

GEORGETOWN UNIVERSITY

Office of Property, Plant & Equipment Accounting



Policies and Procedures

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INTRODUCTION

The Office of Property Accounting is located on the fourth floor of 2121 Wisconsin Ave., NW, Washington, DC.

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OVERVIEW

The Office of Property, Plant & Equipment Accounting is a subdivision of the General Accounting Office. It is primarily concerned with ensuring Georgetown University's compliance with federal regulations regarding capital equipment (specifically the Office of Management and Budget Circulars A-110, A-21, and A-133) and maintaining an accurate inventory of movable capital equipment for financial and department management purposes.

The Property, Plant & Equipment Accounting Office has established this manual of policies and procedures to ensure proper accounting of both university-funded and externally-funded movable capital equipment. Property, Plant & Equipment Accounting does not track equipment purchased by the Georgetown University Hospital through its accounting office and using its cost centers. Adhering to these regulations is in the best interest of principal investigators and departmental budget personnel, as it aids in reporting to sponsoring agencies, planning and formulating budgets, screening for redundant or excessive purchases, and ensuring the accuracy of the inventory valuation and depreciation expense for the university's financial statements.

The Office of Property, Plant & Equipment Accounting can easily provide inventory reports to departments based on cost centers, locations, and many other delimiters. This can be especially helpful when a sponsored program is being transferred or coming to an end, or when a department is upgrading its equipment or moving to a new location.

Property, Plant & Equipment Accounting's inventory is used extensively in the negotiation and calculation of indirect cost rates and in university financial statements that are filed with the federal government, and is subject to audit by both internal and external agencies. An accurate Property, Plant & Equipment Accounting database ensures proper levels of insurance for the university's assets, and can aid in the reimbursement or recovery of assets in the event of loss or theft. It also ensures that accurate final property reports are filed with government and sponsoring agencies at the close of a grant or contract. Since the Property, Plant & Equipment Accounting database is accessed by so many different areas of the university, and is used in so many different

ways, it is essential that principal investigators and department administrators work together with Property, Plant & Equipment Accounting to ensure accuracy and to resolve discrepancies.

DEPARTMENT RESPONSIBILITIES

Departments have certain responsibilities to ensure the accurate inventory of capital equipment. Each department should identify a specific property administrator within its area. The department property administrator should be familiar with the account codes relevant to purchasing equipment, and should notify the Office of Property, Plant & Equipment Accounting whenever a transfer (into or out of Georgetown), disposal, or donation (by or to Georgetown) of equipment will take place. It is expected that this property administrator will serve as the primary point of contact between the department and the Office of Property, Plant & Equipment Accounting, and will be available to assist in the inventory of equipment and the resolution of discrepancies. It is usually best for this individual to be involved with the ordering of new equipment, since thorough records must be kept of equipment purchases. Essential information to include on every equipment purchase order or expense voucher is:

- The final location of the equipment.
- The serial number.
- The bar-code label number or purchase order number of the asset it will be installed in (if it is a component).
- The intended user of the equipment.

The department as a whole also has certain responsibilities to ensure proper care and maintenance of capital equipment. Each department shall:

- A. Provide the care necessary to maintain the equipment in the condition received or better (normal wear is expected). This will avoid the purchase of unnecessary duplicate items.
- B. Adequate safeguards should be in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft shall be investigated and immediately documented. Any loss or theft shall be reported to the Georgetown University Public Safety and a copy of the report sent to Property, Plant & Equipment Accounting.

Please notify the Office of Property, Plant & Equipment Accounting when a property administrator has been identified or changed for your area. These contact names will be kept on file by Property, Plant & Equipment Accounting.

CAPITAL VS EXPENSED EQUIPMENT

Capital Equipment is equipment that is durable (useful life greater than one year), portable and has a cost which equals or exceeds certain thresholds established by the University in accordance with federal guidelines. Refer to definitions for detail on Georgetown University's capitalization threshold.

Expensed Equipment is equipment that is not durable (useful life is one year or less), portable or has a cost below certain thresholds established by Georgetown University in accordance with federal guidelines. Refer to definitions for detail on Georgetown University's capitalization threshold.

