

# Internal Controls – Overview of Key Processes

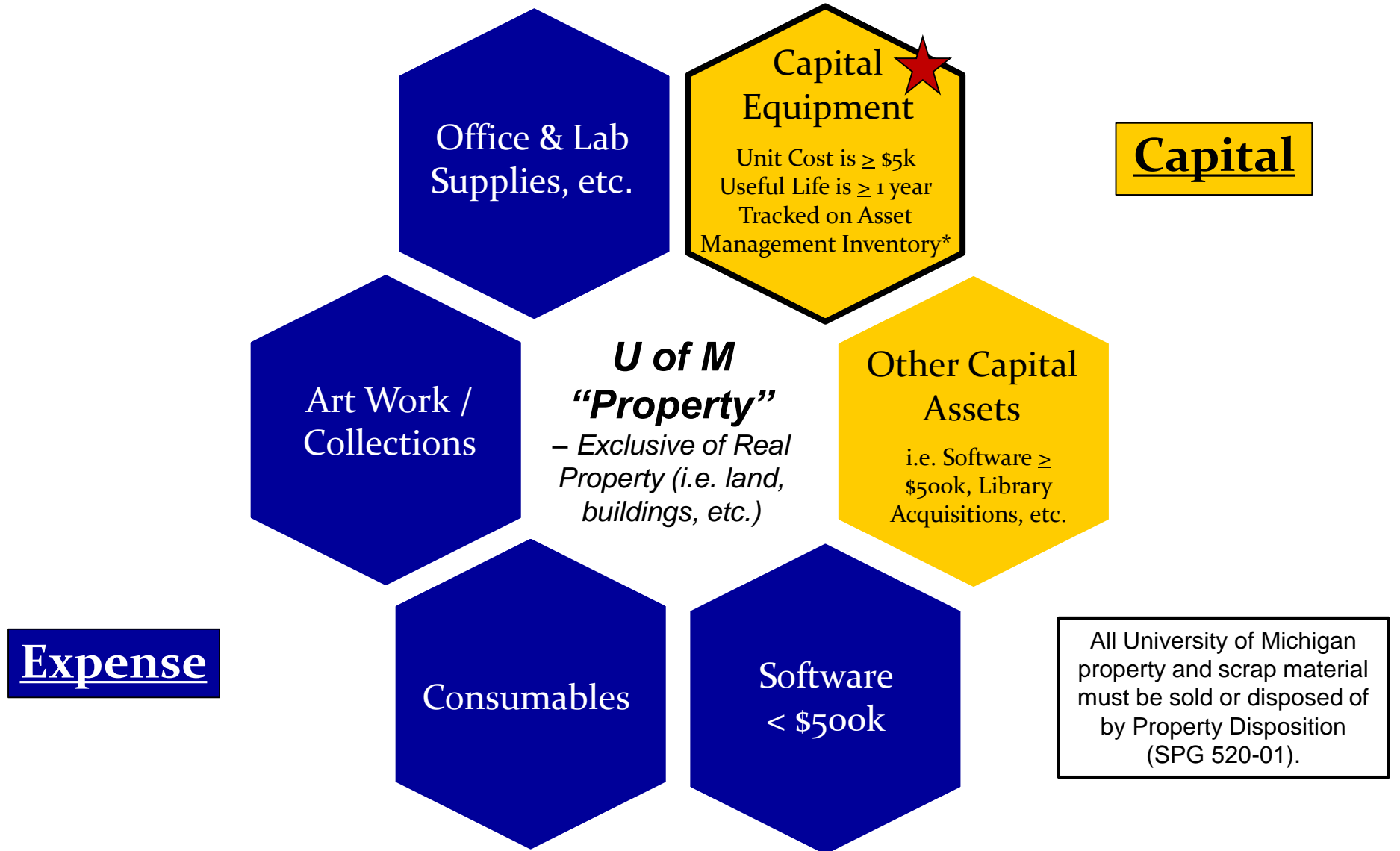
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## CAPITAL EQUIPMENT

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<b>OVERVIEW</b>	<b>1 – 5</b>
<b>TRACKING OF EQUIPMENT</b>	<b>6 – 9</b>
<b>BIENNIAL INVENTORY</b>	<b>10 – 13</b>
<b>DISPOSING OF CAPITAL EQUIPMENT</b>	<b>14 – 18</b>
<b>KEY CONTACTS</b>	<b>19</b>
<b>INVENTORY SCHEDULE</b>	<b>20</b>

