

## **Policy 3-040: Property Accounting**

### **I. Purpose**

To define university policy for:

- A. Management of university property and government property for which the university is responsible.
- B. Operation of the Property Accounting Department.

### **II. Definitions**

- A. Property - Equipment, material, supplies, land, land improvements, buildings or building improvements purchased with any funds administered by the university, acquired from the State Department of Facilities Construction and Management or bequeathed or contributed to the university.
- B. Government Property - Property owned or furnished by the federal government or acquired by the university with federal funds under the terms of a contract or grant for which the federal government retains title.
- C. University Property - That property to which title is vested in the university whether purchased with university funds or acquired by bequest or gift.
- D. Surplus Government Property - Property determined to be excess by the state or federal government which is made available to the university for purchase or as a gift.
- E. Excess University Property - University property that is unusable or no longer required by the university.
- F. Real Property - Land, buildings and related improvements purchased with university funds, bequeathed or donated to the university.

- G. University Funds - Funds administered by the university without regard to source of such funds.
- H. Hazardous Materials - Property containing substances that are identified as hazardous by federal and/or state laws and regulations and/or by university policies and Procedures as administered by the Environmental Health and Safety Department.
- I. Retirement/Transfer Form - An official University document that is used to transfer property/equipment from one department to another and/or to retire property/equipment from a department's inventory records. The Retirement/Transfer form may be obtained from the Property Accounting Department or University Surplus and Salvage Department.
- J. Insurable Equipment - Equipment having an acquisition or donated value between \$1,000 and \$4,999 and a useful life in excess of one year.
- K. Capital Equipment - Equipment having an acquisition or donated value of \$5,000 or more and a useful life in excess of one year.

### **III. Policy**

- A. Inventory Records - The university will maintain inventory records on all property, including real property, which has an acquisition or donated value of \$1,000 or more, has a useful life in excess of one year, and meets any of the following criteria:
  - 1. University property.
  - 2. Government property.
  - 3. Loaned property that is borrowed by the university from another university or from an off-campus entity.

4. University or government property for which the University of Utah is accountable, which is on loan to another university or offcampus entity.

B. Reporting Requirements of University Acquired Property

1. It is the responsibility of each department or entity which acquires, holds, or disposes of university and government property to ensure that such property is:
  - a. Properly reported when acquired.
  - b. Properly inventoried and safeguarded.
  - c. Properly reported at time of disposal.
2. When expenditures for government and university property are recorded in the accounting system, the Property Accounting Department shall prepare and send inventory tags to the cognizant departments. Departments shall attach the inventory tag to the property, record the location on a form provided by Property Accounting, and return the form to Property Accounting within 30 days.
3. The Development Office shall forward a "Gift/Private Grant Acceptance Report" to Property Accounting when property is received by gift or bequest.
4. Departments must report intent to fabricate or construct property, including buildings or building renovations, to Property Accounting at the beginning of the project. Such intent should be indicated on a "Notice of Intent to Fabricate" form. The form requires the approval of the Office of Sponsored Projects and Property Accounting. When properly approved, the fabrication project shall be assigned an asset number, which must be indicated on all procurement documents used for that project. When the fabrication project is complete, Property Accounting shall be notified and will send an itemized list of the payments applied to the department responsible for fabrication or construction. The department is responsible to correct any discrepancies.

5. All proposed purchases of property having a per item acquisition cost of \$5,000 or more are subject to screening Procedures to determine if, in lieu of purchasing new property, functionally equivalent property is available within the department or on campus (see [Policy 3-045](#)).
6. Historical cost is the basis for valuing university and government property. Historical cost is the cash or cash equivalent price of obtaining the property and getting it ready for its intended use, including freight charges, installation costs, etc. For land and buildings it includes purchase price, closing costs and all fees and other costs to ready the land and/or building for its intended use.
7. Property donated to the university is recorded at its fair market value at the time of donation.
8. Property received in an exchange (trade-in) should be recorded at its fair market value.
9. All requests to federal agencies for property must be made through the Office of Sponsored Projects.
10. The university must maintain records for all property purchased under research and training grants and contracts and comply with all regulations relating to such property. This obligation to the awarding agency continues until the project is terminated or until the expiration of the useful life of the property, whichever is required by the awarding agency.

If, during the period of performance under an award, the account executive leaves the university and a new account executive is appointed, the obligation of the university remains in force and becomes the responsibility of the new account executive.