DEFINITIONS

- A. **USEFUL LIFE:** The item must have a **useful life exceeding one year**, and must not be materially changed through use (i.e. must not be significantly altered or expended through normal use). For example, a facsimile machine may be used successfully for several years, and as long as the other criteria are met, it should be classified as capital equipment. On the other hand, items such as batteries, paper, ink, and toner are continuously used up and must be replaced. When these assets are itemized with a separate cost, they should not be charged to a capital equipment account code, but rather charged to an appropriate supply account code (see the 71000 series of codes).
- B. **PORTABLE:** The item must be **movable**, i.e. not permanently affixed to a building or other structure. For example, chairs and computers may easily be moved from one location to another, and often are. Drapery or modular workstation furniture are not easily disassembled or moved from place to place, therefore, these items are not considered capital equipment. However, since these items are also not permanently affixed to a building, and are usually purchased on an itemized, piece-by-piece basis, they should be coded to a minor equipment account code (71509 for drapes, 71515 for modular furniture, including cubicle panels). Items such as plumbing fixtures or hot water heaters are more accurately charged to a fixed equipment account code (see 76401).
- C. **UNIT COST:** The item must have a **unit cost of \$5,000 or more**. If an item does not have a unit cost of \$5,000, but will be permanently attached to, installed in, or used with, other components which raise the dollar value to \$5,000 or greater, then the entire bundle must be identified as capital equipment. For example, a computer hard drive may not cost \$5,000 or more, but combined with a monitor and keyboard, its total value will meet or exceed the dollar threshold; therefore the entire bundle should be recorded as capital equipment. Delivery and installation costs included with the initial purchase of equipment will be recorded as part of the total value of the asset. Maintenance and service contracts itemized with a separate cost will not be capitalized with an asset (refer to account codes 74501, 74502). Operational software (such as DOS and OS/2) itemized with a separate cost is capitalized with the equipment, but application software (such as Microsoft Excel or Adobe Photoshop) is not.

D. COMPONENTS: Components that are **permanently attached** to an item are capitalized with the total cost of the item. If the various components of a system are not permanently attached, are itemized with separate costs, and some of the items do not meet the criteria for capital equipment, they must not be coded to a capital equipment account code. However, when the cost of a bundle is quoted to the department with one inclusive price (instead of being itemized), the total amount may be capitalized. For example, in the case of a computer, two input devices (a keyboard and a mouse) and one output device (a monitor) may be capitalized with the asset. Any internal drives, processors, or memory chip upgrades should also be capitalized, whether or not they are purchased at the same time as the computer. However, an attached printer would not be capitalized with the total cost of the computer, since it can easily be used with a different computer or multiple computers at one time. Depending on its cost, it will either be capitalized on its own, or coded to a minor equipment account code (71509 or 71511). The same holds true for any other external components, such as extra monitors, external disk, tape, or hard drives, scanners, or digital cameras. Please call Property, Plant & Equipment Accounting with any questions about account codes for components.

EQUIPMENT ACQUISITION

The University obtains equipment through the following methods:

GEORGETOWN FUNDS: Equipment obtained with University funds whether it is cash, check or credit card

CAPITAL LEASES: These pieces of equipment are tracked by Property, Plant & Equipment Accounting in the same manner as normally purchased assets. The General Accounting Office reviews all equipment leases to determine if they are operating or capital leases. (reference account code 72609) Capital leases are defined as agreements which lease capital equipment for longer than two years, and meet any ONE of the following conditions:

- i. The lease transfers title (ownership) of the equipment to the university at the end of the lease term.
- ii. The lease contains a bargain purchase option for the equipment at the end of the lease term. A bargain purchase is considered to be a price sufficiently lower than the expected fair value of the property at the date that the option becomes exercisable. This is often referred to as the "\$1.00 buy-out" option.
- iii. The lease term is equal to 75% or more of the estimated economic life of the leased property. Property, Plant & Equipment Accounting can assist in determining useful lives for equipment.
- iv. The present value of the minimum lease payments, excluding any executor costs, equals or exceeds 90 percent of the fair market value of the leased property.

