managing the items.	Accountability is tracked at the department or division level. The Division Chair or Department Head appoints a responsible person. This person is responsible for keeping all records and updating the system, and has the accountability.
<b>Systems. Do you have a single source of record or multiple systems?</b>	Oracle/People Soft ERP, not primarily designed for Asset Mgmt.	Sunflower	InCircuit, asset management. SAP for purchasing which requires manual balance at end of each month	Single source. WinAsset plus extensions.	Single system, centralized. Accessible on main university network.	Single system, part of the enterprise system. They use banner.	Multiple systems since each department responsible.

Institution	San Francisco State University	Stanford University	Mississippi Gulf Coast Community College	Baltimore City Community College	University of Southern California	Central New Mexico Community College	Northern Virginia Community College
<b>Advanced technology being used? RFID, Barcodes, Auto-Discovery, etc.</b>	No RFID or AutoDiscovery . Down to one barcode scanner	Barcodes for over 20 years.	barcodes - extensively used	Barcodes are used, with readers that are wifi enabled for instant access to database. All sensitive items are now getting RFID tags and they use real-time reader to see if anything is moving. Security gets involved.	Barcodes and scanners.	None. Tags are ID tags only. No barcodes.	Barcodes.
<b>Workflow and automated business processes? System driven?</b>	Oracle/People Soft numbers/people info driven workflow.	Seems similar but every educational institution has its own requirements and culture. The CAC is a lot like our DPAs and they are an integral part of the property team.	Records input all done at Property Dir. Level. Processes are driven by people- email and forms	Yes ... Inventory Control Assistants and Accountable Officers have system access for limited transactions such as changing locations, assigned users, etc.	They are moving that direction. Systems are being upgraded to handle these.	None at this time. "Maybe someday".	No.
<b>Tracking/ Inventory Threshold</b>	\$1000 for tracking. Capitalization threshold is \$5K.	\$5000 for Stanford property, all federally-funded property is tracked regardless of value. All "Sensitive" property (i.e. medical equipment, cell phones, computers, etc).	\$1000 and above, \$250 and up for TV's, computers, cameras plus exception list - per MS ed code	Anything over \$100. State requirement.	\$5K, unless it is sponsor-owned or government-owned in which case everything is tracked.	\$1,000. Plus all cell phones, computers, loaned equipment, etc.	\$500

A second source for establishing industry leading practices for Asset management within large organizations is the Aerospace Industries Association (AIA). This group represents a majority of the largest commercial organizations required to manage property in accordance with strict regulatory mandates, as set forth by the United States Federal

Government and generally accepted accounting principles. The AIA published a listing of Industry Leading Practices (ILP) in August 2009. The following table lists those ILPs that are applicable to the processes, policies and procedures of LACCD.

Process	ILP #	Industry Leading Practice	Rationale
Acquisition	1-02	The Property Management Organization (PMO) is: directly involved in the review of solicitations, proposals, and responses; reviews or provides a property list for the proposal response; part of the program stand up committee or team for a new product, new major contract.	<ol style="list-style-type: none"> <li>1. Experience and research of involving Property Management Organization (PMO) in the proposal process improves the overall management of contract owned property.</li> <li>2. The PMO is better able to plan for upcoming contract requirements and communicate to other organizations these requirements (i.e. warehouse or plant space requirements). In addition, the PMO reviews for pre-disposition and reporting requirements, ensures property clauses are in place, and reviews property lists for availability and accuracy.</li> </ol>
Acquisition	1-03	PMO is notified when a contract is awarded and provided access to contract.	<ol style="list-style-type: none"> <li>1. 67.6 % of companies in industry responded that they are able to review contracts after awarded.</li> <li>2. Through experience, access to the actual contract and subsequent modifications to contracts enables the PMO to stay abreast of and fulfill the contract requirements.</li> </ol>
