



# **MANAGING YOUR DEPARTMENT'S CAPITALIZED EQUIPMENT**

**Financial Training Program  
Office of the Controller  
The Ohio State University**

**March 2008**





## ABOUT THE PRESENTERS

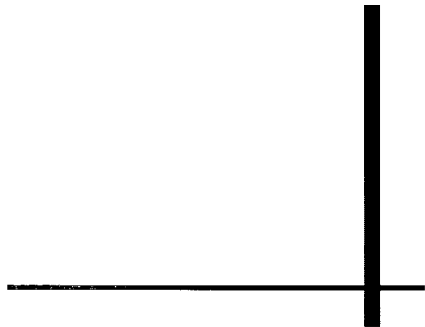
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# **MANAGING YOUR DEPARTMENT'S CAPITALIZED EQUIPMENT**

Presented by:  
The Department of Asset Management &  
Financial Training and Documentation  
January 2009

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# 1. OVERVIEW & DEFINITIONS

- A. Definition of Capitalized Equipment
- B. Some Statistics
- C. Stewardship of Assets
- D. OSU's Annual Financial Report
- E. The Asset Management System
- F. "Non-cap" Equipment



## A. Definition of Capitalized Equipment

- o **Capitalized equipment** consists of
  - moveable items that have
  - a probable useful life of one or more years, and
  - an original total cost or value of \$3,000 or more
- o Capitalized equipment includes
  - items bought with university funds of any kind
  - items donated to the university
- o All capitalized equipment must be
  - tracked in the Asset Management System, and
  - tagged



## Key Identifiers for Capitalized Equipment

- **The Asset ID number**
  - Unique identifier, up to 12 characters
  - The asset keeps the same asset ID through its complete life-cycle
- **The tag and the tag number**
  - The tag is a pre-numbered permanent label that identifies the item as OSU property
  - The tag number is a unique identifier, up to 10 characters, different from the Asset ID number
  - If an item is retagged, it receives a new tag number
- **The building code and room code**
  - Three-digit building code and multi-character room code
  - If the asset is moved, the room and building codes must be updated

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## B. Some Statistics

- There are 294 Equipment Coordinators
- The University's total property, plant and equipment value is \$2.8 billion
- This includes \$800+ million in capitalized equipment
- 49,500 items
- Annually, the University spends approximately \$100 million for capital equipment purchases

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## The Three Business Units

- The \$800+ million in capital equipment breaks down as follows:
  - OSUMC – 37%
  - OSURF – 19%
  - UNIV – 44%



## C. Stewardship of Assets

- All university employees have stewardship responsibility with regard to university assets
- **The Dean or Vice President and Senior Fiscal Officer (SFO)** have ultimate responsibility for the assets of the college or other area

### **At the Department Level:**

- **Administrative staff, Fiscal Officers and Business Officers** are specifically tasked with responsibility for the assets of their areas
- **Equipment Coordinators** are assigned specific responsibility for tracking capitalized equipment items, using the Asset Management System
- **Equipment Custodians** are responsible for the physical condition and location of the item



## “Sub-Certification”

- Sub-certification is an annual financial self-assessment procedure for each OSU college and VP area
- Its purpose is to ensure that each area uses the appropriate fiscal controls
- At the end of the fiscal year, the Dean or Vice President and the SFO sign a statement, certifying that the controls are in place
- There are 16 categories of controls in the sub-certification document
  - Examples: payroll, purchasing card, and capitalized equipment controls
- Internal Audit assesses compliance with the 16 points

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## Sub-Certification: Stewardship of Equipment

- Here is the self-assessment question on equipment:
  - “Does the college have processing and monitoring activities in place to ensure **effective custody over non-cash assets, including maintenance of accurate equipment inventory records**, measures to prevent loss/theft of items, and compliance with University surplus/disposal policies?”

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## D. OSU's Annual Financial Report

- o The value of OSU's capitalized equipment is reported each year on the University's Balance Sheet
- o The Balance Sheet is part of the University's annual external Financial Report
- o The report is reviewed by the University's external auditors before publication
- o It is available to the public on the Controller's website (<http://www.ctr.ohio-state.edu/>), and it is mailed to
  - controllers and VPs of finance at other universities
  - analysts at the financial and banking institutions who follow OSU's bond and debt ratings

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The principal source for this number is the Asset Management System

### NOTE 5 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 52,543	\$ 211	\$ 701	\$ 52,053
Improvements other than buildings	241,209	15,808	-	257,017
Buildings and fixed equipment	2,877,674	391,445	21,280	3,247,839
Movable equipment and furniture	806,761	81,517	67,310	820,968
Library books	162,924	3,472	2,629	163,767
Construction in progress	433,357	(151,782)	-	281,575
	4,574,468	340,671	91,920	4,823,219
Less: Accumulated depreciation	1,878,820	193,657	75,086	1,997,391
Capital assets, net	\$ 2,695,648	\$ 147,014	\$ 16,834	\$ 2,825,828

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## E. The Asset Management System

- The Asset Management System is a sub-set of the PeopleSoft Procurement System
- All Capitalized Equipment must be tracked in the Asset Management System
- Equipment Coordinators must be trained users of the Asset Management System
- NOTE: Within the Asset Management system an equipment item is called an “asset”

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## F. “Non-Cap” Equipment

- Non-capitalized equipment is movable equipment that has a useful life of one or more years and an original value of less than \$3,000
- Departments must track non-cap equipment. However, use of the Asset Management System is not required. The Senior Fiscal Officer for the college or VP area decides whether or not to use the system.

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## Non-Cap Equipment, cont.

- Although use of the Asset Management System is recommended, departments may choose to use an in-house program to track their Non-Cap Equipment
- Non-Cap equipment that is used off-site must bear a "Non-Cap Equipment" tag identifying it as university property
  - UNIV Asset Management provides the tags