PLANT ACCOUNT FUNDS: Meet all of the criteria for capital equipment are accounted for in the same manner as normally purchased equipment (reference account code series 77000).

TRANSFERRED / DONATED: Any capital equipment that is transferred from another institution to Georgetown University, or is donated to Georgetown, will be inventoried and tracked by Property, Plant & Equipment Accounting. Transferred capital equipment includes equipment purchased with sponsored funds at another university, and transferred to Georgetown with the principal investigator of a grant. There are specific accounting and tax regulations governing the receipt of equipment donations. Before accepting a gift of equipment, notify the Office of Alumni and University Relations so that proper documentation can be obtained from the prospective donor for the protection of all parties. Departments must also notify the Office of Property, Plant & Equipment Accounting whenever they accept a transfer or donation of equipment, so that the university may place the items on its inventory appropriately.

NON-GEORGETOWN FUNDS: Departments which are affiliated with Georgetown University, and which make use of the university's Purchasing and Accounts Payable systems, but which are in fact separate legal or financial entities from the university should charge their capital equipment purchases to account code 76160 (Non-Georgetown Equipment). This will ensure that their equipment will not be recorded as a university-owned asset. An explanation from a Dean or Vice President must be on record to verify that a department is a separate entity from the university.

FEDERAL FUNDS: Any equipment that is purchased by a federal sponsoring agency unless otherwise stipulated in writing by the grant or sponsor. This equipment is provided for specific use not for general use. The degree of utilization must justify retention. Notification of idle equipment must be given to the sponsoring agency. Refer to Appendix D for details on federal funded equipment.

ORDERING NEW EQUIPMENT

A few notes on purchasing capital equipment:

- Account code dollar thresholds refer to **unit / bundle costs**, NOT to the total dollar amount on a requisition.
- Equipment definitions and account code definitions do not depend on where a department has money budgeted. If a department wishes to purchase capital equipment, but does not have funds budgeted to an equipment account code, a budget revision must be done to move money into an equipment account code. It is not acceptable to charge capital equipment to a non-capital account code simply because that is where money has been budgeted. Contact the Budget Office to complete a budget revision.
- Property, Plant & Equipment Accounting reviews all capital equipment transactions for accurate account coding. Incorrectly coded capital equipment transactions are

moved by Property, Plant & Equipment Accounting to their appropriate codes via equipment reclass journal on a monthly basis. These changes appear on departments' monthly Center Status Reports.

- A. **ESSENTIAL INFORMATION TO INCLUDE:** Information that must be included on every equipment requisition or expense voucher includes:
 - i. The delivery location of the equipment, including building and room;
 - ii. The primary custodian of the equipment (who will be its main user); and
 - iii. If it is a component or accessory, the bar-code label number or purchase order number of the main asset the item will be used with.
- B. **SPONSOR-FUNDED EQUIPMENT:** Georgetown University is required by law to track ALL equipment purchased with sponsored funds, whether or not Georgetown retains title to the assets. Failure to do so can result in penalties being imposed on the university or principal investigator. Equipment purchased with sponsored funds is usually subject to strict regulations regarding transfers, sales, or disposals of the equipment. Please contact Property, Plant & Equipment Accounting with any questions regarding equipment purchased with sponsored funds.
- C. **EQUIPMENT JOURNALS:** All accounting transactions involving capital equipment (such as the sale of equipment from one department to another, or the movement of a transaction from an RX account to a GD account) must be completed on a monthly basis and a copy of the journal should be sent to the Office of Property, Plant & Equipment Accounting. Please reference the barcode label number (or the purchase order number if the item has not been tagged yet), the new controlling cost center, and the new location of all the equipment affected by the journal. Departments must note the actual purchase price of the asset (which can differ from the order price) and the most current account code for the asset (which may have been changed subsequent to purchase) on all journals. Any questions regarding proper account codes for equipment should be directed to the Office of Property, Plant & Equipment Accounting.
- D. **APPLICABLE ACCOUNT CODES:** Many of the account codes associated with capital equipment have been updated or changed recently. To ensure accurate accounting and depreciation of equipment, please reference Appendix D for a short list of account codes commonly used for capital equipment and their definitions. Departments are encouraged to view the entire list of active account codes available on the Georgetown University home page at <http://financialaffairs.georgetown.edu>. Property, Plant & Equipment Accounting can provide a hard copy of this list if a department does not have Web access. (Also note Section IV: "Definitions".)