Receiving (Identification)	2-01	Prior to acceptance, perform a visual review for damage to the outside packaging / container.	<ol style="list-style-type: none"> <li>1. 93.3% of the companies responded affirmatively.</li> <li>2. Numerous web sites include the following steps and procedures performed by the Receiving staff: <ul style="list-style-type: none"> <li>• <u>A visual inspection for damage to the carton or container at the time it is offloaded from the carrier truck.</u></li> <li>• Verify the number of packages indicated on the freight bill.</li> <li>• Enter the item into the Supply Chain tracking system, which will track the item throughout the receiving and delivery process.</li> <li>• Create a label in the tracking system and label the package so that it can be tracked throughout the rest of the receiving and delivery process.</li> <li>• If visible damage is apparent, conduct a more thorough inspection of the contents of the packages to look for obvious damage to the item in the carton or container.</li> <li>• Enter the item, based on packing slip information, into the tracking system.</li> <li>• Notify delivery or material handling personnel of the item for delivery to the requested location.</li> </ul> </li> </ol>
Receiving (Identification)	2-02	Standard delivery time from receipt to record (excluding unplanned occurrences, priorities, etc) is a maximum of 5 working days.	<ol style="list-style-type: none"> <li>1. Material – 93% of companies responded 1 week or less</li> <li>2. Equipment - – 93% of companies responded 1 week or less</li> <li>3. Repairables – 96.4% of companies responded 1 week or less</li> </ol>
Receiving (Identification)	2-03	Equipment identification numbers are controlled and assigned by one functional organization or system.	<ol style="list-style-type: none"> <li>1. 87.6% responded that the Property Management Organization (including coordinators) assign the ID numbers.</li> <li>2. Eliminates the possibility of duplication of ID numbers and promotes standardization and</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
			control.
<b>Receiving (Identification)</b>	2-04	Utilize Barcodes or other automated identification technology (AIT) IDs.	<ol style="list-style-type: none"> <li>1. Research and experience confirm that the use of barcodes results in faster data entry, more accurate data entry and better document tracking. (Leila Davis, <i>Wider Uses for Bar Codes</i>, Nations Business (Mar. 1989).</li> <li>2. Reduces labor hours to perform inventory.</li> <li>3. Increases productivity and reduces errors.</li> <li>4. 79.3% of companies responding indicated use of barcodes; 17.2 used 2D Matrix; 3.4 used RFID; and 13.8 used all of the above.</li> </ol>
<b>Records</b>	3-01	Assign identification numbers to and establish basic records for equipment incorporated as components (children) of higher level equipment (parent) when removal for calibration or independent use is anticipated.	<ol style="list-style-type: none"> <li>1. Definition of equipment "functionally complete for its intended purpose" indicates that equipment be managed at the parent level (FAR 52.211-7007(b)(1)). However, when it is anticipated that a child or component will perform as a functionally complete item it also should have an identification number assigned for those purposes. Note: The requirement of calibration or maintenance of a component does not necessarily make that component a parent item for property management purposes.</li> <li>2. Improves management and control of readily removable, general purpose components</li> <li>3. Precedent has been set over the last 30+ years establishing this as a leading practice by the requirement inclusion in previous versions of the FAR.</li> </ol>
<b>Records</b>	3-02	Use electronic storage retention for source and other record documents.	<ol style="list-style-type: none"> <li>1. Through experience and research, electronic storage reduces the use of paper and storage space requirements for maintaining records.</li> <li>2. Electronic data provides the advantage of instant access. (ref. Facilities Management Resource)</li> <li>3. The Electronic Signatures in Global and National Commerce Act (6/30/2000) gave electronic documents the same validity as if they were in paper form.</li> <li>4. "Original. ... If data are stored in a computer or similar device, any printout or other output readable by sight, shown to reflect the data accurately, is an "original". Federal Rules of Evidence, Article X, Rule 1001, ¶3.</li> </ol>
<b>Records</b>	3-03	Utilize a property focal point (custodian or coordinator infrastructure) to manage property.	<ol style="list-style-type: none"> <li>1. The FAR Principles include the policy, "The authority to make decisions and the accountability for the decisions made will be delegated to the lowest level within the System." FAR § 1.102-4(b) (1997). The practice of the lowest level of accountability for property management is the assigned property custodian has been a long standing industry practice. Focused accountability is superior to defused accountability.</li> <li>2. 96% of companies responding utilize a custodian/coordinator accountability structure</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