End of Section 1

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## 2. THE KEY PLAYERS

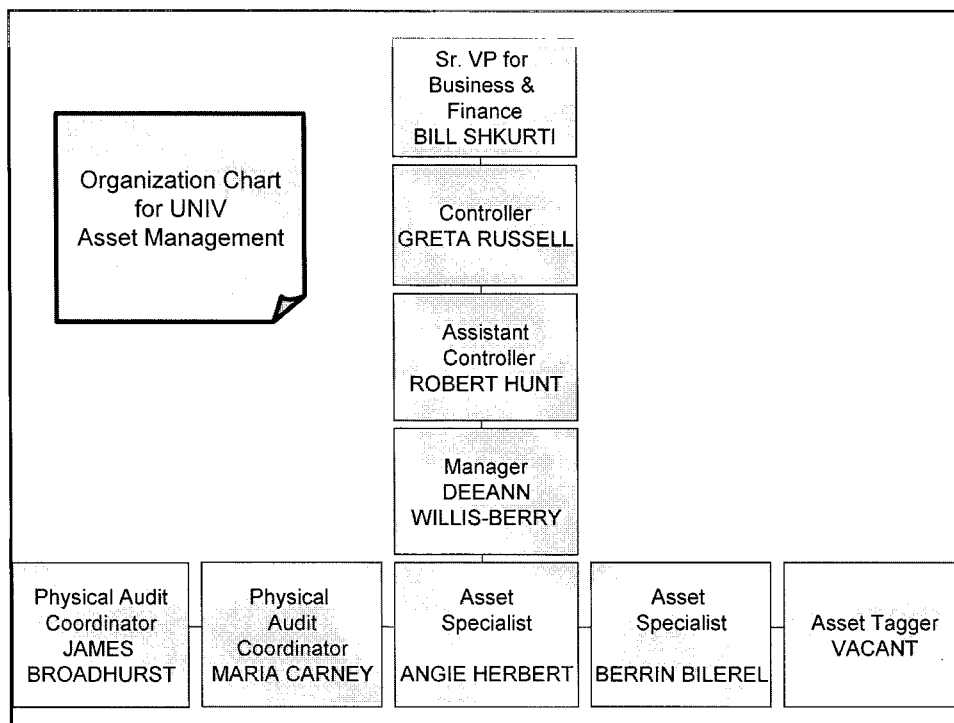
- A. The Asset & Property Management Departments
- B. College or VP Area
- C. Equipment Coordinator
- D. Equipment Custodian
- E. Surplus Materials Disposal

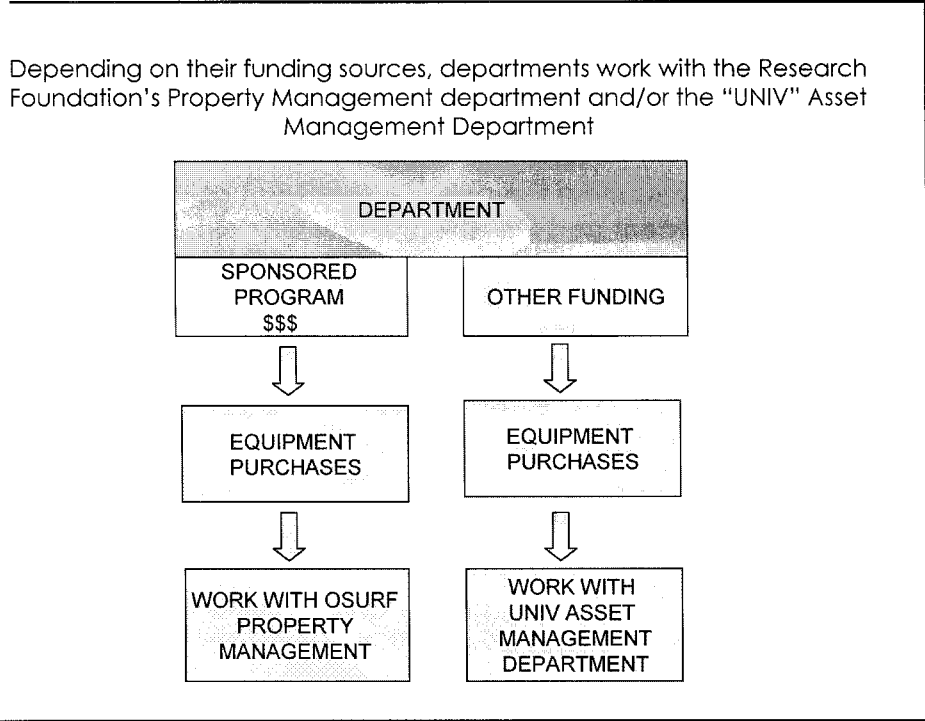
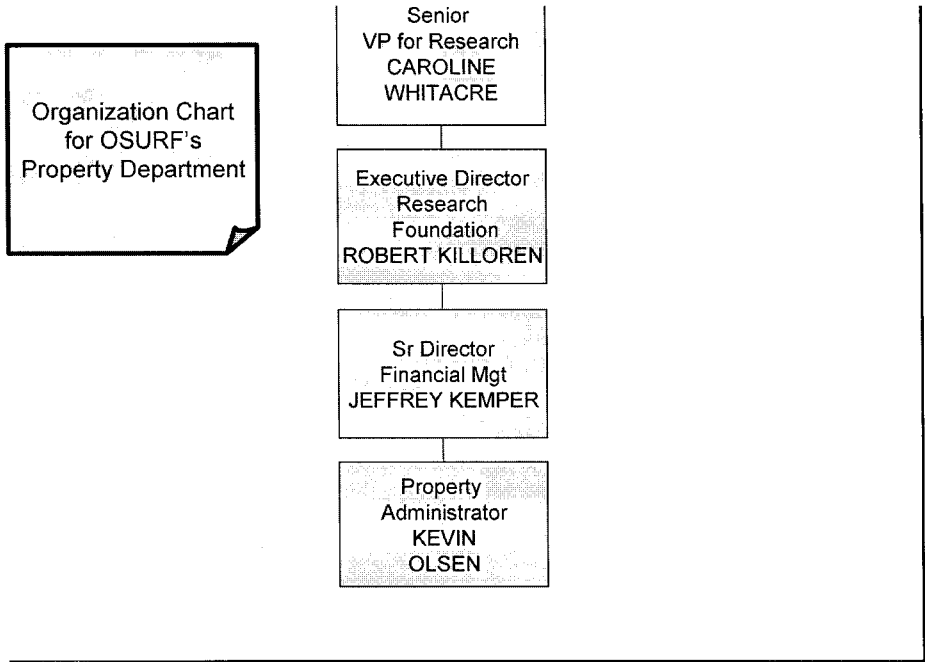


## A. The Asset and Property Management Departments

- o Three departments manage capitalized equipment at the University. They correspond to the University's three business units:
  - UNIV - Central University and regional campuses
  - OSURF - Ohio State University Research Foundation, responsible for the University's sponsored research projects
  - OSUMC - the Medical Center
- o This presentation refers to **UNIV Asset Management** and the **Research Foundation Property Department**, but not to OSUMC Asset Management

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## “UNIV” Asset Management

- The Asset Management Department has five principal responsibilities:
  - **Establishing and maintaining** records of assets in the Asset Management system
  - **Communicating** with the Equipment Coordinators
  - **Tagging** the University's capitalized equipment at Central Receiving
  - **Coordinating and performing** audits
  - **Retiring** capitalized equipment in the system after approval by the Dean or VP

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## B. The College or VP Area

### **Representing the college, the Dean or Vice President and the Senior Fiscal Officer . . .**

- **Review and sign** the college's annual Self Audit report, certifying its accuracy
- **Approve** all retirement and inter-departmental transfers of capitalized equipment
- **Review and sign** the annual Sub-certification document, attesting that appropriate controls are in place to ensure stewardship of non-cash assets, including capitalized equipment

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## C. The Equipment Coordinator . . .

