Policy

Department of Finance  Effective Date: August 13, 2010
Previous Date: May 1, 2002

Re: Fixed Assets

Policy

The University shall maintain appropriate systems for the safeguarding of University property. Capital items shall be properly authorized prior to purchase, recorded, accounted for, valued, disposed off, and otherwise handled in compliance with applicable regulations.

Background

Capital items include buildings, leasehold improvements, major repairs for capital items, vehicles, equipment, computers, furniture, and other. Cost and useful life are the usual threshold measures in determining whether or not an item is capitalized. The capitalized amount may include the purchase amount, shipping fees, insurance, training fees, installation fees, and sales tax.

Capital items have a useful life in excess of one year. Items are costly and therefore should be recorded, monitored, and secured. The cost threshold is $5,000.

The value of a capital item is reduced over time. Amortization or depreciation is recorded periodically so as to appropriately represent the current Book value of the capital item at the time financial statements are prepared.
Standard

Finance: Fixed Assets

Effective Date: August 13, 2010

Previous Date: May 1, 2002

Re: Capitalization

Standard

Finance, in compliance with funding and generally accepted accounting principles, shall develop and apply standards for capitalization. The threshold measures shall be reviewed annually.

Background

The University determines the criteria for capitalization, which allocates costs over the useful life of the asset. This approach recognizes the future benefits of the asset, rather than recording an expense to the current period. Many of the funds used for purchasing capital items are sourced from government funds or other restricted sources. Accounting for the purchased items, in addition to safeguarding these assets, are both appropriate for the University, and in many instances, required by the funding agency.

As of 2010, the capital threshold for federal funds is $5,000. Items should also have a useful life in excess of 1 year.

Procedure

1. Finance determines the criteria for capitalization.
2. Information is communicated by Finance to Facilities, Procurement, and appropriate financial committees.

Responsibilities

1. Finance determines the criteria for capitalization.

References

Generally Accepted Accounting Principles
Department of Health and Human Services
Internal Revenue Service

14-01-01
Re: Inventory

Standard

Finance shall provide oversight to the inventory process. Facilities shall maintain an appropriate inventory system for the safeguarding and accounting of capital items. Finance shall review and reconcile records between Facilities and Finance.

Background

Capital planning is integral to the University’s strategic planning process. Capital purchases are supported from a number of sources. University based unrestricted funds, restricted funds, and external grant funds all support various capital additions. The security of capital assets and the proper accounting is important for financial planning. In addition, capital purchases from external funds often require separate accounting in order to distinguish these assets from others. Appropriate accounting records and physical inventories are necessary safeguards.

Procedure

1. Capital purchases must be processed and approved through Procurement to ensure adherence to rules and regulations.
2. Finance notifies Facilities of all requests to pay for capital items.
3. Capital items are inventoried and tagged even if it is received prior to making payment.
4. Facilities Department maintains detail on capital items.
5. Facilities Department conducts physical inventories periodically (approximately every 2 years).
6. Facilities Department prepares inventory records and forwards an inventory report to Finance, annually.
7. University equipment shall only be used for official University business.
8. Facilities must maintain records for disposition and other deletions.
9. Depreciation records are maintained by Finance.
10. Finance reviews inventory records with Facilities annually.
11. Finance records adjustments, as deemed to be necessary.
12. Facilities will forward information on disposals, retirements and other status changes to Finance, account managers, Office of Sponsored Programs and Principal Investigators (PIs), as appropriate, but at least annually.

14-02-01
Responsibilities

1. The purchasing or sponsoring department or project is responsible for requesting only those items that are of University benefit.
2. Equipment acquired under sponsored projects are the responsibility of the PIs.
3. Finance Department is responsible for the determination between Capital and Expense items.
4. Purchasing is responsible for bid requirements and value.
5. Facilities Department is responsible for inventory and tagging.
6. Finance provides oversight to the process.

References

Administration
Facilities
Office of Sponsored Programs
Procurement
Re: Depreciation and Amortization

Standard

Finance shall properly depreciate or amortize capital assets and maintain all appropriate records.

Background

Generally accepted accounting standards provide that capital assets should be valued over the estimated useful lives of the assets.

Procedure

1. The estimated life for buildings and improvement is 35 years.
2. Leasehold improvements will be allocated over the shorter of the two lease/rental terms or the useful lives.
3. The estimated life for furniture, fixtures, and equipment is 5 years unless otherwise assigned by Finance.
4. Depreciation is recorded using the straight-line method.

Responsibilities

1. Finance is responsible for the determination and accounting for depreciation and amortization.

References

Generally Accepted Accounting Principles
Re: Capital Lease

Standard

Finance shall determine the application of and maintain capital leases.

Background

Generally accepted accounting principles regulate the capital leases. Therefore, Finance will apply the principles in the appropriate situations. Finance shall maintain appropriate records. Lease documents shall be maintained by Administration.

Procedure

1. Leases are processed and approved through Administration. Where appropriate, Facilities, Procurement, Information Systems, or other departments may be involved in the lease agreement process.
2. Finance reviews lease documents to determine the applicability of capitalization.
3. Where applicable, Finance accounts for the capitalized lease.

Responsibilities

1. The direct program, department, or principal investigator is responsible for the determination and request for the lease.
2. The appropriate administrative oversight department(s) is responsible for review of reasonableness, value, exposure, and regulations.
3. Finance is responsible for determining if the lease is to be capitalized.
4. Finance is responsible for maintaining appropriate records.

References

Administration
Procurement
Facilities
Re: Disposal of Capital Assets

Standard

Capital assets may only be disposed of after proper authorization(s) has been obtained. The process of disposal must adhere to all external requirements, including specific requirements of the funding source(s), must be properly documented, shall be for reasonable value, will avoid conflicts of interest, and must meet all University requirements.

Background

There are times when assets are no longer productive or reasonable to maintain. Other times, assets may become excess to the needs of the program or department. Other times, assets may become missing or reported lost.

Assets must be safeguarded. The University must avoid the improper disposal of assets. Reasonable value should be returned to the University for Disposed Assets. All authorizations must be adhered.

Procedure

1. The program or department requests disposal of the capital asset(s).
2. The request must be approved by the funding agency, if appropriate, Administration, Finance, and the appropriate senior administrators.
3. Facilities co-ordinates the disposition of the asset(s).
4. Procurement and Finance departments review the asset(s) for value.
5. Facilities department records asset disposals to inventory records.
6. Finance department accounts for the disposal and recognizing gain or loss on sale of disposal.
7. Finance, upon notification by Facilities, will record asset write-offs for those items lost or missing.

Responsibilities

1. Administration is responsible for oversight of assets and asset disposals.
2. Facilities Department is responsible for the disposition of assets.
3. Facilities Department is responsible for maintaining proper records.
4. The department, principal investigator, or program is responsible for determining whether an asset is excess or productive.
5. Finance is responsible for recording all asset status changes in the ledgers.
6. Facilities Department is responsible for maintaining accurate fixed asset records.
References

Office of Sponsored Programs
Administration