Introduction

The Equipment Inventory Office (EIO) is part of Financial Management within Finance & Facilities. Our office is responsible for the proper tagging, reporting, and controls over more than 64,000 equipment assets. Together, with our valuable campus departmental inventory contacts, we track inventorial equipment throughout its entire life-cycle at the University, from acquisition to disposal.

EIO owns the OASIS system, which is the fixed asset system that houses all of the University's fixed asset data: Land (not depreciated), Buildings, Improvements Other Than Buildings (IOTB), Infrastructure, Intangible Assets, Art and Capital Collections, and Equipment. OASIS not only stores this data but also calculates depreciation expense for the relevant categories of fixed assets. OASIS is the only approved inventory system on University of Washington campuses.

This manual, General Inventory Procedures Training, is an introductory guide to the various aspects of the equipment life-cycle. The items covered are important to understand, and will assist in keeping your department in compliance with the various State and Federal rules and regulations that impact the University.

Throughout this manual you will be provided with links to our web site, where additional details regarding certain topics are available for a more intermediate understanding.

Equipment Acquisitions
Equipment Acquisition Definitions

Ancillary Costs - Costs that are directly attributable to asset acquisition, such as sales tax, first-year warrantees, freight and transportation costs, site preparation costs, and professional fees, that are necessary to place a capital asset into its intended state of operation. Ancillary costs are capitalized as part of the cost of a capital asset.

Capital Assets - Assets that meet the state's capitalization policy such as land, improvement to land, easements, buildings, leasehold improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, etc., that are used in state operations, that have initial useful lives extending beyond one year and a value of $5,000 or more.

Donated Assets - Assets acquired by gift, donation, or payment of a nominal sum, which is not reflective of the assets' true market value.

Fair Value - Fair Market Value. The amount that could reasonably be expected to be received for an asset in a current sale between a willing buyer and a willing seller.

Non-inventorial Equipment - Tangible property other than land, buildings, improvements other than buildings, or infrastructure with a unit cost (including ancillary costs) of less than $5,000 which is used in operations and with a useful life of more than one year. Non-inventorial equipment is not capitalized.

Ownership - An indication as to who is responsible for possible claims against the asset by outside parties (e.g., federal government, state, agency). Ownership tells who has the legal or rightful title to the property.

Sensitive Inventory Items (Small and Attractive Assets)- Assets that do not meet the state's capitalization policy but that an agency considers particularly vulnerable to loss, thus subject to special property control. At the University, this includes all weapons, firearms, and permanently attached accessories such as rifles, pistols, flare guns, net guns, tasers, rifle scopes, signal guns, line-throwing equipment, and animal control devices. These must be tagged and inventoried regardless of cost. Proper object codes are listed below:

- 05-10 - Under $5,000.
- 06-91 - $5,000 or more.

Unit Cost - Unit cost is the purchase price or fair market value of one piece of equipment and can include ancillary costs such as calibration, installation, freight, trade-in, and sales and excise tax.

Useful Life - An estimate of the total time that an asset is usable and in service.

Appropriate Acquisition Methods

State law requires State/University property to be purchased under the rules and regulations adopted by the legislature and other governing bodies. Also, as a major recipient of federal funds, the University is

obligated to follow additional regulations, especially related to advance approval of certain purchases and reporting of activity with vendors. Below is a list of acquisition methods that are acceptable under current laws and policies.

Capital & Operating Leases

Capital Lease – A lease that meets one or more of the following criteria:

- Lease term is greater than 75% of the equipment's estimated economic life.
- Lease contains an option to purchase the equipment for less than fair market value.
- Ownership of the equipment is transferred to the University at the end of the lease term.
- Present value of the lease payments exceeds 90% of the fair market value of the equipment.

The value of future payments is significant to the University and requires recognition as a long-term debt in the University's annual audited financial report (as determined by Financial Reporting). A capital lease of equipment transfers all benefits and risks inherent in ownership to the University.

Operating Lease – A lease that does not meet one or more of the criteria included in the Capital Lease definition. In addition, at the University of Washington, any lease where the cost of documentation, accounting and disclosure, and audit support significantly exceeds the benefit to University stakeholders will be accounted for as an operating lease, even if it otherwise meets the capital lease criteria. Operating leases should be coded 03-XX with the sub object code range of 80-89.