# Capital Equipment



# 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

### **In Scope Examples**

- Microscopes, Freezers, Lasers, Vehicles
- High End Computer/Computer Equipment

### **Explanation**

- If Unit Cost  $\geq$  \$5,000 and
- If useful life is 1 or more years

### **Out of Scope Examples**

- Software
- Buildings & Land
- Office/Lab Supplies, Consumables
- Office Furniture
- Artwork, Collections

### **Explanation**

- Capitalized if unit cost is  $>$  \$500,000
- Capitalized, but tracked separately
- Treated as expense
- Typically less than \$5,000
- Should be inventoried, tracked, valued, & insured with Risk Management

*Does not include Hospital tracked assets*

# Stewardship of Assets

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## 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

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- **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

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- **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



### 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](mailto:amtransfers@umich.edu)



#### Moving to a Different U-M DeptID

Send a completed [Asset Transfer Form](#) to [amtransfers@umich.edu](mailto:amtransfers@umich.edu)  
For additional details on this process, refer to [Transfers Between U-M Departments](#)





# Equipment Scenario #2

## Transfer of Ownership

### Transfer of Ownership

2

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

Email Property Control at [property.control@umich.edu](mailto: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](mailto:property.control@umich.edu)  
For additional details on this process, refer to [Transfers from Another Institution](#)



# Equipment Scenario #3

## Damaged/Destroyed/Lost/Stolen

3

Damaged/Destroyed/  
Lost/Stolen

### Equipment is Damaged, Destroyed, or Expended During Use

Notify Property Control at [property.control@umich.edu](mailto: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



**7** steps of performing an asset inventory



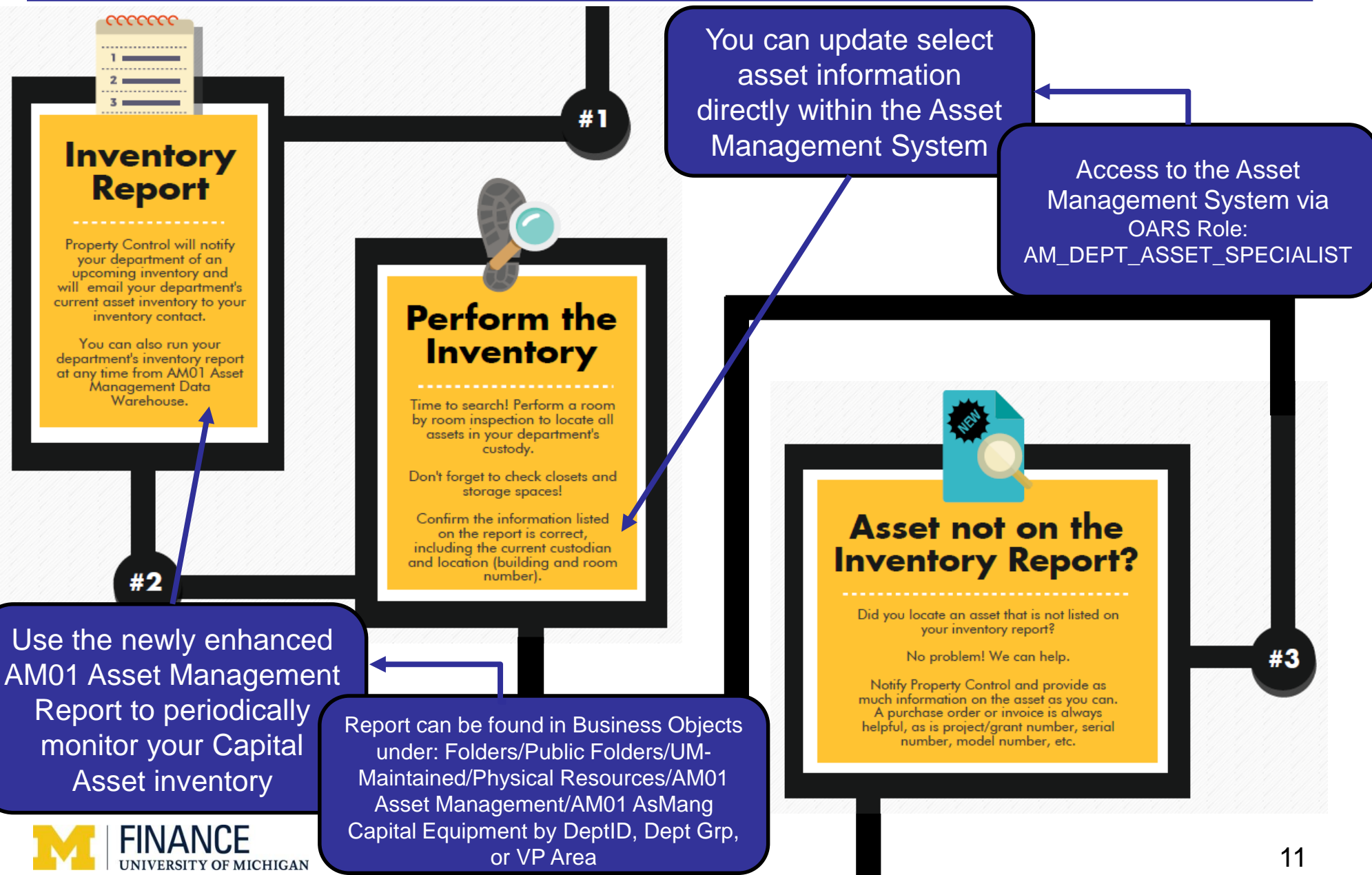
A step-by-step guide for how to perform your department's biennial asset inventory. U-M policy requires all university assets to be inventoried at least once every two years, though departments may choose to perform an inventory more often.

