#### CAPITAL EQUIPMENT OVERVIEW

Procedures and Guidelines
Presenter: Paul Bushno – General Accounting Manager



#### Presentation Outline

- Definition of Capital Equipment and the Importance of Maintaining an Accurate Inventory
- New Capital Equipment Additions
- Roles and Responsibilities of General Accounting's Services
- Tagging Capital Equipment
- Capital Equipment Inventory Verification Procedures
- Disposal / Transfer Resources

### What is Capital Equipment?

- Equipment costing \$5,000 or more and has a useful life of more than one year
- Equipment purchases meeting this criteria will be recorded in the inventory database (Asset Management System) and assigned a bar-coded asset tag number
- Equipment is usually listed under the department ID that was used to fund the equipment purchase
- Inventory records include asset description, model, serial number, location, funding information (division that purchased asset) and cost
- Responsible parties for an inventoried piece of equipment are assigned using the division and location of the equipment.
  - These can also be taken from invoices, purchase orders, or other available means prior to the equipment being uploaded.

# Why Maintain the Inventory Database of Capital Equipment?

- Properly reflect the amount of our equipment on financial statements
  - Capitalized equipment may be selected during the annual financial statement audit. If selected, the responsible person will be contacted by the auditors to provide proof of the equipment and asset tag.
- Assist departments in tracking equipment and internal control
- Uniform Guidance requires an ongoing inventory for projects that are funded by the federal government.
  - Uniform Guidance requires a physical inventory count be taken at least every two years
  - LUC alternates campuses for our internal equipment inventory. We alternate: HSD, Cuneo, and Lurec then LSC and WTC
- Accurate records are required for the Facilities & Administrative (F&A)

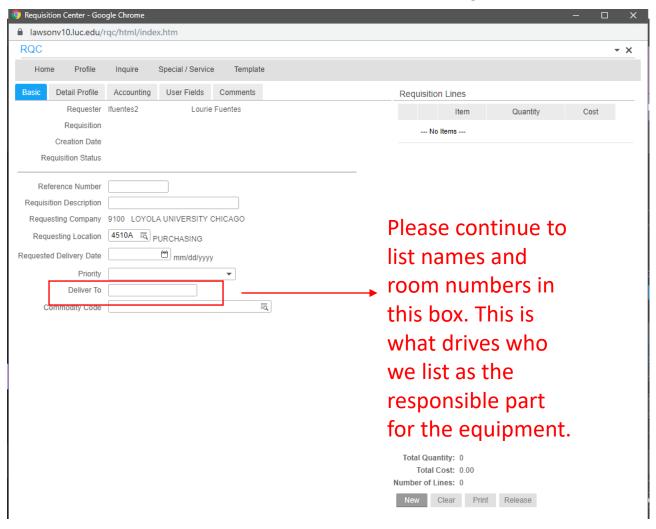
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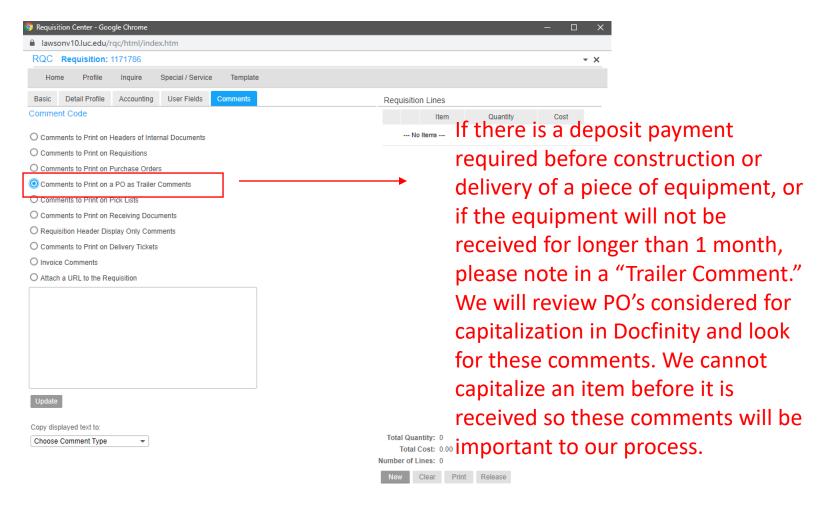
#### New Equipment – Additions