11. Status of title to property acquired under a grant or contract shall be determined at the time of acquisition. Generally, title is either:
  - a. Retained by the granting agency.

- b. Vested in the university at the time of acquisition.
- c. Temporarily vested in the university, with the agency reserving the right to transfer title to:
  - i. The agency.
  - ii. Another institution, if the principal investigator transfers.
  - iii. The university on a permanent basis, generally upon completion of the project.

### C. Additions to Existing Equipment

- 1. In order to have uniformity in accounting for additions to capital and insurable equipment, the following guidelines shall be followed:
  - a. "Repair" or "maintenance" expenditures shall be recorded as a current expense regardless of the amount. A repair or maintenance expenditure is one that maintains the property at its existing level or existing life of service, such as painting, repair, miscellaneous parts, and normal servicing.
  - b. In general, additions to equipment costing less than \$1,000 shall not be recorded as equipment. An exception occurs when the original equipment and the addition are purchased within a 12 month period, the addition becomes an integral part of the original purchase (to produce a single functional unit), and the addition significantly extends the useful life or substantially increases the value or capability of the equipment.
  - c. If the result of the addition increases the aggregate cost of the equipment, but the total is still less than \$4,999.99, the addition shall be recorded as insurable equipment. If the result of the addition increases the aggregate cost to \$5,000 or more, the addition shall be recorded as capital

equipment and the original purchase cost should be transferred to a capital equipment account by journal entry.

D. Accounting for Component Unit Property, Modular Furnishing and Grouped Property

When it is difficult to determine whether component unit property, module furnishings or grouped property should be recorded as insurable or capital equipment, the following guidelines shall be followed:

1. A property grouping is considered a single property item if the items comprising the group cannot function independently. If such functional group or operational unit costs \$1,000 or more, the total cost shall be recorded as either insurable or capital equipment, depending on the total cost.
2. If individual pieces of a component unit, modular unit or grouped property can function independently, each piece costing \$1,000 or more shall be recorded as either insurable or capital equipment, depending on the total cost.

E. Computer Systems and Software

A computer systems (i.e., C.P.U., monitor, printer, software and accessories) purchased as a package shall be recorded as either insurable or capital equipment (depending on the total cost) if it costs more than \$1,000. Software packages purchased separately or developed internally shall not be recorded as equipment regardless of cost. All costs incurred for internal development of systems or software shall be recorded in the applicable non-equipment expenditure account (i.e., personal services, supplies, etc.).

F. Library Books

A detailed inventory record of books and other holdings of the various university libraries shall be maintained by the cognizant library administration. Additions will be recorded at cost as of the date of acquisition or at the fair market value at the date of donation. Donated library materials with an estimated value of \$5,000 or

more shall be appraised by an independent party to determine the value to be recorded. Total additions and deletions during the fiscal year ending June 30 shall be reported to and recorded by the Property Accounting Department annually. Deletions will be recorded based on an annually revised average cost per volume.

#### G. Transfers of Property

1. All transfers of property acquired with federal funds must be approved in advance by the appropriate government agency through the Office of Sponsored Projects.

Property acquired under grants or contracts from agencies which retain title to or reserve the right to transfer property will be transferred when so instructed by the awarding agency. This policy does not apply to supplies and other materials except in isolated and exceptional cases.

When an account executive transfers to another institution and the awarding agency transfers related project(s) to the new institution, or awards a new contract or grant at the new institution under which the original project will be continued, the university usually retains all grant-acquired equipment to which it has obtained title. However, if the university has no need for the equipment, and it is critical to the project and will relieve the granting agency from purchasing duplicate equipment, the vice president for research may authorize transfer of the equipment to the new institution.

When property is obtained for multiple grant use, it is the policy of the university to consider property eligible for transfer only if it derives the majority of its use from the grant being transferred and was originally purchased from that grant.

2. University property may only be transferred to another institution if the university has no need for the equipment, the new institution agrees to purchase the equipment at a fair market value established by University

Surplus and Salvage, and the approval of the cognizant vice president over the department transferring the equipment is obtained.

3. University property may be transferred from one university department to another, with the agreement of both departments.