- **Tracks** each item of capitalized equipment through its life-cycle, from delivery to disposal, in the Asset Management System
- **Pays special attention** to building and room codes
- **Communicates** with the Equipment Custodians
- **Tracks** any off-campus use of equipment
- **Works with** Asset Management to complete the required audits of capitalized equipment
- In many departments, also **tracks non-capitalized equipment**

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## Equipment Coordinator, cont.

- If equipment items are delivered directly to the department, the Equipment Coordinator
  - **Receipts** each item in the Receiving pages in the Procurement System as soon as it is received
  - **Tags** the item as soon as he/she receives the tags from Asset Management
  - **Enters** the tag number into the system
  - **Enters** the item's building number and room number

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## D. The Equipment Custodian . . .

- o **Is responsible** for the physical condition and location of the equipment item
- o **Communicates** with the Equipment Coordinator
- o **Promptly informs** the Equipment Coordinator of any change in equipment status
- o **Pays special attention** to building and room codes
- o **Signs** the "Agreement for Assignment of University Equipment" (form AM0004) for any equipment that is to be used off campus
- o **NOTE:** The name of the Custodian of each item of capitalized equipment must be recorded in the Asset Management System

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## E. Surplus Materials Disposal

- o Surplus Materials Disposal is the department responsible for proper disposal of university equipment
  - of any kind
  - of any monetary value
- o All equipment items, whether purchased with university funds or received as gifts, must be disposed of through Surplus Materials Disposal
- o **Departments may not sell or otherwise dispose of equipment items independently of Surplus Materials Disposal**
- o Note: Regional campuses have approved procedures in place. Contact Surplus Materials Disposal for guidance.

End of Section 2

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### 3. THE INDIRECT COST RATE

- A. A Key Role of The Equipment Coordinator
- B. Definition and Examples
- C. Calculating the Indirect Cost Rate



#### A. A Key Role of The Equipment Coordinator

- o By correctly tracking **building and room codes** in the Asset Management System, the Equipment Coordinator helps to maintain the data-base used to calculate and support the University's **indirect cost rate for sponsored research**



## B. The Indirect Cost Rate - Definition & Examples

- When a federal research sponsor, such as the National Institutes of Health, supports research at a university, they pay both the **direct** and the **indirect costs** of the research
- It's important to keep the two types of costs separate
- Note: Federal sponsors use the term "Facilities and Administrative Costs"

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## Direct vs Indirect Costs

- **Direct costs** are the costs that are most easily associated with the research project, such as researcher salaries and benefits, specialized equipment, and supplies
- **Indirect costs** are the costs that cannot easily be allocated to individual projects (such as libraries, heating and lighting laboratories, salaries of support staff, etc.)
- When paying the indirect costs, the sponsor pays them as a percentage of the direct costs

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## Indirect Costs – Example

- o The Federal Department of Health and Human Services funds a \$3 million research project on Bioethics, to be carried out at OSU

Direct cost of grant:	\$3 million	\$\$ restricted to research project
Indirect costs covered by federal sponsor:	\$1.5 million	Unrestricted \$\$ (General Funds)
Total received from federal sponsor:	\$4.5 million	

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## The Federal Indirect Cost Recovery Rate

- o OSU has an indirect cost recovery rate of 50% from federal sponsors
- o From other sponsors (e.g., some corporations), the rate is often lower than 50%
- o The national average from federal sponsors is 47.5%
- o The university receives approximately \$72 million per year in indirect cost recoveries
- o Each percentage point represents approximately \$1.2 million per year

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● ● ● | C. Supporting the Indirect Cost Rate

- Equipment costs are a key component of both direct and indirect costs
- When the university negotiates the indirect cost rate, it is essential to be able to prove to federal auditors
  - that we have the equipment
  - and that we know its location
- Building and room codes are essential

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It's crucial to ensure that building and room codes are correct

Home | Worklist

New Window

Location/Comments/Attributes | Custodian/License/MFO

Unit: UNIV    Asset ID: 000001033479    Xserve G5 Dual 2.3 GHz    Tag: 01143303

Location Find | View All

Effective Date: 10/04/2005    Effective Sequence: 1

Location: 004-266    Eighteenth Avenue-266

Address: 209 W 18th Ave    Building: 004

City: Columbus    Room/Floor: RM 266

County: Fran    Sector: 18TH,209 W

State: OH Ohio    Jurisdiction:

Country: USA United States    Postal: 43210

Geo Code:

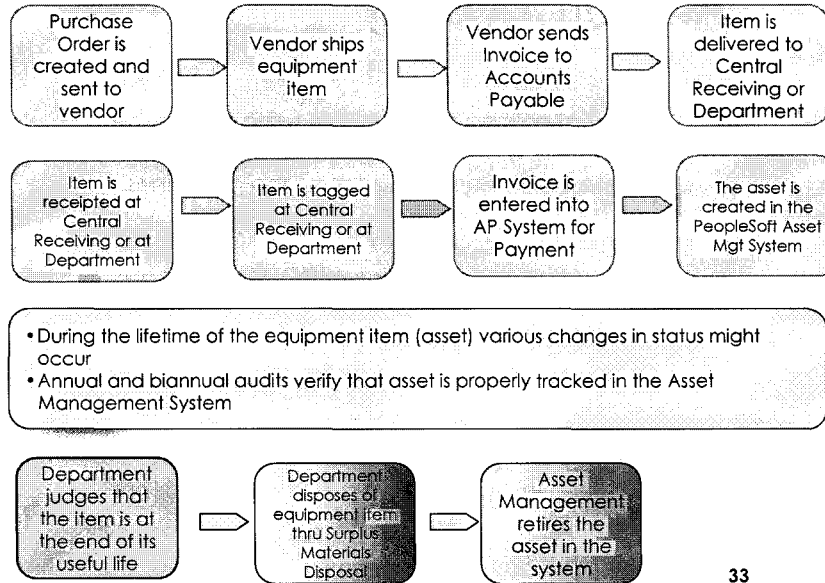
Document:

Authorization

Status:    Date:

Name:

## THE EQUIPMENT OR ASSET LIFE-CYCLE



## 4. ACQUIRING EQUIPMENT

- A. Purchasing
- B. Delivery
- C. Receipting
- D. Creation of Asset
- E. Tagging



## A. Purchasing

- Equipment purchases are made using the on-line Procurement system
- Equipment purchases must follow the guidelines issued by the Purchasing department. See <http://purchasing.osu.edu/>
- The Initiator of the requisition or PO must indicate
  1. that the item is capitalized
  2. the appropriate category code
- If the future building and room codes are known, these should also be included
- Capitalized equipment may not be purchased using a blanket order

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## Importance of the ChartField

- For capitalized equipment use an account from the range 65311-65399
- For non-cap equipment use range 65511-65599
- You can find the specific accounts in
  - the *Chartfield Reference Guide* or
  - the Chartfield Informational Reports in eReports Portal
- It is important to use the correct fund, e.g., 011000, 2xxxxx, 5xxxxx. The fund number indicates the source of the moneys used for the purchase.

