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## **PROPERTY MANAGEMENT**

### **EQUIPMENT ACCOUNTING**

#### **SUMMARY**

According to the University's capitalization policy, equipment is defined as an item with an acquisition or fabrication cost of \$5,000 or more per unit that has a useful life of more than one year. Equipment costs may also include the reconditioning or major repair to a piece of equipment if the cost is greater than \$5,000 and the repair or reconditioning causes the useful life to be extended, the capacity to be increased, or the use of the equipment to change.

The University's equipment accounting system is designed to identify, record, control, and maintain an inventory of these assets. Items with an acquisition cost of less than \$5,000 per unit are considered supplies and are therefore not accounted for in the University's equipment accounting system.

Equipment acquisitions are identified through the review of all payment documents, purchase orders, M&S forms, and cost transfers to ensure that equipment has been properly identified and the correct object code has been used. Other equipment acquisitions occur through donations, transfers from other institutions, and equipment fabrications. Therefore, University departments are responsible for notifying the Office of Equipment and Space Accounting (OESA) of these acquisitions. Departments should use Form C-825 to facilitate the accounting for equipment fabrications. The department must also notify OESA if equipment is

- sold
- scrapped
- lost or stolen
- transferred to another University
- moved to another University location
- moved to an employee's home

All these notifications should be made using a Form C-824 which can be found on the Controller's Office Web site. The department head or the department head's designee must approve transfers to an employee's home. If the equipment is stolen, in addition to completing a C-824, University security must be notified and a security report should be on file.

OESA must also be notified of any government-owned equipment that may be on loan to the University. Also, if equipment is purchased on a sponsored award and the title will vest with the sponsor, OESA should be notified so that it may account for this acquisition appropriately.

Responsibility for the maintenance and control of all equipment rests with departmental chairs, deans, and directors. Responsibility for equipment acquired under sponsored research agreements rests with the principal investigators.

Physical inventories (departmental reviews) are required once every two years. The Office of Equipment and Space Accounting conducts a statistical sampling (random review) monthly.

The information from the equipment accounting system is used to provide management information to departments and University Administration, to promote the control of and accountability for equipment, to determine adequate insurance coverage, to comply with OMB Circulars A-21 and A-110, and to calculate depreciation for facility and administrative cost rate purposes.

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### EQUIPMENT ACCOUNTING

#### INTERNAL CONTROLS

##### OBJECTIVES

- Equipment properly identified
- Equipment properly labeled with a tag
- Proper object codes used
- OESA notified of equipment acquired other than through the standard University procedures
- OESA notified of equipment lost, stolen, salvaged, or scrapped
- Departmental review conducted once every two years

##### RISKS

- Non-compliance with federal regulations
- No record for insurance claims or theft
- Inability to identify equipment for insurance claims
- Not identified as equipment (not in system)
- Reduced value of the inventory system (affects depreciation, which impacts the facility and administrative [F&A] cost rates)
- Equipment not added to the inventory system
- Value of equipment inventory overstated

#### AUDIT CHECKLIST

	Were equipment purchases made in accordance with purchasing guidelines?
	Are proper equipment object codes used for equipment with a per unit cost of \$5,000 or more and with a useful life of more than one year?
	Does all University equipment have a JHU property tag that is easily visible?
	Is OESA notified of any donations, transfers, or fabrication of equipment?
	Is OESA notified of equipment lost, stolen, salvaged, or scrapped?
	Is OESA notified when equipment is moved to another University location or to an employee's home?
	Is OESA notified of any sponsor-vested equipment on loan or purchased with sponsored funds?
	Is the annual departmental equipment review report completed and returned to OESA by the due date?

#### SOURCES FOR POLICY

Administrative Bulletin (<http://www.controller.jhu.edu/admbull.htm>)  
Equipment and Space Accounting Guide  
(<http://128.220.185.18/images/Equipment/Titlepg.htm>)  
Object Code Guide (<http://www.controller.jhu.edu/objguide.htm>)  
OMB Circular A-110 (<http://www.whitehouse.gov/omb/circulars/index-education.html>)

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#### **RESOURCES FOR ASSISTANCE**

Administrative Policy Training Program Courses, 410-516-6800 Equipment and Space Accounting, Office of the Controller, 410-516-6124
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#### **FORMS ON THE WEB**

Equipment Information Form C-824 ( <a href="http://www.controller.jhu.edu/uforms/equipfrm.pdf">http://www.controller.jhu.edu/uforms/equipfrm.pdf</a> )
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