#### H. Disposal of Property

1. It is the policy of the university to dispose of excess university property in a manner that will maximize the return or benefit to the university, consistent with laws governing state property.
2. Departmental sale of university property, except to another university department or through the University Surplus and Salvage Department, is prohibited.
3. The University Surplus and Salvage Department is responsible for the disposal of excess university property in accordance with Procedures outlined in paragraph III.S. of this policy. The University Surplus and Salvage administrator assists departments in the disposal process.
4. Excess university property received at the University Surplus and Salvage Department generally will not be held longer than 60 days. If property is determined to be not saleable, it may be cannibalized, scrapped or discarded if determined to be of no value by University Surplus and Salvage.
5. Listings of property available at University Surplus and Salvage are located on the University of Utah web page. This information is updated periodically.
6. Hazardous material disposal is coordinated by the Environmental Health and Safety and the Radiological Health Departments and specific Procedures on the disposal may be obtained from Environmental Health and Safety. If hazardous material is disposed of in a manner inconsistent with these Procedures, fines and/or penalties may be assessed to the university.



Responsible individuals or departments may be subject to fines, penalties and possible criminal action.

I. Property Location, Maintenance and Use

1. Hazardous material disposal is coordinated by the Environmental Health and Safety and the Radiological Health Departments and specific Procedures on the disposal may be obtained from Environmental Health and Safety. If hazardous material is disposed of in a manner inconsistent with these Procedures, fines and/or penalties may be assessed to the university. Responsible individuals or departments may be subject to fines, penalties and possible criminal action.
2. Prior written approval of the cognizant department head must be obtained for offcampus use of university or government property. Approval documents must identify the specific off-campus location, the university property identification number, the responsible individual and the purpose of off-campus use.
3. The original approval document shall be retained by the cognizant department and copies provided to Property Accounting and the individual responsible for the off-campus use within 3 days of moving the property offcampus. All property assigned an off-campus location is subject to normal inventory verification Procedures.
4. When the property is returned to campus, the department shall notify Property Accounting within 3 days and the Authorization to Locate Property Off-campus will be canceled.
5. An individual who removes property from its campus location without proper authorization is responsible for replacing such property if it is lost, stolen or damaged.
6. It is the responsibility of the account executive to properly maintain government or University property which has been entrusted to him/her. The

account executive shall, if requested, apprise the manager of the Property Accounting Department of the condition of any government property in his/her possession.

7. It is the responsibility of the account executive to ensure that government property is utilized as authorized in the contract or grant.

#### J. Security and Losses

1. The head of the cognizant department and the account executive are responsible to adequately provide for physical security of property in their custody. Special precautions shall be taken to safeguard portable and high pilferage property.
2. Loss, theft or destruction of university or government property must be reported within twenty-four (24) hours of discovery to the Risk Management Department. Such loss of property must also be reported to Property Accounting by the cognizant department before the items can be removed from the department's inventory. The report must include applicable inventory numbers, and in the case of theft, the University of Utah police case number.
3. Only university or government property which is recorded on Property Accounting records is insured subject to a deductible amount. In case of loss, the deductible amount is charged to the cognizant department.

#### K. Procedure: Verification of Inventory Records

1. At least annually, Property Accounting will send each department a list of the capital equipment for which it is accountable. The department shall verify the existence, condition and location of each item in accordance with instructions provided by Property Accounting. The department head must approve the completed inventory which must be returned to Property Accounting within sixty (60) days, unless an extension is requested and granted. Inventories not

returned on a timely basis will be brought to the attention of the cognizant vice president for review and appropriate follow-up.

2. Departments shall not be relieved of accountability for unlocated property in the absence of diligent effort and review and approval by responsible administrators. If an item cannot be located, the head of the department shall certify that a thorough investigation has been made before approving the inventory listing. Approval from the cognizant vice president must be obtained to remove unlocated items from the records.
3. Annual verifications will not be required for insurable equipment costing between \$1,000 and \$4,999.99.

L. Procedure: Acquisition of Surplus Government Property - The university is eligible to acquire surplus property offered by the General Services Administration. A surplus government property listing, published weekly by the General Services Administration, is available for review by account executives in the Office of Sponsored Projects. The Procedure to obtain equipment from the list is:

1. Account Executive
  - a. Calls the General Services Administration Office holding the property, requesting that the item(s) be reserved for the University of Utah.
  - b. Completes the form provided by the contracting or granting agency, references the reservation request, obtains approval of the department head and forwards it to the Office of Sponsored Projects.
2. Office of Sponsored Projects
  - a. Reviews and, if appropriate, approves the request.

