

July 29, 1996

TO: Deans, Directors, Chairpersons, Executive Managers & Budget Personnel

FROM: David Brower, Controller
Dan Evon, Assistant Director, Contract and Grant Administration
John Lewis, Director, University Services

SUBJECT: EQUIPMENT POLICY AND PROCEDURAL CHANGES

Consistent with ongoing efforts to streamline procedures utilizing good business practices that conform to regulatory accountability standards, the University has adopted a revised definition for equipment. Items meeting both the following criteria, which conform with the new Federal Office of Management and Budget Circular A-21 guidelines, will be defined as equipment and will be tagged by the Inventory Department:

- Items with an acquisition cost of \$5,000 or more per unit (previously \$500), and
- non-expendable, tangible, property (personal, not real) having a useful life of one or more years (previously two or more years).

The Purchasing and Inventory Departments have revised their policies and procedures to reflect this change. Inventory listings will include only items meeting the revised definition noted above. Likewise, only items meeting the new equipment definition will be tagged by the Inventory Department.

University Stores has stocked unserialized identification labels for departments to identify items (such as personal computers, lab equipment, etc.) that will no longer be tagged by the Inventory Department. These labels provide a cost effective alternative for identifying as University property all personal computer components and other portable items. Departments continue to have the primary responsibility to protect University assets and are encouraged to obtain and utilize the identification labels.

The following additional procedural changes are now effective:

- The equipment screening certification process, formerly required on all Contract & Grant accounts (i.e. 61-0000 - 61-9999 and 71-0100 - 71-4999), has been eliminated. However, the department and principal investigator are responsible for ensuring that duplicative or unnecessary purchases are avoided. Departments should check inventory listings to meet this requirement.

All equipment purchased with federal funds (i.e. 61-0000 - 61-5999), must have the following certification on, or attached to the requisition.

"I certify that this equipment is necessary and will be used primarily, or exclusively, for the project(s) to which the costs will be charged. Signed _____ PI or Project Representative."

- When notified by the department, Contract & Grant Administration will reduce indirect costs charged to projects for supplies (under the new equipment definition) that were listed in the approved budget as equipment (under the old definition). This should eliminate the potential hardship caused by charging indirect costs on items that were not budgeted with indirect costs.

- The procedures for fabrication of equipment have been revised to require departments to obtain from Inventory an inventory number at the beginning of the fabrication process. Under the new procedures, all requisitions using the 092 object class (equipment fabrication components) must have a valid inventory number on the requisition.

- The General Fund equipment resale process has been revised to allow departments to receive funds in General Fund accounts for equipment sold. The revised policy will provide a credit as a negative expenditure on the releasing department's General Fund account. Please note that the disposal/transfer of University property, including equipment, to other than University departments must still be processed through Salvage.
- The revised policy for equipment taken off-campus requires departments to maintain documentation of such requests. Departments are no longer required to submit a memorandum to the Inventory Department.

The equipment threshold increase will significantly reduce the paperwork, reporting effort and departmental time required to comply with equipment guidelines and procedures. The number of inventoried items tagged and tracked throughout their life cycles will be reduced by approximately 90%. With these streamlined procedures, full compliance with equipment inventory procedures is expected.

At June 30, 1997, equipment encumbrances (items \$5,000 and over) will continue to be carried forward to the subsequent year and are not subject to any carry forward limit set.

Increasing the capitalization threshold to \$5,000 will result in the removal of most personal computers from inventory records. With the rapid changes in technology and movement and exchange of personal computers, departments should maintain appropriate records for warranty and control purposes. Identification labels are available, as noted previously, for departments desiring to use them.

The Manual of Business Procedures is in the process of being updated and copies, including Section 224 on Equipment, will be distributed later this summer.