Records	3-04	The association of an equipment parent-child relationship should be annotated in the record system.	<ol style="list-style-type: none"> <li>1. Parent and child item are under ownership of a contract. Documentation as well as policy dictate to the extent child item may be use on alternate parent items.</li> <li>2. Maintains the integrity of the configuration of the parent test unit.</li> <li>3. New clause requires all STE deliverable</li> <li>4. Conduct test shows what components are in the test station.</li> </ol>
Physical Inventory	4-01	Use barcode labels & scanning equipment for physical inventory.	<ol style="list-style-type: none"> <li>1. Research and experience confirm that the use of barcodes results in faster data entry, more accurate data entry and better document tracking. (Leila Davis, <i>Wider Uses for Bar Codes</i> Nations Business (Mar. 1989).</li> <li>2. It has been proven over the years that performance of physical inventory is greatly enhanced through the use of electronic data collection. Reductions in errors and documentation processing are realized immediately as is an increase in productivity. Data validations may be performed electronically as the information is collected and exception reports generated that define anomalies in the process. Manual data entry can be reduced by 90% or more and costs associated with reconciliation efforts can be significantly reduced.</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
Physical Inventory	4-02	Utilize Inventory by Exception (IBE)/ Transaction Based Inventory Methods.	<ol style="list-style-type: none"> <li>1. Long time practice in industry. Accepted by customer and even suggested by customer. By documenting a PI on a regular move, this reduces the effort required when conducting a Physical Inventory. Reduces duplication of effort.</li> <li>2. Inventory by Exception is the process of recording various activities as a “touch” process that constitutes a physical inventory. Activities such as movement, maintenance and calibration can only be performed if the item exists. Reduction in level of effort to perform PI as a stand-alone process is greatly reduced. Information supporting the process may be collected electronically, manually, our through generation of periodic reports. The process eliminates the need for a wall-to-wall inventory and concentrates efforts on items that remain to be touched.</li> <li>3. 100% of the companies responding utilize the IBE method of inventory.</li> <li>4. “Inventory By Exception” is a widely accepted method of performing a Physical Inventory. It has a firm foundation in a number of texts including:                         <ol style="list-style-type: none"> <li>a. Inventory Accuracy: People, Processes, &amp; Technology, David J. Piasecki. Publisher: Ops Publishing, ISBN: 0-9727631-0-4</li> <li>b. Production and Inventory Control Handbook. Editor, James Greene, 2nd Edition. Publisher: McGraw-Hill, ISBN: 0-07-024321-2</li> <li>c. Purchasing and Materials Management. Dobler, Burt and Lee, 5th Edition. Publisher: McGraw-Hill, ISBN: 0-07-037047-8</li> <li>d. Production and Inventory Management. Fogarty, Blackstone, and Hoffman, 2nd Edition. South-Western Publishing, Cincinnati. ISBN 0-538-07461-2”.</li> </ol> <p>Above references provided by DAU, “Ask the Professor” <i>website</i>, Posted to Government Property on 5/12/2009</p> </li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
Physical Inventory	4-03	Prepare and create a physical inventory plan.	<ol style="list-style-type: none"> <li>1. Long time practice throughout the industry. The preparation of a PI plan is essential to ensuring completion of the physical inventory process and the availability of assets. Defining the type and frequency of the PI process as it applies to various classes of property is based on activity levels. For fixed assets, the plan may define type and frequency based upon a value based risk assessment.</li> <li>2. "The creation of a detailed, specific plan is most critical to a successful inventory. If a detailed plan, with specific objectives, is not developed, the inventory will probably not be successful." Fundamentals of Personal Property Management, p. 8-5, NPMA (2006). ISBN 0-9711728-5-4.</li> <li>3. The responding companies prepare inventory plans according to the following percentages:               <ol style="list-style-type: none"> <li>a. Material – 87%</li> <li>b. Equipment – 97%</li> <li>c. Repairables – 71%</li> <li>d. Capital – 91%</li> <li>e. Hazardous/Sensitive – 91%</li> </ol> </li> </ol>
