

BF4025 - Equipment Inventory

Issued: February 3, 2017

Responsible Executive Vice President and Chief Financial

Official: Officer

Responsible Office: Controller

POLICIES

Purpose

To establish responsibility for University equipment, provide for better utilization of equipment, facilitate the physical inventory, better establish insurance requirements, and ensure proper accountability.

Definitions

Equipment

Items acquired by purchase, gift or assembly that possess all the characteristics listed below. Further assistance with defining individual items may be obtained by contacting the Accounting Office - [Financial Reporting](#) section.

1. Movable - not built-in or permanently attached to a building or structure; able to be moved without significant disruption to ongoing operations.
2. Repairable/Non-expendable - not consumed with use; more feasible to replace parts and/or repair than to replace the item.
3. Durable - has useful life in excess of one (1) year.
4. Unique - retains identity even when incorporated into a different or more complex unit.

Equipment is further categorized as either **Capital Equipment** or **Sensitive Minor Equipment**.

Capital Equipment

Single item costing five thousand dollars (\$5,000) or more. Generally, items costing under \$5,000 will be excluded unless a specific determination is made to include them, for example, when the item is part of an initial purchase of a data processing system. Capital equipment is recorded in the University's financial statements and depreciated using a

straight line basis over a useful life ranging between 5 and 20 years.

Costs include:

- Freight, insurance, handling, storage, and other costs related to acquiring the asset.
- Cost of installation, including site preparation, assembling and installing.
- Cost of trial runs and other test required before the asset can be put into full operation.
- Cost of reconditioning equipment acquired in a used state.

Sometimes an item may have some of the characteristics of equipment, but does not fully meet the University's definition of movable equipment. The most common situations where a misclassification occurs include supplies and materials, fixed equipment, and replacement parts.

1. "Supplies and Materials" includes equipment items of a movable nature which have a cost less than \$5,000 and are not listed in the definition of sensitive minor equipment. Asset records are not created for supplies and materials. These items will not be recorded or tracked in the University's fixed asset system. Expenditures for such items should be recorded in the "Supplies" account code.
2. "Fixed Equipment" includes non-movable items such as built-in shelving and cabinets, light and plumbing fixtures, boilers, and other such built-in mechanical or electrical equipment that become an integral part of a structure. If the cost of the item is \$5,000 or more, the expenditure should be included in the cost of the building.
3. "Replacement Parts" should be recorded in a maintenance account code and not as equipment. For example, if a motor for a piece of machinery is replaced at a cost of \$6,100, the item is properly classified as maintenance expense, and not as equipment. However, if a new machine is purchased to replace an old machine, the new item should be classified as equipment.

Sensitive Minor Equipment Particularly vulnerable to theft and has a cost between \$1,500.00 and \$4,999.99. Examples of items that may be viewed as

sensitive minor equipment include: boats, boat motors, boat trailers, cameras, canoes, computers, audio and video equipment, microscopes, oscilloscopes, vector scopes, and other scientific equipment.

All weapons, regardless of cost, should be considered sensitive minor equipment.

Useful Life

Period during which an asset is expected to be usable for the purpose it was acquired. It may or may not correspond with the item's actual physical life or economic life.

1. Furniture - includes, but is not limited to moveable desk, tables, filing cabinets, and safes. Furniture is normally depreciated over a useful life of **20 years**.
2. Office and operational equipment - include, but are not limited to copiers, sorters, folders, filing system, shop equipment, athletic equipment, kitchen equipment, portable generators, and yard equipment. Office and operational equipment are normally depreciated over a useful life of **10 years**.
3. Computers and peripheral – normally depreciated over a useful life of **5 years**.
4. Educational and scientific equipment - include, but are not limited to audiovisual equipment, classroom demonstration models, electronic instruments, lab equipment, surveying equipment, radio equipment, pianos, and other musical instruments. These items are normally depreciated over a useful life of **10 years**.
5. Motorized vehicles - include, but are not limited to, cars utility vehicles, vans, boats, and light general-purpose trucks. Motorized vehicles are normally depreciated over a useful life of **5 years**.
6. Heavy equipment - includes, but is not limited to buses, heavy general-purpose trucks, forklifts, snowplows, and agricultural equipment. Heavy equipment is normally depreciated over a useful life of **10 years**.
7. Library holdings - include, but are not limited to books, microfilm, microfiche, government documents, films, videocassettes, audiocassettes, phonograph records compact disc - audio, slide set, filmstrip, transparency, maps, multimedia kit, three-dimensional models, non-catalogued pamphlets, computer software manuscripts and archives, photographs, and compact disc. Library

holdings are normally depreciated over a useful life of **10 years**.

