



UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON

RENU KHATOR
Chancellor, UH System
President, University of Houston

TO: Vice Presidents
Deans
Directors
College/Division Administrators

FROM: Dr. Renu Khator

DATE: April 18, 2008

SUBJECT: Rescission of University of Houston Policy

During a recent review of the Manual of Administrative Policies and Procedures, it was determined that the following MAPPs should be rescinded:

03.03.02 – Acquisition of Capital Equipment
03.03.03 – Maintenance and Control Responsibilities
03.03.04 – Property Management’s Annual Inventory
03.03.05 – Disposal of Excess Equipment
05.04.01 – Emergency and Exception Manual Checks from Imprest Account.

- Relevant policy information for MAPPs 03.03.02 – 03.03.05 has been combined into MAPP 03.03.01 – Property Management Overview. Detailed procedures for the handling of property have been incorporated into a comprehensive on-line handbook and will also be available through an on-line training.
- MAPP 05.04.01 – Emergency and Exception Manual Checks from Imprest Account is outdated and no longer necessary. The University of Houston does not currently operate an imprest account, and therefore does not require a document outlining the procedures for doing so.

Therefore, effective today, I am rescinding MAPPs 03.03.02, 03.03.03, 03.03.04, 03.03.05 and 05.04.01.



UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Administrative Operations
AREA: Property Management

Number: 03.03.02

SUBJECT: Acquisition of Capital Equipment
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I. PURPOSE AND SCOPE

This document provides consistent operational practices for the acquisition of capital and controlled assets to ensure compliance with state laws and regulations, Board of Regents policy, and University of Houston and University of Houston System Administration policies and procedures. As an agency of the State of Texas, the University of Houston is subject to the policies and procedures set forth in the State Property Accounting (SPA) Policy and Procedures Manual and the State Property Accounting User's Manual (SPAUM). This document applies to all university academic, administrative and research departments and faculty, staff and students.

II. POLICY STATEMENT

All capital and controlled assets, regardless of funding or acquisition source, are to be accounted for through the university's property management system.

The university's financial accounting system records different categories of expenditures with five-digit account codes. Academic, administrative and research departments are responsible for assigning the correct account code when purchasing capital and controlled assets. Property Management personnel will advise departments as to whether an item should be classified as a capital asset or controlled asset.

Capital and controlled assets are acquired by several means including, but not limited to, the following:

1. Purchase from vendors or other entities outside the university.
2. Fabrication using separately purchased components, some or all of which may cost less than the established capitalization threshold.
3. Temporary transfer (i.e., loans) from federal, state, or local governmental agencies, private foundations or individuals.
4. Permanent transfers from federal, state, or local governmental agencies, private foundations or individuals.

5. Gifts, donations, loans, etc.

Academic, administrative, and research departments are responsible for identifying and properly reporting all acquisitions of capital and controlled assets regardless of source.

III. DEFINITIONS

- A. Added cost: Non-maintenance, non-consumable goods that enhance the condition and/or functionality of existing equipment and increase the capital value of the equipment (See Betterment).
- B. Betterment: An improvement of personal property that materially increases the property's serviceability or useful life, or both.
- C. Condition of asset: The fitness of an item to render service.
- D. Cost: Capital and controlled assets should be recorded and reported in the university's financial accounting and property management systems at their historical costs, which include the vendor's invoice (plus the value of any trade-in), plus sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees.
- D. Gifts and donations: Property given to the university without compensation or consideration.
- E. Loan: Property that is temporarily placed in the university's custody to achieve an intended purpose. It is neither permanent custody nor an ownership interest transfer to the university.
- F. Purchase: The procurement of goods in accordance with state and university purchasing guidelines or the procurement of goods via Service Center Requisition (SCR) from an on-campus service/auxiliary department, such as a department that offers computers and computer parts to university customers.
- G. Replacement: The replacement of an internal or external part of personal property that allows the property to complete its normal useful life.
- H. Trade-in: Surplus or salvage property offered as a trade-in on the purchase of new property of the same general type.

Other definitions of terms used in this document may be found in MAPP 03.03.01., MAPP 03.03.03, MAPP 03.03.04, and MAPP 03.03.05.

IV. PROPERTY CLASSIFICATIONS & VALUATIONS

- A. Newly acquired personal property: Assets must be recorded at cost including all additional costs required to place the asset into service, such as freight and other related professional expenditures incurred in the purchase of the item.
- B. Gifts, donations, and manufactured assets: The method used to appraise the value computed for gifts, donations, and manufactured assets should be based on a reasonable assessment. This method must be fully documented and maintained on file in accordance with university policy and procedure. The method used to establish the appraised value shall be reported to the State Property Accounting System.
1. Gifts and donations: Property acquired through a gift or donation must be recorded at its estimated fair market value on the date of acquisition, using a reasonable market study.
 2. Manufactured (fabricated) assets: Items manufactured at state facilities will be appraised according to labor and material costs. If a department determines it is cost-effective, with prior approval from Property Management, the department may include overhead costs in the appraisal cost of these items.
- C. Added costs, betterments, improvements and replacements: When they materially increase the serviceability and/or useful life of the property, they must be appraised by the department adding costs, making betterments and improvements, or obtaining replacements immediately following modification or at the earliest opportunity deemed appropriate by the department and Property Management. Once value is determined, an adjustment will be made to all records maintained by both the department and Property Management.

The basis for the value of personal property should be affected only when a betterment in itself constitutes a capital event or replacement materially increases the value or estimated useful life of the property. When the value constitutes a capital event or the value or useful life of the personal property item is increased by 25 percent or more, the value of the property shall be modified only by the cost of the betterment. Betterments and replacements that increase the basis of property items beyond the capitalization threshold must be incorporated into the total value of the assets and reported in the State Property Accounting System. All other additions and replacements shall be expensed.

In the case of replacement, after adjusting the cost of the replacement item over the original item being replaced, the adjustment must materially increase the value or estimated useful life of the property. The basis of the personal property item of

which the replacement enhances is to be adjusted by an amount equal to the replacement component or part, less the value of the original component or part.

- D. Trade-in: When the acquisition of an asset includes a trade-in, then the value of the trade-in must be applied to the cost of acquisition for the new asset. The newly acquired asset shall be recorded at the cost of acquisition (amount paid plus any cost to render it to service) plus the trade-in allowance.

V. GENERAL PROVISIONS

- A. Capital and controlled asset purchases are recorded in the financial accounting system by assigning one of several unique five-digit account codes reserved specifically for identifying capital and controlled assets.
- B. Academic, administrative and research departments are responsible for assigning the proper five-digit account codes when processing purchasing documents for capital or controlled assets. Property Management personnel are available to answer any questions as to whether a purchase should be classified as capital.
- C. Property Management records capital and controlled assets in the property management information system based upon a review of purchase orders and SCRs made available by Accounts Payable and General Accounting. Capital and controlled assets are identified by the unique five-digit accounts reserved for recording their purchase.
- D. All purchases of materials and components to be used in the construction of the fabricated equipment must be recorded in the financial accounting system by assigning one of several unique five-digit account codes reserved specifically for identifying capital and controlled assets.
- E. Capital and controlled assets acquired through gifts, donations, or fabrication are recorded in the property management system based upon information obtained from the academic, administrative, and research departments through the use of Forms PRP-1A (gifts, donations) or PRP-5 (fabrication).
- F. Capital assets on loan to the university are recorded in the property management system based upon information furnished to Property Management by the academic, administrative, and research departments on Form PRP-1A. Title of the equipment remains with the lender.
- G. Additions, betterments, improvements, and replacements may need to be capitalized when the added value constitutes a capital event (i.e., exceeds the capitalization threshold of \$5,000) or the useful life of the personal property item is increased by 25 percent or more. Betterments and replacements that increase the basis of property items beyond the capitalization threshold must be

incorporated into the total value of the assets and reported in the State Property Accounting System. All other additions and replacements shall be expensed. (i.e., Additions, betterments, improvements and replacements to equipment should be combined with the original value of the asset when the combined cost will exceed \$5,000. If the combined value of the original item and the added cost do not exceed \$5,000 the added cost should not be capitalized. It is possible that the original equipment did not qualify for capitalization when first purchased. When the modification causes the value to exceed \$5,000, and the useful life to exceed one year, the entire value [original and added cost] should be capitalized.) Property Management should be contacted in advance to make sure expenditures for additions, betterments, improvements and replacements are identified and associated with the correct capital asset(s).