If your Department chooses to enter into an equipment lease, they work with Financial Reporting (206-221-7845 or accountg@uw.edu) to determine if the lease should be classified as capital or operating.

eProcurement

All suppliers in eProcurement hold valid contracts that incorporate the University's terms and conditions. There are no restrictions that apply to the value of individual orders, unless your department has internal restrictions, and Sole Source justifications are not required.

Machinery & Equipment (M&E) Tax Exempt Orders in eProcurement

If you believe your order qualifies as tax exempt under the University's Machinery & Equipment Sales/Use Tax Exemption, you will need to check the yes box next to the question "Is this an M&E item?", and enter your M&E Statement in the text area that appears after you check the yes box. (Please see the Machinery & Equipment Sales/Use Tax Exemption webpages for questions regarding M&E eligibility and proper M&E statements.)

Fabrications

The need to fabricate an asset comes about when the equipment does not already exist or additional functionality needs to be added to an existing piece of equipment, and the fabrication is performed by the University. Many different categories of costs go into creating the equipment and in order to represent the true cost of the asset, these costs need to be moved to the proper equipment object code by Journal Voucher (JV). This allows for the full cost of the asset to be depreciated over its useful life and the costs to be excluded from indirect cost.

If your department finds the need to fabricate a piece of equipment, please visit [here](#) on the EIO website for more detailed information.

Fellowships

Fellowships provide Fellows (individuals who have generally attained their graduate degree and help conduct research at the University) with research funds, which can include the purchase of necessary equipment. The equipment may be purchased using any one of the University's purchasing methods. At the conclusion of the research project, if stated in the grant from the sponsor, the equipment may become the personal property of the Fellow.

Gift

A gift is considered equipment if it meets the equipment definition (value greater than $5,000 and a life expectancy of more than one year). University departments are responsible for approximating the fair market value of a gift at the time of receipt. If the approximate fair market value is $5,000 or more and the life expectancy is more than one year, then the gift must be tagged and inventoried.

If your Department receives a gift (in-kind donation), they determine the fair market value of the gift. It should be tagged within 3-7 days after receipt (as you would a newly purchased piece of equipment), and a Gift Transmittal Form completed and sent to Gift Processing, Box 359505.

Loaned equipment

Equipment brought to the University for free use. Even though no payment is involved, other costs such as insurance and repair costs may be incurred and need to be covered by a loan agreement that has been negotiated and signed by the appropriate departmental authority (department chair, director, or administrator). Also included in this definition are exhibits and demonstration equipment.

If your Department has the opportunity to borrow equipment from another entity for official University use, all arrangements should be documented in writing by the appropriate departmental authority (department chair, director, or administrator) and should detail the University's responsibility for the equipment. If the owner requires the University to provide insurance for damage or loss of the loaned or borrowed equipment, department contacts the Office of Risk Management in sufficient time to review the possible insurance needs and to acquire any necessary insurance. Your Department should retain copies of any loan agreements.

Procurement Card (ProCard)

A University of Washington purchasing option that consists of a Visa charge card utilized for most business related purchases. The card can purchase items up to $3,300 per transaction. The system includes an online (PaymentNet) method for transaction reviews and budget reallocation. It is available to any University staff or faculty with appropriate authorization from their Department Head and the ProCurement Card Administrator.

Because of compliance issues, Machinery and Equipment Tax exempt purchases cannot be purchased using the ProCard. Please use eProcurement for these purchases.

Unlike eProcurement purchases, there is no review of ProCard equipment purchases by Equipment Inventory. It is extremely important that ProCard equipment purchases be coded correctly. Improper object code use will result in a variance between FAS and OASIS and will need to be subsequently JVd by your department. Please contact Equipment Inventory if you are unsure of the proper object code to use.

Purchase Order
A purchase order authorizes the delivery of specified merchandise or the rendering of certain services. This form is used by agencies to encumber, liquidate, and authorize payment for such purchase requisition requests. A Blanket Purchase Order (BPO) is used when a purchase order is needed.

Equipment Inventory reviews supplies and replacement parts with a cost of $1,000 or more, and all equipment purchases for correct object coding prior to your requisition being forwarded to the Purchasing Department.

If ordering items as a lot, Equipment Inventory has no way to determine the cost per individual item. Please add a notation in the description field of the requisition stating, "No one item exceeds $5,000".

Surplus Equipment
Items purchased from the Surplus Property Office Warehouse. These are viewed as being acquired from an outside vendor. They are considered equipment if they meet the equipment definition; current market value of $5,000 or more and an original life expectancy of more than one year.