- b. Prepares, in collaboration with the account executive, the requisition and forwards it to the contracting agency, with a copy to Property Accounting for information purposes.
- c. Maintains a status file for and expedites resolution of all items of government property under requisition.

### 3. Property Accounting Department

- a. Compares receiving documents with a copy of requisition form when government property is received by the university.
- b. Records in the university property record the government property received at its estimated value or value determined by the federal government, regardless of the amount paid by the university.
- c. Issues and distributes the appropriate property identification tag to be placed on the property.

## M. Procedure: Obtaining Approval to Transfer Government Property to Another Institution

### 1. Account Executive

- a. Prepares and forwards a letter to the Office of Sponsored Projects requesting the transfer of the property. The letter must contain signature approval of the department head and the dean and a detailed property listing from the Property Accounting Department showing:
  - i. The original purchase price.
  - ii. A description of the property, including make and model number.
  - iii. Number of the account from which the property was purchased.
  - iv. Purchase order number.

- v. University inventory number.
  - vi. Location of the property.
  - b. Obtains a letter from the new institution stating that it will accept title to the property and assume financial responsibility for packing and shipping.
  - c. Presents above documents to the Office of Sponsored Projects for processing.
2. Office of Sponsored Projects
- a. Obtains written verification from the contracting agency that:
    - i. The grant or contract will be awarded to the new institution.
    - ii. Authorization is given to transfer government property to the new institution.
  - b. Presents detailed request to the vice president for research for review and approval.
  - c. Prepares and transmits an approval letter to the new institution with copies to the account executive, dean, department head, Property Accounting Department and the director or contracting office of the awarding agency when the request to transfer title is administratively approved.
3. Department Head and Account Executive
- a. Certifies that only the approved property has been packed and shipped.
  - b. Presents a properly completed and approved retirement/transfer form to Property Accounting along with the approval letter from the Vice President for Research.
4. Property Accounting

- a. Processes retirement/transfer form retiring the property being shipped from the department inventory.

N. Procedure: Obtaining Approval to Transfer/Sell University Property to Another Institution

1. Account Executive

- a. Prepares and forwards a letter to the cognizant vice president requesting the transfer of the property. The letter must contain signature approval of the department head and the dean/director as well as a detailed property listing from the Property Accounting Department showing:
  - i. The original purchase price.
  - ii. A description of the property, including make, model number and year of purchase.
  - iii. Number of the account from which the property was purchased.
  - iv. Purchase order number.
  - v. University inventory number.
  - vi. Location of the property.
- b. Obtains a letter from University Surplus and Salvage stating the fair market value of the property being transferred and sold to the new institution.
- c. Obtains the signature of the cognizant vice president authorizing the transfer and sale of university property.
- d. Presents a properly completed retirement/transfer form to University Surplus and Salvage along with the approval letter from the cognizant vice president.

2. University Surplus and Salvage

- a. Obtains a sales agreement from the institution purchasing the equipment stating that it will purchase the property and assume financial responsibility for packing and shipping.
- b. Inspects the property items to be sold before packaging and authorizes shipping if description of the property to be shipped matches approved list.
- c. Presents retirement/transfer form along with approval documents to Property Accounting for processing.

O. Procedure: Transfer of Property Between Departments

1. Account executive submits a properly completed and approved retirement/transfer form to Property Accounting within 5 days of the transfer.
2. If a transfer is temporary (less than 3 months), submittal of a transfer form is not required.

P. Procedure: Cannibalization of Property

1. When property is cannibalized or disassembled, the cognizant department must submit within five (5) days a properly completed and approved retirement/transfer form to Property Accounting.

Q. Procedure: Transfer of Excess University Property to University Surplus and Salvage

1. Upon notification by a department of availability of excess university property, University Surplus and Salvage will arrange for the transfer of such property.
2. Generally, University Surplus and Salvage will dispose of excess university property as it determines is appropriate, unless the transferring department specifically requests that it be consigned to University Surplus and Salvage which provides a potential selling price for each item.