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## Bundled Equipment

- Bundled equipment is equipment made up of separate components. The components might each be under the \$3,000 capitalization threshold. Bundled together they form an equipment item that reaches the threshold.
- When purchasing bundled equipment, the Initiator of the requisition or PO must indicate, in the standard comments field, which lines on the Purchase Order are to be bundled
  - this allows Asset Management to know which lines make up the capitalized asset

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## B. Delivery

- Whenever possible, UNIV and OSURF capital equipment purchases should be delivered to Central Receiving
- Central Receiving is located close to the campus, on Kenny Road. The location permits ease of delivery and security for delivered items.
- Requisitions for capitalized equipment should contain the ship-to code for Central Receiving (381)

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## B. Delivery - Exceptions

- For items that cannot effectively be processed in Central Receiving, exceptions are made
  - See "Central Receiving Exceptions" at <http://www.ctr.ohio-state.edu/equipment/equip.shtm#instruction>

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## C. Receipting

- The equipment item must be receipted in the Receiving pages of the Procurement system as soon as it is received
- If it is delivered to Central Receiving, a Central Receiving employee receipts it in the system
- If it is delivered to the department, the Equipment Coordinator must receipt it as soon as it is received

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## D. Creation of the Asset

- Usually, the vendor issues the invoice at the time the item is shipped
- The Asset Management System creates the asset when
  - the invoice has been entered into the Accounts Payable System for payment **and**
  - the item has been receipted in the Receiving pages of the Procurement System
- When the asset is created, the Asset Management System assigns the asset ID number
  - NOTE: the asset keeps the same asset ID throughout its life-cycle

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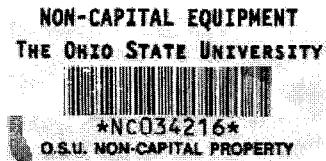
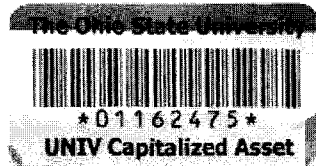
## E. Tagging

- All capitalized equipment must be tagged, if taggable
- The asset ID and tag number are used in
  - the University's annual External Audit
  - the bi-annual Physical Audits
  - the annual department Self Audits
  - the annual Research Audits

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## Tags for Cap and Non-cap Equipment



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## Tagging, cont.

- Tagging consists of two steps
  - affixing the tag to the equipment and
  - entering the tag number into the Asset Management System
  
- The tag should be placed
  - on a flat, visible surface
  - on the front upper right front of the item or
  - where it can be easily scanned, using a hand-held scanner

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## Tagging items received through Central Receiving

- An Asset Management staff member goes to Central Receiving every day, reviews items received, and tags them
- Asset Management cannot tag the item if it is
  - crated and/or
  - bundled
- If Asset Management cannot tag the item, it must be tagged by the Equipment Coordinator when delivered to the department

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## Tagging items delivered directly to the department

- The Equipment Coordinator must tag these items
- Asset Management mails the tags to the Equipment Coordinator, via University Mail Services
- Equipment Coordinators should
  - tag the item immediately after receiving the tag and
  - enter the tag number into the **Tag Number** field in the Asset Management System
  - send the "Asset Tagging Form" back to Asset Management certifying that the item has been tagged

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## Untaggable Items

- Some items cannot be tagged because of
  - small size
  - number of components or
  - delicate nature
- In these cases, the Equipment Coordinator should note “untaggable” in the comment field in the Asset Management System
- The tag number should be entered into the system
- The tag should be kept with the invoice, in department files

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## Tagging “Non-Cap” Equipment

- Departments must track non-capitalized equipment (items with a value of less than \$3,000)
- If the department chooses to track non-capitalized items using the Asset Management System, they should:
  - tag the equipment
  - retire it from the system when it is no longer in use
- The Asset Management department provides non-capitalized equipment tags on request

End of Section 4

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## 5. CHANGES IN EQUIPMENT STATUS

- A. Transfer to another Department or "Org"
- B. Location Change
- C. Off-site Use
- D. Transfer to Another University
- E. Trade-in



### Equipment Coordinator Responsibilities

- When equipment changes status, the Equipment Coordinator is responsible for providing Asset Management with all necessary forms, such as
  - "Agreement for Assignment of University Equipment" (AM0004)
  - Asset Retirement form (AM0001)
- Locate these interactive forms on the Asset Management website: <http://www.ctlr.ohio-state.edu/equipment/equip.shtm#form>

## A. Transfer to Another Department or "Org"

- o If the ownership of equipment is transferred between OSU organizations, form AM0003, "OSU Equipment Ownership Transfer," must be submitted to Asset Management
- o Include
  - asset ID and tag number
  - new building and room numbers
  - org to which the equipment is being transferred

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**EQUIPMENT OWNERSHIP TRANSFER FORM (AM0003)**  
(Both Org Dept. Signatories Are Required For Form Completion)

Organization (Dept.) Name/Number \_\_\_\_\_

Printed Name of Equipment Custodian \_\_\_\_\_ Signature/Date \_\_\_\_\_

I request the ownership of the equipment listed below be transferred out of my organization.

Printed Name of Relevant Dean or Vice President \_\_\_\_\_ Signature/Date (required) \_\_\_\_\_

Printed Name of Custodian/Principal Investigator \_\_\_\_\_ Signature/Date (required) \_\_\_\_\_

Asset ID	Tag Number	Project Number	New Org./Dept. Number	New Org./Dept. Name	New Location Code (Bldg./Room Number (e.g., 10000))

I request the ownership of the above equipment be transferred into my organization.

Printed Name of Relevant Dean or Vice President \_\_\_\_\_ Signature/Date (required) \_\_\_\_\_

**Send Completed Form To:**

<b>CLASIS</b> Asset Management 2170 Broadway Hall MS 304211 Phone: 324-6048	<b>GLRC</b> Asset Management 600 Research Quadrangle 2000 Center Street Rm. 324-6070 Phone: 324-6048
---	---

AM0003 Revised Dec 2008

Form AM0003:  
"Equipment  
Ownership  
Transfer"

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## Transfer to another department or org, cont.