To ensure the best use of University equipment, departments are given the opportunity to receive or purchase usable excess items from the University's Surplus Property Office. Departments needing specific items should contact the Surplus Property Office to see if the desired equipment is available.

Surplus Property will bill your budget. This equipment must meet the equipment definition and is only added back into the OASIS system if the current price of the surplus equipment is $5,000 or greater.

Trade In
A purchase of equipment is considered a trade in when one or more pieces of existing equipment are given to the vendor for a specified dollar amount discount. If the total cost of the new purchase (paid amount plus discount amount) is $5,000 or more, the new purchase must be tagged and inventoried.

Department works with the vendor to determine which existing equipment will be part of the trade in and how much money the vendor will assign to the trade-in assets. If the vendor is willing to take the items but is not giving the University a discount, this is a Return To Vendor, No Credit.

Transfer In
Items brought into the University or department from another university, agency, or department. Transferred items are treated as equipment if they meet the equipment definition. University departments must approximate the fair market value of transferred items at the time of receipt. Items that have an estimated fair market value of $5,000 or more, with a life expectancy of more than one year, must be tagged and inventoried. If equipment is transferred in from another university or agency, it must be accompanied by signed paperwork from the transferring agency.

Add Cost or Bundling Costs

Add Cost is the process of adding an inventorial asset or pending asset to an existing inventorial tagged asset.

Bundling is when you combine certain items together as a system (one inventorial asset) as allowed by State and/or University policy.

Below are examples of items that CAN be add costed or bundled:

- Racks and a temperature control system to a freezer (Systems Policy)
- Winch that is permanently attached to a vehicle or boat
- An expensive lens to a microscope
- Rotor to centrifuge (most departments choose not to add cost/bundle since rotors can move around)
- Display that is over $5,000 alone to a computer (sometimes better to track such an expensive display separately if it is expected to outlive the computer)
- Laptops with a docking station, extra monitor, mouse, and keyboard. Please note: laptops cannot be add costed or bundled even if used with or attached to another asset, e.g. a microscope.

Determining Ownership

Ownership indicates who has the legal or rightful title to the property; it's established based on the funding source and the grant or contract language. It specifies who will make decisions regarding the property, and is particularly important during the acquisition and disposition phases of an asset.

There are three types of ownership:

- Federal - Equipment purchased with funds provided by a federal grant and/or contract where the federal agency retains title to the property.
  - Equipment is purchased and/or furnished by the government for its intended research.
  - University is accountable to the federal agency for the item.
  - At the end of the research project, the University may be required to return the item or the federal agency may donate it to the University for continued research.
- Agency - Equipment purchased with funds provided by private donors through a grant or contract where the private agency retains title to the property.
  - Equipment is purchased and/or furnished by the private agency for its intended research.
  - University is accountable to the private agency for the item.
  - At the end of the research project, the University may be required to return the item or the private agency may donate it to the University for continued research.
- State - Equipment purchased, gifted, or transferred-in on a state or gift budget is University titled, and falls under State property regulations along with any federal or private grant/contract where title is not retained by the agency at the time of acquisition.

Object Codes

Object codes are six-digit numbers that are used to categorize actual expenses, budgeted amounts for expenses, and encumbrances, into categories that describe the nature of the goods or services purchased. Click this link to see a list of the object codes that Equipment Inventory reviews. A detailed description of these codes is located on Financial Accounting's Object Codes for Expenditures website.

Receiving

The following equipment items must be tagged by the receiving department upon receipt:

- o Items acquired by purchase, gift, or transfer with a value of $5,000 or more.
- o Items furnished or loaned to the University from federal agencies for at least six months that cost $5,000 or more. Official government transfer documents must accompany equipment upon arrival. Equipment Inventory's Federal Program Coordinator should be contacted to ensure proper processing of all transfer documents regardless of cost. (Please see the section on Federal- and Agency-titled equipment for details.)

The department should create evidence of receipt by signing and dating a receiving report or transfer document upon delivery of equipment.

Designated individuals (inventory contacts) in each department are to be authorized to check the condition of the equipment, sign for delivery, tag equipment within 3-7 days of receipt (see "Equipment Tagging" for details), and either enter the information into the Asset Entry/Inquiry Screen of OASIS or submit a completed UW Equipment Information (Orange) Card to Equipment Inventory.

