

Western Michigan University  
Equipment and Inventory Policy

Revised 10/2010

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**PURPOSE**

To establish a policy governing movable equipment for which the University maintains control.

**POLICY**

All equipment obtained by the University is subject to University control and may be disposed of only in accordance with established procedures outlined in this policy. Equipment obtained by the University includes that which is purchased with University or Grant funds, loaned or contracted by public or private entities, received as a gift or obtained by other means.

Departmental Responsibilities – Departments obtaining equipment are responsible for its use, maintenance, safeguarding and disposal. Departments must notify Accounting Services of any equipment status changes, such as transfers, disposals, title transfers on loaned equipment, loss or theft. Departments are responsible for tracking equipment maintenance.

Accounting Services Responsibilities – Accounting Services is responsible for tracking equipment obtained by the University and maintaining the records associated with the equipment from acquisition date to disposal date. Accounting Services accomplishes this by obtaining relevant data for each piece of equipment and inputting the information into the asset management system. Accounting Services is also responsible for coordinating and conducting the University's physical inventory.

**CAPITALIZED EQUIPMENT DEFINITION**

Equipment should be capitalized and maintained on the asset management system if all the following criteria are met:

- A. The item cost is at least \$5,000.
- B. The item is tangible, personal property.
- C. The useful life of the item is at least two years.
- D. The item is able to function by itself.

The cost to be capitalized includes not only the purchase price but also ancillary charges such as freight, site preparation and professional fees necessary to place the asset in its intended location and condition for use. The purchase price is defined as the actual cost to the University after all applicable discounts have been taken. Trade-in allowances should be added to cash paid to determine capitalized value of the equipment.

**GENERAL LEDGER EQUIPMENT ACCOUNTS**

2112 – Furn & Equip < \$5,000      To be used by Plant Accounting only.

2113 – Furn & Equip >= \$5,000      To be used by Plant Accounting only.

|                                       |   |
|---------------------------------------|---|
| 2152 – Computer Software/Hardware     | To be used by Plant Accounting only.                      |
| 4452 – Computer Software              | Purchases of computer software.                           |
| 4481 – Office Supplies                | Equipment purchases costing less than \$5,000.            |
| 4570 – Supplies                       | Equipment purchases made with a procurement card.         |
| 4850 – Equipment >= \$5,000           | Taggable equipment costing at least \$5,000.              |
| 4865 – Technical Initiatives          | Computers and related hardware costing less than \$5,000. |
| 4997 – Internal Svc – Equip < \$5,000 | Purchases through Total Tech costing less than \$5,000.   |
| 8980 – Misc Income                    | Proceeds received from sale of equipment.                 |

Account 4850 should not be used to record proceeds received from the sale of equipment nor should it be adjusted to match budget. This account should reflect the actual cost incurred for equipment purchases.

## **EQUIPMENT ACQUISITION**

The University obtains equipment through the following methods:

**Purchase Orders** – Equipment obtained with University or Grant funds is acquired by issuing a purchase order. The Purchasing Department provides Accounting Services with copies of purchase orders that are charged to accounts 4850 and 2113.

**Procurement Card** - If a department uses a procurement card to purchase equipment with a cost greater than \$5,000, the department must notify Accounting Services so the item may be properly tagged and entered into the asset management system.

**Leased Equipment** – Accounting Services needs to be provided with a copy of the lease in order to determine if the lease qualifies as a capital lease. If the lease meets the criteria of a capital lease and the University's definition of taggable equipment, the item will be tagged and entered into the asset management system.

A capital lease must meet one or more of the following criteria:

- A. The lease transfers ownership of the property to the lessee.
- B. The lease contains a bargain purchase option.
- C. The lease term is equal to 75% or more of the estimated economic life of the leased property.
- D. The present value of the minimum lease payments is equal to 90% or more of the fair market value of the leased property.

**Gifts** – Donations of equipment to the University require the completion of a Notice of Non-Cash Gift form. This form is available from the WMU Foundation. It should be

completed by the department receiving the donation and forwarded to the Foundation for processing.