- Transfers between departments are done by the appropriate Asset Management department, not the owner department
- Send the Ownership Transfer form to
  - for UNIV equipment: Asset Management,
  - for OSURF equipment: OSURF Property Management
- The department **from which** the item is being transferred is responsible for obtaining the Dean or VP signature for **both** parties

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## B. Location change

- Correct building and room codes are essential !!
- If the owner org does not change but the equipment is moved to another room or building . . .
  - the room and/or building code(s) must be immediately changed in the Asset Management System
  - this should be done by the Equipment Coordinator. However, if you notify Asset Management they can do it for you, if necessary.

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## C. Off-site Use

- o **Off-site use of university equipment is permitted. However, because this equipment is at increased risk of loss or theft, several restrictions apply.**
- o University equipment used off campus must be used **only**
  - for university purposes
  - by university personnel
- o All equipment – both capitalized and non-capitalized – used off-site must be tagged

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## Off-site Use, cont.

- o The Equipment Custodian is the person responsible for the equipment. Therefore, if equipment is used off-site, the Custodian field in the Asset Management System **must** be completed.
- o Off-site equipment is included in all audits. The equipment must be brought back to the campus for Physical Audits and Research Audits.

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## ● ● ● | Form AM0004, "Agreement for Assignment of University Equipment"

- Form AM0004 must be completed for each equipment item – whether capitalized or non-capitalized - used off-site
- Include in the custodian field
  - the name of the individual who has the equipment
  - the name of the person who authorized the off-campus location
- The original form must be kept in the department's files, available for audit purposes as necessary

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## ● ● ● | D. Transfer to Another University

- Before transferring equipment to another university, always verify that any grantor or donor restrictions permit the transfer
- For OSURF equipment
  - the transfer must meet all government or sponsor regulations
  - obtain permission from the Research Foundation
- For a gift
  - donor restrictions and possible tax implications for the donor must be considered
  - communicate with the Planned Giving office to ensure the item can be transferred

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## Transfer to Another University, cont.

- **In addition**
  - form AM0005, "Permanent Transfer/Sale of OSU Property," must be completed and submitted to Asset Management
  - and**
  - any other records associated with the equipment must be made available to Asset Management, permitting Asset Management to communicate them to the new institution as necessary

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## E. Trade-in

- Departments may trade in outdated equipment
- On the Purchase Order for the new item include in the standard comments field
  - the word "TRADE-IN"
  - the Asset ID
  - the trade-in value
- Asset Management then retires the outgoing equipment item (asset) in the Asset Management System

End of Section 5

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## 6. DISPOSAL AND RETIREMENT

- A. End of Useful Life
- B. Disposal
- C. Retirement



### A. Equipment reaches end of useful life

- o The department, approved by the college or VP area, determines when an equipment item has reached the end of its useful life



## B. Disposal of Surplus Equipment

- "Surplus" refers to equipment
  - purchased with university funds, or donated to the University
  - that is no longer in active use
- All equipment, including non-capitalized equipment, becomes "surplus" when no longer needed, and must be disposed of via the Office of Surplus Materials Disposal
- The Equipment Custodian is responsible for identifying items that are surplus to the department's needs and must notify the Equipment Coordinator
- There must be an initiator and an approver in each department in order to process surplus equipment through the Surplus Property Management System

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## Disposal of Equipment, cont.

- A Disposal Request in the Surplus Property Management System (SPMS) must be completed for each item that is to be disposed of
- The tag number of the surplus item must be indicated on the Disposal Request
- Asset Management reviews SPMS daily and retires assets in the Asset Management system, as necessary

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## Disposal of Equipment, cont.

- Removal of equipment to Surplus Materials Disposal must be approved in SPMS, by the designated approver
- Approval must be obtained before disposal, not after the fact
- Items may be discarded only with the approval of Surplus Materials Disposal
  
- When trading in or disposing of vehicles, contact Transportation and Parking Services. Visit <http://www.tp.ohio-state.edu> for additional information.

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## C. Retiring Equipment

- Retiring equipment means inactivating it in the Asset Management system.
  - Note that the record is inactivated, not deleted
- Physical disposition of the equipment (such as selling it or recycling it) is done through the office of Surplus Materials Disposal

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## Retiring items not disposed of by Surplus Materials Disposal

- You must ask Asset Management to retire your asset if the item is . . .
  - destroyed by a natural disaster
  - destroyed in some other way
  - stolen
  - salvaged for parts ("cannibalized")
  - transferred to a state agency
  - traded in
  - lost
  - returned to the research sponsor
  - equipment that should be reclassified as "fixed" equipment

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## Retiring items Not Disposed of by Surplus Materials Disposal

- Send form AM0001, the "OSU Equipment Retirement Form," to Asset Management with all appropriate signatures and information
- Dean or VP signature is required
- Asset Management's review and approval is also required
- Remember: Asset Management, not the owner department, retires the item in the Asset Management System

End of Section 6

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## **7. FEDERAL REGULATIONS AND DEPARTMENTAL AUDITS**

- A. Importance of Compliance**
- B. Circulars A-21, A-110 and A-133**
- C. A-21**
- D. A-110**
- E. Physical Audits**
- F. Self Audits**
- G. A-133**
- H. Research Audits**
- I. Space Audits**



### **A. Importance of Compliance**

- o **Compliance means properly following federal, state and other applicable laws and regulations, and university policy**
- o **By demonstrating compliance the University shows sound fiscal management and maintains its reputation and image**



## Public Records

- Almost all the University's financial information is public information
  - Any member of the public can request information
  - Any sponsor can "spot audit" the research they have funded
  - Any donor can request a report on use of their gift
- The Auditor of State oversees all government entities; can review at will, publicize issues, etc.

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## B. Circulars A-21, A-110 and A-133

- A-21, A-110 and A-133 are federal government directives that give the rules for funding sponsored research
- The texts of these Office of Management and Budget (OMB) circulars can be found at <http://www.whitehouse.gov/omb/circulars/index.html>

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http://www.whitehouse.gov/omb/circulars/index.html



**OFFICE OF  
MANAGEMENT AND BUDGET**

OMB Home White House Website

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**Information & Regulatory Affairs**

Instructions or information issued by OMB to Federal agencies. These are expected to have a continuing effect of two years or more. To obtain circulars that are not available on-line, please call the Office of Management and Budget's information line at (202) 395-3080. Choose from one of two options: Circulars arrayed by numerical sequence; or Circulars indexed by major category.