The department should maintain the following documents for six years for audit purposes (see the General Record Retention Schedule):

- o Receiving and shipping documents
- o Evidence of receipt (usually an authorized signature and date on a receiving report or transfer document upon delivery)
- o Official government transfer documents of federally furnished or loaned equipment
- o Receipts on purchased items under $10,000 which are processed through the Accounts Payable Rapid Invoice Process (RIP).
- o Copies of signed invoices from Accounts Payable for payment of invoices of $10,000 or more. Accounts Payable will forward an invoice/receiving report to obtain departmental approval for payment of invoices of $10,000 or more.

Equipment Tagging

An equipment tag is an identification marker that is required to be affixed to all University inventorial and government or agency owned equipment. Some departments choose to also tag non-inventorial equipment for internal purposes. Only the Equipment Inventory Office is authorized by the State of Washington to make tags for the University. There is no charge to the departments.

Some equipment is designated as "No Tag" equipment. This is equipment that is too small or otherwise too difficult to affix a tag to. Common examples are underwater equipment, software, lenses, or buoys. "No tag" assets are treated the same as regular assets, except for the following steps:

- o "NT " for No Tag is entered into the "How Tagged" box of the Snapshot view in OASIS.
- o "Other Location" field can be populated with more specific location information such as "Used with computer 1199887."
- o Print the snapshot data of the OASIS entry for the asset. Affix the inventory tag to this and enter it into your departmental No Tag log. A No Tag log could be as simple as a binder that houses this type of "No Tag" asset documentation

Each tag lists:

- o State of Washington (360)
- o University of Washington
- o Department Name
- o Bar Code and Tag Number (tags made prior to 1994 do not include a Bar Code)

There are several different procedures that relate to equipment tags. Each department has a designated inventory officer (contact) that is responsible for tagging equipment within 3-7 days of receipt and entering the equipment information into OASIS or reporting it to Equipment Inventory.

Ordering Tags:
To order equipment tags, the inventory contact should fill out the online Equipment Tag Request Form. This can also be found in the Quick Links box on the lower right side of any of our Equipment Inventory Office web pages.

Please be prepared to submit the following information:

- o First and last name
- o Department name to be on the tags
- o Budget number (for tracking purposes - there is no charge for equipment tags)
- o Type of tag desired
- o Quantity of tags needed (any multiple of 25)
- o UW box number

Inventory contacts should always have tag stock on hand for new equipment.

Tagging Equipment:
- If equipment is greater than $5,000, it should be tagged with a white bar code tag (in a visible, central part of the equipment) within 3-7 days of receipt. Even if the item is to remain in its box for some time before use, it should be opened and inspected, tagged, and the necessary identifying information recorded within 3-7 days of receipt.
- Identifying information can either be input directly into OASIS by the inventory contact or reported to Equipment Inventory on an UW Equipment Information Card.

- If equipment is less than $5,000 and a department chooses to tag and track it, it should be tagged with a purple bar code tag (in a visible, central part of the equipment) within 3-7 days of receipt. Even if the item is to remain in its box for some time before use, it should be opened and inspected, tagged, and the necessary identifying information recorded within 3-7 days of receipt.

Unique Tagging Situations

There are some types of equipment that aren't as straight forward to tag.

Personal Computers – Under the University's Personal Computer Policy, integral personal computer components, once assembled to a central processing unit (CPU) that meet the definition of equipment should be tagged and inventoried as a single equipment item. An individual personal computer workstation consists of a CPU, operating system, monitor, keyboard, mouse, desk printer, external modem, external and internal drives, and drives installed within the purchased CPU. The tag should be placed on the CPU in a visible place (not on the back).

Software – Software with a value of $1M or more is considered a University asset. To track software purchases (including upgrades) that are $1M or more, these items should be treated as a "no tag" asset or add-costed to the equipment it will be used on for its life span.

Updating a Tag Number

Tag numbers may need to be updated for a variety of reasons:

- When an equipment item is defective and is exchanged under warranty;
- When a tag is damaged;
- When a tag is being updated, such as going from an old silver tag to a bar code tag;
- When correcting a data entry error.

For internal control purposes, departments cannot make tag number changes. To update a tag number, put an "EIO Note" in OASIS or send an email to eio@uw.edu requesting Equipment Inventory to change the older tag number to the new tag number.

Pending Assets

A pending asset results when an equipment item has been paid for (an 06-XX equipment expenditure has been made) but for which the necessary equipment information (UW Equipment Information Form (EIF)) has not been entered into OASIS. Each 06-XX equipment expenditure has to be applied to an asset in OASIS in order for the OASIS system to reconcile to FAS.

