

<p>Policy No: 2131</p>	<p>Policy Name: Capital Asset Management</p>
<p>Effective Date: February 1, 2009</p>	<p>Policy:</p> <ol style="list-style-type: none"> I. The University of Maryland, Baltimore (UMB) will maintain a perpetual capital asset inventory. II. UMB will perform a biennial capital equipment physical inventory.
<p>Revision Date: May 21, 2018</p>	
<p>Approved by: Dawn Rhodes Vice President Administration & Finance</p>	<p>Definitions and Terms:</p> <ol style="list-style-type: none"> I. <u>Real Property</u> <ol style="list-style-type: none"> A. Buildings and building improvements <ol style="list-style-type: none"> 1. All buildings and permanent structures and all fixtures, and machinery that cannot be readily moved without disrupting the basic building structure or services to the building. 2. Trailing charges are additional invoice payments made after the project has been added to the Capital Asset Management system. B. Land Improvements <p>Fencing, athletic fields, landscaping, and other modifications to the land of a permanent nature.</p> C. Infrastructure <p>Roads, bridges, curbs, sidewalks, water, sewer, and utility distribution systems.</p> D. Construction in Progress <p>All costs associated with building, building improvement, or land improvement construction projects that are not complete at the end of the fiscal year.</p> II. <u>Personal Property</u> <ol style="list-style-type: none"> A. Equipment <ol style="list-style-type: none"> 1. All equipment that is not permanently affixed to the buildings which have a useful life greater than one year. 2. Trailing charges represent payments of invoices made after the equipment has been added to the Capital Asset Management System. They are usually freight charges. B. Library Books <p>Books, bound periodicals, microfilm, or other library items that are part of formal university catalogued library.</p>
<p>Last Approval Date: March 26, 2018</p>	
<p>Refer Questions to: Manager Financial Services- General Accounting 410-706-6554</p>	
<p>USM Board of Regent's Policy Reference: VIII-1.10 - Policy for Capitalization and Inventory Control</p>	
<p>VIII-1.20 - Policy On Disposal Of Surplus Personal Property</p>	

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C. Software

Software acquired, internally developed, or modified solely to meet the University's internal needs.

Purpose:

Identify the procedures and responsibilities necessary to ensure the timely and accurate recording of capital assets and the performance of the capital equipment physical inventory.

Scope:

All University real and personal property acquired or in the custody of any school, department, or division, irrespective of location.

Restrictions and Exclusions:

The procedures related to equipment purchased with external (sponsored) funds that is being transferred to another institution, campus, or department are governed by the [Office of Research & Development \(ORD\) Equipment Transfer Policy](#).

Related / Impacted Policies:

- I. [UMB Policy VIII – 1.10\(A\) Non-Capital Assets](#)
- II. [UMB Policy VIII - 1.20\(A\) Disposal of Surplus Personal Property](#)
- III. [UMB Policy X – 99.08\(A\) Disposal of Media Containing Data](#)
- IV. [Office of Research & Development \(ORD\) Equipment Transfer Policy](#)
- V. [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

Procedures:

I. Additions to the Inventory

The Department of Financial Services-General Accounting (General Accounting) is responsible for recording any additions to the inventory for items acquired through the university financial system, equipment loans from USM, bond funds, and donations.

A. Equipment

- 1. Equipment with a unit cost of \$5,000 or greater is added to the system monthly based on specific capital accounts as well as revolving loan, and bond submissions.
- 2. Trailing charges on equipment will be updated with a transaction date in the system as of the in-service date.
- 3. Each School, Department or Division must advise General Accounting within 30 days of any capital equipment transferred from other institutions or donated to the University by attaching an excel worksheet to an email.