- Budget
- State and Local Governments
- Educational and Non-Profit Institutions
- Federal Procurement
- Federal Financial Management
- Federal Information Resources / Data Collection
- Other Special Purpose

**OMB Circulars in Numerical Sequence**

OMB Circular A-1, System of Circulars and Bulletins to Executive Departments and Establishments (08/07/1952)

OMB Circular A-4, Regulatory Analysis (09/17/2003) HTML or PDF (435K)



## A-21, A-110, A-133, cont.

- Central OSU offices (Office of Research, the OSU Research Foundation, and the Office of the Controller) take the lead in ensuring compliance with OMB Circulars A-21, A-110 and A-133
- Departmental staff with equipment inventory and other fiscal responsibilities should have a basic level of awareness regarding these federal compliance requirements



## C. OMB Circular A-21

- The federal government provides rules on accounting for the costs of organized research and other "sponsored agreements"
- These rules are found in OMB circular "A-21"
- When the University negotiates a new Facilities & Administrative (Indirect) Cost Rate, it is important to be able to show compliance with A-21
  
- **Equipment coordinators help the University comply with A-21 by maintaining correct building and room codes in the Asset Management system**

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## D. OMB Circular A-110

- The federal government provides rules to ensure that direct and indirect costs are consistently determined
  - across research institutions and
  - within research institutions
- These rules are provided in OMB circular "A-110"
- A-110 stipulates that "a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years"
  
- **OSU's bi-annual Physical Audits and annual Self Audits are designed to maintain compliance with A-110**

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## E. Physical Audits

- o **Physical Audits are designed to maintain compliance with the Federal Government requirements expressed in Circular A-110**
- o Physical Audits occur over a two-year cycle. The goal is for every department to have 100% of its capitalized equipment audited by Asset Management once every two years.
- o "Physical Audit" means that the Asset Management auditor visits in person
- o Asset Management schedules Audits with Equipment Coordinators
- o Equipment Coordinators are responsible for allowing the Auditor access to all equipment

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## Physical Audits: Requirements

- o Some of the requirements of a Physical Audit are
  - the department knows the location of each item
  - form AM0004, "Agreement for Assignment of University Equipment," is on file for all equipment assigned to off-site use
  - equipment used off-site is brought in for the audit
  - all asset information is current in PeopleSoft (building and room code, tag number, custodian, manufacturer, model, serial number, etc.)
  - the inventory tag is current and legible
  - for any retired assets, the asset disposition is accurately reflected in the Asset Management system

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## Physical Audits, cont.

- In order to complete the audit, Asset Management sends the Equipment Coordinator
  - a report of the audit findings
  - any needed instructions on how to improve the tracking of equipment
  - the deadline for completion of instructions
- Once the audit is complete, a final report is sent to the Dean or Vice President and SFO
- Internal Audit receives a copy of any audits that do not meet minimum standards

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## F. Self Audits

- **Like Physical Audits, Self Audits are designed to maintain compliance with the Federal Government requirements expressed in Circular A-110**
- Also called "Physical Inventory and Equipment Review Audits"
- Self Audits are annual reviews of capitalized equipment, performed by the department
- Asset Management makes available a "snap-shot" of each department's capitalized equipment as of June 30 each year and this is used as the basis for the audit

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## Self Audits, cont.

- Results of the Self-Audit must be signed by the Dean or VP, and the SFO, and returned to Asset Management by August 31st each year
- An Excel spreadsheet listing the organizations that have not completed their annual Self-Audits can be accessed from the Asset Management website at: <http://www.ctlr.ohio-state.edu/equipment/equip.shtm#instruction>
- Note: Effective July 2008, Asset Management no longer mails the Physical Audit Inventory and Equipment Review reports to the departments. They are available online via eReports

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## G. OMB Circular A-133

- Organizations that receive significant amounts of federal funding (such as research funding or student financial aid) are subject to annual compliance audits
- The rules for these audits are provided in OMB Circular A-133
- The results of the annual A-133 audit, including any findings of non-compliance, are reported to the U.S. Department of Health and Human Services and other federal agencies
- **OSU's annual Research Equipment Audits are designed to maintain compliance with the requirements expressed in Circular A-133**

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## H. Research Equipment Audits

- Research Equipment Audits are performed in conjunction with the department's bi-annual physical audits
- The goal is to ensure that all research equipment is located in research space
- UNIV Asset Management (not OSURF Property Management) performs the audit
- Only departments with research space are required to have this kind of audit

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## Research Equipment Audits, cont.

- Asset Management contacts Equipment Coordinators to schedule the audits
- Equipment Coordinators are required to provide access to all research space within their department
- In completion of the audit, the auditor recommends any needed building or room code changes

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## I. Space Allocation Audits

- Research Equipment Audits should not be confused with Space Allocation Audits
- Space Allocation Audits determine the amount of University space that is designated as research space
- Space Allocation Audits are performed by Planning and Real Estate and they typically take place every three years

End of Section 7

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## 8. SUMMARY OF KEY POINTS

1. As a steward of public funds, the University must comply with all federal and state regulations
2. University Equipment Coordinators play a crucial role in the compliance process
3. By correctly tracking building and room codes, Equipment Coordinators also play a crucial role in supporting the University's indirect cost calculations
4. All capitalized assets must be recorded in the PeopleSoft Asset Management System and tagged
5. All deliveries of capitalized equipment must be receipted in PeopleSoft; if they are not, the asset is not created in the system
6. Items no longer in use must be disposed of using the services of the Surplus Materials Disposal department
7. To maintain compliance with federal regulations, audits are mandatory; self-audits must be performed every year

## **9. CONTACTS FOR FOLLOW-UP**

For questions regarding identification of capitalized equipment or use of the Asset Management System, contact DeeAnn Willis-Berry at 688-4788

For questions on buying capitalized equipment, contact the Purchasing Department at 688-8200

For questions regarding delivery and receiving, contact Central Receiving at 292-6035

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# EQUIPMENT RETIREMENT FORM (AM0001)

(This Form Is Not To Be Used For Surplus Assets)

DATE OF REQUEST \_\_\_\_\_

EQUIPMENT COORDINATOR \_\_\_\_\_

ORGANIZATION/DEPT NUMBER \_\_\_\_\_

ORGANIZATION/DEPT NAME \_\_\_\_\_

**The equipment listed below should be removed from The Asset Management System for the reasons indicated.**

Asset ID	Tag Number	Project Number	Asset Description	Serial Number	Disposal Code*

\_\_\_\_\_  
Printed Name of Custodian or Principle Investigator

\_\_\_\_\_  
Signature/Date

\_\_\_\_\_  
Printed Name of Equipment Coordinator

\_\_\_\_\_  
Signature/Date

\_\_\_\_\_  
Printed Name of Relevant Dean or Vice President

\_\_\_\_\_  
Signature/Date **(required)**

\_\_\_\_\_  
Signature of Central Research Foundation Asset Management

\_\_\_\_\_  
Date (OSURF Assets only)

**Send Completed Form To:**

University:	OSURF:
Asset Management	Asset Management
2070 Blankenship Hall	400 Research Foundation
901 Woody Hayes Drive	1960 Kenny Road
Fax: 292-1121	Fax: 292-6870
Phone: 292-6048	Phone: 292-0844

\*SEE NEXT PAGE FOR INSTRUCTIONS AND DISPOSAL CODES

This form should be used to retire equipment that was not transferred to surplus for disposal. The department head is responsible for all equipment assigned to their area and every possible effort to locate the equipment should be made before a retirement is requested. Retirement of any OSURF equipment that is a capitalized asset requires a PI signature.