INVENTORY OF NEW EQUIPMENT

- A. The Office of Property, Plant & Equipment Accounting monthly receives a download of the Purchasing / Accounts Payable system of all new transactions coded with equipment account codes. Any capital equipment obtained by a department through other means, such as by journal, wire transfer, donation or transfer from another department or institution, must be reported in detail to Property, Plant & Equipment Accounting. This ensures that the property inventory will be as thorough and accurate as possible. New equipment transactions are also screened by Property, Plant & Equipment Accounting for correct account coding and discrepancies. Errors in account codes are corrected by Property, Plant & Equipment Accounting on equipment journal at this time, and appear on the department's monthly Center Status Reports.
- B. Property, plant & Equipment Accounting will conduct all tagging of new capital equipment. Tagging is conducted on a monthly basis, and consists of obtaining identifying information from each capital asset (such as model and serial numbers), and placing physical barcode labels on the main portion of the items. Departments are given approximately one week's notice to prepare for the monthly tagging schedules. Precautions should be taken ahead of time by the department to ensure accessibility to newly acquired items, particularly items often removed from campus (such as laptop computers) or items kept behind locked doors. All efforts are made to schedule tagging around critical periods of the academic calendar and special departmental considerations. While most equipment is tagged with blue barcode labels, federal equipment is tagged with red barcode labels in order to easily identify the equipment as federally owned.
- C. Items such as artwork and very sensitive or small scientific equipment are not tagged with a physical label, but are assigned an on-line tag number instead, and are recorded as usual in the Property, Plant & Equipment accounting database. Non-portable items (such as desktop computers) that will be located off campus (at a Non-Georgetown site and/or outside the Metro area) for an extended period of time must be tagged before being removed from campus. The Property, Plant & Equipment Accounting staff is available to tag items in this category without waiting for the monthly tagging schedule. Departments are encouraged to call the Office of Property, Plant & Equipment Accounting with any questions that may arise during this process.

PHYSICAL INVENTORY

Georgetown University is required to perform a full physical inventory of its capital equipment, and a subsequent reconciliation to the permanent property database, at least once every two years, in accordance with the Office of Management and Budget Circulars A-110 and A-21. This process may be completed by additional temporary staff under the direction of the Office of Property, Plant & Equipment Accounting. The full physical inventory of capital equipment usually takes place in the spring, before the close of the fiscal year. The process for the biannual inventory is as follows:

- A. Departments are notified before the inventory begins of the timetable that has been established for completion of the entire inventory. Once scheduled, they are given approximately two weeks' notice to prepare for inventory activity in their area. Arrangements are made, as necessary, with each department to ensure the access and success of this process without extraordinary inconvenience to the department. It is the department's responsibility to contact Property, Plant & Equipment Accounting if special arrangements must be made to inventory an area.
- B. The Property, Plant & Equipment Accounting Office physically will utilize the hand held bar scanner on each piece of equipment in each on location of Georgetown University. Every effort is made to respect the normal functioning of each of the areas during the inventory.
- C. Results from the inventory are reconciled with the permanent property database, which is then updated accordingly. Any errors or discrepancies are resolved with the departments at this time.
- D. Departments may request an updated listing of their equipment, based on the outcome of the physical inventory. Any changes to this list should be reported to Property, Plant & Equipment Accounting throughout the year, to ensure a swift and successful reconciliation at the time of the next biannual physical inventory.

