

UW-EXTENSION
BUSINESS SERVICES POLICY AND PROCEDURE DOCUMENT (BSPPD) #18
CAPITAL EQUIPMENT

INTRODUCTION

UW-System policy F33 establishes a systemwide policy on the accountability for capital equipment. This policy has been developed to help assure that accurate property records are maintained in order to safeguard assets, provide financial accountability, report accurately, maintain adequate insurance coverage and use existing property efficiently.

Capital equipment is defined as any asset with an acquisition cost of \$5,000 or more and which has a useful life of more than one year. The cost of transportation, installation and any attachments should be included in the value of the capital asset. Each Extension department is responsible for developing and implementing procedures to safeguard noncapital equipment (defined as equipment with an acquisition cost of less than \$5,000 or a useful life of less than one year).

POLICY

UW-Extension Business Services is responsible for maintaining a fixed asset inventory system to ensure that capital equipment is properly accounted for and that financial reports and indirect cost calculations are accurate. The inventory system must meet the information requirements set forth in F33. All capital equipment acquisitions and deletions should be promptly recorded on the fixed asset system to allow for the accurate reporting of fixed assets and depreciation expense at the close of each fiscal year. Each Division is responsible for the accountability and management of the capital equipment it uses. The Divisions are also responsible for timely notification to Business Services when capital assets are disposed of or need to be written off.

PROCEDURES

A. Financial Reporting (performed by Business Services)

1. Near the close of each fiscal year, the Chief Business Officer and the Controller receive instructions from UW-System on the reporting of institutional accounting information to System. Included in these instructions is a request for information on Changes in Equipment Inventories and Library Holdings. It is the responsibility of Business Services to complete this report by the due date specified in the instructions.
2. Assure that the equipment inventory identified at the start of the fiscal year, reflecting acquisition cost, accumulated depreciation and book value equals the information reported to UW-System at the close of the prior fiscal year.
3. Determine the value of capital equipment items purchased during the fiscal year by querying SFS accounts 4420 through 4680, exclusive of account 4630 – Software

purchases of over \$5000. Report the value of current year purchases added to the inventory during the fiscal year under the additions section of the report. Assets purchased during the fiscal year but not yet entered to the fixed asset system should be reported to system as current year purchases not yet added to the inventory. If the sum of these two lines does not equal the amount obtained from the SFS query, a reconciliation must be provided to UW-System. Equipment purchased through DOA/DFD capital projects during the fiscal year should be reported separately as an addition to the equipment inventory. Verify that no transactions have been recorded to accounts 4700 thru 4950 (Library books and holdings). A reconciliation must be sent to UW-System if charges to these accounts do not agree with the amount reported under the Additions section of the Library, Books and Materials section of the report.

4. Calculate depreciation based on the provisions of F33. The fixed asset system has been programmed to comply with this provision. Depreciation is calculated on a straight life basis with no salvage value, using useful lives based on commodity codes standardized by System. A full year of depreciation should be calculated, regardless of the month the asset was acquired, in the year the asset was purchased. Depreciation should also be computed on any assets purchased during the fiscal year but not yet entered into the capital inventory system.
5. The book value of these assets represents cost less accumulated depreciation and is also included in the reporting to System. A separate line on the report is used to report on the original cost and accumulated depreciation on all assets financed through capital leases.

B. Processing of New Capital Equipment

1. All capital equipment acquisitions, defined as single assets with a cost of \$5,000 or more with a useful life of one or more years, will be entered to the capital equipment inventory in a timely manner. Purchasing will be responsible for determining the number of items to be tagged and the associated dollar amounts, based on requisition and invoice information. Purchasing will determine if an item should be capitalized and assure that the requisition or purchase order reflects the proper account code. Purchasing will forward a copy of the documentation to Accounts Payable, who will process vendor invoices for payment. A copy of the invoices will be forwarded to the fixed asset specialist for posting to the capital inventory system.
2. Accounting Services will query SFS, by the 20th of each month, to identify expenditures coded to accounts 4420 through 4680, exclusive of 4630. Available information will be posted to the capital asset system. The fixed asset specialist will generate inventory tags for the capital equipment. A printout of the asset information will be obtained from the capital asset system and sent with the inventory tags to the department using the asset. Departmental staff will affix the tag to the asset, record requested information on the printout and return it to the fixed asset specialist in Business Services. The documentation will be filed by fiscal year by inventory number for future reference.