Notification of a department's pending assets are communicated to departmental inventory contact in several ways:

- Through weekly Departmental Asset Control Sheets that are emailed to departments
- Through monthly email Pending notifications
- By the departmental inventory contact (with OASIS access) using the Asset Search Screen in OASIS "Equipment Needing Tags (PTEs)"

- Through the bi-annual Physical Inventory Listing.

Pending assets should be cleared as soon as possible by tagging the equipment and entering the information in OASIS or by completing the UW Equipment Information Form (EIF).

Note: Since equipment should be tagged within 3-7 days of receipt, pending assets should be a rare occurance. Departmental inventory contacts should not wait for receipt of an Asset Control email before tagging and recording new assets, as payment can occur significantly later than receipt of the asset. Assets that are missing necessary equipment information will remain in pending status, which could pose a liability risk to the department.

Equipment Insurance

University property and equipment is not automatically insured. The Equipment Insurance campus-wide online program administered by the Office of Risk Management provides optional, low cost coverage to University departments for owned, leased or borrowed equipment used for UW work. For more information, please visit their website.

Equipment Maintenance

Physical Inventories

Physical inventories are pdf lists emailed to departments by Equipment Inventory, at a frequency generally determined by title, for tracking inventorial assets. Departments are required to perform a manual count and verify the location/serial number/custodian of each item listed on a regular schedule. The Equipment Inventory Office (EIO) coordinates the process for all University of Washington departments.

Departments benefit from completing a physical inventory because it allows them to:

- Locate assets in use.
- Update equipment movement.
- Account for assets lost or previously surplussed.
- Transfer assets to other departments.

Types of Inventories

University-titled – A University Inventory (also called "State" inventory) is the process of locating all other assets tracked by the University. These inventories are required by State regulation to be performed every two years. The funding can come from the State, a Federal agency or a private agency but the University owns the equipment. This also includes gifts and equipment transferred in from other institutions. University inventories are sent out every other year in January and mailed to the departmental inventory contact. Completed inventories are due back to Equipment Inventory by May 31st.

Federal-Titled – A Federal Inventory is the process of locating equipment that was purchased with Federal grant or contract money and for which the sponsor has retained title (ownership). The funding source (for example, Navy) requires the University to track the assets but the assets belong to the Federal Government

and are not University property. Timely completion is extremely important. Federal inventories are required annually. Federal inventories are sent out every year on June 1st. Completed inventories are due back to Equipment Inventory by July 31st. This is followed by the Federal Audit by the Office of Naval Research.

Agency-titled – An Agency Inventory is the process of locating equipment that was purchased with private agency grant or contract money where the sponsor has retained title. In this case, the funding agency (for example, Honeywell) requires the University to track the assets, but the assets belong to the private agency. Agency inventories are also required annually. Agency inventories are sent out every year On June 1st. Completed inventories are due back to Equipment Inventory by July 31st.

Sensitive Inventory – A Sensitive Inventory is the process of locating all university assets deemed "sensitive" (weapons). The funding source can be from the state, a federal or private agency with University ownership. Sensitive University inventories are required by state regulation to be performed every two years. Sensitive inventories are sent out every other year in January and mailed to the departmental inventory contact. Completed inventories are due back to Equipment Inventory by May 31st.

Final Inventory – Inventories of equipment furnished by or purchased with agency funds are to be taken by the principal investigator upon termination of contracts or agreements. Under some contracts, unused supplies on hand at the termination of the project with a combined value over $5,000 must also be inventoried. Upon receipt of a listing of agency-owned equipment from the Equipment Inventory Office, the principal investigator should verify the physical presence of the equipment and, after verification, may recommend that:

- The property's title become vested with the University for continued use in the department on similar research projects;
- The equipment be transferred to a follow-on contract;
- The equipment be returned to the government agency; or
- The equipment be removed by the government agency.

The Equipment Inventory Office will recommend appropriate action to the contracting officer.

There are no extensions available on physical inventories.

Note: Assets with a blue bar code tag are University of Washington Medical Center (UWMC) property and maintained separately by UWMC Accounting. Assets with a purple bar code tag are non-inventorial assets and should not be included in your inventory.