DEPRECIATION OF EQUIPMENT

Georgetown University capital equipment that is not purchased with federally sponsored funds is depreciated in the property system. Georgetown uses a straight-line depreciation method based on the useful life associated with an asset's account code. The equipment account codes are pooled into asset classes, which have the following useful lives:

- 10000: Office Furniture: 15 years
- 15000: Electronic Office Equipment: 5 years
- 20000: Scientific Equipment: 5 years
- 30000: Computer Equipment: 5 years
- 40000: Other Equipment: 10 years
- 50000: Vehicles 8 years
- 61000: Leased Equipment 5 years
- 62000: Leased Equipment 8 years
- 63000: Leased Equipment 6 years
- 64000: Leased Equipment 4 years
- 70000: Building Renovation 20 years
- 90000: Fully Depreciated Assets 30 years

The yearly depreciation amount is calculated by dividing an asset's funding total by its useful life. Capital equipment purchased during the fiscal year will receive a full year of depreciation. Disposing of an asset before the end of its useful life means that its undepreciated value must be written off in the property system. Therefore, if an item is to be sold before the end of its useful life, its undepreciated value should be used as a

starting point in setting the sale price. Once an asset has been fully depreciated in the system, Georgetown University will no longer be reimbursed indirect cost from the federal government for that item.

DISPOSAL OF EQUIPMENT

Equipment may be disposed of in a number of ways, but it is important to notify the Office of Property, Plant & Equipment Accounting whenever this takes place. University financial calculations are greatly affected by the disposal of capital equipment, so it must be accounted for accurately. The university must record gains and losses of capital equipment to remain in compliance with The Office of Management and Budget Circulars A-21 and A-110. As well, assets purchased with sponsored funds are often subject to far stricter controls regarding their disposal and should be handled with special care. In some instances, federal agencies retain title to equipment purchased with sponsored funds, and can require that the equipment be returned to them when it is no longer needed on the project it was obtained for. Proceeds from the sale of equipment purchased with sponsored funds often revert back to the sponsoring agency, so it is essential to contact both the Sponsored Accounting office and Property, Plant & Equipment Accounting office BEFORE disposing of this type of equipment. It is also essential to contact Property, Plant & Equipment Accounting BEFORE disposing of equipment in order to remove the property tag. Any sale of equipment to a non-Georgetown entity may incur certain tax obligations (see Appendix B). Finally, all disposals of capital equipment must be noted on an Equipment Disposal Form and approved at the departmental level before sending a copy of the form to Property, Plant & Equipment Accounting (see Appendix C). Original forms should be kept on file by the disposing department.

Any of the following situations constitutes a disposal of property, and should be processed accordingly:

- A. Return to Vendor: The equipment has been returned to the vendor. Please provide Property, Plant & Equipment Accounting with the bar-code label number and requisition number for the returned item using the Equipment Disposal Form. Also indicate whether a credit will be received for the returned item, if applicable. If a new item will replace the returned item, please arrange to have it inventoried by Property, Plant & Equipment Accounting.
- B. Trade-In: The equipment has been traded in for credit as part of an upgrade or new purchase. Please provide Property, Plant & Equipment Accounting with the bar-code label and/or requisition number of the traded-in item, as well as the amount of the trade-in credit using the Equipment Disposal Form. Also provide the requisition number for the new item, and arrange to have the new item inventoried by Property, Plant & Equipment Accounting. The Equipment Requisition form has a section in which to record this information, as well (see Appendix A).

