

ADMINISTRATIVE MEMORANDUM #71
Revised July 1, 2005

UNIVERSITY ASSET MANAGEMENT

The purpose of this revision is to outline recent changes in the University's policies related to asset management. The responsibility for overseeing the management of the University's Asset Inventory System, conducting asset inventory audits, and booking of asset value and depreciation rests with the Office of Asset Management. This document is divided into four sections: Definitions, Moveable Assets, Fixed Assets, and Asset Disposition. Some of these policy and procedure changes have been necessary with the implementation of SAP Software.

DEFINITIONS

Capital Moveable Asset: a piece of moveable equipment or furniture that has a purchase price of \$5,000.00 or more (excluding shipping, handling, and insurance) and a useful life exceeding two years. These items must be purchased referencing asset master records with asset class 49001 through 49600 for UC Titled equipment and asset class 49700 for Non-UC Titled equipment.

Non-Capital Moveable Asset: a piece of moveable equipment or furniture that has a purchase price below \$5,000.00 (excluding shipping, handling, and insurance). Should the department elect to use the Asset Inventory System to keep track of their non-capital moveable assets these items must be purchased referencing asset master records with asset class 39001 through 39300.

See complete list of Asset Classes (Exhibit "A")

Buildings: This category consists of all structures used for operating purposes and includes all permanently attached fixtures, machinery and other components that cannot be removed without damaging the buildings. Buildings are acquired by purchasing a building, constructing a building or entering a lease purchase agreement. Rented structures are not considered capital assets. If a building is purchased, the capital cost includes the purchase price plus any cost incurred to make the structure useable for the purpose for which it was acquired. The capital cost of a building acquired via a lease purchase agreement would include the agreement price plus any broker, legal fees or other costs associated with the execution of the agreement. If a building is constructed, the capital cost includes all project costs incurred to build the structure. In addition to original acquisitions, renovations to existing buildings must also be capitalized if the cost is \$100,000 or more. Renovations less than \$100,000 are typically expensed. The asset class used when establishing the asset master record for a building is 43000.

Building Equipment: This category includes lab fixtures such as vented fume hoods. Although considered non-moveable, these items could be removed and replaced without damaging the building. The asset class used for building equipment is 46000.

Land: This category includes all non-investment properties (land) that are purchased (whether direct or through a lease purchase agreement) or acquired by gift or bequest. Rented land is not considered a capital asset, and investment properties are separately listed in the Asset Inventory System with asset classes 40110, 40120 & 40130. The capital cost of land includes the purchase price (or fair market value as determined by an appraiser if a gift or bequest) plus any broker, legal fees or other costs associated with the execution of the purchase. The asset class for land is 41000.

Land Improvements: This category includes the cost of any improvements to existing land, other than buildings, and would include items such as parking lots, street and parking lot lighting, sidewalks, landscaping and utility distribution. Work to maintain land in existing condition would be an expense. The asset class for land improvements is 42000.

Infrastructure: This category includes the cost of Roads, Driveways, Sewers, Tunnels and Network Systems. The asset classes for Infrastructure are as follows:

45001 Roads & Driveways

45002 Sewers & Tunnels
45003 Network Systems

Fine Art Objects: This category includes artworks, such as paintings and sculptures, antiques or historical treasures. Generally these items are donated to the University. However, major new building projects may also include artwork as part of the project budget. The detail listing of each piece of Fine Art is maintained by the DAAP-Galleries & UC Fine Art Director.

Library Books and Bindings: This category includes the cost of Library Collections which are fully cataloged and referenced by the Central University Library and Departmental Libraries. The detail listing of the Library Collections is maintained by the University Librarian.

MOVEABLE ASSETS

All University property is consigned to a department under the supervision and responsibility of the unit head. The unit head shall take reasonable precautions for the maintenance and security of all property consigned to that area. Ownership of property is in the name of the University unless designated otherwise. The University will periodically audit such property.