- H. The Texas State Surplus Property Agency makes available all surplus equipment of the state that may be acquired with the permission of the property custodian. Transfers of surplus property from other state agencies shall be coordinated through Property Management.
- I. The United States federal government makes available surplus equipment that may be acquired with the permission of the property custodian. Transfers of surplus property from federal agencies shall be coordinated through Property Management.
- J. Title to any equipment purchased by the university is vested in the university and the State of Texas. Equipment purchased with sponsored project funds is also subject to sponsor regulations regarding title. Title to equipment transferred from another government agency or educational institution is vested in the university and the State of Texas unless the former owner notifies the university in writing of other arrangements or conditions. Title to donated equipment is vested in the university and the State of Texas since the university is a state agency.
- K. The university is the sole agent to accept contracts and grants awarded to the university, and it is responsible for the disposal of any property furnished by those awards for which title rests with the university.

VI. PURCHASES

- A. Academic, administrative and research departments initiate a requisition in accordance with purchasing guidelines appropriate to the particular source of funds (e.g., state, grant/contract) while Purchasing issues the purchase order.
- B. Academic, administrative and research departments are responsible for assigning the appropriate account code to the purchasing documentation to ensure that capital and controlled items are properly identified by Property Management.

- C. Property Management is notified of equipment purchases by receiving copies of the purchase orders and SCRs made available by Accounts Payable and General Accounting.

VII. GIFTS & DONATIONS

- A. Upon receipt of gifts, known as gifts-in-kind, Property Management must be notified by a completed PRP-1A (see sample in MAPP 03.03.01), including all model and serial numbers and location of the equipment. A copy of the completed Gift Transmittal form, available through the Development Office, must accompany the PRP- 1A. The original Gift Transmittal form is sent to the Development Office.
- B. Departments considering the acceptance of gifts of property should contact the Development Office for specific guidance in this matter.
- C. For all gifts-in-kind costing more than \$5,000 the Development Office will forward a copy of the completed gift receipt to Property Management to support the capital value established in the property management information system. The department receiving the gift will complete and forward a Form PRP-1A to Property Management acknowledging the receipt of a gift-in-kind. A copy of the gift receipt should accompany the PRP 1-A.

VIII. FABRICATION

- A. Form PRP-5 (see sample in MAPP 03.03.01) must be completed by the property custodian, approved by the college/division business administrator, and then forwarded to Property Management prior to the fabrication. A university inventory tag number is assigned to the fabrication by Property Management, and all purchases must reference the assigned tag number. When the fabrication reaches a state of completion that would allow Property Management to affix the inventory tag to the equipment, the property custodian should notify Property Management.
- B. Form PRP-5 (see sample in MAPP 03.03.01) includes a space for the date of completion. If the date of completion changes, Property Management needs to be notified. Purchases after the date indicated will be considered maintenance, unless they meet the requirements for Added Cost (see above), and will not be capitalized unless prior arrangements are made with Property Management.

IX. LOANS

- A. The department receiving the loaned items must notify Property Management upon acquisition using form PRP-1A (see sample in MAPP 03.03.01), including all model and serial numbers and location of the equipment.

- B. When the department has no further need of the equipment, both the lender and Property Management must be notified immediately.

X. ADDED COST (BETTERMENT)

Purchase requisitions and SCRs must include the following information about the original item when added cost qualifies for capitalization:

- 1. University inventory tag number of original item.
- 2. Initial purchase order number of original item.
- 3. Initial purchase requisition number of original item.
- 4. Payment voucher number or SCR number of original item (optional, if available).

The words "Added Cost to:" should be written before listing this information.

XI. SURPLUS

- A. Surplus property is acquired under the following conditions:
 - 1. There must be an existing equipment need for research or educational purposes, and property may not be acquired for outside use or sale.
 - 2. Surplus property is released on an as-is, no warranty basis.
- B. Requisitions for surplus federal property must have the following statement typed on its face and must be forwarded to the issuing agency through the Property Management Department:

This equipment is considered necessary in the pursuit of

(grant/contract).

The University of Houston does not have sufficient funds available for the purchase of this equipment. I, as principal investigator, will utilize this equipment on or as authorized by above listed grant or contract.

Principal Investigator

Property Custodian

When the equipment is received, the property custodian must forward a copy of the shipping document and a completed Form PRP-1A, approved by the college/division business administrator, to Property Management.

XII. TITLE TO EQUIPMENT

Upon completion of a contract or grant, title to all property is transferred to the university immediately, unless the contract or grant requests title to remain with the sponsor. If a contract or grant is terminated, canceled, or transferred, the Office of Contracts and Grants will work with the sponsor to determine the status of the equipment obtained.

XIII. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every two years, on or before December 1

XIV. APPROVAL

John M. Rudley
Vice President for Administration and Finance

Arthur K. Smith
President

Date of President's Approval: 05/23/03

XV. REFERENCES

Index Terms: Capital equipment
Gift
Loan
Property

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Administrative Operations
AREA: Property Management

Number: 03.03.03

SUBJECT: Maintenance and Control Responsibilities
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I. PURPOSE AND SCOPE

This document provides consistent operational practices for the maintenance and control of capital and controlled assets to ensure compliance with state laws and regulations, Board of Regents policy, and University of Houston and University of Houston System Administration policies and procedures. As an agency of the State of Texas, the University of Houston is subject to the policies and procedures set forth in the State Property Accounting (SPA) Policy and Procedures Manual and the State Property Accounting User's Manual (SPAUM). This document applies to all university academic, administrative and research departments and faculty, staff and students

II. POLICY STATEMENT

Academic, administrative and research departments, through delegation of custodial responsibility to their college/division business administrators and one or more property custodians, are responsible for the proper maintenance and safekeeping of state and federal property in their possession. Each department is responsible for ensuring that assets are tracked and secured in the manner that is most likely to prevent the theft, loss, damage, or misuse of assets. Departments must take all necessary precautions to ensure that assets are secured.

Departments must know where all assets are located at all times, shall have a method for locating any inventory item whether on-site or off-site under their control, and shall be able to locate a given item upon request.

It is each state employee's responsibility to use personal property and trust property only for state purposes and to exercise reasonable care for its safekeeping.

III. DEFINITIONS

- A. University of Houston Employee Identification Number (EIN): A unique number assigned by Human Resources to each university and system faculty and staff.
- B. UH Inventory Tag: A plastic or metallic sticker, having a unique identifying number, issued by Property Management, that indicates whether the property is

capital or controlled asset, non-capital or non-controlled asset, or federal property on loan to the university.

Other definitions of terms used in this document may be found in MAPP 03.03.01., MAPP 03.03.02, MAPP 03.03.04, and MAPP 03.03.05.

