

**University of Massachusetts
Office of the President**

Fixed Asset & Equipment Control Guidelines



Updated July 9, 2008

Authority

Chapter 75, Section 12 of the Massachusetts General Laws (MGL) delegate to the Board of Trustees the responsibility of managing and administrating, on behalf of the Commonwealth, all property, real and personal, occupied or used by the University of Massachusetts (University). Trustee Doc T96-073, effective 6/5/96, governs Current University policy. The status of the University's property holdings is a required item in the Annual Financial Report to the Board of Trustees.

Asset Management

The University's Central Administration (CA) consists of the President's Office (PO), the Donahue Institute (DI), and Central Administrative Services (CAS). Each department has a Property Manager (PM) who reports related information to the CAS Fixed Asset Manager (FAM). The FAM and PM's are responsible for implementing and carrying out the provisions of the Fixed Assets Inventory Policy.

Property

Definition

Property is defined as any capital or non-capital tangible item that is purchased, donated, or acquired through trade, regardless of value or condition. Capital equipment includes all equipment that is not permanently affixed to buildings, has a useful life greater than two years, and has a unit cost of \$5,000 or more, except for items predominantly composed of glass, rubber, cloth and equipment held for resale. Capital equipment is inventoried every two years.

The minimum frequency of the inventory of assets is indicated as follows:

Inventory Every Year:

- Land
- Buildings
- Building Improvements
- Land Improvements
- Construction in Progress – determines percentage of completion
- Software

Inventory Every Two Years:

- All Capital Equipment

Inventory Periodically at Department Level:

- Non-Capital Equipment

Software \$100,000 and above is capitalized. Building and leasehold improvements are capitalized at \$25,000 and above.

Sensitive non-capital equipment is all equipment that does not meet capital equipment specifications, but is deemed necessary to be inventoried because it may easily be converted to personal use and/or must be controlled to meet external reporting requirements. Sensitive non-capital equipment is inventoried every three years by the PM. Each department is responsible for ensuring proper use, care, maintenance, and safekeeping of all property.

In addition, departments should keep a list of all cell phones and PDAs that are issued to employees.

An extract of assets (capital and non-capital) from the fixed asset system is sent out to departments by the FAM annually, and is used as the basis for the physical inventory that is done every two years. Assets that are no longer utilized should be disposed of. All discrepancies should be reconciled and effectively reported to the FAM. If there any existing assets that are not on the report, the PM should inform the FAM, and invoices for that asset should given to the FAM for input into the fixed asset system. The invoice date will serve as the acquisition date. The Controller should authorize the completion of the inventory certifying compliance with University Policy.

Valuation

Purchased equipment is valued at the invoice price. Donated equipment is valued at its fair market value at the time of donation. The valuation of constructed or fabricated equipment includes all identifiable costs such as blue prints, component parts, materials, and labor. Valuations also include additional costs necessary to make the equipment usable for the purpose for which it was acquired. Examples of additional costs include freight, on-floor delivery, accessories, and installation costs.

Component Parts

Component parts that individually cost less than the capitalization level, but when combined exceeds this measure are capitalized when purchased as a functional unit. For example, when a monitor keyboard, printer, and CPU are purchased separately, and each part costs less then \$5,000, but the functional unit exceeds \$5,000, the purchase is capitalized. Conversely, when purchasing a keyboard and printer only, the individual items are only capitalized if its purchase price exceeds \$5,000.

Parent/Child

A parent is defined as the main asset, like a printer, for example. A child is any component with a cost of \$5,000 and above such as a sorter for the parent printer. The child will have a different asset number, but will have the parent's asset number as a reference. Though the child will not need a separate tag, it will take on the parent's tag number, plus a dash and a number (-1, -2, ...etc., depending on the number of children). When the parent asset is retired, its children will be retired along with the parent.

Constructed or Fabricated

Constructed or fabricated equipment is capitalized if the cost of material and labor incurred by the University is 51,000 or more and its useful life is two or more years. Labor cost is included when it is supported by documentation from an external source or an in-house shop. Documentation normally includes internal or external requisitions.

Asset Number vs. UMass Tag Number

The asset number is a Peoplesoft generated number when an asset is created. The UMass tag number is a 6-digit number assigned by the FAM. This bar coded tag is affixed to the asset, and will be used when scanned for physical inventory purposes.