Physical Inventory	4-05	Utilize the time factor since last inventory in order to provide an annual loss/overage rate.	<ol style="list-style-type: none"> <li>1. Consistent baseline reporting – annual basis. If the period since the last physical inventory is more or less than a year in duration, the results should be divided by that time frame since the basis for key results is measured by number of items and value at an annual rate</li> <li>2. Losses or overages reporting should be calculated to establish consistent baseline accuracy for reporting.</li> </ol>
Physical Inventory	4-06	Exempt low risk property from periodic inventories. Any LDD items that fall into this category may be reported upon contract completion, termination, or when needed for continued contract performance.	<ol style="list-style-type: none"> <li>1. Value based physical inventory takes into consideration the cost of locating and recording an asset versus the cost of replacement. This process applies the 80/20 rule to reduce the level of effort and corresponding costs associated with inventorying low value assets. Use of inventory by exception is a valid method for performing non-mandatory PI. The same theory may be applied to company-owned assets, using a value-based inventory process to balance the General Ledger and protect the manufacturing and test operational environments.</li> <li>2. This concept has been a leading practice for over 10 years. In July 1995, the Department of Defense issued a Class Deviation, which reduced the level of record-keeping and changed the physical inventory practices for plant equipment and special tooling valued at less than \$1500. The deviation also permitted contractors to defer the reporting of loss, damage, destruction until contract completion or termination. The deviation was to remain in place for two years or until FAR Part 45 was revised, whichever occurred first. In July 1999, and after a number of extensions, the dollar threshold was raised to \$5,000, and the Class Deviation extended. Reference DAR #99-00008</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
Reports	6-01	Utilize a business warehouse/ad hoc report capability concept so the PMO or other users have the ability to query and select data elements by multiple fields or variables.	<ol style="list-style-type: none"> <li>1. Provides accurate information to decision makers in a timely and more cost efficient basis.</li> <li>2. The PMO can structure the report to meet customer requests.</li> <li>3. A shopping cart concept report capability where PMO can request special reports when needed without having to go to a single source (IT) to program. Demand for better information on assets</li> <li>4. Software products are available that provide this capability (i.e.: Cognos, Crystal).</li> <li>5. 95.8% of companies responding have ad hoc reporting capability.</li> </ol> <p>Note: The Property Management Organization is responsible and use, as a minimum, the following types of reports:</p> <ul style="list-style-type: none"> <li>• Contract Property Line Items and Totals – 88%</li> <li>• Activity Reports, Transactions, History Audit Trail – 95.7%</li> <li>• Utilization/re-Utilization 87.5%</li> <li>• Physical Inventory – 92%</li> <li>• Custodian – 77.3%</li> <li>• Risk Assessment – 71.4%</li> <li>• Report of Discrepancy – 75%</li> <li>• LDDT – 100%</li> <li>• Audit Self Assessment – 95.8%</li> <li>• Corrective Action – 91.7%</li> <li>• PCARSS – 100%</li> <li>• IUID – 100%</li> <li>• Contract Closeout – 91.7%</li> </ul>
Reports	6-03	Utilize electronic reporting/correspondence.	<ol style="list-style-type: none"> <li>1. Reduces paperwork &amp; increases response time. Reference electronic rationale under "Records".</li> </ol>
Relief of Stewardship	7-03	Calculate LDD loss rates for Government or company property	<ol style="list-style-type: none"> <li>1. This tool is an indicator of the health of the property and inventory control practices.</li> <li>2. 82.6% of the contractors responding utilize this measurement tool.</li> </ol>
Utilization (Movement)	8-03	Prior to acquiring a new item, the PMO should screen for existing available items.	<ol style="list-style-type: none"> <li>1. Property Organizations should screen all procurement of all assets to maximize the investment the company has already made in existing assets.</li> <li>2. An active asset re-utilization program substantially reduces the company's requirement for capital investment and dramatically reduces the cost of management associated with the care, maintenance and use of those assets.</li> <li>3. 87% of companies responding screen for available items prior to acquiring a new item.</li> </ol>
Utilization (Movement)	8-04	Utilize scanners or other electronic sources to record movement either within a building or from building to building (i.e. electronic or automated property pass systems, bar-coding devices)	<ol style="list-style-type: none"> <li>1. Research and experience confirm that the use of barcodes results in faster data entry, more accurate data entry and better document tracking. (Leila Davis, Nations Business-March 1989)</li> <li>2. 72% of companies' responses utilize this method.</li> </ol>