IV. GENERAL PROVISIONS

Academic, administrative and research departments, through delegation of custodial responsibility to their college/division business administrators and one or more property custodians, are responsible for the proper maintenance and safekeeping of state and federal property in their possession. Departmental procedures should be developed for the proper management and control of university property, and to ensure that:

- A. Capital and controlled assets received (by means other than purchase) are reported to Property Management on forms PRP- 1A.
- B. Capital and controlled assets are used for their intended purpose by properly trained personnel, and property within the department is immediately tagged upon receipt and listed in the Departmental Inventory of Physical Property.
- C. Employees are aware of their responsibility to use university-owned personal property and trust property only for state purposes and to exercise reasonable care for its safekeeping.
- D. Capital and controlled assets are not loaned, traded, discarded, moved, or cannibalized without approval of Property Management.
- E. Capital and controlled assets are not defaced or damaged in any way,
- F. Capital and controlled assets are not returned to a vendor as a trade-in without approval of Property Management.
- G. Obsolete, surplus and salvage capital and controlled assets are not disposed of without Property Management's approval and oversight.

V. IDENTIFICATION

Capital and controlled assets received through standard purchase procedures (purchase orders and Service Center Requisitions [SCRs]) are identified by Property Management through the use of purchasing records and vendor documentation available from Accounts Payable and General Accounting. Receiving reports should correctly identify equipment model numbers, serial numbers and equipment locations. Other items (i.e. manufactured/fabricated assets, gifts, donations, loans, transfers, etc.) are identified by

Property Management through disclosure (either on the form or as an attachment to the form) on the Form PRP-1A.

Immediately upon receipt of any capital or controlled asset by gift, donation, or loan, the property custodian must notify Property Management by a completed PRP-1A (see sample in MAPP 03.03.01), including the following information where it applies:

- A. Complete and accurate description of the item.
- B. Manufacturer's name.
- C. Manufacturer's serial number and model number.
- D. Date of receipt.
- E. Market value of the item.
- F. Building and room number where item will be located.
- G. Copies of correspondence documenting solicitation and acceptance of gifts.

Copies of the Gift Transmittal Form are available from the Development Office. Copies of any shipping and/or packing documents must be attached to the PRP-1A.

VI. UH INVENTORY TAGS

- A. All capital and controlled assets purchased, regardless of the funding source, or otherwise acquired by gift, donation, transfer, etc., must be permanently marked as property of the university and tracked on a unit basis by the assignment of a unique property inventory number. A standard university property inventory tag with its own unique identifying number and bar code will be assigned by Property Management for use by the department in fulfilling this requirement. Academic, administrative, and research departmental personnel must place property inventory tags on capital and controlled assets as soon as they are received from Property Management. University inventory tags must be placed in a highly visible position on the asset, where it is easily accessible during an inventory. Departments must be able to locate tags in a consistent manner, by category, in order to facilitate physical inventories.
- B. Property on loan to the university from state or private sources is to be identified with the new standard university property inventory tag for inventory control purposes only.
- C. Federal property on loan to the university is identified with a separate tag, specifically identifying it as federal property.

- D. Non-capital and non-controlled assets are not entered into the Property Management inventory; however, they may be identified as "University of Houston Property" for security purposes at the discretion of the departments.

VII. ISSUANCE AND APPLICATION OF UNIVERSITY OF HOUSTON INVENTORY TAGS

- A. Property Management will distribute an asset tagging package to the college/division business administrator for further distribution to the appropriate property custodian(s) after receiving all the appropriate documentation associated with the acquisition of capital or controlled assets. The tagging package consists of information recorded on purchasing documentation and a university property inventory tag.
- B. Academic, administrative, and research department personnel are responsible for immediately affixing the university property inventory tag to the assets. The college/division business administrator or designated property custodian should affix the tag to the asset in accordance with tagging location requirements.
- C. Non-capital and non-controlled assets may be tagged at the discretion of each academic, administrative, or research department. University of Houston inventory tags for non-capital and non-controlled assets can be obtained from Property Management upon request. The department is responsible for affixing the tags to non-capital and non-controlled assets as they are acquired.

VIII. ASSIGNMENT OF RESPONSIBILITY

Each capital or controlled asset should be assigned to an individual using that individual's university EIN. The designated individual may be the property custodian or an individual to whom the property custodian has entrusted property. Failure to properly designate a property custodian will result in the college/division business administrator automatically being assigned the responsibilities of property custodian until such time as a form PRP-6A or PRP-6B are properly completed and submitted to the Property Management.

The authority to assign property resides with the college or division, and each college or division may determine the appropriate policies for its particular organization.

All items located off campus should be assigned to the individual requesting assignment on the off-campus authorization.

Academic, administrative, and research departments should ensure that an employee entrusted with property exercises, at a minimum, reasonable care for its safekeeping. The term reasonable care means that steps have been taken to maintain the upkeep of any asset in an acceptable manner, to ensure the security of any asset, to ensure that any asset can be located at any time requested, and to ensure that the person responsible for the asset is known.

- A. Initial Assignment of Responsibility - The Property Manager will prepare and distribute reports of capital and controlled assets to the colleges and divisions. The designated property custodian will automatically be assigned responsibility unless another individual is designated as having been assigned responsibility. The property custodian will also automatically be assigned responsibility for new acquisitions of capital and controlled asset(s). Once the newly acquired asset(s) have been assigned university inventory tag numbers, the property custodian may designate another individual responsibility for the asset(s).

- B. Changes to the Assignment of Responsibility - The property custodian should prepare and submit to Property Management a detailed listing of the capital or controlled asset(s) when responsibility is being assigned to another individual. For each asset on this listing, the property custodian must include the university property inventory tag number, description of the asset, current location of the asset, name, and university EIN of the individual to whom responsibility is being assigned. For each individual to whom responsibility for a capital or controlled asset is being assigned, the following statement should be attached:

I understand that I am under financial liability for loss or damage to this (these) item(s) if the loss or damage results from my negligence, intentional act, or failure to exercise reasonable care, safeguard, maintain, and, service it (them).

Signature _____ Date _____

This signed statement must be kept on file in the department, with a copy returned to Property Management along with the detailed listing.

- C. Annual Renewal of the Assignment of Responsibility - Upon completion of the annual inventory process, Property Management will prepare and distribute reports of asset assignments to the colleges and divisions. These reports will be prepared by the individual and include the following statement:

My signature by the item (or those items) listed above indicates that I understand that I am under financial liability for loss or damage to the item (or those items) if the loss or damage results from my negligence, intentional act, or failure to exercise reasonable care, safeguard, maintain, and service it (them).

The individual to whom the property has been assigned may acknowledge that assignment by signing in the space provided and marked with "name." The signed report must be kept on file in the department, with a copy returned to Property Management along with the detailed listing.

- D. Financial Responsibility – The extent of an employee’s financial responsibility in the event of loss, destruction, or damage to capital or controlled assets will be determined as follows:
1. If the circumstances surrounding the disappearance of university property indicate reasonable cause to believe that the loss, destruction or damage was through the negligence of the person(s) charged with the care and custody of the property then they will be held financially liable for the loss of, or damage to, the item. The extent of their financial liability will be the Market Value (in cases where the asset lost, stolen, or damaged beyond repair) of the item or the cost of repairs (in cases where the asset is damage and deemed to be repairable), whichever is lower.
 2. If the circumstances surrounding the disappearance of university property indicate reasonable cause to believe that the loss, destruction or damage was not through the negligence of the person(s) charged with the care and custody of the property then they may not be held financially liable for the loss of, or damage to, the item. (However, if the employee receives insurance proceeds for the loss from their personal insurance carrier, then they are obligated to surrender these proceeds to the university to cover all, or a part of the financial loss.) The extent to which an employee is held responsible for losses where there is no sign of negligence on behalf of the employee is left to each academic, administrative or research department. To the extent that the employee is not held financially responsible for the loss, destruction or damage to property, each academic, administrative and research department will have to recognize the loss in their cost centers. Therefore, each academic, administrative and research department should develop and document an internal policy regarding the extent to which employees will be held financially responsible for lost, destroyed or damaged property.