Equipment Account Codes	Used in order for the Fixed Asset System to identify items required to be tagged. Refer to the Financial Reporting website for an account code listing .
T-Tag	T-tag (also identified as “O-tag”, temporary tag) – A temporary tag that is assigned by the Fixed Asset System.
UOM Decal	Permanent tag assigned by the Accounting Office - Financial Reporting section. This is placed on each piece of equipment. Also known as P-tag, permanent tag, PTAG_Code.

Procedures

Responsibility for Equipment	<p>GENERAL - Vice Presidents, Vice Provosts, Deans, Directors, Department Chairs and Activity Heads are responsible for the custody, maintenance, and reasonable security of all equipment purchased for, or assigned to, their respective department or activity. All University employees should be concerned with the proper care and security of any equipment which they use or observe.</p> <p>ACKNOWLEDGEMENT OF RESPONSIBILITY - Each official to whom equipment is assigned will acknowledge receipt and accept responsibility for the item. Signatures on Transfer Vouchers, Receiving Reports, or approval through the Fixed Asset Workflow system will serve to establish custodial responsibility. Officials should secure documentation relieving them of responsibility when items are removed from their area of responsibility.</p> <p>OWNERSHIP - Ownership of equipment items acquired by the University of Memphis rests with the State of Tennessee, even though the items are purchased from departmental funds or from special equipment appropriations or are acquired by gift or contract.</p> <p>LOANS AND REMOVAL FROM PREMISES - University equipment is to be used only for University activities; personal</p>
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use is not authorized. When equipment is removed from the campus for repair, etc., a receipt should be secured. A [Request for Off-Campus Use of Equipment](#) form must be completed for any other usage or removal from campus, including release to a faculty's or employee's custody. This form must be approved by the department chair/activity head level or higher and forwarded to the Accounting Office – Financial Reporting section.

University property removed from campus is not insured by the University unless such removal is specifically approved by the Tennessee Department of Treasury, Division of Risk Management. To request insurance coverage for University equipment removed from campus, contact the Accounting Office – [Financial Reporting](#) section.

Property must be safeguarded, maintained, and returned in the same conditions as received with due consideration given to normal wear and tear. Property lost or damaged through negligence will be paid for by the person(s) determined to be responsible for such loss or damage. It is the department's responsibility to ensure the equipment is returned upon termination of the employee. Another [Request for Off-Campus Use of Equipment](#) form should be completed upon return of equipment.

INDIVIDUAL RESPONSIBILITY - Within a department or activity a designated individual should be responsible for each item of equipment. The individual who has responsibility for each item should be subject to determination based on written acknowledgement in the event a loss occurs. For items that are subject to regular changes in the assignment/responsibility, a method of recording responsible individual should be established.

ACCOUNTING OFFICE, PROPERTY SECTION - The Financial Reporting section of the Accounting Office is responsible for maintaining a computerized equipment inventory record, assigning decals to new acquisitions, reporting insurable values, and coordinating other aspects of the equipment inventory control program. Departments and activities should contact [Financial Reporting](#) for guidance, assistance, and information relative to the equipment inventory program.

DEPARTMENTAL EQUIPMENT INVENTORY REPRESENTATIVE - Each department or activity with assigned equipment will designate one individual as the

"Equipment Representative". This individual will coordinate equipment inventory matters with Accounting Office - [Financial Reporting](#) section and carry out control responsibilities as assigned by the department/activity head. The representative should be either the department/activity head or a person within the department who fully understands the equipment inventory requirements. The department/activity head is ultimately responsible for the correctness of inventory confirmations and other equipment matters.