Maintenance	9-02	When maintenance is performed on an item, the property management	<ol style="list-style-type: none"> <li>1. When interfaces exist between systems of two organizations it allows for seamless coordination and recordkeeping.</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
		record system is updated with the date that this action occurred. Serves as an Inventory By Exception/Transaction Based Inventory point.	<ol style="list-style-type: none"> <li>2. Reduces the number of items that require and inventory.</li> <li>3. Reduces manual input time and improves accuracy by utilizing electronic updates.</li> <li>4. Reference IBE/TBI under physical inventory outcome.</li> </ol>
Property Closeout	10-01	Establish a contract closeout team consisting of several functional entities	<ol style="list-style-type: none"> <li>1. 60% of AIA members responded that they have a contract closeout team consisting of several functional departments.</li> <li>2. Team arrangements helps streamline the process and provide quicker responses and actions.</li> </ol>
Property Closeout	10-02	<p>Upon completion or termination of a contract, perform a physical inventory, adequate for disposal purposes, of all property applicable to the contract. A physical inventory at the completion of a contract is not required -</p> <p>When the property is authorized for use on a follow-on contract; and Experience has established the adequacy of property controls and an acceptable degree of inventory discrepancies; and</p> <p>The contractor provides a statement indicating that record balances have been transferred in lieu of preparing a formal inventory list and that the contractor accepts responsibility and accountability for those balances under the terms of the follow-on contract.</p>	<ol style="list-style-type: none"> <li>1. When complete inventories are not performed at closeout, 50% of companies responses state they are due to transferring to another contract; 5.6% due to superior inventory accuracy; 16.7% due to reliability of the company's system—This rationale relies on record quantities and locations.</li> <li>2. If the contractor has a highly reliable physical inventory process, the need to inventory just to satisfy a contract completion is not cost effective under the above circumstances.</li> <li>3. Minimizes administrative operating costs. FAR § 1.102(b)(2).</li> <li>4. Longstanding policy under previous regulation- <i>Inventories upon termination or completion</i>. FAR § 45.508-1 (Mar. 2005).</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
Self Assessments	11-01	Perform self assessments	<ol style="list-style-type: none"> <li>1. "The contractor should conduct a self-assessment annually to take an independent look at itself with respect to performance against the criteria in the performance evaluation and measurement plan (PEMP). ... it is an excellent tool for the contractor to use to address its perceived strengths and weaknesses during the evaluation period. The contractor's self-assessment report should include actions planned to correct deficiencies or improve performance. If submitted to the Government, the Government should review the contractor's self-assessment to determine if there are any miscommunications with regard to perception of performance. Suzette M. Olson, CPCM, <i>The Best Ways to Define and Implement Performance Metrics</i>, Contract Management (Oct. 2008). <a href="http://www.ncmahq.org/files/Articles/CM1008%20%2D%20Pages%2052%2D61.pdf">http://www.ncmahq.org/files/Articles/CM1008%20%2D%20Pages%2052%2D61.pdf</a></li> <li>2. ..."measures should then be used as the primary means of determining the contractor's success in meeting the desired result. The numeric scores should also describe the fee scale for each grade". Suzette M. Olson, CPCM, <i>The Best Ways to Define and Implement Performance Metrics</i>, Contract Management (Oct. 2008).</li> <li>3. "As far back as 1997 the Government was encouraging contractors to do CSA/IAs and encouraging the Government Property Administrators (PAs) to embrace that concept". Dianne Blankenstein, <i>Tips on Establishing a Successful Internal Audit Program</i>, NPMA Property Professional, Volume 19, Issue 2, (Oct. 2007). *Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204 (HR 3763) (2002):</li> <li>4. Sarbanes-Oxley Act 2002, Title 3 – Corporate Responsibility, § 302 Internal Control and Procedures. 15 U.S.C. § 7241 (2006).</li> <li>5. Sarbanes-Oxley Act 2002, Title 4 – Enhanced Financial Disclosure, § 404 Management Assessment of Internal Control. 15 U.S.C. § 7262 (2006).</li> </ol>

Process	ILP #	Industry Leading Practice	Rationale