<b><u>LONG NAME</u></b>	<b><u>CODE</u></b>	<b><u>SHORT NAME</u></b>
Destroyed by Natural Disaster	<b>Y</b>	NDDestroy
Disposal Due to Theft	<b>F</b>	Theft
Salvaged (Cannibalized)	<b>C</b>	Cannibal
Transferred to Another State Agency	<b>Q</b>	TrfrStAg
Traded In	<b>T</b>	Trade-In
Disappeared	<b>D</b>	Disappeared
Destroyed (Other than "Act of God")	<b>Z</b>	Destroyed
Returned To Sponsor OSURF Only	<b>J</b>	Sponsor
Reclassified as Fixed Equipment	<b>H</b>	Reclassify

## ADDITIONAL ITEM FORM (AM0002)

NAME OF REQUESTOR: \_\_\_\_\_  
DATE OF REQUEST: \_\_\_\_\_  
ITEM DESCRIPTION: \_\_\_\_\_  
ACQUISITION DATE: \_\_\_\_\_  
ASSET CONDITION: \_\_\_\_\_  
CATEGORY/PROFILE: \_\_\_\_\_  
ASSET COST: \_\_\_\_\_  
VOUCHER NUMBER: \_\_\_\_\_  
SPONSOR AWARD NUMBER: \_\_\_\_\_  
P.O. NUMBER: \_\_\_\_\_  
ORGANIZATION/DEPT NUMBER: \_\_\_\_\_  
FUND NUMBER: \_\_\_\_\_  
PROJECT NUMBER: \_\_\_\_\_  
PROGRAM NUMBER: \_\_\_\_\_  
USER DEFINED: \_\_\_\_\_  
LOCATION CODE (BLDG #-ROOM# e.g. XXX-XXX): \_\_\_\_\_  
SERIAL NUMBER: \_\_\_\_\_  
MANUFACTURER: \_\_\_\_\_  
MODEL NUMBER: \_\_\_\_\_  
CUSTODIAN/PI: \_\_\_\_\_  
VENDOR: \_\_\_\_\_

Additional Comments:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Printed Name of Custodian/Principle Investigator

\_\_\_\_\_  
Signature/Date

\_\_\_\_\_  
Printed Name of Equipment Coordinator

\_\_\_\_\_  
Signature/Date

\_\_\_\_\_  
Printed Name of Relevant Dean or Vice President

\_\_\_\_\_  
Signature/Date (**required**)

**Send Completed Form To:**

University:  
Asset Management  
2070 Blankenship Hall  
901 Woody Hayes Drive  
Fax: 292-1121  
Phone: 292-6048

OSURF:  
Asset Management  
400 Research Foundation  
1960 Kenny Road  
Fax: 292-6870  
Phone: 292-0844

See next page for Instructions

## INSTRUCTIONS FOR ADDITIONAL ITEM FORM

This form is used to add item(s) to your inventory that meet the definition of capitalized equipment, but are not currently listed on your Physical Inventory Report. The definition of a capitalized asset would be any item that costs at least \$3000, has a useful life of at least two years, and is not a permanent part of a building or structure.

### **DEFINITIONS:**

**Description-** A complete description of the item including type, manufacturer if known, color, and dimension.

**Asset Condition-** This code indicates the condition of the piece of equipment as follows:

- A1** New/Unused-Excellent Condition.
- A4** Used Property/Good Condition.
- A5** Used Property/Fair Condition.
- A6** Used Property/Poor Condition.
- F7** Minor Repairs Required/Good Condition
- F8** Considerable Repairs Required/Fair Condition
- F9** Major Repairs Required/Poor Condition
- S** Scrap/Beyond Repair.
- X** Salvage/Beyond Economic Repair.

**Location:** Building and room number where the equipment is located.

**Serial Number:** A number specific to that specific item. Can be any length and combination of numbers and letters. Usually located on the back of the equipment or under a panel.

**Model:** The specific model of the item. This can be either a number or a name and is usually located on the item near the serial number.

**Cost:** The amount paid for the item including freight and installation.

**Voucher:** The number assigned by Accounts Payable to initiate payment, which is put on the invoice during processing.

**Acquisition Date:** The date the asset invoice was paid by Accounts Payable and receipted by your department. If donated, this information is on the gift information form.

**P.O. Number:** The number of the Purchase Order or 100W used to obtain the equipment.

**Vendor:** The name of the company who sold you the equipment. In the case of a gift list Donor here.

**EQUIPMENT OWNERSHIP TRANSFER FORM (AM0003)**  
 (Both Org/Dept Signatures Are Required For Form Completion)

\_\_\_\_\_  
 Organization (Dept) Name/Number

\_\_\_\_\_  
 Printed Name of Equipment Coordinator

\_\_\_\_\_  
 Signature/Date

I request the ownership of the equipment listed below be **transferred out** of my organization.

\_\_\_\_\_  
 Printed Name of Relevant Dean or Vice President

\_\_\_\_\_  
 Signature/Date (required)

\_\_\_\_\_  
 Printed Name of Custodian/Principle Investigator

\_\_\_\_\_  
 Signature/Date (required)

Asset ID	Tag Number	Project Number	New Org./Dept Number	New Org./Dept. Name	New Location Code Bldg-Room Number (xxx-xxxxx)

I request the ownership of the above equipment be **transferred into** my organization.

\_\_\_\_\_  
 Printed Name of Relevant Dean or Vice President

\_\_\_\_\_  
 Signature/Date (required)

**Send Completed Form To:**

University:  
 Asset Management  
 2070 Blankenship Hall  
 901 Woody Hayes Drive  
 Fax: 292-1121  
 Phone: 292-6048

OSURE:  
 Asset Management  
 400 Research Foundation  
 1960 Kenny Road  
 Fax: 292-6870  
 Phone: 292-0844



## AGREEMENT FOR ASSIGNMENT OF UNIVERSITY EQUIPMENT

You have been assigned University-owned equipment (listed below) to complete your job duties and, accordingly, you are temporarily assuming responsibility for the item(s).