IX. CHANGE OF PROPERTY CUSTODIAN

The college/division business administrator is responsible for notifying Property Management when there is a change of property custodians for capital and controlled assets. When a new property custodian is appointed, the departmental inventory must be verified and documented by the in-coming and out-going property custodians. The college/division business administrator will forward a signed copy of PRP-6 to Property Management designating a new property custodian. Property Management will provide a current inventory listing at the time of the change. Failure to properly designate a property custodian will result in the college/division business administrator automatically being assigned the responsibilities of property custodian until such time as a form PRP-6A or PRP-6B are properly completed and submitted to the Property Management.

X. ANNUAL INVENTORY

- A. A physical inventory of all personal property must be completed at least once a year. The college/division business administrator is responsible for ensuring that academic, administrative, and research departments adhere to Property Management's instructions and deadlines when conducting their annual inventories.
- B. State property on loan to another state agency is considered the responsibility of the loaning department for physical inventory purposes. Personal property transferred or reassigned to another department must be accounted for in the physical inventory of the reassigning or transferring department, until such time as the transfer or reassignment transaction is complete and all required forms have been properly completed and received in Property Management.
- C. Personal property that is being processed as missing, stolen, salvaged or surplus is considered the responsibility of the designated property custodian and must be reported during the physical inventory until it has been deleted from the Property Management records.
- D. Departments must assure that each property item is still within the agency's possession, that it is able to identify the location of its property, and provide the name(s) of the person(s) responsible for the property.
- E. The condition of each property item must be evaluated during an annual physical inventory.
- F. Departments may use any acceptable means to conduct an inventory of property. However, a department should assign persons who have no normal responsibilities for the entering or reporting of personal property to conduct the inventory. Inventory should be conducted by a team of two or more individuals.
- G. Any discrepancies in property information detected during the conduct of a physical inventory must be reported to Property Management immediately. A reason must be provided for each discrepancy. Discrepancies include items in the process of being transferred, processed as re-assignable property, listed as salvage or surplus, or reported as missing or stolen.

In addition to the required annual physical inventory, departments are encouraged to conduct more frequent inventories to assure the accuracy of reported personal property information and in an attempt to locate items previously reported as missing.

XI. MAINTENANCE

- A. Academic, administrative, and research departments are responsible for maintaining all capital and controlled assets in their custody. This includes periodic inspections, calibrations, preventive maintenance, and repairs as specified by the manufacturer and conventional maintenance practices.
- B. Departments are to maintain maintenance records and make them available to the Property Manager and others on request.

XII. CANNIBALIZATION

- A. Cannibalization is defined as the authorized removal of components from one item of property for installation on another item of property to meet a specific requirement and to return the second item to service.
- B. Equipment may not be cannibalized under any circumstances without prior written approval from Property Management.
- C. Requests for cannibalization will be approved upon demonstration that such action will best serve the university's interests. For authorization, use form PRP-1A and request removal from department inventory by means of cannibalization. Once authorization is obtained and cannibalization is complete, the remaining parts and tag should be transferred to Property Management.
- D. After the reconstructed asset has been placed into service, departments will not increase the dollar value, except that the 25 percent materiality clause to value the reconstructed asset may apply.
- E. If an original external component of a microcomputer system requires a replacement, this is not considered a cannibalized item. A new monitor in this scenario would make the system a functioning unit. The scope of cannibalization must be limited to include internal components only.

XIII. INTERDEPARTMENTAL LOANS

- A. Interdepartmental loans of capital and controlled assets are considered temporary transfers. University property may be loaned (temporarily transferred) from one department to another only for the purpose of conducting official business, and may not be loaned to individuals or organizations outside the university.
- B. The lending department must complete form PRP-1A for Property Management approval. When the equipment is returned, the borrower must notify Property Management by submitting a copy of the original Form PRP-1A with the return date and signature of the property custodian verifying receipt.

- C. The department lending the capital or controlled asset (transferor) retains responsibility for the capital and controlled asset until the department borrowing the capital or controlled asset (transferee) has completed the Form PRP-1A thereby assuming responsibility for the borrowed equipment. Responsibility for the equipment will rest with the borrowing department until the equipment is returned to the lending department and a copy of the Form PRP-1A has been completed transferring responsibility back to the lending department. Academic, administrative, and research departments are responsible for ensuring that the required forms are properly completed and timely submitted to Property Management.

XIV. EQUIPMENT TRANSFERS

- A. Equipment transfers between university departments are not financial transactions. Forms such as SCRs (Interdepartmental Transaction) are not to be used for department transfers.
- B. The college/division business administrator is responsible for ensuring that the property custodian for the department transferring the asset (transferor) submits a completed Form PRP-1A to Property Management for approval prior to the transfer. If Physical Plant personnel are required to move the item, a work request approved by the college/division business administrator for movers is attached to the Form PRP-1A. Property Management will forward the work request with the completed Form PRP-1A to Physical Plant as required. Do not submit a work request without Form PRP-1A.
- C. The transferor retains responsibility for transferred capital and controlled asset until the transferee has completed the PRP-1A thereby assuming responsibility for the transferred equipment.

XV. SURPLUS (EXCESS) EQUIPMENT

- A. All equipment in excess of the needs of the department should be turned in to Property Management so that another department may use the existing equipment rather than having to make a new purchase.
- B. Authorization to move items to Property Management storage is requested on form PRP-1A. If Physical Plant personnel are required to move equipment to Property Management storage facilities, a Work Request form should accompany form PRP-1A. Departments are financially responsible for work request to move items to, or from, storage.

XVI. REMOVING EQUIPMENT FROM CAMPUS

- A. Capital and controlled assets, once tagged, may be removed from the campus only when necessary to conduct official university business. Property that is checked out to an employee must be used for state purposes only, and the responsibilities of stewardship and care of the property are maintained at the department level. Each department must have a written policy about checking out personal property and require each employee to sign for any property when it is checked out.
- B. Any employee who has university property at an off-campus location may be held financially responsible for that property and should consider providing insurance coverage under their own personal property insurance. The department has the option of scheduling its computers on the university master computer insurance policy. A property custodian may not entrust personal property or trust property to a person unless the person provides a signed and dated receipt to the property custodian. The receipt must include a detailed list of the property entrusted to the individual, along with a statement that the employee understands that they may be held financially responsible for loss or damage to the item(s) if the loss or damage results from their negligence, intentional act, or failure to exercise reasonable care to safeguard, maintain, and service it (them). (Form PRP-2A must be used to request Property Management's approval to remove equipment from campus for official university business, verify its return, and extend the time of the loan.)
- C. Any employee who has custodial responsibility for a university owned personal or laptop computer located at an off-campus location is responsible for maintaining the confidentiality of any proprietary information that may be on that personal or laptop computer. Care must be taken to ensure that no one is permitted to gain unauthorized access to confidential university information.
- D. Portable equipment used for student educational purposes (e.g., video cameras in the RTV department) is tagged and listed in the inventory, but as it is purchased for student use, it is expected to be removed from campus frequently. Therefore, the responsibility for monitoring its use lies with the property custodian.
- E. Requests for Property Management's approval must be made prior to the move, using form PRP-2. Property Management will approve an off-campus location for equipment for a specific period of time, which may not extend past the end of the fiscal year. If the property is needed for a longer time, the employee may renew the approval, without physically returning the equipment, by submitting form PRP-2 (see sample in MAPP 03.03.01) prior to the beginning of the new fiscal year. It is important to note that off-campus equipment must be reported on the annual inventory.
- F. Should the property be lost, stolen, damaged, or destroyed, the employee may be required to reimburse the university, whether it is by an insurance check or

personal funds, for all or a portion of the market value of the property as prescribed earlier in Section VIII, ASSIGNMENT OF RESPONSIBILITY. (See MAPP 03.03.05 for a detailed discussion of market value computations.)