Accounting Services receives the Notice of Non-Cash Gift form for all donations, and if the item meets the University's criteria for equipment, it will be input into the asset management system. The value assigned to the item is the fair market value at the time of the gift and is to be determined by the department receiving the donation. The value should be indicated on the gift form.

Fabricated Equipment – Departments purchasing components for the purpose of fabricating equipment that meets the criteria for taggable equipment should code the purchases to account 4826. All expenditures except salaries and benefits should be charged to this account. When completed, the department must submit a memo to Accounting Services indicating a description, location and total cost for the item. The item will then be tagged and entered into the asset management system.

Grant Equipment – Due to specific federal regulations, additional information is required when equipment is purchased with grant funds.

If applicable, the following special equipment accounts should be used for grant equipment purchases beginning 7/1/02:

4826 – Fabricated Equipment – The costs associated with fabricated equipment should be coded to this account. Once the equipment is completed and all associated expenditures have been incurred, the Grants Department will prepare a JES debiting account 4850 and crediting account 4826. Accounting Services will tag the item and enter it into the asset management system.

4844 – Equip \$1,500 - \$4,999 Grants – The University's capitalization limit was increased from \$1,500 to \$5,000 on 7/1/02. This account should be used to capture equipment purchases costing less than \$5,000 for grant projects that were in process but not yet completed on 7/1/02. These items will not be input into the asset management system. This account is excluded from the grant F&A calculation.

4848 – Equip \$500 - \$1,500 Grants – The University's capitalization limit was increased from \$500 to \$1,500 on 7/1/97. This account should be used to capture equipment purchases costing less than \$1,500 for grant projects that were in process but not yet completed on 7/1/97. These items will not be input into the asset management system. This account is excluded from the grant F&A calculation.

Grant equipment purchased with federal funds will be coded to the applicable department in fund 25. If the title remains with the government, an additional tag noting "Property of U.S. Government" will be placed on the item. The item will be entered into the asset management system for tracking purposes but will not be capitalized or depreciated. If the equipment ownership is later transferred to the University, a donated equipment form must be completed and forwarded to the Grants Department. If the title vests with the University, the item will be tagged and entered into the asset management system if the cost is greater than \$5,000.

Grant Equipment Donations – The Grants Department should contact Accounting Services regarding any equipment that is donated to a grant project.

## **EQUIPMENT DISPOSALS**

All equipment disposals and sales must be coordinated with University Stores. All property transferred to University Stores will be subject to the following procedures:

- A. The equipment will be made available for purchase by other campus departments to promote reutilization.
- B. The equipment will be made available for purchase by the public.
- C. The equipment will be donated, recycled or disposed of by other means.

University Stores will provide Accounting Services with a list of equipment disposals. This list will include the asset tag number and proceeds received from the asset sale. Accounting Services will then remove these items from the asset management system.

A department must contact Accounting Services if they dispose of or sell equipment without the involvement of University Stores so that the item may be removed from the asset management system.

## **EQUIPMENT LOCATION CHANGES**

When equipment is transferred between departments, the transferring department must notify Accounting Services. The information on the asset management system will be updated to reflect the new location of the equipment.

## **EQUIPMENT LOCATED OFF – CAMPUS**

If a department needs to temporarily use equipment owned by the University at an off-campus location, the department must maintain adequate documentation to identify items during the physical inventory.

## **STOLEN EQUIPMENT**

Departments must have appropriate safeguards in place to prevent loss, damage and/or theft of equipment. The University Police must be notified in the event that equipment is stolen. The department should provide the University Police with a description and serial number of the item. Accounting Services must also be notified of the theft so that the item may be removed from the asset management system.

## **PHYSICAL INVENTORY**

Accounting Services prepares a listing of all equipment owned by each department at the end of each fiscal year. Each department must verify the items on the list and note any corrections before returning the list to Accounting Services. Departments must also assist Accounting Services staff when they are conducting the physical inventory. The physical inventory will be performed throughout the fiscal year.