3. University Surplus and Salvage will periodically determine if the initial proposed selling price needs to be reduced or if the asset should be discarded. If requested, the transferring department will be informed of all such proposed reductions and/or disposals.
4. University Surplus and Salvage will retain a percentage of the selling price on items sold to help defray its costs of handling the disposition of the surplus items. A schedule of the percentages retained by University Surplus and Salvage is available upon request. Approval by the Vice President for Administrative Services, or his or her designee, is required when establishing or changing the percentage charged by University Surplus and Salvage.
5. When excess university property needs to be transferred to University Surplus and Salvage, the cognizant department shall prepare a properly completed and approved retirement/transfer form to be available at the time the property is to be picked up by University Surplus and Salvage.

The form must include applicable inventory numbers. Departments cannot be relieved of accountability for items unless inventory numbers are correctly identified on the form. At the time of pick up, University Surplus and Salvage will sign the retirement/transfer form and give a copy to the transferring department.

R. Procedure: Disposal of Government Property

1. The account executive shall notify the Office of Sponsored Projects when government property becomes excess to the contract or grant for which it was provided, or reaches the end of its useful life.
2. The Office of Sponsored Projects shall request instructions from the contracting agency and acts on the instructions received.

S. Procedure: Disposal of Excess University Property by the University Surplus and Salvage Department



The University Surplus and Salvage Department shall dispose of excess university property in the following manner:

1. Property shall first be offered to university departments at a cost determined in accordance with this policy.
2. Property shall next be offered to other state schools or governmental agencies at a cost determined by the University Surplus and Salvage Department. A listing of surplus property available for external sale will be submitted to the State Division of General Services each month by University Surplus and Salvage. In addition University Surplus and Salvage will submit to the State Division of General Services at least fifteen (15) days in advance of a specific sales event a listing of property for sale at that event.
3. Property shall next be offered to the general public at a price determined by the University Surplus and Salvage Department and consistent with Board of Regents' policy regarding competition with the private sector. Applicable sales taxes will be collected.
4. If property has not been sold within 60 days, items will be dismantled for useful components, sold for salvage value, scrapped or otherwise discarded.

T. Procedure: Trade-in Offers on Purchase of New Property

If a written trade-in offer is made to the University on the purchase of new equipment, Procurement & Contracting Services will notify the University Surplus and Salvage Department of such offer. The University Surplus and Salvage Department will determine if the offer appears fair and reasonable. If a greater return can be realized by the university through public sale, University Surplus and Salvage shall take possession of such property and credit the releasing department with no less than the offered trade-in value.

U. Procedure: Sale of Vehicles and Items Valued at \$5,000 or More to the Public

The University Surplus and Salvage Department will advertise and receive sealed written offers for vehicles and items with an expected sale price of \$5,000 or more. The date and time of the sale will be included in the advertisement and all offers will be held until the time of the public opening. The period for receiving offers will be a minimum of fourteen (14) days after the publication of the advertisement. If the highest bona fide offer has met or exceeded the minimum acceptable price and has met the conditions set forth for the sale, a sales agreement will be entered into, if deemed appropriate, and the property sold. If the highest offer does not meet or exceed the minimum acceptable price, further offers may be solicited until the property is sold. The University Surplus and Salvage Department may hold, at its discretion, periodic public auctions to dispose of surplus property.

#### **IV. Rules, Procedures, Guidelines, Forms and other Related Resources**

##### A. Rules

[R3-040B, Security and Accountability for University Equipment](#), 09/10/2007

##### B. Procedures

[P3-040A, Annual Capital Inventory Overview](#), Current Version

[P3-040B, Annual Capital Inventory Procedures](#), 06/11/2010

##### C. Guidelines *[reserved]*

##### D. Forms *[reserved]*

##### E. Other related resource materials

[Buying & Payment Guide](#)

#### **V. References**

[Policy 3-192](#), Restricted Purchases and Special Procurement

[Policy 3-045](#), Equipment Inventory Screening and Requisitioning.

63A-2-301.5 Utah Code Annotated 1953

## VI. Contacts

Acting as the Policy Owner, the [Office of the Director of Research Management & Compliance](#) is responsible for answering questions regarding the application of this policy. Acting as the Policy Officer, the [Office of the Associate Vice President for Financial & Business Services](#) has the authority to allow exceptions to this policy.

## VII. History

Reviewed: Academic Senate 12/5/94

Approved: Board of Trustees 1/13/95

Approved: Academic Senate Exec. Committee 12/98

Approved: Board of Trustees 3/8/99

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