- G. Equipment may be temporarily removed from campus for repairs or maintenance; however, it is the property custodian's responsibility to monitor its location and ensure that the equipment is returned to the university campus once the needed repairs or maintenance work is complete. Requests for removal should be in writing and approved by the property custodian or the college/division business administrator. The property custodian is responsible for maintaining records regarding the temporary removal of equipment from campus for repairs or maintenance. These records are to be made available, upon request, to Property Management.

XVII. MISSING AND STOLEN PROPERTY

- A. Missing property is defined as capital or controlled assets the whereabouts of which are unknown due to mismanagement or possible theft due to negligence. Since a department's inability to locate capital or controlled assets is indicative of an insufficient system of internal controls at the department level, every effort should be made to locate missing items within 60 days from the date they are found to be missing. Those items that cannot be located within 60 days must be reported to the Property Management Department using the form prescribed in by the State Comptroller's Office. All academic, administrative, and research departmental personnel should continue to search for missing property throughout the fiscal year
- B. As an institution of higher education in the State of Texas, the university must report the value of its lost property annually to the Legislative Budget Board (LBB) and the Texas Comptroller of Public Accounts (Comptroller). Property Management will fulfill this reporting responsibility with cooperation and assistance from the colleges and divisions within the university.
- C. Withholding of Appropriated Funds from the university due to Excessive Missing and Stolen Property:
 - 1. Legislative Authority: The Legislature directed the Comptroller's office (in the General Appropriations Act, Article IX, § 9.03, 77th Leg., R.S.) to withhold from General Revenue funds appropriated to an institution an amount that equals 50 percent of the value of the property the institution reported lost in excess of standards promulgated by the American Society for Testing and Materials (ASTM). If an institution subsequently recovers or accounts for lost property to the satisfaction of the Comptroller's office, the Comptroller's office will release to the institution a proportional amount of previously withheld General Revenue funds.

2. **Applicable Standards:** The ASTM standards for acceptable amounts of lost, damaged or destroyed (LDD) property are based on risk. Property is either high-risk or non-high-risk. High-risk property is property that is regulated by law or is in any way potentially dangerous to public health or security. All other property is non-high-risk. According to ASTM standards, the acceptable ratios for LDD property are:
 - a. 0 percent for high-risk assets. The Comptroller's office has designated firearms as high-risk. In the future, the Comptroller's office may determine that other types of property meet the definition of high-risk.
 - b. 2 percent of an agency's non-high-risk assets by AFR category. All property except firearms is non-high-risk.
 3. **Computation of Amounts to Withhold:** The Comptroller's office will calculate LDD ratios separately for high-risk and non-high-risk property based on asset balances for capitalized and controlled property each fiscal year-end beginning August 31, 2002. For each property reported as missing or stolen, the Comptroller's office will compare the depreciated values of the property (historical cost [plus or minus any appropriate increases or reductions in value] less accumulated depreciation) to the total depreciated cost of the agency's or institution's capitalized and controlled assets by AFR category (e.g., furniture and equipment, vehicles). If any of the calculated percentages exceed ASTM standards, the Comptroller's office will take action to reduce the appropriations of the agency that owns that property in an amount equal to 50 percent of the depreciated value of property that exceeds the standard. This reduction will be made in the first quarter of the fiscal year.
 4. **Reinstatement of Withheld Amounts:** The Comptroller's office will reinstate previously reduced appropriations if property is subsequently found. The LDD ratios will be recalculated as if the property had not been reported missing or stolen. The amount of appropriations that would have been reduced will be compared to the amount that appropriations were actually reduced. Any difference will be reinstated quarterly.
- D. **Withholding of Appropriated Funds from Colleges/Divisions due to Excessive Missing and Stolen Property:** If any of the calculated LDD ratios for the university exceed ASTM standards, resulting in the Comptroller's office having to take action to reduce the appropriations of the university then, to the extent that a college or division has reported property as missing or stolen, a pro rata portion of that college or division's budgeted appropriated funds will in turn be withheld to satisfy that obligation.

1. Computation of Amounts to Withhold from Colleges/Divisions: The amount to be withheld from the college or division's appropriated funds will be computed as follows:

$$\begin{array}{l}
 \text{Total net book value of missing or stolen property reported by the} \\
 \text{college/division} \\
 \div \\
 \text{Total net book value of missing or stolen property reported by the} \\
 \text{University of Houston} \\
 = \\
 \text{Ratio of college/ division to university net book values} \\
 \times \\
 \text{Amount withheld by the Comptroller's office} \\
 = \\
 \text{Pro rata share of withheld appropriated funds to be charged against the} \\
 \text{college/division}
 \end{array}$$

2. Withholding of Appropriated Funds from Colleges/Divisions: Upon receiving notification from the Comptroller's office that appropriated funds have been withheld from the university, Property Management will forward to the Budget Office a schedule identifying the college/division (including the appropriate PeopleSoft Cost Centers and related amounts) that is to have appropriate funds withheld from their budget. The Budget Office will review the schedule and take appropriate action to withhold the funds from the appropriate PeopleSoft Cost Centers. Once the budget entries have been made reducing the appropriated funding for the college/division, the Budget Office will distribute notification of the budgetary action to the appropriate Dean/Director with copies going to the appropriate Vice President and the President.

- E. Assignment of Responsibility for Property: The property custodian is the person within a department who is responsible for those property items assigned to that department. Duties of property custodian are assigned to the appropriate level of a department, e.g., Dean, Chairperson, Director, or Chief Principal Investigator. The college/division business administrator will be the primary contact for Property Management issues including the processing of property management related transactions for academic, administrative, and research departments within their college or division. The college/division business administrator is responsible for communicating property management policy and procedure changes to the designated property custodian(s), departments and units, ensuring that designated property custodian(s), departments and units have adequate support to fulfill their responsibilities, and for ensuring that each department and unit has appropriate procedures in place to comply with minimum processing standards established for processing property management forms and related supporting documentation.

- F. Reporting Missing or Stolen Property: It is the responsibility of the property custodian(s) to promptly report missing or stolen property to the appropriate college/division business administrator(s) using the "Missing or Stolen Property Report for State Departments, Institutions, and Agencies" form. This form may be obtained by either contacting the Property Management Department or directly accessing it on the State Comptroller of Public Accounts website at:

<http://www.window.state.tx.us/taxinfo/taxforms/74-194.pdf>

Once the form has been completed and signed by the property custodian, it must be co-signed by the college/division business administrator and then forwarded to the Property Management Department. Colleges and divisions should continue to report lost personal property following these procedures:

1. Missing property. Immediately upon recognizing that a property is missing, complete and submit the "Missing or Stolen Property Report for State Departments, Institutions, and Agencies" form to the Property Management Department within 2 business days.
2. Stolen property. Immediately upon recognizing that property has been stolen, notify the university Police Department. In addition, complete and submit the "Missing or Stolen Property Report for State Departments, Institutions, and Agencies" form to the Property Management Department, along with a copy of the police report within 4 business days.

In completing the "Missing or Stolen Property Report for State Departments, Institutions, and Agencies" form; please remember that you must identify those situations involving possible employee theft or negligence.

