# Internal Controls – Overview of Key Processes

## CAPITAL EQUIPMENT

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Capital Equipment

Office & Lab Supplies, etc.

Art Work / Collections

U of M “Property” – Exclusive of Real Property (i.e. land, buildings, etc.)

Consumables

Software <$500k

Other Capital Assets

Capital Equipment

Unit Cost is ≥ $5k
Useful Life is ≥ 1 year
Tracked on Asset Management Inventory*

Capital

Expense

*Does not include Hospital tracked assets

All University of Michigan property and scrap material must be sold or disposed of by Property Disposition (SPG 520-01).
Capital Equipment

**Definition from SPG 520.01**
Capital equipment is all moveable equipment:
- Costing $5,000 or more and
- With a useful life of 1 or more years

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<th>In Scope Examples</th>
<th>Explanation</th>
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<tr>
<td>Microscopes, Freezers, Lasers, Vehicles</td>
<td>If Unit Cost &gt; $5,000 and</td>
</tr>
<tr>
<td>High End Computer/Computer Equipment</td>
<td>If useful life is 1 or more years</td>
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<table>
<thead>
<tr>
<th>Out of Scope Examples</th>
<th>Explanation</th>
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<tr>
<td>Software</td>
<td>Capitalized if unit cost is &gt; $500,000</td>
</tr>
<tr>
<td>Buildings &amp; Land</td>
<td>Capitalized, but tracked separately</td>
</tr>
<tr>
<td>Office/Lab Supplies, Consumables</td>
<td>Treated as expense</td>
</tr>
<tr>
<td>Office Furniture</td>
<td>Typically less than $5,000</td>
</tr>
<tr>
<td>Artwork, Collections</td>
<td>Should be inventoried, tracked, valued, &amp; insured with Risk Management</td>
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Does not include Hospital tracked assets
Stewardship of Assets

**Physical**
- Physical Custody
- Location & Access
- In Use / Needed
- Asset Tag

**Financial**
- Acquisition Cost
- Account Code
- Funding Source
- Net Book Value (NBV)

**Key Risks:**
- Theft / Fraud
- Loss of Use / Downtime
- Replacement Cost
- Non-Compliance
- Inaccurate Financial Statements
- Misstated Indirect Costs

**Key Benefits:**
- Disposal of assets no longer in use generates funds
- Accurate/up-to-date asset information avoids unnecessary or duplicative purchases
Capital Equipment Gap Analysis Elements

- **Acquisition & Recording**
  - Ensure all equipment purchased is charged to the appropriate account code to ensure the equipment is identified as a capital asset

- **Tagging**
  - All acquired capital equipment needs to be tagged
  - Assist with access to asset

- **TRACKING ACTIVE EQUIPMENT**
  - Update asset information in property records when asset is moved or transferred

- **Monitoring & Stewardship**
  - Ensure all assets are received, secured, and accurately recorded
  - Periodically review reports to ensure asset information is appropriate

- **BIENNIAL INVENTORY**
  - Physically validate the existence of all assets on the inventory list
  - Document any capital equipment not on the inventory list

- **DISPOSAL/RECONCILIATION**
  - All disposals and transfers out are captured and documented accordingly
Capital Equipment &
The Internal Controls Certification Plan

• **FY2018**
  - Draft Gap Analysis available
  - Unit discussions – Overview of capital equipment controls

• **FY2019**
  - Gap Analysis added to Internal Controls Certification
  - “YES” - Gap analysis completed and plans in place for addressing control gaps within the next 12 months

• **FY2020**
  - Gap Analysis included in Internal Controls Certification
  - “YES” - Unit has completed the annual gap analysis and proper controls are in place
Capital Equipment Guidance: Tracking of Equipment

Tracking of Equipment

Equipment Scenarios

1. Movement of Active U-M Equipment
   - Asset location changes but ownership/possession remains

2. Transfer of Ownership
   - Ownership/possession transfers between U-M and another institution

3. Damaged/Destroyed/Lost/Stolen
   - Asset is damaged, destroyed, expended during use, lost, or stolen while in U-M possession

Key Actions

- Update Location Information
- Add/Remove Asset
- Timely Notification
Equipment Scenario #1
Movement of Active U-M Equipment

Moving for Use Off Campus
Fill out a Request for Removal and Use of University Equipment form and send it to Property Control.
For additional details on this process refer to the Off-Campus Use Procedures document.

Moving to a Different Location within the Same U-M DeptID
Update location within the M-Pathways Asset Management system (OARS Role: AM.DEPT_ASSET_SPECIALIST), or
Notify Property Control via email at amtransfers@umich.edu

Moving to a Different U-M DeptID
Send a completed Asset Transfer Form to amtransfers@umich.edu
For additional details on this process, refer to Transfers Between U-M Departments
Transfer of Ownership

Transferring to a Different Institution, when a Project Director is Leaving U-M

Email Property Control at property.control@umich.edu to request equipment transfer. For additional details on this process, refer to the Transferring Equipment Guidelines.

