2015 Administrative Leadership Conference

Equipment Management FUNdamentals:
What Every Business Manager
Needs to Know to Stay in Compliance

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Workshop Presenters

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Please …

Turn off cell phones.

Feel free to ask questions at any time during the presentation.

Avoid side conversations.

Sign the attendance roster.

Complete the evaluation at the end of the workshop.

Workshop Objectives

1 Review the equipment management responsibilities of the Business Manager

2 Identify key regulations and policies related to Equipment Management

3 Examine helpful tips and tools for Inventory Management that can be applied to your department's processes

Why is Equipment Management Important?

- The University maintains accurate property records because:
    - It's required by University policy and state law
        - *Illinois Property Control Act*
    - It's required under the Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB)
    - Used in calculating the Facilities and Administrative (F&A) rate – erroneous data can cost the University money
    - They are part of University financial statements
        - These are used to calculate our credit score, which in turn affects the University bond rating and ability to borrow and raise money

Why is Equipment Management Important?

- The Equipment Numbers (Fiscal Year 2014)
  - Balance Sheet book cost ~ $ 2.0 Billion
  - Balance Sheet (net of depreciation) ~ $ 527 Million
  - 252,131 equipment records – Banner Tracked
  - FY14 ~ $109 Million in capitalized equipment additions
- University Balance Sheet Numbers (FY 2014)
  - Total Assets (net of depreciation) ~ $7.4 Billion
  - Capital Assets (net of depreciation) ~ $ 3.6 Billion

Why is Equipment Management Important?

- Grant-Funded Equipment Numbers (FY 2014)
  - Amount of grant-funded equipment items - 13,644
  - Book cost of grant-funded equipment items ~ $462 Million
- Federal & Other Titled Equipment (FY 2014)
  - Federally titled book cost ~ $2.6 Million
  - Number of federally-owned items - 101
  - Other titled book cost ~ $1.5 Million
  - Number of other-owned items - 42

Why is Equipment Management Important?

- ## Highly Regulated
  - State Laws over Property Control; Data Wiping; Data Loss
  - State Administrative Code over Property control
  - Mandated State Reporting - Monthly, Quarterly, Annual
  - A133 OMB Circular – changes to UG (Uniform Guidance)
  - Single audit required if > $ 750K expended (permanent)

- ## Highly Audited
  - Annual Financial Statement audit (UAFR coordinates)
  - Annual State Compliance audit (OBFS coordinates)
  - Annual Federal Compliance audit (GCO coordinates)
  - Ongoing grants/sponsors audits
  - F&A rate studies - affect overhead charged/income to University

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Why is Equipment Management Important?

- Key Annual External Audit testing includes:
  - List-to-floor testing
    - Select sample of items and physically observe
    - Validate/confirm all record attributes – location, condition, etc…
  - Floor-to-list testing
    - Select physical items during walkthrough and trace back to list
  - New acquisitions testing
    - Costs are accurate and records are complete
  - Disposal testing
    - Documentation approved by unit in FABweb; receipt at surplus
  - Biennial Certification testing
    - Auditors request work papers/support of observation

Why is Equipment Management Important?

- Recurring audit findings
  - Equipment on unit inventory not found
  - Equipment on unit inventory found but no physical tag/label
  - Equipment found but not on unit inventory
    - May or may not have physical label/tag
  - Equipment listed as disposed – found in use
  - No evidence of physical observation – Biennial Certification

Why is Equipment Management Important?

- Best Practices to Avoid Audit Findings
  - Specific Best Practices to be covered by area later
  - Biennial Inventory = key detective control
  - Respond immediately to audit inquiries
  - Verify equipment as requested

Key Policies & Procedures

- Regardless of funding source, all equipment is subject to the State Property Control regulations
- Units are responsible for their equipment and accuracy of equipment records
- Tracked equipment key criteria include:
  - A useful life of more than one year
  - AND a unit value equal to or greater than $500.
- Label equipment to display ownership information
  - State, Sponsor, or Individual (Tracked and un-tracked)
- Title holder can be State; Federal; or Other

Key Policies & Procedures

- All disposals of University equipment must be pre-approved by FABweb Unit Approver and Property Accounting (Tracked and un-tracked)