- G. Procedures for Monitoring Property Reported as Missing or Stolen: The Property Management Department will periodically prepare and distributed summary reports of missing and stolen property as follows:
1. A listing of all property reported as missing or stolen will be distributed to all college/division business administrators, via inter-office mail and electronic mail. College/division personnel responsible for performing an ongoing search for items reported as missing or stolen should use this report to assist them their efforts to locate the missing or stolen property.
 2. A listing of all property reported as missing or stolen will be distributed to all deans and directors, with copies going to the college/division administrators and the appropriate vice presidents, via inter-office mail. This will ensure that upper-level university management is aware of their college/division's risk of having appropriated funds withheld.

3. At the completion of the annual physical inventory of capital assets and controlled equipment, Property Management will prepare and distribute to all college/division business administrators, with copies going to deans and directors and the appropriate vice presidents, a report listing all property reported as missing or stolen. This form will also contain a space where the college/division business administrator must list one, or more, PeopleSoft Cost Center(s) against which a charge can be made, if necessary, for the pro rata portion of that college or division's budgeted appropriated funds if the Comptroller's office does withhold appropriated funds from the university. After designating the PeopleSoft Cost Center(s) against which charges for the withholding of appropriate funds are to be recorded, the college/division business administrator will sign and return the form to Property Management.
- H. Recovery of Missing or Stolen Property: It is the responsibility of the college/division business administrator to ensure that the property custodian(s) continuously search for missing and stolen property and promptly reports the recovery of property previously reported as missing or stolen by sending a memorandum addressed to the Property Manager containing the following information for the recovered item(s):
1. University Tag Number
 2. Serial Number
 3. Department Number
 4. Description
 5. Location
 6. Date Recovered

A copy of the "Missing or Stolen Property Report for State Departments, Institutions, and Agencies" form originally submitted to report the item(s) as missing or stolen should be attached to the memorandum. This memorandum will be retained in the Property Management departmental files to document the recovery and location of the item(s); therefore, it should be signed by the property custodian and co-signed by the college/division business administrator.

Upon receipt of the memorandum, Property Management will contact the Budget Office to coordinate the restoration of any appropriated funds that may have been withheld as a result of the item(s) originally being reported as missing or stolen.

- I. Additional Reporting for Stolen Property: The college/division business administrator is responsible for ensuring that the property custodian reports any capital equipment which is stolen, or believed to be stolen, to the university of Police Department and Property Management. The college/division business administrator is responsible for ensuring that the "Missing or Stolen Property Report for State Departments, Institutions, Agencies" Form is properly completed

and that copies are submitted to both the university police and Property Management.

The college/division business administrator is also responsible for ensuring that the property custodian reports any capital equipment which is stolen, or believed to be stolen, to:

1. UHPD - by a preliminary telephone report to initiate an investigation, and
2. Property Management - by submitting a completed Form PRP-1A (see sample in MAPP 03.03.01) and a completed "Missing or Stolen Property Report for State Departments, Institutions, Agencies" Form to request the lost item's removal from inventory as lost or stolen equipment. If the equipment is not recovered within 60 days, it will be removed from inventory.

Stolen property that is subsequently recovered should be reported immediately to Property Management and the university Police Department.

XVIII. IMPORTANT NOTES

At any time, the university's Internal Auditors or the State Auditor's Office may inspect Property Management records and the physical location of equipment to verify their accuracy. Any employee who fails to comply with an inspection of their records by Internal Auditing or the State Auditor's Office may be considered negligent, and they may be liable for any resulting loss or damage to university property.

XIX. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every two years, on or before December 1

XX. APPROVAL

John M. Rudley
Vice President for Administration and Finance

Arthur K. Smith
President

Date of President's Approval: 05/23/03

XXI. REFERENCES

- Index Terms: Cannibalization
Capital equipment
Equipment transfers
Excess equipment
Interdepartmental loans
Inventory
Property custodian
Tags
Theft

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Administrative Operations
AREA: Property Management

Number: 03.03.04

SUBJECT: Property Management's Annual Inventory
--

I. PURPOSE AND SCOPE

This document provides consistent operational practices for conducting the annual inventory of capital and controlled assets to ensure compliance with state laws and regulations, Board of Regents policy, University of Houston and University of Houston System Administration policies and procedures. As an agency of the State of Texas, the University of Houston is subject to the policies and procedures set forth in the State Property Accounting (SPA) Policy and Procedures Manual and the State Property Accounting User's Manual (SPAUM). This document applies to all university academic, administrative and research departments and faculty, staff and students.

II. POLICY STATEMENT

A physical inventory of all capital and controlled assets must be completed at least once a year. All academic, administrative and research departments must comply with Property Management's instructions and deadlines when conducting their annual inventories. College/Division business administrators are responsible for ensuring that their designated property custodian(s) conduct the annual physical inventory in accordance with instructions and deadlines established by Property Management.

III. DEFINITIONS

Definitions of the terms used in this document may be found in MAPP 03.03.01, MAPP 03.03.02, MAPP 03.03.03, and MAPP 03.03.05.

IV. GENERAL PROVISIONS

A. Inventory reports, along with detailed instructions, forms and deadlines for responding, will be distributed to the appropriate college/division business administrator, or their designated property custodian(s), at the time of the annual inventory during the pre-inventory training session(s) held by Property Management. Inventory reports that are not received by the designated property custodian(s) during the pre-inventory training session(s) will be forwarded to the appropriate college/division business administrator for distribution to the individual(s) responsible for conducting the physical inventory. The inventory reports will include, but are not limited to, these specific items:

1. University inventory tag number.
 2. Description of the item.
 3. Serial number, when applicable.
 4. Location (building and room number).
- B. Property Management will verify the physical inventory reports submitted by departments on a sampling basis. This supplemental inventory will serve as an audit of the departmental inventories to ensure accurate results.

V. CONDUCTING THE ANNUAL INVENTORY

The annual physical inventory of capital and controlled assets will be performed in the following sequence:

- A. Property Management will generate and distribute reports to the property custodians or college/division business administrators identifying capital and controlled assets by department codes and university inventory tag numbers.
- B. The college/division business administrators, and their designated property custodians, receive the reports and are responsible for: (1) ensuring that departmental employees perform the physical inventory, and (2) verifying that the information recorded in the university's inventory system is accurate. Once the physical inventory has been completed, the college/division business administrators will inform Property Management of any necessary changes that need to be made by returning the reports with corrections. Items that cannot be located must be reported as either missing or stolen using the "Missing or Stolen Property Report for State Departments, Institutions, and Agencies" Form (in those cases where theft is suspected, refer to MAPP 03.03.03 - Maintenance and Control Responsibilities, Section XV).
- C. Property Management updates the university's inventory system based upon the information contained in the edited reports received from the college/division business administrators and then distributes revised reports to college/division business administrators with copies going to property custodians.
- D. College/division business administrators are responsible for verifying that the information contained in the reports is accurate and that any problems regarding unconfirmed items are resolved. Any information that is found to be incorrect should be corrected on the report that should be returned to Property Management. Items which cannot be located must be reported as either missing or stolen using the "Missing or Stolen Property Report for State Departments,

Institutions, and Agencies" Form (in those cases where theft is suspected, refer to MAPP 03.03.03 - Maintenance and Control Responsibilities, Section XV).

- E. Property Management updates the university's inventory system based upon the information contained in the edited reports received from the college/division business administrators and then distributes revised reports to deans and directors with copies going to the college/division business administrators. If inaccurate or incomplete information is still found on the reports, corrections should be submitted to Property Management.
- F. Property Management updates the university's inventory system, if necessary, and then distributes revised reports to the vice presidents, with copies going to deans, directors, and the college/division business administrators. If inaccurate or incomplete information is still found on the reports, corrections should be submitted to Property Management.
- G. Property Management updates the property management information system's database prior to sending the Annual Inventory Report to the State Auditor. After the inventory, a new departmental listing is provided to each property custodian who should review the revised listing and verify that changes were made where necessary.