Self Assessments	11-02	Utilize metrics/measurements to assess your system's effectiveness	<ol style="list-style-type: none"> <li>1. "Quality metrics make management of one's business easier and more convenient". Things to consider are who are your customers, what are your requirements and what do your customers want. Sam Miller, <i>The Advantages of Using Metrics</i>, Ezine Articles -Business Management (Sept 14, 2008).</li> <li>2. "It's best if you have objective, quantifiable standards", Peter S. Adam, <i>Performance-based Service Metrics in IT</i>, Contract Management (Nov. 2003).</li> <li>3. "Metrics are a tool, a simple and effective way for both the contractor and the GPA to easily and quickly gauge wherein a property management system there may be needed attention and where there is not". J.E. "Skip" Adolph, <i>Self Oversight and Metrics</i>, NPMA Property Professional, Vol. 12, Issue 2, (Mar 2000).</li> <li>4. Metrics done properly let you keep one finger on the pulse of your Property Management System giving you tell-tale signs of its health. It's an early warning system that lets you be the first to know where to direct your attention before something becomes a problem. J.E. "Skip" Adolph, <i>Self Oversight and Metrics</i>, NPMA Property Professional, Vol. 12, Issue 2, (Mar. 2000).</li> </ol>
Self Assessments	11-03	Establish criteria for business process self assessment where a metric is not the best measurement tool.	<ol style="list-style-type: none"> <li>1. Metrics aren't necessarily appropriate for all of the performance criteria. This follows the previous DoD 4161 method which utilized judgment in conjunction with statistical samples. DoD Manual for the Performance of Contract Property Administration, DoD Instruction 4161.2-M (Dec. 1991).</li> <li>2. "... Even with objective measures, there may be a fair amount of subjectivity and it all comes down to perception and communication. A self-assessment report is an opportunity for the contractor to explain and defend its position on performance where there may be subjectivity involved. Suzette M. Olson, CPCM, <i>The Best Ways to Define and Implement Performance Metrics</i>, Contract Management (Oct. 2008).</li> <li>3. The data should already exist, in some form, easily retrieved or transmitted. This is why I say not all functions are measurable. Because of different systems and processes, the data may not be easily retrieved." J.E. "Skip" Adolph, <i>Self Oversight and Metrics</i>, NPMA Property Professional, Vol. 12, Issue 2, (Mar. 2000).</li> </ol>

**Appendix B – Asset Management System Requirements Matrix**

Appendix B  
Asset Management System Requirements Matrix

Function	Transaction	Required Data Elements	Resources	Data Capture Method	Interface Requirements	Report Types
<b>Asset Acquisition</b>	Offline process from Faculty to Authorized Agent with SAP access allows for streamlining of requests in the system by trained users who can process the request in the most efficient and effective manner.	Asset Description Asset Specifications Estimated Budget Amount Date Needed, Vendor Catalog Data Estimated Unit Cost Potential Vendors Attachments	Requestor Authorized Purchasing Agent	Manual - Standard form is optimal Email is acceptable Verbal or other method not recommended	Request should be saved in the eDocument folder and attached to the SAP Purchase Requisition: Scanned document Saved Email copy	
<b>Purchase Request</b>	Initiate Purchase Request in SAP by Requestor or Authorized Agent based upon offline request information. Electronic copy of document to be attached to system transaction.	Requestor information WBS 1. Choose from Procurement Catalog for regular assets - OR - 2. Enter description and characteristics that allow for proper sourcing of asset	Requestor Authorized Purchasing Agent	Direct data entry by trained and authorized user of SAP.	N/A	
<b>Purchase Order Creation &amp; Excess Screening</b>	The asset is properly identified, department authority for procurement approved and determine if an excess asset is available for reutilization. Screening should be performed by the most appropriate employee who would have the knowledge and skill set to determine whether an existing item satisfies the acquisition request.	Workflow Role Approval Boxes	Authorized Purchasing Agent Functional Department CAC DAM	Direct data entry by trained and authorized user of SAP.	N/A	Excess Asset Availability
<b>Purchase Order Routing for Approval &amp; Asset Sourcing</b>	Purchase order is routed for approval to the appropriate authorized representative based upon procurement rules regarding purchase type as well as campus specific validation.	Workflow Role Approval Boxes Unit Cost Quantity WBS Vendor Name Order Date PO # Attachments	CPO/CPS Contracts College Dean VP Admin	Direct data entry by trained and authorized user of SAP.	Signed copy of PO should be saved in the eDocument folder and attached to the SAP PO.	