3. The fixed asset specialist will enter the asset information to the capital equipment inventory. The amount entered will be reconciled to the general ledger query.
4. If capital equipment is donated to Extension, it must be entered on the capital inventory system. The department receiving the gift in conjunction with Business Services will determine the gift's value. A tag number will be generated and forwarded to the department for affixing on the asset. The gifts in kind manual maintained by Extramural Support should be reviewed annually to assure that donated capital equipment have been added to the fixed asset system.

C. Write-Off and Disposal of Equipment

1. The disposal of state owned property is regulated by State Procurement Policy (PRO F-1 and PRO F-3). UW-Extension Business Services Policy and Procedure Document (BSPPD) #6 establishes policies and procedures for the disposal of UW-Extension surplus property. Each Division is responsible for formally reporting all capital items that should be removed from the inventory to Business Services. Divisions are also responsible for reporting all long term equipment transfers (defined as over one month) to Business Services.
2. As set forth in BSPPD #6, a Property Disposition Report must be prepared and sent to the Purchasing Department when equipment is to be removed from the capital inventory. Capital equipment items that no longer function must be disposed of and removed from the inventory. Also items that are lost, stolen, dismantled for parts use, traded in or sold are to be reported on the Property Disposition Report. This form should also be used to report when capital equipment is being transferred to another UW-Extension Department. The department owning the equipment should record the inventory tag number on the report as well as information describing the asset and the reason for removing it from the inventory.
3. Purchasing will review the Property Disposition Report for propriety and coordinate surplus property activities if applicable. (see UW-Extension BSPPD-6, PRO F-1, and PRO F-3).
4. Purchasing will timely forward the Property Disposition Report to the fixed asset specialist who will record all disposals and transfers to the fixed asset system. The date of disposal and the method of disposal will be updated on the fixed asset system when the item is removed. Methods of removal include trade-in, sale, loss, theft or salvage. The fixed asset specialist will initial and record the date that the equipment disposal or transfer was updated to the fixed asset system in the upper right hand portion of the property disposition report under the Date Available for Disposal or Transfer line. All disposals and transfers for the fiscal year must be recorded on the fixed asset system by June 30 to allow accurate reporting of fixed assets to UW-System.
5. The Property Disposition Form will be returned to Purchasing and retained for a minimum of three years.

D. Capital Inventory System

1. The UW-Extension capital inventory will be used to account for all capital equipment, defined as a single asset with an acquisition cost of \$5,000 or more and a useful life of more than one year that is acquired through purchase, capital lease, or donation. In addition assets financed with construction funds should be capitalized for financial reporting purposes. The cost of purchased software should not be capitalized for financial reporting purposes, although it should be inventoried for accountability.
2. Information recorded on the capital equipment system must adhere to the minimum requirements established by UW-System. This includes information pertaining to the purchase such as a description of the asset, model number, serial number, manufacturer's name and the purchase order number. In order to compute depreciation the acquisition date (fiscal year), cost, useful life and commodity code must be entered. The fund, department, activity and project grant codes should be recorded on the system to allow for financial reporting. Other required information includes the location of the equipment, a code for insurance purposes identifying whether or not the item is moveable, and information on the holder of title to the capital equipment when other than the UW.
3. Federally titled property is property purchased in whole or in part with University funds and for which the title remains with the federal government. The holder of title field, in the capital inventory system, will be used to identify federally titled property. FEDHOLD will be recorded in this field to identify federally titled property. At the time federally titled equipment is no longer used in the programs or projects sponsored by the Federal Government, the sponsoring federal agency must be notified and disposition instructions must be requested.