VI. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every three years, on or before December 1

VII. APPROVAL

John M. Rudley
Vice President for Administration and Finance

Arthur K. Smith
President

Date of President's Approval: 05/23/03

VIII. REFERENCES

Index Terms: Capital equipment
Inventory
Property custodian

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Administrative Operations
AREA: Property Management

Number: 03.03.05

SUBJECT: Disposal of Excess Equipment
--

I. PURPOSE AND SCOPE

This document provides consistent operational practices for disposal of capital and controlled assets to ensure compliance with state laws and regulations, Board of Regents policy, and University of Houston and University of Houston System Administration policies and procedures. As an agency of the State of Texas, the university is subject to the policies and procedures set forth in the State Property Accounting (SPA) Policy and Procedures Manual and the State Property Accounting User's Manual (SPAUM). This document applies to all university academic, administrative and research departments and faculty, staff, and students.

II. POLICY STATEMENT

State agencies must follow the General Services Commission's (GSC) policies and procedures for the transfer, sale, or disposal of surplus and salvage personal property. The GSC shall establish and maintain procedures for the transfer, sale, or disposal of surplus and salvage property no longer needed by state agencies. State eleemosynary institutions and agencies of higher learning shall be exempt from reporting surplus or salvage property information to the GSC, in accordance with TEX. GOV'T CODE ANN. sec. 2175 (Vernon 1997) which says, in part:

"This chapter does not apply to the disposition of surplus or salvage property by a state eleemosynary institution or an institution of higher education."

The State of Texas permits the Property Manager to sell equipment through auctions authorized by the state. Only the Property Manager may sell or, by any other means, dispose of capital and controlled assets. No department, individual or other campus body may hold its own auction or sale of any kind unless prior written permission is obtained from the Associate Vice President/Associate Vice Chancellor of Finance.

III. DEFINITIONS

Definitions of the terms used in this document may be found in MAPP 03.03.01, MAPP 03.03.02, MAPP 03.03.03, and MAPP 03.03.04.

IV. OWNERSHIP (TITLE) TO EQUIPMENT

The university can only dispose of capital and controlled assets for which it has sole ownership interest; therefore, title to capital and controlled assets must be considered in the disposal process. Title to any capital and controlled assets purchased by the University is vested in the university and the State of Texas. Capital and controlled assets purchased with sponsored project funds are also subject to sponsor regulations regarding title. Title to capital and controlled assets transferred from another government agency or educational institution is vested in the university and the State of Texas unless the former owner notifies the university in writing of other arrangements or conditions. Title to donated capital and controlled equipment is vested in the university and the State of Texas since the university is a state agency.

V. REMOVAL OF CONFIDENTIAL INFORMATION FROM COMPUTER SYSTEMS PRIOR TO DISPOSAL

Academic, administrative and research departments are responsible for the removal of confidential or proprietary information, including licensed software, from computer systems (personal computers, laptop computers, servers, etc.) prior to relinquishing custody, regardless of the method of disposal.

VI. OBSOLETE CAPITAL AND CONTROLLED ASSETS

Capital and controlled assets determined to be obsolete by academic, administrative, or research departments should be identified as salvaged property and disposed of in the year in which they become so outdated that they can no longer serve the purpose for which they were originally intended. As a general rule, obsolete capital and controlled assets will have a zero (\$0) market value. (Although a zero market value should not be used as the sole criteria for determining obsolescence, it can be interpreted as an indicator of obsolescence.)

VII. SALVAGED CAPITAL AND CONTROLLED ASSETS

Capital and controlled assets which through use, time or accident are so depleted, worn out, damaged, consumed or outdated that they can no longer serve the purpose for which it was originally intended are deemed to be salvaged inventory and should be disposed of in the year in which they can no longer serve the purpose for which they were originally intended. Salvaged capital and controlled assets are deemed to have no additional useful life and should be disposed of according to federal and state statutes and guidelines.

VIII. SURPLUS CAPITAL AND CONTROLLED ASSETS

- A. Academic, administrative and research departments shall transfer surplus capital and controlled assets to the Property Management Department's inventory, notifying Property Management on form PRP-1A (see sample in MAPP

03.03.01). Property Management will arrange for the removal and transportation of the equipment from the department. Departments will be charged when Physical Plant moves excess equipment to storage.

- B. Items not reassigned in a reasonable period of time are considered salvage and disposed of according to federal and state statutes and guidelines. Therefore, all equipment remaining in the departments and not transferred to Property Management is, by definition, "used and needed."
- C. A list of all excess equipment transferred to Property Management will be made available and from this list departments may acquire the property at no charge.
- D. Before disposal of surplus equipment in another manner, Property Management will allow for the direct transfer of materials or equipment that can be used for instructional purposes to a public school or school district. The equipment may be offered at a price or for other consideration to which the university and the public school or school district agree or for no consideration as the university determines appropriate. Property Management will establish, maintain, and distribute an excess property listing accessible to school districts by telecommunications to provide them opportunities to make direct inquiries to Property Management regarding the acquisition of excess equipment.
- E. Form PRP-1X should be completed and signed by Property Management and the public school or school district receiving the equipment from the university.

IX. CANNIBALIZATION

To the extent the university retains title to the equipment and the university is free to dispose of it as it chooses, departments may request that specific obsolete items of equipment be deleted from Property Management's inventory records for purposes of cannibalization. The property custodian must send a completed PRP-1A (see sample in MAPP 03.03.01) approved by the college/division business administrator to the Property Manager for permission to cannibalize. When permission is given, Property Management notifies the State Auditor and removes the item from the inventory records. The department should then return the tag(s) to Property Management.

X. EQUIPMENT SALES

Property Management will oversee the sale or disposition of capital or controlled assets by arranging for the removal and sale of each item via a public auction held by the university's contracted public auctioneer. Departments must obtain permission from Property Management, and approval from the Associate Vice Chancellor/Vice President of Finance, prior to disposing of capital or controlled assets through alternate means (e.g., private sales, cannibalization). Unless otherwise approved by the responsible Vice

President or Vice President for Administration and Finance prior to disposition of the asset, proceeds from the sale of capital or controlled assets will be:

- A. Returned to a state account if the items were purchased with state funds.
- B. Returned to a local account if the items were purchased with local funds.
- C. Returned to a university operating account if the items were received as gifts-in-kind.
- D. Returned to a university operating account if the items were purchased on a grant or contract and the university retained title.

Property Management should be consulted regarding the proper accounting treatment for proceeds arising from sales by departments.

XI. TRADE-INS AND EXCHANGES

- A. In the event equipment is to be used as a trade-in for the purchase of new equipment, the Property Manager must approve the purchase requisition before its submission to Purchasing.
- B. Purchase requisitions submitted to Property Management prior to trade in or exchange should include all trade-in information pertaining to the equipment, the university tag number, serial number, model number, manufacturer's name, age, condition, and a realistic estimate of the item's value. All university tags must be removed and returned to Property Management before the equipment is turned over to the vendor.
- C. Information about equipment that has been exchanged as a result of a repair request must be documented on Form PRP-1A (see sample in MAPP 03.03.01). Vendors may exchange equipment for quicker repair turnaround or repair cost feasibility. In some cases, the vendor may return equipment that is not identical to the item sent for repair. In the event equipment is exchanged, the department must request the university tag be returned from the vendor and forwarded to Property Management with the completed Form PRP-1A describing the new equipment received. Property Management will change only the description (if necessary) and assign a new university tag number to the equipment. The exchanged equipment will remain on the department inventory at the capital value of the original equipment. Exchange fees are considered repair or maintenance and will not be capitalized.