- Once capital equipment is uploaded into asset management, General Accounting will send asset tag forms to the person identified via the PO, invoice, or other means as being directly responsible for the items
  - If you have purchased a piece of capital equipment or believe something you purchased should be capital equipment and did not receive a tag in the inter-office mail, please reach out to <a href="mailto:inventory@luc.edu">inventory@luc.edu</a> with an inquiry.
  - Add any identifying information that you think may help locate the
    equipment in the future before sending the asset tag form back. We are
    working on revising this process so we can collect as much useful
    information as possible, so when inventory comes around, it is much
    easier to identify the equipment.
- Please include the following information in the header comments of purchase orders related to capital equipment:
  - Location (Building and Room Number)
  - PI's or Responsible Party's Name
  - Component system or stand-alone items, if multiple items on PO
    - If the purchase requires a down-payment, or if multiple pieces will be installed as a single unit, please enter into the comments section.

### **HSD Purchase Requisition**



#### **HSD Purchase Requisition**



### **LUC Purchase Requisition**



#### **PURCHASE REQUISITION**

Preparing people to lead extraordinary lives

Purchasing Department 820 N Michigan Ave, Suite 700, Chicago, IL 60611 Phone (312)915-8780

Suggested Vendor Name				Address: City, State, Zip				Vendor Phon	Vendor Phone # Vendor Fax #		
Accounting Unit		Account Act		vity Account Category Departme			ment N	nt Name			Campus
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#### General Accounting's Duties

- Updating the inventory records for new asset additions including:
  - Asset descriptions
  - Location (Building, Room Number, etc.)
  - Responsible Party
  - Other information returned on the Asset Tag form.
- Updating the inventory records for disposals
- Tagging each new piece of capital equipment, however acquired, that has an original cost or setup valuation of \$5,000 or more (including freight/transportation and setup costs)
  - Asset tag form currently under construction to make process easier for all involved.

#### Responsible Party's Duties

- Assist General Accounting with tagging their division's new capital equipment.
- Responsible Parties are responsible for facilitating the physical observation of capital equipment inventory by a General Accounting representative when required.
- Biennially, it is the responsibility of the Responsible Parties to:
  - Execute the capital equipment inventory verification
  - Provide required updates to General Accounting
  - Certify they have done so with their signature

### Capital Equipment Tagging

- General Accounting will send the Responsible Parties a tag and a tag form.
  - This process is currently under review and may be revised.
     Notification of any revisions will be distributed so all parties are correctly informed.
- The tag should be placed somewhere on the asset if possible
- If it is not possible to place the tag on the asset for one of the below reasons, the tag can be kept elsewhere with the invoice.
   This should be noted on the tag form before it is returned
  - The asset is a unit with many parts, the tag can be placed on one of the parts. Please list where it is located on the tag form.
  - If the asset is installed somewhere out of reach, please describe on tag form.
  - The asset cannot have the tag placed on it due to interference with the asset.