Inventory and Control System

The University maintains a centralized Fixed Asset System for all capital equipment and sensitive items. Based on the account code indicated on purchase orders, transfer vouchers or journal vouchers, the Fixed Asset System may create a temporary tag (T-tag) for the item. The Accounting Office - Financial Reporting section will contact the department to assign a permanent decal number and obtain pertinent asset information (serial number, model and location). Financial Reporting will convert the T-tag to the P-tag in the Fixed Asset System and update the asset information.

While the University currently requires all capital equipment and sensitive equipment (costing between \$1,500 and \$4,999) to be tagged and maintained in the Fixed Asset System, departments should take every precaution to safe guard all state property, regardless of cost, at all times. The department may contact the Accounting Office - [Financial Reporting](#) section for assistance in developing an internal inventory maintenance method. Departments may utilize the Banner Fixed Asset system to track items that are less than \$1,500 and a separate report can be produced for U of M internal verification only.

Equipment that is not considered capitalized or sensitive may be maintained/tracked in the Fixed Asset System by utilizing a unique account code titled "Controlled Equipment under \$1,500". This service is provided for the convenience of departments and only upon departmental request (via use of controlled equipment under \$1,500 account code). These items will not be part of the annual inventory confirmation. For further information contact the Accounting Office - [Financial Reporting](#) section.

1. DECAL NUMBERS - Basic control and identification of an equipment item is usually accomplished through a serially-numbered metal decal attached to the equipment item. Some items do not have decals affixed because of

the type of item; if possible, the number is etched or painted on the item.

2. ADDITIONS - A decal/inventory tag should be affixed to the equipment as soon as possible after the item is acquired and placed in operation. Departments may complete the [Tagging Log Form](#) and submit to the Accounting Office - [Financial Reporting](#) section when an item is purchased to obtain an inventory tag. When Financial Reporting staff identifies new items, they will contact the department to obtain the pertinent information (serial number, model, location) in order to assign a decal to the item.
3. DELETIONS FROM INVENTORY - Equipment can be deleted from the inventory only by following the procedures discussed in Section E “Reporting Changes”. It is not acceptable to cross out an item from the annual physical inventory confirmation listing.
4. TRANSFERS - Transfers between departments will be accomplished through the [Fixed Asset Workflow](#) system. When a transfer is made, the department receiving the equipment will indicate the new location in the workflow system.
5. REPORTING CHANGES - New locations should be documented through the [Fixed Asset Workflow](#) system. Other data items may be changed if the department desires by notifying Accounting Office - [Financial Reporting](#) section.
6. ANNUAL INVENTORY CONFIRMATION - A physical inventory of Capital Equipment will be made annually. Equipment listings, instructions and other necessary materials for the inventory will be produced each year and sent to the authorized Equipment Representative. The Financial Manager must approve the Inventory Confirmation prior to submission to the Accounting Office – [Financial Reporting](#) section. The Fixed Asset Inventory Listing Report - FYFR001, which is located in the [Banner Finance Repository](#) (ePrint), is run monthly and available for review throughout the year.

Deletion of Equipment

Deletions from the equipment records are necessary when items are lost, stolen, destroyed, traded, sold, become unserviceable or obsolete, or are declared surplus to departmental needs.

LOST, STOLEN, OR DESTROYED - When an item has been identified as lost, stolen or destroyed, it must be reported immediately to Police Services on a [Report of Lost or Stolen Property](#) form. Refer to [BF4017 - Recharge and Service Center Activities](#) for further information.

TRADE-INS - When a trade-in is desired, the department must notify the Accounting Office – [Financial Reporting](#) section. Financial Reporting will facilitate the transaction with Procurement and Contract Services.

SURPLUS ITEMS - When an item is no longer in use in the department, the department is required to surplus the equipment (see UM1816, Disposal of Surplus Property for additional information). A [work order](#) is completed for all equipment to be picked up by Physical Plant. For active inventory items, the department should request the transfer and work order through the [Fixed Asset Workflow](#) system. University-owned computers and portable devices or media must have all confidential and official University data erased from the computer or portable device or media prior to its transfer out of University control, and/or destroyed, using current best practices. Decals are to remain on the equipment.