<b>Receiving and Identification</b>	Asset arriving on campus based upon routing locations defined in SAP system rules are received by authorized agent after validation that the documentation matches the physical characteristics and markings on the item as well as the purchase order system record.	Manufacturer Model Description Quantity Serial Number (if applicable) Location Vendor Part Number Bill of Lading Number PO Date PO # PO Line # Attachments	Authorized Receiving Agent Functional Department CAC DAM	1. Mobile scanning device 2. RFID Portal 3. Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability to create shell asset record. Receipt transaction will be updated in SAP. Receiving document should be saved in the eDocument folder and attached to the SAP PO. Location information validated against Facilities Space Allocation System	Open Receipts Report

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<b>Inspection / Certification</b>	Item should be inspected and certified by individual with the skill set to determine operational condition then item should be tagged with appropriate marking.	Asset Identifier Owner Status Condition Manufacturer Model Description Quantity Serial Number (if applicable) Location Asset Characteristics (To be stored as part of the catalog)	Functional Department Facilities CAC DAM	Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability	
<b>Recording</b>	Create Property Tracking Record in system of Accountability initiated by the receiving transaction.	Asset Identifier Manufacturer Model Number Asset Description (standardized by category) Serial Number Asset Location (current and history of any prior locations) Financial Codes or Accounts Asset Stewardship or End User (assigned responsibility) Acquisition Date Acquisition Cost Acquisition Method (purchase order, donation, etc) Date placed in service Useful Life Depreciation amount (as record periodically) Remaining Book Value (as calculated by amount depreciated) Attachments Date of last physical inventory	Functional Department Facilities CAC DAM	Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	Closed Receipts Report
<b>Accountability</b>	Transfer of accountability involves recording the assignment and changes in User or Stewardship with historical tracking.	Asset Identifier Transaction Date Department Steward End User	Functional Department Facilities CAC DAM End User	1. Mobile scanning device 2. RIFD Portal 3. Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	
<b>Transfer</b>	Items that are moved from their current location to the new point of use, regardless of change in accountability, should be coordinated through a facilities transfer form for proper handling.	Asset Identifier Status Location Transaction Date Current Department Current User New Department New User Attachments	Functional Department Facilities CAC DAM End User	1. Mobile scanning device 2. RIFD Portal 3. Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	Open / Closed Transfer by User Name Open / Closed Transfer by Department Name

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<b>Financial Accounting</b>	The invoice is accepted, validated and paid once the funds are released via the receiving process by entering the information in SAP.	Invoice Number Invoice Date Vendor PO # PO Line # Receiver Receipt Date Attachments	Finance Facilities CAC DAM End User	Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability	Open / Closed Invoice
<b>Repair &amp; Maintenance</b>	Work orders are created to allocate resources and manage the information pertinent to the service being performed whether it is scheduled or preventative maintenance, calibration activity, general repair or emergency fix essential to campus operations.	Asset Identifier The Service Group (campus) Technician Vendor (when outsourced) Service required (detail) Service procedures (detail) Service frequency Service Scheduling (Work Orders - scheduled or unscheduled) Initial service date Warranty Information Repair event date Cause of equipment failure Repair action Repair cost Asset location Attachments	Facilities CAC DAM End User	1. Mobile scanning device 2. RIFD Portal 3. Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	Weekly Maintenance Schedule Upcoming Monthly Maintenance Schedule Open Work Order Accumulated repair costs: - By asset - By asset type
<b>Issue &amp; Return</b>	Off-campus use	Asset Identifier User Status Date Removed From Campus Expected Return Date Alternate Asset Location Attachments	Functional Department Facilities CAC DAM End User	1. Mobile scanning device 2. RIFD Portal 3. Direct data entry by trained and authorized user of system of accountability.	Pertinent data elements updated in System of Accountability	In Stock by Part Number In Stock by Model Number
