

University of Cincinnati



Vice President for Finance and Treasurer

300C Administration Building
Mail Location #620
Cincinnati, Ohio 45221
Phone (513) 475-2413 or 2414

April 10, 1984

ADMINISTRATIVE MEMORANDUM NO. 84

To: All Administrative Unit Heads
From: Sigmund G. Ginsburg
Vice President for Finance
Re: Compensation for Non-Employee Services

RECEIVED
APR 11 1984
LAS

Recent modifications to Internal Revenue Service regulations have necessitated revisions to University policy regarding payments for personal services, including honorariums, rendered by non-employees. The penalty for failure to file a 1099 form has been greatly increased. To enable the 1099 form to be properly filed by the University, the request for payment authorization (A-114) must contain the payee's social security number and complete home mailing address. If such information is not provided, the University is required by law to withhold 20% of the compensation paid. This procedure, if required, could add additional processing time and expense to such payments.

Following is a summarization of University policies and procedures regarding non-employee services and compensation that reflect the changes necessitated by the new law.

I. Policies

- A. The use of outside services is appropriate only where it is necessary to have an independent contractor rather than a University employee perform a particular service.
- B. Outside services must be provided under a written agreement. An A-127, Personal Service Contract, is appropriate only where a single individual or sole proprietorship is involved and should not be used when services are rendered by a corporate entity, institution or partnership.
- C. Services provided for an honorarium do not require a Personal Service Contract. However, an A-127 is recommended to avoid misunderstanding between the person providing the services and the University.
- D. Under no condition should a University employee use a Personal Service Contract or agree to an honorarium to contract for additional services. Any agreement for additional services should be made using a PAF with the notation that additional services are being performed.
- E. A Personal Service Contract may not exceed \$10,000 in any calendar

year. Exceptions may be granted with the approval of the University Contracting Officer and the Ohio Controlling Board.

- F. All the regulations and restrictions governing University contracts, as itemized in the general section of Administrative Memorandum #27, apply to every Personal Service Contract.
- G. Any commitment of University funds under a Personal Service Contract or for an honorarium should be made only for services rendered to the University.

II. Procedures

- A. A Personal Service Contract is prepared by the user department and signed in the following sequence:
 - 1. Unit Head, Director or Dean;
 - 2. Vice President;
 - 3. Vendor;
 - 4. Contracting Officer.
- B. Copies of every fully executed Personal Service Contract are distributed as follows:
 - 1. Contracting Officer copy kept in office of Contracting Officer
 - 2. Vice President copy sent to office of appropriate Vice President
 - 3. Vendor copy
 - 4. Originating Department Copy } sent to Originating Department.

III. Payments

- A. Any payment for services rendered under a Personal Service Contract or for an honorarium is effected by means of an A-114, Recommendation for Payment.
- B. A copy of the Personal Service Contract should be attached to every Recommendation for Payment requesting compensation under that agreement. The Recommendation for Payment should include a reference to the specific relevant Personal Service Contract number.
- C. In order for the University to comply with Internal Revenue Service regulations, the payee's social security number and complete home mailing address must accompany the Recommendation for Payment. This information should be available from the properly executed Personal Service Contract. If the information is not provided, the earnings may be subject to payroll tax withholding at a 20% rate. This rate is set by law and cannot be modified subject to

an individual's personal tax circumstances.

- D. No payment of compensation or honorarium may be made in advance of services received. In a situation of special circumstances when a check must be available for immediate payment, the Office of Accounts Payable should be notified in advance for special handling.

Personal Service Contract forms (A-127) and Recommendation for Payment forms (A-114) are available in Central Stores.

SGG/be

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 against Object Codes 4000, G400, or P444.
- B. Non-Capital Assets must be purchased against Object Codes 4500, G450, or P450.
- C. Betterments to assets are defined as a purchase that results in a significant improvement of the asset and costs \$5,000 or more. Items that do not meet these criteria 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), software, or furnishings are considered non-capital assets even if they cost \$5,000 or more. These items must be purchased against Object Code 3000 and expensed.
- E. Modular furniture and office partitioning are neither capital nor non-capital assets and should be purchased against Object Code 3000 and expensed.
- F. Lease, rental, maintenance, or service agreements must be purchased against Object Code 3000 Sub-Object 25 and 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 RX with tag number, serial number and description. Space Management must be notified so that the item can be removed from the inventory.

II. Centrally Managed Assets and Related Procedures

- A. The Office of Space Management, Policy & Analysis tags all capital assets. Asset information is recorded in the University's Space and Asset Management system.
 - 1) In some cases the size or usage of a capital asset make it impractical to physically tag the item. Space Management will assign a tag number to the item and transmit the tag to the local department for its records.
 - 2) Betterments, as defined in C above, meeting will be tagged and cross-referenced to the main asset. 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 local department and Space 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 Space Management when an item is completed so that it can be tagged.

ADMINISTRATIVE MEMORANDUM #71 (REVISED)

CAPITAL AND NON-CAPITAL ASSETS

The purpose of this revision is to outline recent changes in the University's capitalization threshold and policies related to the capital asset inventory (Section I). Changes pertaining to Non-Moveable and Other Assets are outlined in Section II. Changes pertaining to Asset Disposition are contained in Section III.

SECTION I - 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.

At the request of the University, a unit shall complete and submit an inventory of its furniture, office equipment, and all other equipment with an original cost of five hundred dollars or more.

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 tag moveable assets that fall below the \$5,000 threshold as of July 1, 1997. 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, 1997, which fall below the capitalization threshold.

Also, effective July 1, the Office of Space Management, Policy and Analysis assumed Property Identification's responsibilities for managing the University's moveable assets. This Office is now responsible for tagging moveable assets at or above \$5,000, conducting audits and the annual certification, and training departments to manage assets below the threshold through a new space and asset management system.

DEFINITIONS

Capital 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 using object codes 4000, G400, or P444.

Non-Capital Asset: a piece of moveable equipment or furniture that have a purchase price between \$500.00 and \$4,999.99 (excluding shipping, handling, and insurance) and a useful life exceeding two years. These items must be purchased using object codes 4500, G450, or P450.