- Equipment loans and transfers must be pre-approved by unit and college management, and relevant University offices

- Take reasonable care to safeguard University property

- Biennial Physical Inventory & Certification required

- Data Security on State Computers Act
 - Mandates elimination of data prior to disposal

Unit Responsibilities

- New Acquisitions:
  - Process New Acquisition records in FABweb
  - Add Donated, Found, and Other Non-Cash in FABweb
  - Affix Property Labels to equipment
- Maintain/Update Existing Asset records
  - Transfer Equipment to Another Unit
- Dispose of Unneeded Equipment
- Complete a Biennial Inventory & Certification
- Keep Property Secure – Segregation of Duties

New Acquisitions Overview

- Accurate information should be provided at each stage of the acquisition process, starting with the requisition:
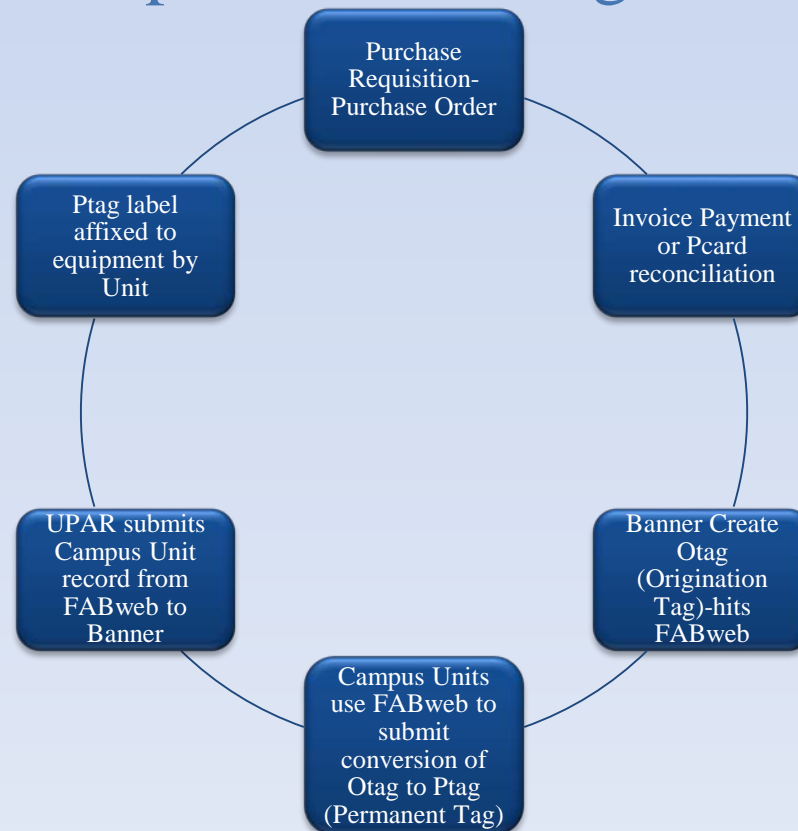
Common New Acquisitions Issues

- Equipment Account Code Importance
  - Equipment Otag records only created for account codes:
    - 127* - Tracked equipment $500 - $4,999
    - 163* - Capitalized equipment $5,000 and above
- Not completing FABweb records timely (30 days)
- Incomplete data elements submitted:
  - Custodian & Equipment Manager
  - Make/Model/Serial Number
  - Room level location code
- Be aware of Non-Cash additions:
  - Fabricated Items/Gifts/Found items

New Acquisitions Best Practices

- Centralized Requisition Process
- Use comments in Pcard, iBuy, Banner Reqs
- Check FABweb weekly for new items
- Communication between all involved in the Unit from procurement to FABweb & tagging
- Training – employee turnover
- Be sure staff have resources – Banner, etc…
- Your suggestions…

New Acquisitions Best Practices

- Grant Specific Suggestions:
  - Will the equipment cost be allowable?
  - Prior to Purchase: Review Award Docs
    - Equipment in award budget?
    - Equipment in award budget justification?
    - Equipment in award scope of work?