<b>Help Desk</b>	Computer repair, upgrade, configuration changes	Asset Identifier IT Characteristics Status Attachments	Functional Department Facilities CAC DAM End User	1. IP Ping via Auto-Discovery Tool 2. Direct data entry by trained and authorized user of system of accountability.	Pertinent data elements updated in System of Accountability. IT fields updated in Help Desk system.	IT Assets by Model # IT Assets by Characteristic Set Open Work Order Asset Logged into Network IT Asset by Acquisition Date
<b>Movement</b>	Tracking of unplanned and/or unauthorized movement of assets, particularly in regards to furniture in fixtures, should be monitored to ensure resources can be located for capacity planning.	Asset Identifier Status Location Transaction Date Attachments	Functional Department Facilities CAC DAM End User	1. Mobile scanning device 2. RIFD Portal 3. Direct data entry by trained and authorized user of system of accountability.	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	Location Changes without Transactions
<b>Reservations</b>	Surplus, pooled equipment and inactive items will be visible to campus users that they can make a reservation for temporary or permanent transfer of accountability.	Asset Identifier Status Requestor Attachments	CAC DAM End User	Direct data entry by trained and authorized user of system of accountability.	Pertinent data elements updated in System of Accountability	Excess Asset Availability Inactive Asset Availability
<b>Special Handling (Flags)</b>	Special handling flags will be applied at the catalog level to ensure items are properly handled and disposed of according to the legal and environmental guidelines.	Asset Identifier Status Handling Flag Attachments	Functional Department Facilities CAC DAM End User	Direct data entry by trained and authorized user of SAP.	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	Assets by Flag(s): Sensitive Property Hazardous Property Administratively Controlled Property

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Function	Transaction	Required Data Elements	Resources	Data Capture Method	Interface Requirements	Report Types
<b>Physical Inventory</b>	Physical inventories will be performed at least every two years for any asset with a > \$500 replacement value, specially funded requirement or additional flag that dictates a detailed level of tracking.	Asset Identifier Status Location Transaction Date Condition Attachments	External Vendor Facilities CAC DAM End User	Computer Intranet connection (IP Address ping)	Pertinent data elements updated in System of Accountability. Asset fields updated in SAP.	Inventory Cycle Count Sheet Base Inventory Report Reconciled Inventory Report Unfound Inventory Items Historical Property Loss Rates
<b>Excess</b>	Items that are no longer needed should be noted as excess then properly transferred to the appropriate department for screening and reutilization.	Asset Identifier Status Condition Attachments	Functional Department Facilities CAC DAM End User	1. Mobile scanning device 2. RFID Portal 3. Direct data entry by trained and authorized user of system of accountability.	Facilities Space Allocation System for asset location validation. P3 (Primavera) – Reporting Universe updated nightly.	Excess Pickup Report Internal Screening -Excess Asset Availability
<b>Sale</b>	When an item is no longer desired at the campus or district levels, the asset will be posted for sale via the Surplus Sales website or other method.	Asset Identifier Status Sale Date Sale Amount Purchaser Condition Attachments	Functional Department Facilities CAC DAM	Direct data entry by trained and authorized user of system of accountability.	Facilities Space Allocation System for asset location validation. P3 (Primavera) – Reporting Universe updated nightly. SAP will be updated to record the sale and/or write off the remaining book value. State Recycle/Landfill Record file updated. Surplus Sales database updated with asset characteristics for sale.	Assets available for Sale Assets Disposed via Sale
<b>Disposal</b>	If an item does not have resale value then the process of dispositioning the item in compliance with Federal State and Local laws will remove the item physically from the campus accountability and update the proper financial record.	Asset Identifier Status Disposal Method Disposal Date Disposal Agency Attachments	Functional Department Facilities CAC DAM	Direct data entry by trained and authorized user of system of accountability.	Facilities Space Allocation System for asset location validation. P3 (Primavera) – Reporting Universe updated nightly. SAP will be updated to record the sale and/or write off the remaining book value. State Recycle/Landfill Record file updated.	Assets available for Disposal Asset Disposed via Disposal Method Cycle-time reporting from Excess Screening to Disposal completion