B. Buildings

1. Prior to completion of the project, all expenditures are classified as construction in progress.
2. Building construction and major building improvements are added to the system once the project is completed. All expenditures are moved into their respective plant fund categories.
3. Within two (2) weeks after completion, the Office of Capital Budget and Planning will notify General Accounting to add the building. Additionally, the Office of Capital Budget and Planning notifies General Accounting of the purchase of additional buildings.
4. Significant additions, alterations, renovations or structural changes that extend the useful life or enhance the value of an existing building and which exceed \$250,000 in cost, are added to the recorded valuation of the building at 100 percent of their identifiable costs.
5. The Office of Capital Budget and Planning notifies General Accounting of the estimate of the original cost of that portion of the building which is removed as a result of an alteration or renovation, for which the cost exceeds the \$250,000 threshold. General Accounting deducts the amount from the recorded valuation of the building.

C. Land

1. The Office of Capital Budget and Planning notifies General Accounting of land acquired by purchase, gift or bequest within two (2) weeks of acquisition.
2. Land acquired by purchase is recorded at cost to include the amount paid for the land itself and all related acquisition costs.
3. Donated land is recorded at the fair market value at the date of acquisition.

D. Library

At fiscal year-end the Health Sciences/Human Services Library and School of Law Library each provides General Accounting a worksheet indicating the value of additions. General Accounting updates the Capital Asset Management System.

E. Software

These items are added at the time of acquisition. The cost of software is obtained through the monthly review of payments. The cost of software upgrades are added to the original cost.

F. Museum/Art Collections

Units receiving donations of museum/art collections notify General Accounting within 30 days of acquisition. These donated items are recorded at fair market value.

II. Changes to the Equipment Inventory**A. Equipment**

1. Each School, Department or Division is responsible for providing General Accounting with any changes or updates to the capital equipment inventory database. This includes changes to certain data elements such as room, location, and/or departmental assignment. The respective unit must complete a [Capital Equipment Transfer Form](#) and forward it to General Accounting within thirty (30) days of the changes. General Accounting will update the inventory based on the information provided by the department.
2. Cost Transfers/Chartstring corrections done by journal entries will be updated in the system on a monthly basis. If the in-service date is within the current fiscal year, the transaction date will be updated with the in-service date. If the in-service date is a prior fiscal year, the transaction date will be updated with 07/01/-- of the current FY.

III. Changes to Building Project Cost

After the project cost is added to the Capital Asset Management System any trailing charges are added with a transaction date in the system as of the in-service date.

IV. Deletions from the Inventory**A. Equipment**

Each School, Department or Division is responsible for providing General Accounting with notification of deletions for the equipment inventory. The types of deletions which are acceptable as well as the requisite documentation are listed on the [Excess Property Declaration / Capital Asset Deletion form](#). The respective unit must complete a "Capital Asset Deletion Form" and forward it, along with the required supporting documentation, to General Accounting within 30 days of the deletion. General Accounting will update the inventory based on the information provided by the department. Any equipment that contains data must be disposed via the [Media Disposal System](#) in accordance with [UMB Policy X-99.08\(A\) Disposal of Media Containing Data](#).

B. Buildings

Disposal of all or part of buildings is recorded at the time of a sale or demolition. Notification of the disposal is received by email from the Office of Capital Budget and Planning.

C. Library

At fiscal year-end the Health Sciences/Human Services Library and School of Law Library each provides General Accounting a worksheet indicating the value of deletions. General Accounting updates the Capital Asset Management System.

V. Tagging Capital Equipment

General Accounting is responsible for generating identifying information (i.e., property tags) and a tag certification form for all capital equipment. General Accounting is responsible for placing the property tags on all capital equipment located on the central campus. Asset tags are generated at the end of each month. General Accounting will contact the department within 30 days to arrange a time to tag the equipment. Departments with off campus facilities will be responsible for tagging the equipment in those locations.

VI. Depreciation

Depreciation is calculated by the Capital Asset Management System for all additions, transfers, and retirements on a monthly basis. Depreciation expense is recorded using the straight-line method as outlined in the USM Capital Asset Depreciation Guide. Land, construction in progress, and museum/works of art are excluded from depreciation.