Asset = Cost \$5,000 or more + Life of at least 1 year

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

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

# Biennial Inventory: Equipment in Department's Possession



# Biennial Inventory: Equipment Not in Department's Possession

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

## 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

#4

## 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.

#5

# Completing the Biennial Inventory

Within 60 days  
of receipt

#6

  
**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.

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

  
**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!

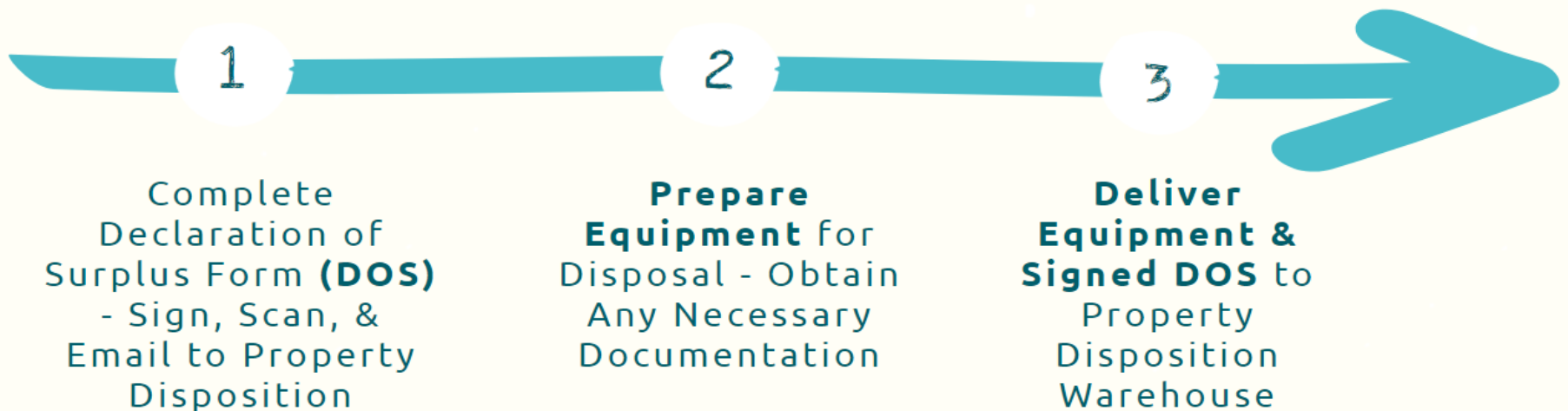
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# Disposing of Capital Equipment

## Summary of Success



## Disposal Process



# Step 1: Completing DOS

## 1 DOS

Declaring  
Surplus



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



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



Print & sign your name on the DOS. Determine if additional preparation is needed.