The University is deeply concerned with safety in the workplace. If you are unsure of the proper and safe way to use any piece of equipment, you must contact your supervisor immediately. You should never use any piece of equipment in a way that you know or suspect may be unsafe. Likewise, you should immediately report any problems or damage to, or resulting from, a University piece of equipment as well as any theft of the equipment.

You should take reasonable precautions to protect the equipment and comply with any applicable University policy regarding use of the equipment. You also should not use University equipment for non-work related tasks, or allow non-employees to use the equipment. When the task has been completed for which the equipment was needed, you must promptly return it.

Failure to return or properly account (by, for instance, explaining the reasonable precautions that were taken) for equipment belonging to The Ohio State University will result in, among other things, deductions from your pay. Specifically, the value of the equipment will be deducted from your next paycheck after you have been requested to return the equipment. At no time, however, will deductions be made that reduce your pay to a level below the minimum wage. If this problem arises, the deductions will be evenly spaced out over as many paychecks as are needed to ensure you are paid the minimum wage. If your employment with the University ends before the cost of the equipment has been recovered from your pay, the remaining (or, if applicable, the entire) value of the equipment will be deducted from any accrued vacation or other paid benefits that are typically paid out upon separation of employment. The University may also pursue other legal and criminal remedies if warranted.

**I, \_\_\_\_\_ (print name) acknowledge the foregoing terms of using University-owned equipment and agree to abide by its terms.**

\_\_\_\_\_  
Date Custodian/Principle Investigator Signature (Required)

\_\_\_\_\_  
Date Equipment Coordinator Signature (Required)

\_\_\_\_\_  
Date Relevant Dean or Vice President Signature (Required)

**Equipment Issued:**

Asset ID Number	Tag Number	Project Number	Asset Description	Date Issued	Employee's Initials for Issuance	Return Date	Employee's Initials for Return	Coordinator's Initials for Return

**Note:**

- These items must be tagged before going off campus
- A copy of this form must be kept on file within the organization or department and provided to HR promptly (and no later than 25 days after the employee's resignation or termination) so that payroll/vacation account deductions may be made.
- A copy of this form must be submitted to the appropriate business unit office.

**Send Completed Form To:**

<p><u>University:</u>                  Asset Management                  2070 Blankenship Hall                  901 Woody Hayes Drive                  Fax: 292-1121                  Phone: 292-6048</p>	<p><u>OSURE:</u>                  Asset Management                  400 Research Foundation                  1960 Kenny Road                  Fax: 292-6870                  Phone: 292-0844</p>
---	--

Sample Demand Letter

Date

Employee Name  
Employee Street Address  
Employee City and State

RE: Return of Equipment Issued by The Ohio State University

Dear Employee:

I am writing to request the return of the equipment listed below that was issued to you in the course of your employment. As noted on a copy of the attached Agreement for Assignment of University Equipment, you are required to return the equipment upon request or otherwise properly account for it by, among other things, explaining what reasonable precautions you took to ensure its safety.

Please return the listed equipment to my office no later than \_\_\_\_\_ [*date ten days from today*]. If you fail to return the equipment as requested, or otherwise properly account for it, the University will explore all legal options at its disposal, including, but not limited to, deducting the value of the equipment from your paychecks, deducting the value of the equipment from your accrued vacation pay and/or taking legal action.

Feel free to contact me if you have any questions.

Yours truly,

Name  
Title

Enclosures

The Ohio State University  
Office of Asset Management  
Instructions: Form AM0004 - Agreement for Assignment of University Equipment

- This form is to be used to document assignment to an employee of any mobile equipment which could be reasonably expected to be used off-site, including, but not limited to, such items as cell phones, laptop computers or PDA's.
- It is also used to document assignment of any other equipment physically taken off-site from or received away from University premises or for home use, to include such items as electronics, audio-visual, research or other equipment.
- This is intended to cover any and all off-site possession of such items irrespective the amount of time the item remains away from University property, i.e., short-term as well as long-term assignments.
- This form must be used for all items of this nature purchased with public funds or received by the University as gifts, irrespective of dollar amount.
- All relevant fields are to be completed. In the case of smaller-dollar items of equipment which are not tracked in the Asset Management System, the Asset ID Number, Tag Number and Project Number may not be relevant.
- For any capital or non-capital items tracked in the Asset Management System, the custodian field in the system must be populated with the name of the person possessing the item and the name of the person who authorized the off-site location.
- All capital items are tracked in the Asset Management System and must be accounted for in the annual or biannual equipment physical audits. Both capital items and any non-capital items which the organization elects to track in the Asset Management System must be accounted for in the annual Physical Inventory and Equipment Review self-audit certification. Any items which are not tracked in the Asset Management System must be inventoried separately by the department and are not within the scope of the Office of Asset Management physical audits or self-audit reporting.
- Any business unit entering into an agreement for off-site items is required to retain a copy of this form in their files for each item.
- Upon return of the assigned item, a representative of the business unit is responsible to ensure the equipment has been returned in satisfactory condition, and to document such return via employee's and coordinator's initials on the applicable form.
- Upon resignation or termination of employment a request for return of all equipment must be made to the employee by the business unit. A "Sample Demand Letter" for this purpose is included as part of the form.
- Upon resignation or termination of employment a copy of this form must be provided to HR promptly (within 25 days) for any items unreturned or not returned in proper condition so that payroll and vacation account deductions can be made if necessary.

**PERMANENT TRANSFER/SALE OF PROPERTY (AM0005)**

(Use this form only when faculty member transfers to a new institution and requests transfer of University/OSURF property)

Date \_\_\_\_\_

Person Requesting Transfer/Sale \_\_\_\_\_

Transfer/Sell To \_\_\_\_\_

**The property reflected in the attached documentation is requested for transfer/sale to the institution named above. The property proposed for transfer has been reviewed by the Relevant Dean or Vice President of the College or School administering the funds used to purchase the property and approval of this transfer is granted by signature below.**

Please check one of the following:      No Charge Transfer     Sale

\_\_\_\_\_  
Printed Name of Relevant Dean or Vice President

\_\_\_\_\_  
Signature/Date **(required)**

\_\_\_\_\_  
Printed Name of Custodian/Principle Investigator

\_\_\_\_\_  
Signature/Date

\_\_\_\_\_  
Department Name/Number

\_\_\_\_\_  
School or College

**Please provide the name and address of an official at the new institution authorized to accept title and accountability for the property.**

\_\_\_\_\_  
Name of the New Institution

\_\_\_\_\_  
Printed Name of Contact Person

\_\_\_\_\_  
Title of Contact Person

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip

Date property will be shipped \_\_\_\_\_