CANNIBALIZATION - "Cannibalizing" is combining the usable parts of two items to make one workable unit. If the equipment is no longer being used by the department, the department may decide to remove parts in order to use these parts for other equipment items. Requests for cannibalization of equipment should be made through the [Fixed Asset Workflow](#) system.

ZERO VALUE - If equipment has reached its normal useful life, but is still being used by the department, the department may zero value the equipment. The department should request the removal through the [Fixed Asset Workflow](#) system. Decals should be maintained on the equipment, but marked "ZV" with a permanent marker. Departments should take every precaution to safe guard all state property, regardless of cost, at all times. The department may contact the Accounting Office - [Financial Reporting](#) section for assistance in developing an internal inventory maintenance method.

Donation of Equipment to the University

Donation of equipment to the University is coordinated through the Office of Development. A [Gift-In-Kind Acceptance Form](#) providing a description of the item, the department receiving the

equipment, and the value of the item is forwarded to the Accounting Office. The equipment will be tagged and added to the Fixed Asset system.

Grants and Contracts Purchases

Equipment purchased from grant funds will be tagged and inventoried. Title to and final disposition of equipment purchased from grant funds may vary depending upon the terms of the grant. The source of funds, particularly Federal funds, will be identified as part of the equipment inventory record.

Rented or Leased Equipment

In some situations, it is more economical for the University to rent or lease equipment rather than to purchase it. Further assistance may be obtained by contacting the Accounting Office - [Financial Reporting](#) section.

Works of Art

Works of art, historical treasures, and other similar assets should be capitalized whether held as individual items or as a collection. These can include, but are not limited to paintings, works of art on paper, photography, sculptures, maps, manuscripts, recordings, film, artifacts, textiles, and other memorabilia.

These items with a cost (or fair value at the date of donation) in excess of \$5,000 will be capitalized at their historical cost or fair value at the date of donation. Any collections already capitalized at June 30, 1999, will remain capitalized and any additions to such collections will be capitalized.

Collections that meet all of the following criteria will not be capitalized:

1. Held for public exhibition, education, or research in furtherance of public service rather than financial gain.
2. Protected, kept unencumbered, cared for, and preserved.
3. Proceeds from the sales of collection items must be used to acquire other items for collections.

Software

Software with a cost of \$100,000 or greater should be capitalized and amortized. Furthermore, management, in consultation with the Controller, may determine it is meaningful to capitalize certain software costing less than \$100,000. Capitalized software costs will include external direct costs of materials and services consumed in developing or obtaining internal-use computer software. Training costs are not

internal-use software development costs and should be expensed as incurred. Data conversion often occurs during the application development stage. Data conversion costs should be expensed as incurred. Internal costs incurred for maintenance should be expensed as incurred.

Amortization should begin when the computer software is ready for its intended use, regardless of whether the software will be placed in service in planned stages that may extend beyond a reporting period. Computer software is ready for its intended use after all substantial testing is completed. Software should generally be amortized over a period of 10 years and its useful life evaluated periodically.

Related Forms

[Gift-In-Kind Acceptance Form](#)

[Report of Lost or Stolen Property Form](#)

[Request for Off-Campus Use of Equipment Form](#)

[Tagging Log Form](#)

Links

[GE2029 - Lost or Stolen University Property](#)

[BF4027 Disposal of Surplus Property](#)

2D:01:06A, Insurance – Property, Liability and Other

1:2D;01:05, Reimbursement and Responsibility for the Loss or Damage of University Property Due to Negligence

[Fixed Asset Workflow Help](#)

[Fixed Asset Account Codes](#)

[List of Asset Types](#)

[FYFR001 – Fixed Asset Inventory Listing](#)

[Physical Plant Work Order Request](#)

Revision Dates

BF4025 – Rev: June 18, 2020
BF4025 - Equipment Inventory - supersedes policy number
UM1772 – Rev: April 1, 2018
UM1772 – Rev: February 3, 2017
UM1772 - Issued: July 23, 2014 - supersedes procedure number
2D:01:01H

Subject Areas:

Academic	Finance	General	Human Resources	Information Technology	Research	Student Affairs
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