The responsibility for the proper care, protection, use, and cataloging of University equipment rests with the unit head. Upon the concurrence and written approval of the University a unit may loan equipment to another unit or remove it from the premises.

The University raised its capitalization level from \$500 to \$5,000 as of July 1, 1996 to be consistent with federal guidelines as outlined in OMB Circular A-21. As a result of this policy change the University will no longer make it mandatory to tag moveable assets that fall below the \$5,000 threshold as of July 1, 1996. The University will continue to tag those items costing \$5,000 or more and will maintain all items currently in the asset inventory. Individual departments are responsible for tracking items purchased on or after July 1, 1996, which fall below the capitalization threshold. For these assets the department can use the Asset Inventory System or create a database of their own.

Also, the Office of Asset Management is responsible for assigning asset inventory tags for moveable assets, conducting asset inventory audits, and training departments to manage assets in the Asset Inventory System.

PROCEDURES

The following procedures have been established to facilitate the identification and tracking of capital and non-capital assets at the University.

I. Purchasing Capital and/or Non-Capital Assets

- A. Capital Assets must be purchased by first establishing an Asset Master Shell using the appropriate Capital Asset Class.
- B. Non-Capital Assets may be purchased by first establishing an Asset Master Shell using the appropriate Non-Capital Asset Class or the department may opt to maintain these records in their own database.
- C. Betterments to assets are defined as a purchase that results in a significant improvement of the asset. Items that do not meet this criterion should be treated as defined below in D.
- D. Replacement parts, tools, supplies consumed in the performance of work or experimentation (i.e., chemicals, pacemakers, probes), or individual components of equipment (i.e., memory chips, graphics boards), or furnishings are considered non-capital assets. These items are typically expensed.
- E. Modular furniture and office partitioning should be expensed.
- F. Lease, rental, maintenance, or service agreements should be expensed. These agreements do not qualify as assets regardless of dollar value.
- G. Assets, capitalized or not, which are traded-in on the purchase of new equipment or furnishings should be listed on the Purchase Requisition with the tag number, serial number, and description. Asset Management must be notified (via the appropriate Asset Disposition form) so the traded in item can be removed from the asset inventory.

II. Centrally Managed Assets and Related Procedures

- A. The Office of Asset Management issues asset inventory tags for all moveable assets. The asset inventory tag number is entered into the Asset Master Record by Asset Management.
 - 1) In some cases the size or usage of a capital asset makes it impractical to physically tag the item. Asset Management will assign an asset inventory tag number to the item and send the asset inventory tag to the department for their records.
 - 2) Betterments, as defined in C above, will be cross-referenced to the main asset by the asset sub-number. Accessories and upgrades, as defined in D above, are not capital assets and will not be tagged or recorded.
 - 3) Equipment or furnishings which vary in life expectancy such as specialized research or testing equipment should be evaluated by the department and Asset Management to determine whether or not it meets the capital asset criteria prior to acquisition, if possible.
 - 4) Equipment or furnishings fabricated, constructed, or built by or for the University qualify as capital assets if they meet the definition above. The cost of the item shall include design, labor, parts, and materials. The department must notify the Office of Asset Management when an item is completed so that it can be tagged.

- 5) Equipment or furnishings that are donations or gifts to the University qualify as capital assets if they meet the definition above. The value of these items is the fair market value of the item as of the date the University takes title. The department must complete and submit the appropriate Asset Acquisition form to Asset Management along with a copy of the appraisal or letter from the donor.
- 6) Equipment or furnishings that are transferred into or transferred out of the University are handled between the faculty member or PI and the Department Head. Sponsored Research Services should be consulted before equipment or furnishings are transferred into or out of the University when purchased from a grant or contract. It is the responsibility of the transferring department to notify Asset Management of the transfer via the appropriate Asset Acquisition or Asset Disposition form. Asset Management will assign and record the asset inventory tag number for the new transferred in assets, and remove the transferred out assets from the Asset Inventory System.
- 7) Non-UC titled (i.e. Federal, State and Private Agencies, etc.) equipment or furnishings that qualify as capital assets are not recorded as University assets. These items are set up in the Asset System with a special Asset Class (49700 Non-UC Titled Assets) tagged by Asset Management. Transfer of this type of equipment or furnishings require the approval of Sponsored research Services.
- 8) Equipment or furnishings which are University titled, but purchased wholly or partially with Federal, State or Private funds qualify as capital assets if they meet the definition above.