Updates Overview

- Maintain accurate records throughout life of asset
- Update using FABweb
- Update fields include:
  - Location
  - Custodian
  - Equipment Manager

  - Condition
  - Manufacturer
  - Description
- Banner automatically updates after FABweb submission

Common Updates Issues

- Difficult in Decentralized Environment
  - Updates not being made or not made on time
- Situations when updates are needed:
  - Asset moves to a different location.
  - Custodian or Equipment Manager changes.
  - Biennial inventory
  - Equipment loans

Updates Best Practices

- Tone at the Top is important
- Periodic communications to all involved staff
  - Report any moves/updates
  - Involve who's moving equipment – PI/GA/TA/IT
- Your suggestions…

Disposals Overview

- Disposing of Equipment
  - Use FABweb surplus/disposal form – Tracked & un-tracked
  - CANNOT be given away, thrown away, or sold
  - Automated workflow with Representatives & Approvers
  - FABweb roles - Segregation of Duties
  - UIS units must email Jason Gibson to Pick-up Equipment
  - Computers must be transferred to UIS ITS

- Other Disposals
  - Backup documentation required for:
    - Stolen
    - Trade-In
    - Transfers with Researcher

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Common Disposals Issues

- Hoarding & untimely disposal
- Approvals not completed timely in FABweb
- Banner/tracked submitted as Non-Banner
- Items put in garbage
- Data-wiping not completed appropriately
- No record keeping retained in unit

Disposals Best Practices

- Consistent process for handling in unit
- Separate duties of Representatives & Approvers
- Use FABweb "Check Status" functionality
- Safeguard equipment throughout process
- Use FABweb "save to excel" for file retention
- Review recent transactions for completion
- Your suggestions…

Biennial Inventory Overview

Property Accounting & Unit

- Confirm that:
  - Property contacts are up-to-date
  - Certification letters are returned on time

Unit

- Ensure records are accurate:
  - Ptag Label affixed
  - Location – use room level codes
  - Custodian & Equipment Manager

Common Biennial Inventory Issues

- Untimely completion & Certification – No extension process allowed in State/University Policy
- Inaccurate Contact List causes delays in correspondence
- Equipment not physically verified
- Equipment records not updated
- Unfound items not marked as "Pending"
- Unresolved items not resolved or written-off
- No audit trail retained of physical verification

Biennial Inventory Best Practices

- Tone at the Top is most important
- Keep Property Contact list accurate
- Physical observation should be:
  - Independent
  - Thorough
- All involved should be trained
- Involve management in unfound resolution
- Retain physical observation working papers/files
- Your suggestions…