Acquisition Methods

Property may be acquired through purchase orders, procurement cards (pro-cards) for non-capital equipment, short-term to mid-term financing, lease-purchase agreements, and donations.

Purchase Orders

Departments acquire capital assets by creating a purchase requisition in Peoplesoft using the appropriate capital asset account. Once the department approves the requisition, a paper copy is sent to the Controller's Office. The electronic requisition is sent to workflow, where the FAM, to ensure that the proper asset account is used, reviews it. Only requisitions with asset accounts will be sent to the FAM for review. The FAM retains a paper copy of the requisition.

Once the FAM approves the requisition, it is then forwarded to Accounting where budgets are reviewed and approved. After budget approval, any requisition \$5,000 and above will be forwarded to the Purchasing Director for approval. After the approvals are completed, a purchase order will be generated. In addition, the FAM, the Director of Accounting, and the Purchasing Director review paper copies of requisitions.

Procurement Cards

Non-capital equipment (a cost of less than \$5,000) **may not be purchased using a pro-card, unless approved by the Procard Manager**. Equipment purchased with the pro-card is reallocated to the correct non-capital equipment expenditure account (741970 non-capital equipment and 741980, non-capital IT equipment). After the edits are done and the transaction passes budget checking, an accounts payable voucher is created, where it will be fed into the asset management staging table, discussed in the Accounts Payable section.

Short-term to Mid-term Financing

The University campuses may acquire capital equipment through the University Treasurer's Office tax-exempt financing programs, the University Pool Loan Program and the University's Master Lease Program.

Through the issuance of \$40 million, seven-day variable rate bonds, the Pool Loan Program finances capital equipment for moderate-sized loans (loans have ranged from as little as \$5,000 to as much as \$5.5 million), typically amortized up to five years. More specifically, this program is designed to finance or refinance the acquisition of telecommunications, electronic, computer, office, research, equipment and administrative systems and renovation costs related thereto.

The Master Lease Program finances capital equipment for larger loans (loans have ranged from approximately \$8 million to as much as \$43 million), typically amortized from five to ten years. The program is utilized for the acquisition of large capital equipment on a project-by-project basis and has financed to date the following types of capital equipment: telecommunications, software, energy performance equipment, office equipment/furniture and co-generational systems.

Donations

Departments may acquire capital equipment through donations. Donated equipment is capitalized if it meets the capital equipment specifications on the date of the gift. The receiving department acquires a donor letter that indicates the fair market value of the item. The department retains the original and the FAM receives a copy.

Receiving Equipment

All capital assets MUST be received in order for payments to be made to the vendor. Once a department obtains the asset, the designated individual will receive it in Peoplesoft. The system will generate a receipt number, which will be written on the packing slip. Packing slips will be attached to the invoice before forwarding to the Accounts Payable Manager.

Accounts Payable

After the asset is received and the invoice and attached packing slip are sent to the accounts payable department payment voucher, the invoice is put through for payment in the accounts payable system.

Every Wednesday evening the items from the Accounts Payable system coded as assets are brought into the Asset Management (AM) staging area where the FAM holds them for further action.

The FAM checks the staging area once a week for items from AP. If there are any items, a copy of the voucher is obtained with the invoice and packing slip.

On the screen for each potential asset, information is added such as type of equipment, serial number, individual responsible for the asset, and location. The cost of the asset is verified and if required, changed to include shipping or warranties. The 6 digit UMass tag number is assigned and entered on this screen as well.

That evening, all items flagged as assets are loaded into asset management where they are assigned system generated 12-digit asset numbers.

The next day, the FAM verifies that the items from the day before have successfully become assets.

Tagging and Inventory

In most cases, the UMass bar coded tags are mailed to the department's PM who tags the corresponding piece of equipment. A printout of the asset and information about that asset is mailed along with the tag.

The FAM prepares and submits an annual equipment listing and quarterly update of the capital equipment assigned to each custodian department. The department head or PM reviews the reports for accuracy and completeness. If discrepancies exist, the PM returns the annual and quarterly equipment listing to the FAM with revisions and supporting documentation.

Physical Inventory

A physical inventory of all capital equipment is performed every two years. The FAM performs this at each President's Office site.

Using the results of a query provided to each department, the UMass tag for each item is scanned.