# Capital Equipment Inventory Physical Verification

- Required at least biennially
- Instructions for how to complete the inventory will be sent with the inventory spreadsheets.
  - A sample spreadsheet is sent with the inventory notification email with further guidance on how to complete the inventory
- In addition to existence, Responsible Parties will verify the following attributes for each piece of capital equipment on the inventory list:
  - Tag Number
  - Asset Description
  - Manufacturer
  - Model Number

- Serial Number
- Building Name and Room Number
- Responsible Party/PI Name
- Department

## FY20 Inventory Verification Procedure

- The FY20 Inventory timeline will start sooner than prior years.
- General Accounting will send out the instructions, sample spreadsheets, and inventory forms in **January 2020** and ask that everything is completed by the end of February.
  - During the last HSD inventory, a large amount of departments did not complete their inventory by the deadline. This caused many delays during an already busy season for year-end reporting.
  - We have created detailed instructions and updated the inventory spreadsheet forms since the last inventory with the hope that this will alleviate some issues that caused the delays during the prior inventory.

### Inventory Verification Procedure Overview

- Responsible Parties will be emailed instructions and an asset listing. – If you receive an email and believe you are NOT the responsible party, please email us back immediately and let us know who the correct contact person is.
- The Responsible Parties from the department will be asked to inventory, submit changes (disposals/transfers), and return a signed, complete listing that contains the required updates for inventoried equipment.
- General Accounting will update the inventory records in the Asset Management System.
- General Accounting will perform an audit of the inventory verification results via a random sample of departments near the end of the inventory cycle.

### **Inventory Form Examples**

FOUND? (Y/ \*

Responsible Party must sign or

Person Responsible Per Locations/Divisions Workbook

type name upon completion upon completion Loyola University Chicago Department Name: FY19 Annual Physical Inventory Form Department Location: (Bldg Name, Floor Number(s) Lake Shore Campus Date(s) of Physical Inventory: I hereby certify that all statements made in the attached as set register are true to the best of my LOYOLA knowledge. Any findings that negate these statements, whether through on-site inventory visits or audit sampling, are the responsibility of the Department. General Accounting may charge any necessary disposals to the above department in the fiscal year of the discovery, should an asset not be located via a random asset verification. Name of employee performing physical inventory: Employee Signature: ASSET-GROUP (Capital Project Capital Project ASSET TAG-NET DIVISIO 🔻 **DIV-DESC** ▼ .OCATION-N/ ▼ LOC-DESC \* Room/Floor DESCRIPTION number)

NOTES

All of these fields are present for  $\checkmark$  everyone to make changes. There are detailed descriptions of changes in the instructions you will receive for the inventory.

ROOM/FLOOR

CHANGE?

RESPONSI BUILDING

BLE PARTY CHANGE

CHANGE \*

DIVISION

CHANGE!

These fields must be filled out

# Common Challenges for the Inventory

- Please identify any issues below that may be true to your immediate areas and do anything you can to eliminate these issues. The more of these problems that are tackled at the forefront, the easier everything will be when it is time to find all of the assets.
- Updates to equipment inventory can always be sent to <u>inventory@luc.edu</u> year-round.
   Please include an asset tag number if available. If one is not available, please provide any information you can and someone will work with you to update your equipment.
  - Asset tags were not affixed to the equipment upon receipt and the asset tags were the only identifiable information for us to correctly identify the equipment.
  - Equipment has been relocated and not reported to General Accounting.
  - Assets have been disposed and were not reported to General Accounting.
  - Assets are not found and departments are not certain if the equipment was disposed.
  - Asset descriptions are too vague or general and Responsible Party is unfamiliar with what the description is for or whether they should be responsible.
  - Responsible Party is no longer with the University and the new Responsible Party is unknown.

# Asset Disposals / Updates – Workflow Process

- Equipment that has been sold, traded-in, scrapped, donated, returned to vendor, destroyed, transferred out to an external entity, recycled, or no longer functional.
  - HSD Disposals must be approved by HSD Finance.
- Submit capital equipment disposals and transfers including change of department or physical location via the Asset Management Equipment Disposal Form found at:
- https://www.luc.edu/media/lucedu/finance/pdfs/Equipment
   Disposal Form.pdf

#### **Questions?**

Visit the Capital Asset Management Policy and related University Policy and forms at:

https://www.luc.edu/finance/capitalassetmanagementpolicy/

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