VII. Reporting

Journal entries are processed on a monthly basis to record additions, transfers, retirements, and depreciation expense. These entries are for financial statement reporting purposes only.

VIII. Capital Equipment Management

To assist in the management of the capital equipment inventory, every 6 months General Accounting will provide to each the School, Department, and Division a listing of the equipment assigned to them.

IX. Performance of a Physical Count of Capital Equipment

A. Each School, Department or Division is responsible for completing a biennial physical count of all equipment assigned to their respective unit. General Accounting will coordinate the scheduling of the physical count of the inventory with each unit to ensure compliance with this policy. The non-capital and sensitive equipment inventory will be scheduled in conjunction with the capital physical count. Please refer to Policy No. 2132 "Non-Capital Equipment (Including Sensitive Equipment)" for specific details on the inventory process.

B. General Accounting will provide each department with a packet of information prior to the start of the physical count of equipment. The packet includes an Inventory Receipt form, Inventory Certification of Completion, Inventory in Room Sequence report, Inventory in Tag Sequence report, Excess Property Declaration / Capital Asset Deletion form, and a Capital Equipment Transfer form.

1. Each department will sign the Inventory Receipt form upon delivery of the inventory packet from General Accounting. The receipt is kept on file in General Accounting.

2. Departments perform a physical count of all equipment items assigned to them. After accounting for all items, the department

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may update either the Tag Sequence Report or the Room Sequence Report. The updated report and all supporting documentation are then submitted to General Accounting within 60 days. Department Head and/or Administrators are required to sign off on the inventory report before returning it to General Accounting.

3. General Accounting will review the information received from the department and update the Capital Asset Management System. General Accounting will contact the department if any additional information or clarification is required.

4. Independent Verification

General Accounting will perform an independent verification process to insure compliance with USM inventory policy and to safeguard inventory items. The verification performed by General Accounting will be done within 45 days after the inventory count has been returned from the department. General Accounting will select room locations and validate the existence of the equipment as counted on the inventory. If there are any discrepancies, General Accounting will work with the department personnel to locate the equipment and make the necessary changes in the inventory system. The Department Head and or Administrator will be required to certify that this independent verification was completed by the General Accounting office.

5. Delinquent Inventories

- a. When an inventory report is not returned in the required timeframe, the Property Accountant will send a notice of delinquency to the administrator.
- b. A second notice will be sent by the Manager of General Accounting two weeks after the initial follow up to the administrator with copies to the Department Chair and the Associate Director Financial Services.
- c. If the delinquency remains after two weeks, the Associate Director Financial Services notifies the Office of the Dean for resolution with a copy to the Department Chair.

Responsibilities:

- I. Financial Services- General Accounting

- A. Maintain the Capital Asset Management System for the University.
- B. Every 6 months provide to each School, Department, and Division a listing of the equipment assigned to them.
- C. Perform an independent verification process to insure compliance with USM inventory policy and to safeguard inventory items.

- II. Schools, Departments or Divisions

- A. Maintain physical control of all Capital Equipment assigned to them and complete a biennial inventory.

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B. Properly dispose assets in accordance with UMB Policies and Procedures.

III. Office of Capital Budget and Planning

Advise General Accounting of purchases of land and buildings. They will also advise when new construction, major renovation, and disposals are complete.

Sample Forms:

I. [Excess Property Declaration / Capital Asset Deletion Form](#)

II. [Capital Equipment Transfer Form](#)

Instructions for Completing Forms:

I. [Excess Property Declaration / Capital Asset Deletion Form](#)

Provide the information for the asset that the department is disposing. The form must be signed off by a department head or Administrator. Documentation of disposal must be attached as described on the form.

II. [Capital Equipment Transfer Form](#)

This form serves two purposes for updating information on an existing asset. Provide the information at the top of the form for room location changes within the department. Provide the information at the bottom for transfer of equipment from one department to another. The sending and receiving administrators must sign the form.