E. Physical Inventory

Who should conduct and verify the physical inventory?

In order to ensure objective reporting of inventory items, a physical inventory should be performed by personnel having no direct responsibility (custody and receipt/issue authority) or supervised by the person directly responsible for assets subject to the inventory count.

Business Services:

Send a copy of the Capital Inventory Sheet (CIS), Inventory Certification Report (ICR), and instructions (See attached sample) to the custodial departments. The CIS is a computer generated property listing that includes information about all capital equipment in the department, as shown in the records maintained by Business Services. The ICR is a statement certifying physical existence of the assets listed.

Instructions to department:

- The departmental personnel selected for conducting the physical count shall **not** be the same individuals who have custody of the property.
- The department has 60 days to complete the physical inventory. It is in the best interest of the departments to conduct their physical inventories in the shortest possible time to avoid negative audit findings and extra work arising from the movement of equipment.
- The physical inventory involves verifying the physical existence, tagging (including Government Property tag), the accuracy of the description (including manufacturer, model number and serial number), location (building and room number), and operating condition of each listed item on the property schedule.
- If the physical properties, size or use of the item prohibits attachment of the property tag, verify the physical existence of the item with the help of the custodial personnel and use the departmental records to verify the descriptive information.
- As each item is verified, the CIS is initialed by the verifier to indicate physical existence, the accuracy of the description (including manufacturer, model number and serial number), location (building and room number), and operating condition of each listed item on the property schedule.
- For those items verified but with inaccurate or missing information, make note of the corrections on line.
- If a property is found during the physical count that is not included on the CIS, add the item(s) to a separate schedule A by printing the tag number, descriptive and location information.
- If an item is not found, make note "unlocated" by the item's tag on the CIS. During the inventory period, departments are expected to make a thorough search for the item(s). If a determination is made that the item is stolen, a police report needs to be filed with the University Police Department and as applicable, a Property Disposition Report must be sent to Business Services as set forth in BSPPD #6.
- For items located off campus, update the off campus authorization form.
- Upon completion of the physical inventory, the department personnel who conducted the physical inventory and the custodian sign the ICR certifying that the report accurately represents capital equipment for which the department is responsible.
- Return the original of the ICR and CIS to Business Services. Make and retain a copy of the certification, together with the reconciliation and the CIS, which serves as the support for the inventory balance and for accounting adjustments, if any, until the next biennial or earlier physical inventory is completed.

Physical inventory record retention:

Business Services shall maintain the original copy of the ICR, together with the reconciliation and the CIS, which serves as the support for the inventory balance and for accounting adjustments, if any. Business Services should retain this documentation in accordance with the approved university records retention schedules.

Missing/Stolen Assets Policy

Department management is responsible for implementing procedures for maintaining control over and the safeguarding of assets. Physical security measures over facilities and authorized personnel must be established and documented.

Capital equipment are considered missing when an inventory is taken and assets listed on the CIS are not found. This can occur because an asset is moved to another location but the new location is not recorded on the system before CISs are run, or the asset could be lost.

During a physical inventory, missing assets are noted on the CIS. Business Services will compare assets listed as missing on the CIS at one location/division with assets found at other locations/divisions that were not listed on that location's CIS. If there are any matches, location changes are made to the Fixed Asset System to list it properly.

If there are any missing assets after this process, a Property Disposition Report is completed by the custodian for the asset and is sent to Business Services as set forth in BSPPD #6.

Stolen Assets:

If any state property has been stolen, the employee discovering the theft must report the theft to his/her supervisor. This is to be done as soon as possible, but no later than three days from the day of discovery. The supervisor is then to notify the head of the department immediately. If a determination is made that the item is stolen, a police report needs to be filed with the University Police Department and as applicable, a Property Disposition Report must be sent to Business Services as set forth in BSPPD #6.