- C. Excess Equipment: Items in excess of a department's needs, but which are still in working order must be listed on the Excess Property Bulletin (see sample in Appendix B) for two weeks before donation or sale outside the university. The Bulletin will be faxed on request by Property, Plant & Equipment Accounting to departments. It is also available on the Georgetown University Web Page at <http://guweb.georgetown.edu/finaff/budget/excessbu.htm>.
- a. To list an item on the bulletin, provide Property, Plant & Equipment Accounting with the manufacturer, model, description, asking price, contact name, and contact phone number. For the first two weeks it is listed, the item may only be made available to other Georgetown University departments for university use. After that, any buyer may purchase the equipment for any use. Once an item has been sold, please notify Property, Plant & Equipment Accounting to remove it from the bulletin, as well as from the property inventory using the Equipment Disposal Form. If an item listed on the bulletin is not sold within three consecutive months, it will be dropped from the Bulletin and the department has the following options:
 - i. Request that the Surplus Property Office of the New South Stockroom recycle or dispose of the item. The Facilities Office is also available to remove larger items for disposal.
 - ii. Sell or donate the equipment to either an on- or off-campus entity. Sales tax must be collected on sales to individuals and organizations that do not hold a *Certificate of Tax Exemption*. The applicable tax rates are as follows:
 1. District of Columbia – 5.75 %
 2. Virginia – 5 %
 3. Maryland – 6 %
 - a. The correct tax rate to use is determined by where the buyer takes physical ownership of the equipment (i.e. where it is picked up). Departments should keep detailed records of sales tax collected. Contact the Tax Department to confirm the tax rates to use and how to report sales tax collected. The non-tax proceeds from the sale of capital equipment must be deposited into the account code from which the asset was purchased (Property, Plant & Equipment accounting can provide this information).
 - iii. Request Property, Plant & Equipment Accounting to list the item for sale or donation on the Bulletin for another three months.
- D. Stolen Equipment: Notify Property, Plant & Equipment Accounting of the barcode label number, manufacturer, model, and serial number of the item to be removed from inventory using the Equipment Disposal Form. The department should also report the theft to Georgetown University Public Safety (GUPS) and Risk Management.
- E. Transfers / Donations Out: Equipment which is being transferred or donated to another department or institution must be identified to the Office of Property, Plant & Equipment Accounting before the transaction takes place, to ensure that Georgetown University remains in compliance with federal regulations. Please

provide Property, Plant & Equipment Accounting with an Equipment Disposal Form itemizing each item potentially leaving the department, including as much of the following as possible: cost center, bar-code label number, manufacturer, description, model, serial number, where it is going, and for how much money (if applicable). For transfers to other Georgetown departments, please provide a new location, cost center, and contact name for the equipment. A separate Equipment Journal must be completed if the equipment transfer includes a transfer of funds. The Office of Property, Plant & Equipment Accounting will assist the Sponsored Accounting Office in reviewing requests to transfer equipment purchased with sponsored funding. This review is used to determine whether the university holds title to the equipment, and whether any stipulations of the grant or contract would prohibit a transfer. In most cases, written approval from the controlling governmental agency is needed for the transfer of sponsored capital equipment to occur.

- F. Scrapped Equipment: Items that are no longer in functioning order and which are not economically feasible to repair may be scrapped. Please provide Property, Plant & Equipment Accounting with an Equipment Disposal Form listing these items by tag number (or manufacturer, model, and serial number if tag is unavailable) and the disposition reason before the items are scrapped.

ON-LINE INFORMATION

The Office of Property, Plant & Equipment Accounting's Manual of Policies and Procedures, the Equipment Requisition, the Equipment Disposal Form, and the current Excess Property Bulletin are available on the University's Financial Affairs Web Page. By accessing the Georgetown University Home Page and clicking on the link at <http://financialaffairs.georgetown.edu/policytc.html> these policies can be viewed. Any of the OMB Circulars referenced in this manual may also be located on the Internet, at <http://www.whitehouse.gov/wh/eop/omb/html/ombhome.html>. Equipment purchases may be completed online using the Peoplesoft Web Procurement module on the Georgetown home page, and equipment transfers may be completed online using the Peoplesoft General Ledger module.

1. Appendix A - Purchase Requisition & Capital Equipment Form
http://financialaffairs.georgetown.edu/procure/PC_Manual/108_requisition_pro.htm
2. Appendix B - Excess Property Bulletin
<http://financialaffairs.georgetown.edu/property/excessbu.htm>
3. Appendix C - Equipment Transfer & Disposal Form
<http://financialaffairs.georgetown.edu/property/disposal.xls>
4. Appendix D - Federal Funded Equipment Policy
<http://financialaffairs.georgetown.edu/property/propfed.pdf>