Overall Best Practices

- Tone at the Top is key

- Ensure processes are organized/coordinated

- Training for all staff involved

- Segregate Duties so no one person has full control over acquisitions, Biennial, & write-off
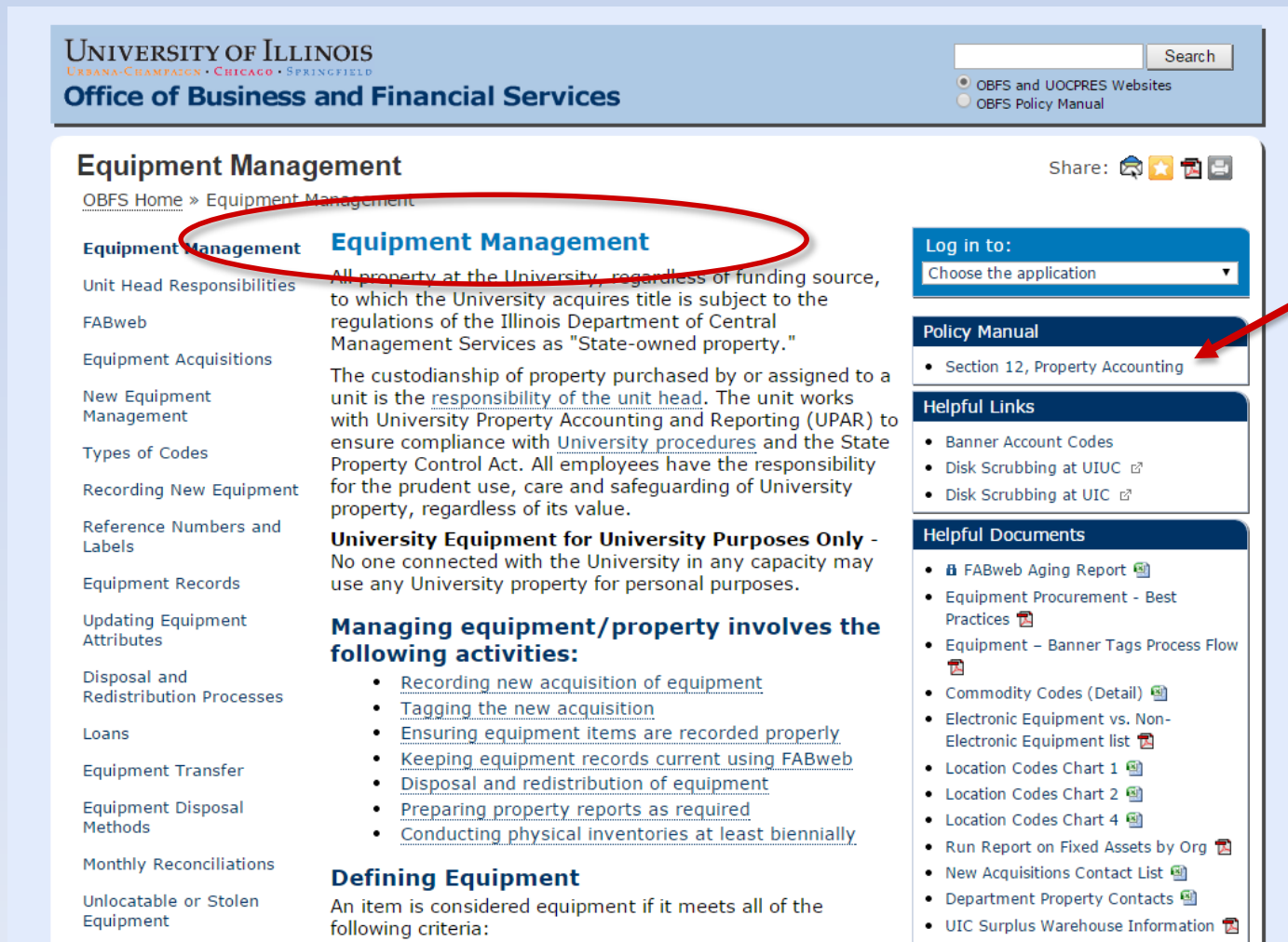
Overall Best Practices

- Management through Direct Observation:
  - Think and act like the External Auditors
  - Spot check your Dept. Inventory Listing
  - Spot check completeness of equipment records
  - Identify old computers/equipment as likely problems
  - Equipment with custodians no longer in unit
  - Spot check rooms and equipment for tagging
- Your suggestions…

Website Resources

- OBFS – <u>Equipment Management Website</u>
  - URL: http://www.obfs.uillinois.edu/equipment-management/
  - Policy Manual – Step-by-Step Help
  - OBFS - <u>Section 12: Property Accounting</u>
  - OBFS - <u>Section 16.1.4 Equipment, Equipment Leases, and Expendable Supplies</u>
    - URL: http://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/section-16-1-4
  - Instructor-Led Courses
    - Five Property Accounting courses with online participant guides
    - OBFS - <u>Accounting & Financial Reporting Training</u>

Website Resources

Scrap/Surplus/Biennial Inventory

Janet Ayers

Supervisor

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Biennial Inventory

Surplus Warehouses

Disposal, Transfer, & Loan Forms at UIC

New Contacts

Property Email box

2015 Administrative Leadership Conference

Equipment – New Acquisitions

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See Website for "New Acquisitions Contact List" by Chart-Org

New Acquisitions

Non-Cash Additions – Gifts/Found

Fabricated Equipment

Collections

FABweb Security - Training

Other Equipment Contacts

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Workshop Summary

You are now able to:

Identify equipment management responsibilities of the Business Manager

Recognize key regulations and policies related to Equipment Management

Find helpful tips and tools for Inventory Management that can be applied to your department's processes

Questions / Concerns?