Presentation Outline

• Definition of Capital Equipment and the Importance of Maintaining an Accurate Inventory
• Roles and Responsibilities of Accounting Services
• Roles and Responsibilities of Capital Equipment Unit Representative
• New Capital Equipment Additions
• Tagging Capital Equipment
• Capital Equipment Inventory Verification Procedures
• Capital Equipment Disposals
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 University tag number
• Equipment is usually listed under the department ID that was used to fund the equipment purchase
• Inventory records include asset description, model number, serial number, custodian, location, funding information (chartstring), and cost
Why Maintain the Inventory Data Base of Capital Equipment?

• Properly reflect the amount of our equipment on the financial statements
• Assist departments in tracking equipment and internal control
• Federal funding guideline A-110 requires an inventory at least once every two years
• Accurate records are required for the F & A proposal.
A-110 Requirement

• “A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.”
Special Consideration for F&A Rates Proposal

• Equipment depreciation is a significant cost component contributing to the F&A rate
• Good equipment inventory = Better defense in F&A negotiation
• Office of Cost Studies joins Accounting Services to perform equipment inventory during the *F&A Base Year (e.g. FY14) and Preceding Year (e.g. FY13)*
• Goal – Equipment inventory from both campuses is complete & accurate; In addition to Accounting Services, staff from Office of Cost Studies will be in contact

Questions? Contact Cost Studies:

http://www.northwestern.edu/coststudies/staff.html
Property Accountant

• The Property Accountant handles the day-to-day responsibilities of the capital equipment inventory. This includes the following:
  – Updating the inventory records by recording asset descriptions, locations and accounting information in the asset management system for new asset additions including purchases, donations, and transfers into the university from other institutions
  – Updating the inventory records by processing asset retirements including equipment scrapping, sales, donations, and transfers to other institutions with outgoing faculty
Property Accountant

- Updating the inventory records by recording asset transfers including transfers within the university (new building, room, department, custodian) and transfers to off-site locations both within the US and outside the US Reviewing and accounting for Fabricated Equipment and Component System projects
- 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)
- Coordinating the annual Capital Equipment Re-Inventory project in Chicago and Evanston
A capital equipment unit consists of a single department or related grouping of departments that has capital equipment.
Unit Representatives

• Departments have assigned Unit Representatives that will be liaisons between Financial Operations and their unit for capital equipment purposes.

• They will also Support Financial Operations by publicizing, monitoring and enforcing capital equipment policies and procedures at the unit level.
Unit Representative Responsibilities

• Assist Financial Operations with tagging their unit’s new capital equipment in a manner that works best for their unit.

• Unit Representatives are responsible for facilitating the physical observation of capital equipment inventory by a Financial Operations representative when required.

• Biannually, it is the responsibility of the Unit Representative to determine and execute a method of capital equipment inventory verification that works best for their unit, provide required updates to Financial Operations and certify that they have done so with their signature.

More information on Unit Representatives can be found at: http://www.northwestern.edu/controller/accounting-services/equipment-inventory/unit-representatives.html
New Equipment - Additions

• Capital equipment must be located for our department to tag the items.
• Please include the following information in the header comments of purchase orders related to capital equipment:
  – Location
  – PI’s Name
  – Business Admin. Contact
• i.e. Ward RM 123 / Mark Smith –PI & George Abt- Business Admin.
Capital Equipment Tagging

• We analyze our complete inventory in order to locate assets that are not tagged

• Contact Unit Representatives for equipment tagging – appointment

• Walk thru the department with assistance of Unit Representative and notate any changes as well as tag equipment

• Update inventory records and reconcile
Capital Equipment Inventory Physical Verification

• Required at least bi-annually
• The main cycle of 2015 physical inventory will begin in June and continue through July
• In addition to existence the Unit Representatives will be verifying 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
  – Custodian/PI name
  – Department
Inventory Verification Procedure Overview

• Specific procedures for verifying capital equipment existence and information will vary depending on the size, nature and preferences of the department being inventoried.
• The unit representative from the department will be asked to inventory and sign a listing that contains the required updates for inventoried equipment.
• Accounting Services will update the inventory records in the asset management system.
• Accounting Services will perform an audit of the inventory verification results on a sample of departments towards the end of the inventory cycle.
Asset Inventory Report – AM002

-What is the Asset Inventory Report –AM002?

• Cognos report that Unit Reps can access on their own

• Provides a listing of Capital Equipment Inventory with information such as: Asset identification number, description, model number, serial number etc.)