Transferring to U-M from Another Institution (Incoming Project Director) or Received Directly from Sponsor

Notify Property Control at property.control@umich.edu. For additional details on this process, refer to Transfers from Another Institution.
Equipment Scenario #3
Damaged/Destroyed/Lost/Stolen

**Equipment is Damaged, Destroyed, or Expended During Use**
Notify Property Control at property.control@umich.edu
For additional details on this process, refer to the Off-Campus Use Procedures document

**Equipment is Lost or Stolen**
Notify Property Control and The Division of Public Safety and Security
For additional details on this process, refer to the Off-Campus Use Procedures document

**To Replace Lost, Stolen, Damaged, or Destroyed Equipment**
Contact Risk Management
To submit a claim, visit the Risk Management Services website
Biennial Inventory of Capital Equipment

Who is responsible for managing the inventory process within your unit?

Do you have any assets that were purchased with Sponsored Funds?

A step-by-step guide for how to perform your department’s biennial asset inventory. U-M policy requires all university assets to be inventoried at least once every two years, though departments may choose to perform an inventory more often.

Asset = Cost $5,000 or more + Life of at least 1 year
Biennial Inventory: Equipment in Department’s Possession

#1

You can update select asset information directly within the Asset Management System

Access to the Asset Management System via OARS Role: AM_DEPT_ASSET_SPECIALIST

#2

Use the newly enhanced AM01 Asset Management Report to periodically monitor your Capital Asset inventory

Inventory Report

Property Control will notify your department of an upcoming inventory and will email your department’s current asset inventory to your inventory contact.

You can also run your department’s inventory report at any time from AM01 Asset Management Data Warehouse.

Perform the Inventory

Time to search! Perform a room by room inspection to locate all assets in your department’s custody.

Don’t forget to check closets and storage spaces.

Confirm the information listed on the report is correct, including the current custody and location (building and room number).

#3

Did you locate an asset that is not listed on your inventory report?

No problem! We can help.

Notify Property Control and provide as much information on the asset as you can. A purchase order or invoice is always helpful, as is project/grant number, serial number, model number, etc.

Asset not on the Inventory Report?

Report can be found in Business Objects under: Folders/Public Folders/UM-Maintained/Physical Resources/AM01 Asset Management/AM01 AsMang Capital Equipment by DeptID, Dept Grp, or VP Area
Biennial Inventory: Equipment Not in Department’s Possession

Common Reasons for Missing Equipment:
• Moved for use off Campus
• Moved to a different location in the same U-M Department
• Moved to a Different U-M Department
• Transferred to a different Institution when PI left

For sponsored equipment, did you ask the PI where the asset might have been moved?

Can't find an asset?
Having trouble locating an asset that is listed on your inventory report?
OK, let's check, was it:
Sent to Property Disposition?
Expended during normal use?
Still missing?
Double check all rooms/closets/storage where it could be hiding.
Ask around. Who had it last and what did they do with it? Follow the trail...

I really can't find it
If you've checked here, there, and everywhere and still can’t find an asset, contact Property Control.
We are here to help and can advise on the next steps.
Completing the Biennial Inventory

Within 60 days of receipt

Property Control will send an updated inventory report to confirm changes have been made

Turn it in

After locating all assets in your department’s custody and confirming the information on the inventory report, send the completed report to Property Control, along with any supporting documentation.

All done!

Property Control will review the information submitted and notify you of any additional information needed, or give the thumbs up that you are all set!
Disposing of Capital Equipment

Summary of Success

Disposal Process

1. Complete Declaration of Surplus Form (DOS) - Sign, Scan, & Email to Property Disposition

2. Prepare Equipment for Disposal - Obtain Any Necessary Documentation

3. Deliver Equipment & Signed DOS to Property Disposition Warehouse

FINANCE
UNIVERSITY OF MICHIGAN
Step 1: Completing DOS

1. Download a Declaration of Surplus Form (DOS) and review the Directions tab.

2. Complete the DOS, indicating each item being sent. Make sure to include your shortcode, all serial numbers, & all asset tag numbers!

3. Print & sign your name on the DOS. Determine if additional preparation is needed.
Step 2: Preparing Equipment

Obtain a Clearance Memo from Property Control for items acquired with Sponsored Funding.

Contact EHS for proper handling of hazardous items, prior to disposal. All lab equipment will need an EHS decontamination form attached to the asset.

Computers & Storage Media Devices must be sanitized, and a certificate of destruction must be obtained, prior to being sent to Property Disposition.
Step 3: Delivering Surplus

1. Scan and email signed DOS to property.disposition@umich.edu to schedule a delivery date.

2. Bring your surplus assets and signed DOS form to the warehouse on the date provided by Property Disposition.

3. If you can't bring the surplus yourself, contact U-M's Moving & Trucking Dept or a Strategic Moving & Storage Vendor.
Things to Know:

1. All disposals of equipment & surplus are handled through Property Disposition.
2. When equipment is no longer needed, it should be disposed of in a timely manner.
3. U-M departments, employees, & the public can purchase used equipment, furniture, etc. from Property Disposition.
Key Contacts

- **Property Control** [Tagging / Monitoring / Inventory]
  - Karin Feher – jensenka@umich.edu – (734)764-6254
  - Stacey Glemser – staceygm@umich.edu – (734)764-9783

- **Financial Operations** [Proper Account Usage]
  - Kandie Little – khines@umich.edu – (734)763-2393
  - Jarrod Van Kirk – jvankirk@umich.edu – (734)647-3791

- **Property Disposition** [All Disposals]
  - Charles Sulikowski – chux@umich.edu – (734)764-6403