XII. TRANSFERS TO OTHER STATE AGENCIES

- A. Transfers of capital and controlled assets to other state agencies must be coordinated through Property Management.
- B. Form PRP-1X will need to be properly completed and approved by the college/division administrator and then forwarded to Property Management for final approval before the transfer becomes effective.

XIII. MARKET VALUE

- A. In general, the Market Value of an asset, that is, the value most closely representing what a willing buyer might pay a willing seller, is defined as the total of that asset's acquisition cost, less its accrued depreciation based on its age. The market value of a piece of equipment must be determined in the following instances:
 - 1. When establishing the sale price of equipment for auctions, sealed bid sales, and other types of sales. Realistic valuations regarding equipment being sold are needed in order to ensure that the State of Texas receives a fair return on sales and yet is competitive in the market place.
 - 2. When equipment is transferred between agencies. Current market value should be used to represent the cost of ownership and to provide a new basis for depreciation or accounting.
 - 3. When an item of equipment is lost or stolen, particularly when an individual is found liable for the loss. Should an individual be found liable for the loss of an asset, the individual would be charged that asset's market value at the time of the loss.
- B. The formula for determining market value of an asset is:

(Acquisition Cost *minus* Salvage Value) *minus* (Annual Depreciation \times Age)

Formula Definitions:

Acquisition Cost - the amount paid to purchase an asset and render it to service.

Salvage Value - the estimated amount that will be realized at the end of the useful life of a depreciable asset.

Estimated Useful Life - the period (based on the SPA Asset Class Life, except in cases where a department's experience is more appropriate) over which services are expected to be rendered by an asset.

Annual Depreciation - the Acquisition Cost less the Salvage Value of an asset, divided by its Estimated Useful Life.

Note: If, at the time of transaction or loss, the remaining Estimated Useful Life of an asset equals \$0.00, then the Market Value of that asset equals its Salvage Value.

XIV. GAIN OR LOSS ON DISPOSITION OF CAPITAL OR CONTROLLED ASSETS

- A. Gain may be recognized on the disposition of capital or controlled assets when the proceeds from the sale exceed the net book value (i.e., cost minus accumulated depreciation) of the assets at the time of disposition. Any gain realized on the disposition of capital or controlled assets may be recognized in the same cost center from which the capital or controlled assets were originally purchased.
- B. Loss may be recognized on the disposition of capital or controlled assets when the net book value (i.e., cost minus accumulated depreciation) of the capital or controlled assets exceed the proceeds received from the disposition of the capital or controlled assets. Any loss realized on the disposition of capital or controlled assets may be recognized in the same cost center from which the capital or controlled assets were originally purchased.

XV. SCRAP DISPOSAL

Disposal of scrap materials (shelving, fixtures, cabinetry, etc.) resulting from departmental remodeling or renovation is at the discretion of the Project Manager.

XVI. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every three years, on or before December 1

XVII. APPROVAL

John M. Rudley
Vice President for Administration and Finance

Arthur K. Smith
President

Date of President's Approval: 05/23/03

XVIII. REFERENCES

Index Terms: Cannibalization
Equipment sales
Equipment titles
Excess inventory
Gain
Loss
Market value
Property custodian
Scrap disposal
Trade-ins and exchanges

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Finance and Accounting
AREA: Finance and Accounting - General

Number: 05.04.01

SUBJECT: Emergency and Exception Manual Checks from Imprest Account
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I. PURPOSE AND SCOPE

The University of Houston is authorized by the Board of Regents to maintain a separate bank account ("imprest account") to provide emergency and exception manual check-writing capabilities for payments that would normally be paid through the Accounts Payable check-writing system. This document defines the use and limits of this account and applies to all university expenditures from all funds.

II. POLICY STATEMENT

Manual checks from the imprest account may be written for emergency and exception purposes only. These payments are subject to approval by the Vice President for Administration and Finance or designee. In no case will a check be issued without a State of Texas Purchase Voucher on which the emergency or exception purpose is adequately documented.

III. DEFINITIONS

Imprest account: A bank account used to make funds available for emergency or exception purposes. The balance of the account is replenished from other university accounts and charged to the account for which the purchase voucher is written.

IV. PROCEDURE

Individuals or departments requiring funds for limited purposes on an emergency or exception basis may request an imprest check through the Department of Student Financial Services (SFS) in accordance with this MAPP. To be considered, the request must be accompanied by a purchase voucher. All appropriate information on the purchase voucher must be completed in accordance with MAPP 04.01.03. Indicate the amount of the emergency or exception manual check requested and the appropriate local account number. The emergency or exception purpose of the request must be sufficiently documented in the section "Description of Articles or Services." The purchase voucher must be approved by the college/division administrator, or if an emergency or exception student refund is involved, by the Bursar.

Any relevant additional request form or documentation must be attached to a purchase voucher; i.e. a travel advance request form, etc.

- A. A properly approved purchase voucher is provided to the Bursar in SFS, along with a cover memorandum explaining, with sufficient detail, the emergency or exception justification for the request and the time frame required.
- B. The Bursar will evaluate the request and the purchase voucher for compliance with this policy and procedure. The request will be returned to the department submitting the request if the terms of the policy and procedure are not met. If the request appears to be justified and the documents are in proper order, the Bursar will approve the request.

- C. The cover memo and the purchase voucher will be forwarded immediately to the Office of the Vice President for Administration and Finance.
- D. The Vice President for Administration and Finance or designee will indicate approval by signing the memo and returning it to the Bursar, who will make arrangements to have the check prepared.
- E. The Bursar will sign all purchase vouchers for reimbursement of the imprest account, if the request is approved by the Vice President for Administration and Finance or designee. Upon approval, the purchase voucher and request for reimbursement of the imprest account will be processed by SFS.
- F. A minimum of 24 hours must be allowed for processing of the request and preparation of the check once received by SFS.
- G. At least one hour prior to being released, a copy of the check must be delivered to the Treasurer's Office so that the check information may be transmitted to the bank's positive pay operations department.
- H. Imprest checks may not be provided to cover expenditures from state general fund (ledger 1) accounts.
- I. Imprest checks may not be provided for the following purposes:
 - 1. Reimbursements for entertainment or travel
 - 2. Payments to vendors which require university purchase orders
 - 3. Student financial aid awards
 - 4. Salary/wages of employees, other than circumstances defined in SAM 03.A.09. On an emergency or exception basis only, manual checks may be authorized by the Treasurer's Office for payroll or accounts payable items. Manual payroll checks will be written only to replace damaged, lost, or staledated payroll checks, or in emergency situations after net pay has been determined by the payroll system.
- J. The Vice President for Administration and Finance, or designee, must approve the request for the emergency manual imprest check prior to its issuance.

V. RESPONSIBILITIES FOR IMPREST ACCOUNT

- A. SFS is responsible for writing checks on the imprest account, ensuring that all check request requirements have been met. SFS will also initiate the wire transfer request to reimburse the account.
- B. The Office of the Associate Vice President for Finance is responsible for monthly reconciliation of the imprest bank account.

VI. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice President for Finance
Review: Every three years, on or before July 1

VII. APPROVAL

Randy J. Harris
Vice President for Administration and Finance

Arthur K. Smith
President

Date of President's Approval: 05/02/00

VIII. REFERENCES

Board of Regents Resolution Governing the Establishment and Operation of Demand Deposit Accounts for the University of Houston
UH System Administrative Memorandum 03.A.09

Index: Emergency manual checks
Emergency payments
Exception manual checks
Imprest account
Imprest checks