Once scanning is complete, the FAM produces a physical inventory (PI) report listing all scanned items. A copy of the report is then forwarded to the departments for reconciliation. If any items were missed, the PM will indicate whether they are still in service or disposed of. If they were disposed of, an AICF form will be filled out and forwarded to the FAM.

Disposal Methods

If a CA department wishes to dispose of property, the FAM is notified by way of an Asset Inventory Change Form (AICF). Property may be transferred, recycled, traded-in, or deemed surplus/obsolete/unserviceable in accordance with the guidelines listed below.

In-House Transfers

Property is made available to other University campuses and departments promptly after the original project or need for which it was acquired is completed,

unless otherwise restricted by the funding source. The transferring department completes the AICF and keeps the original. Copies are sent to the campus or department with the equipment and also to the FAM.

Recycling

Since the President's Office and Central Administration departments are located in different parts of the state of Massachusetts, there are different ways to handle recycling of equipment.

CA Departments located Western Massachusetts (UMass Amherst, or Amherst/Hadley area) use the UMass Amherst Recycling Center. The departments fill out a form provided by waste management, listing the UMass tag number, serial number, cost of the asset and condition of the asset. The assets will be picked up. The department forwards a copy of this form to the FAM to remove the items from the inventory.

Central Massachusetts departments (located in the Worcester/Shrewsbury area) use the UMass Worcester Recycling Center. The departments submit a spreadsheet with UMass tag number, serial number, make and model. The departments forward a copy of the spreadsheet to the FAM to remove the items from the inventory.

Departments in the Boston area use services from the UMass Boston campus. The departments fill out a form provided by them listing the UMass tag number, serial number, cost of the asset and condition of the asset. The asset will then be picked up. The department forwards a copy of this form to the FAM to remove the items from the inventory.

Trade-in or Return of Property

The department completes the AICF and records the University identification number (if applicable) or the traded in equipment on the purchase order. The trade-in allowance must be clearly shown on the purchase order. This value is added to the acquisition cost of the new equipment to establish its value. A copy of the AICF is sent to the FAM with the University tag (of the traded equipment) attached. Copies of the purchase order and invoice are also given to the FAM. Returns require an AICF with the University tag attached (if applicable) only.

General

Off Campus Use

Off campus use of University property is exclusively for business-related purposes contributing to the University's mission. Prior approval from a Department Head is required for the use of University property outside of University facilities. Departments maintain a record of property located off

campus with the use of a Property Pass. The department retains the original form. Copies are given to the FAM and to the employee who possesses the property. When the equipment is returned to the University, the department notifies the FAM by sending him/her the original Property Pass.

Any laptop computer requires a Property Pass following the same procedures as above, and should be kept with the computer at all times.

Purchases of Used Equipment

Used equipment of suitable quality may be purchased if the University's best interests are served. The requisition for used equipment states that items have been inspected and are in suitable condition. The acquiring department is responsible for assuring that the purchase price is reasonable.

Responsibility

Fixed Asset Manager

The FAM is responsible for administering the inventory control system. His or her responsibilities include the following:

- Review and Approve purchase requisitions with capital asset accounts.
- Record all receipts and expenditures for property that meet the University's definition of capital equipment.
- Provide each PM with one itemized list of all capital equipment assigned to them. The itemized list is provided annually.
- Provide each PM with one itemized list of all non- capital equipment assigned to them. The itemized list is provided annually.
- Ensure that items that come through into the Asset Management staging table from Accounts Payable are reviewed and approved at a timely fashion.
- Perform a physical inventory of capital equipment every two years.
- Retire assets from the Asset Management system as requested by departments.

Property Managers

It is the responsibility of Property Managers to:

- Return the annual capital equipment list to the FAM (that has been verified by physical count) and report and explain all discrepancies.
- Return the annual non-capital equipment list to the FAM (that has been verified by physical count) and report and explain all discrepancies.
- Notify the FAM of all capital equipment transfers.
- Notify the FAM of any recycled equipment.
- Inform the FAM of equipment that has been traded in (purchase order, invoice and form AICF).
- Report all capital losses to the FAM upon discovery (form AICF).

- Notify the FAM of capital equipment that is located off campus (Property Pass).
- Maintain records of non-capital equipment.
- Recommend the disposal of property that is beyond economic repair, or in excess to the needs of the University.