# Step 2: Preparing Equipment

## 2 Preparing Equipment



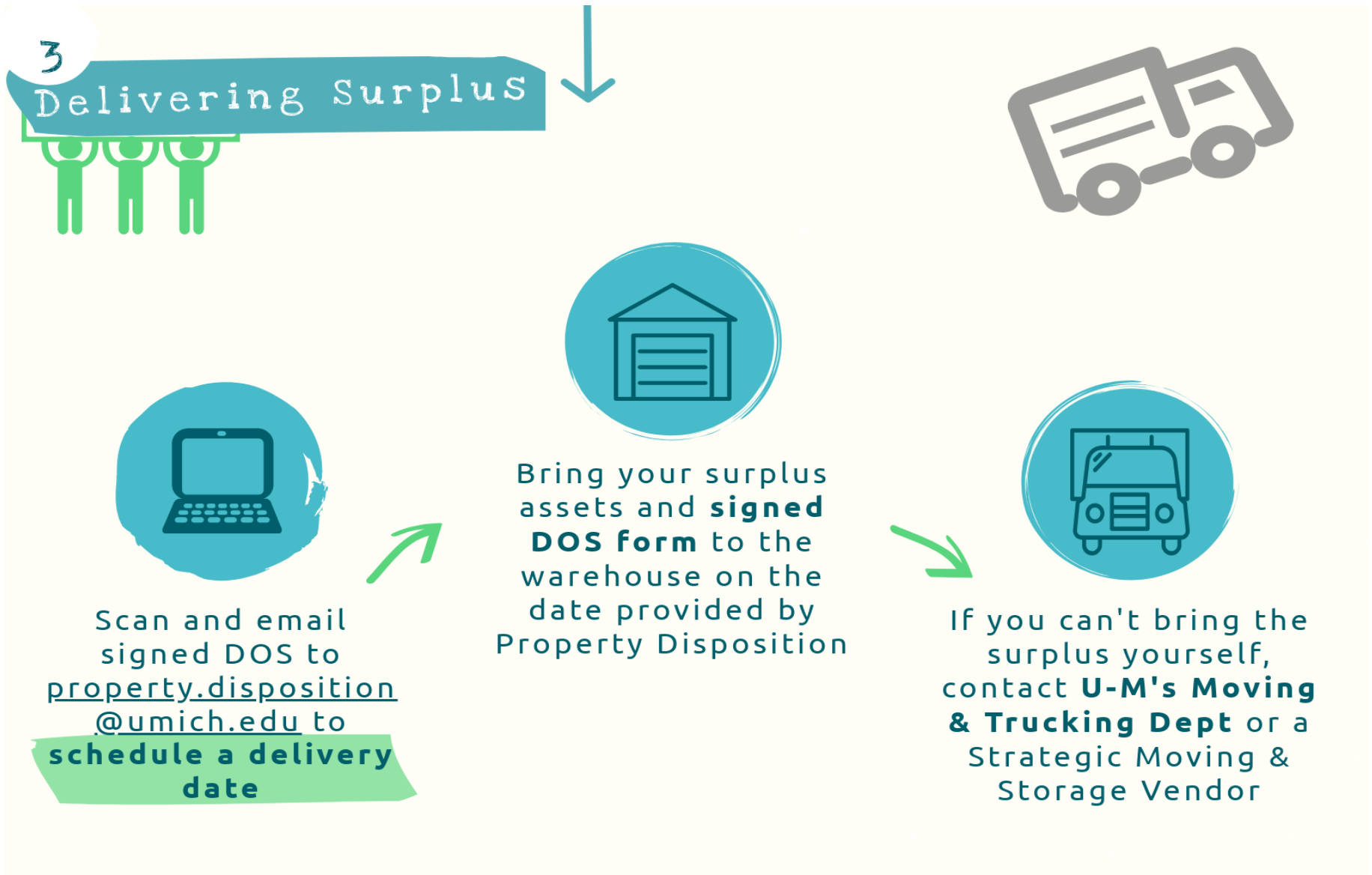
Obtain a Clearance Memo from Property Control for items acquired with **Sponsored Funding**.

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



# Things to Know:



All disposals of equipment & surplus are handled through Property Disposition



When equipment is no longer needed, it should be disposed of in a timely manner



U-M departments, employees, & the public can purchase used equipment, furniture, etc. from Property Disposition

# Key Contacts

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- Property Control [Tagging / Monitoring / Inventory]
  - Karin Feher – [jensenka@umich.edu](mailto:jensenka@umich.edu) – (734)764-6254
  - Stacey Glemser – [staceygm@umich.edu](mailto:staceygm@umich.edu) – (734)764-9783
- Financial Operations [Proper Account Usage]
  - Kandie Little – [khines@umich.edu](mailto:khines@umich.edu) – (734)763-2393
  - Jarrod Van Kirk – [jvankirk@umich.edu](mailto:jvankirk@umich.edu) – (734)647-3791
- Property Disposition [All Disposals]
  - Charles Sulikowski – [chux@umich.edu](mailto:chux@umich.edu) – (734)764-6403