-Why is this inventory report used?

• Unit Reps to review Dept inventory and notify changes to Accounting Services

• Training Guide
  • http://ffra.northwestern.edu/documents/reporttemplates/AM002-AssetInventoryReport.pdf
Cognos Reporting

• Access to the Cognos Asset Inventory Report (AM002)
  • Asset ID number
  • Tag number
  • Asset description
  • Manufacturer
  • Model number
  • Serial number
  • Invoice date
  • Purchase order number
  • Chart string
  • Custodian name & department
  • Original Cost
Legend

- ✓ = Asset Exists and Listed Information is Accurate
- **Sequential Number System** = Asset Exists but Listed Information is Inaccurate
  - Report changes at the bottom or on the back of the sheet
- **D** = Disposed
  - Most common disposal. Use this method for assets that are scrapped, stolen, destroyed, cannibalized, recycled, no longer functional, listed as free on the surplus property website, or do not fit into any other disposal method.
- **T** = Traded-In
  - Assets that were traded in for different assets, returned to the vendor or manufacturer, or otherwise exchanged.
- **S** = Sold
  - Assets that were sold and for which proceeds were received.
- **E** = External Transfer or Donated
  - Assets that were given to an external (non-NU) entity without proceeds.
- **I** = Internal Transfer
  - Equipment that has been transferred to a new department.
  - Use a numbering system to report transfer information at the bottom or on the back of the sheet
- **No Notation** = No Update, Not Yet Verified
### Asset Inventory Report

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<th>Building</th>
<th>Floor</th>
<th>Room</th>
<th>Asset ID</th>
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### Notes

1. - SERIAL# - 46784D

2. - CUSTODIAN - EINSTEIN, ALBERT

3. - DEPT# 5210000

LOCATION: TECH FG42  
CUSTODIAN: SMITH, JAMES

I hereby certify that the above information is correct

Print Name: MIKE YOYAKIM

Signature: [Signature]

Date: 06/21/2015
Asset Inventory Updates

• Unit Reps will make necessary changes, sign sheet with notations and scan to email Property Accountant:
  – equipment-disposal@northwestern.edu

• Once Property Accountant receives the inventory sheet, Accounting Services will update the information in the asset management system
Inventory Progress Report

• If you submit partial progress and require a listing that includes only items not recently inventoried please email equipment-disposal@northwestern.edu
Inventory Scanning

- Departments or Units with more than 75 items
- Accounting Services will accompany Units and scan tags on capital equipment in all Unit rooms with capital equipment
- Results in a smaller population for Units to investigate
- Contact Accounting Services to setup an appointment equipment-disposal@northwestern.edu
Common Challenges for the Inventory

- Equipment has been re-located and not reported to Accounting Services
- Assets have been disposed and were not reported to Accounting Services
- Assets are not found and departments are not certain the equipment was disposed.
- Labs are locked or experiments are taking place.
FAQ

• How should I handle the computer servers that are in my asset listing and are located at 2020 Ridge or NUIT Chicago?
  – Ignore these servers, we are currently working with 2020 and NUIT Chicago to properly locate and tag the equipment.
Asset Disposal

• Equipment that has been sold, stolen, traded-in, scrapped, donated, returned to vendor, destroyed, transferred out to an external entity, cannibalized, recycled, no longer functional, or posted on the surplus property.

• ASRSP must approve the disposal of any government-titled equipment
  – Send Accounting Services the approval email from ASRSP

• Fill out an online disposal form in the asset management self-service portal

• If a large quantity of assets are being disposed at once, contact the Property Accountant for an alternative to individually entering the assets in the NU Portal.

http://www.northwestern.edu/controller/accounting-services/equipment-inventory/docs/capital-equipment-retirement-approval-form.pdf
Disposal Resources

• More information on Capital Equipment disposals can be found at:
  http://www.northwestern.edu/controller/accounting-services/equipment-inventory/disposals.html

• Job Aid for asset management self-service portal can be found at:
  http://ffra.northwestern.edu/documents/training/gl/750/AssetManagementSelfServiceRequestsAid.pdf

• New disposal process to come in the near future prior to fiscal year end.
Questions?

• Visit the equipment website at:
  – [www.northwestern.edu/equipment-inventory](http://www.northwestern.edu/equipment-inventory)

• Contact the Property Accountant
  – Michael Youakim  847-467-2737
  – m-youakim@northwestern.edu
  – equipment-disposal@northwestern.edu