III. Department Managed Assets and Related Procedures

- A. All non-capital assets as defined above should be tracked at the local department level. Individual departments will have access to the University's Asset Inventory System to identify and track these assets should they desire. Failure to track items may result in increased deductible costs to the department if non-capital items are damaged or stolen.
 - 1) Federally purchased and/or titled equipment or furnishings that do not qualify as capital assets are the responsibility of the local department. The Office of Asset Management will assist the department in maintaining these assets in the University's Asset Inventory System.
 - 2) Leased or loaned equipment or furnishings, including items on a "lease to own" arrangement are not tracked in the University's Asset Inventory System regardless of cost or value. Such items are the sole responsibility of the department or unit initiating the arrangement. Should the equipment be given to the University or ownership taken at the end of the lease term, the current value of the item will determine by the department with assistance from Asset Management.

IV. Capital/Non-Capital Asset Data Changes/Corrections

It is the responsibility of the department to make changes in the Asset Master Record as needed. These changes include, but are not limited to asset description, model number, serial number, location (building and room number) or responsible cost center. Departments are responsible for notifying Asset Management whenever they acquire an asset (other than by a Purchase Order or P-Card). Departments are also responsible for notifying Asset Management when they dispose of an asset. The method of notification is completed by submitting the appropriate Asset Acquisition or Asset Disposition web forms.

FIXED ASSETS

The Controller's Office/Capital Finance is responsible for the accumulation of costs and subsequent capitalization of all non-moveable Building and Land Assets to the Fixed Asset module within R/3. These assets include Buildings, Building Equipment, Land, Land Improvements, and Infrastructure. Expenditures for Building and Land Assets are charged to an Unexpended Plant Fund and tracked with Work Breakdown Structure (WBS) elements within R/3's Project Systems module to ensure proper capitalization.

When purchasing, constructing or renovating buildings, the moveable equipment required is usually included in the building's project budget and expensed to a WBS element assigned to the project within an Unexpended Plant Fund. Should the moveable equipment on building projects meet the criteria for capital moveable equipment see Section I, Moveable Assets, for the procedures related to this category.

PROCEDURES

The following procedures have been established to facilitate the capitalization to the Fixed Asset System Buildings, Land and Other Assets for which the Controller's Office/Capital Finance is responsible. These procedures are generalized and do not include all the detail regarding the reports and data necessary to create the required entries.

- I. **Buildings**: Capitalization of a building (or renovation to a building) into the Fixed Asset module occurs in two phases: Phase One - Recording of Construction in Progress (CIP) and Phase Two - Transferring Construction in Progress to the Building Asset.
 - A. Phase One: Recording of CIP (accumulating capital costs) occurs during the life of the construction/renovation project.
 - B. Phase Two: Transferring CIP to the Building Asset initially occurs in the fiscal year when beneficial occupancy has been taken by the University
- II. **Building Equipment**: Capitalization of Building Equipment follows the same procedures as Buildings in I above.
- III. **Land**: Capitalization of Land follows the same procedures as Buildings in I above
- IV. **Land Improvements**: Capitalization of Land Improvements follows the same procedures as Buildings in I above. In accordance with NACUBO guidelines, Land and Land Improvements are viewed as separate assets, and therefore, maintain separate asset numbers.
- VI. **Infrastructure**: Capitalization of Infrastructure follows the same procedures as Buildings in I above.

ASSET DISPOSITION

The University Surplus Equipment Department is responsible for all procedures guiding the disposition of surplus moveable equipment (sale, transfer to departments, donations to non-profit agencies, or disposal).

No department may dispose of Non-UC titled property without the approval of Sponsored Research Services.