Capital Equipment Overview 2017

Procedures and Guidelines

Presented by:
**Mike Youakim**, Property Accountant
**Lauren Armstrong**, Accountant
Accounting Services

Northwestern | FINANCIAL OPERATIONS
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
• Tagging Capital Equipment and Volunteers
• Capital Equipment Inventory Verification Procedures
• New Capital Equipment Additions
• Capital Equipment Disposals and Updates – New Process
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 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
- Accurate equipment inventory = Better defense in F&A negotiation

Questions?

Contact Cost Studies:
northwestern.edu/coststudies/staff.html
Accounting Services

- 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 approving asset retirements
Accounting Services

- 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
Capital Equipment Units

- 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 who 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 they have done so with their signature

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

• An Accounting Services (A/S) Representative will contact Unit Representatives to schedule a tagging appointment. Included in the request will be a listing of all capital equipment assets that are currently untagged.

• A/S will walk through the department with assistance of a Unit Representative and notate any changes as well as tag equipment.

• After meeting completion, A/S will update inventory records and reconcile.
FY17 New Tagging Process – Volunteers

- A/S will select a few departments from our volunteers
- Departments selected will receive an email with specific instructions on tagging equipment
- A/S will send you tags via campus mail
- Notify A/S via email of tagged assets
- A/S will update Asset Management System
Capital Equipment Inventory
Physical Verification

- Required at least bi-annually

- The main cycle of 2017 physical inventory begins now and continues through June 2017

- In addition to existence, Unit Representatives 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
  - 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, submit changes via NUPortal, 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 near the end of the inventory cycle.
Asset Inventory Report – AM002

• **What is the Asset Inventory Report – AM002?**
  - Cognos report that Unit Representatives 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 Representatives to review department inventory and notify changes to Accounting Services supplement to the NUPortal submissions
Cognos Reporting

- Access to the Cognos Asset Inventory Report – AM002

- Asset ID Number
- Tag Number
- Asset Description
- Manufacturer
- Model Number
- Serial Number
- Federal Contribution

- Invoice Date
- Purchase Order Number
- Chart String
- Custodian Name/Department
- Original Cost
- Re-inventory Date
- Location
## Legend

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- **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.

- **Traded-In**: Assets that were traded in for different assets, returned to the vendor or manufacturer, or otherwise exchanged.

- **Sold**: Assets that were sold and for which proceeds were received.

- **External Transfer or Donated**: Assets that were given to an external (non-NU) entity without proceeds.

- **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.
### Asset Inventory Report

**Re-inventory Dates:**

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I hereby certify that the above information is correct.

**Print Name:** Mike Youakim

**Signature:**

**Date:** 2/22/2016

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**NOTES**

1. **SERIAL #:** 46784D
2. **CUSTODIAN:** EINSTEIN, ALBERT
3. **DEPT #:** 5210000
   - LOCATION: TECH FG42
   - CUSTODIAN: SMITH, JAMES

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https://reportingtest.northwestern.edu/bi/cgi-bin/cognosisapi.dll?b_action=cognosViewer&ui.action=run&ui.object=%2fcontent...

2/22/2016
Asset Inventory Updates

• Unit Representatives will submit the necessary changes through NUPortal, sign sheet with the change notations, and scan to email Property Accountant at equipment@northwestern.edu

• Once Accounting Services receives the inventory sheet, Accounting Services will update the inventory dates and verify the information in the Asset Management System with the updated request
Inventory Progress Report

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

- Departments or Units with more than 75 items within large lab space
- Accounting Services can 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 set up an appointment at equipment@northwestern.edu
Common Challenges for the Inventory

- Equipment has been relocated 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.
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 (Building & Room)
  – PI's Name – Custodian – Person in charge of equipment
  – Component System or all equipment works independently
  – Name of equipment

• Example: Ward RM 123 / Mark Smith – PI, Component System, all work together as a “Laser System”
Asset Disposals / Updates – New Workflow Process

- 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.

- Submit capital equipment disposals, asset transfers – including change of custodian, custodian department, or physical location via the Asset Management Self Service portlet found at NUPortal > Financial Section > Assets tab.

More information can be found at:
ffra.northwestern.edu/training/fms750-asset-dispose-transfer.html
Disposal Resources

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

• Job Aid for asset management self-service portal can be found at:
  ffra.northwestern.edu/training/fms750-asset-dispose-transfer.html
Questions?

Visit the equipment website at: northwestern.edu/equipment-inventory

Contact

Reginold George
Manager Accounting, Accounting Services
Financial Operations
Northwestern University
r-george@northwestern.edu
equipment@northwestern.edu
847-467-1359