Responsibility for Physical Inventories

Inventories will be sent directly to your department's inventory contact and administrator. The individual(s) who perform(s) the physical inventory must have no direct responsibility for the assets. For example:

- An inventory contact is eligible to inventory all equipment except their own, such as their personal computer, because they have direct responsibility for that computer.
- A principle investigator (researcher) is not eligible to inventory lab equipment for which he/she has direct responsibility as this would create a conflict of interest.

Process Overview

1. Equipment Inventory emails the physical inventory lists with cover letters and instructions to department inventory contacts for processing.
2. Departments complete and return all inventories to Equipment Inventory by the scheduled due date.
3. Departments clear pending assets on inventories directly in the OASIS system.
4. Equipment Inventory verifies the proper completion of your inventory and officially records your inventory as "received" in our records for that inventory cycle.
5. EIO processes any necessary updates, disposals or transfers.
6. Equipment Inventory sends a follow-up memo and new inventory listing to the inventory contact for each completed inventory.
7. Departments respond via the Physical Inventory Response Form to any concerns highlighted in the follow-up memo.
8. Equipment Inventory will send you a final inventory listing after processing your requested revisions.

Use
When applied to material and property, use is engaging the asset or material into the business process for value.

Maintenance
The upkeep of property or equipment to preserve from failure and decline.

Consumption
The measurement of actual use of consumable items to the planned use (budget to actual).

Movement
Relocation from one area to another.

Customs and Export Control Laws
Customs - When traveling out of the country with University-owned and/or personal equipment (as carry-on or checked baggage), it is important to be prepared to document the original purchase upon returning to the United States to avoid having to pay duties.

Export Control Laws - U.S. federal government laws and regulations that require federal agency approval before the export of controlled items, commodities, technology, software or information to restricted foreign countries, persons and entities (including universities).

University Equipment Policies

Computer Cluster Policy

High performance computer clusters have emerged as an extremely cost-effective tool for addressing large problems in scientific disciplines. A computer cluster is made up of many individual computers ("nodes") functioning together to address a specific problem. Typically, these individual computers are standard systems which may individually fall below the University's established 'capitalization' threshold (currently $5,000). The cluster will be treated as a single equipment asset - that is, if charged to a sponsored budget, no indirect charges will be made against the individual components - provided that all of the requirements listed below are met.

Computer Cluster Criteria

In order to capitalize computer units (nodes) individually costing less than $5,000 but more than $5,000 when combined together as a cluster (single asset), all of the following criteria must be met:

1. The combined units (nodes) are interconnected and work together to serve a specific purpose;
2. The combined units (nodes) of a cluster are physically located together, rather than distributed throughout a building (i.e. they are not located in separate offices or labs) - note that you cannot include items such as a portable computer, printer or projector in a computer cluster;
3. A clear reason for the use and acquisition as a cluster exists. If a cluster is being purchased on a sponsored budget, the reason for use and acquisition needs to be documented in the grant proposal budget justification. If funds are being re-budgeted after an award has been made to purchase the cluster, then the reason for use and acquisition needs to be documented either in a re-budgeting request to the funding agency or in the grant file maintained within the department. For more information on re-budgeting, see GIM 18 and GIM 26.
4. The intent of the combined units (nodes) is to operate as a cluster for a minimum of four years (the current useful life of a computer).
5. The budget authority and in the case of a sponsored budget, the PI (Principal Investigator), accept responsibility for meeting the cluster criteria. To show this, the purchaser (with the approval of the budget authority or PI) needs to include a comment in the comment section of the PAS purchase requisition stating:
    o For a non-sponsored budget - "This purchase meets the criteria of the University's cluster policy."
    o For a sponsored budget - "This purchase meets the criteria of the University's cluster policy and the reason for the cluster's existence is documented in the grant or contract budget justification."

Tagging a Cluster

A computer cluster is required to be tagged in two ways:

1. The entire cluster will have a single inventorial tag assigned to it, which must be visibly affixed to a central component of the cluster (such as the equipment rack, head-node, or interconnect switch).

This tag number and all of the required information should be entered into the University's OASIS (fixed asset) system.

2. Each individual unit or component of the cluster (nodes, switches, racks, etc.) should have a smaller "cluster-component" tag affixed to it. These smaller tags will be provided by the Equipment Inventory Office (EIO), and will not require any additional entry into the asset system. They are simply a method for identifying a component as a part of the cluster.

Making Repairs to an Existing Cluster – If any component of the cluster needs replacement due to damage or failure, the replacement (regardless of cost) should be purchased as an 05-99 object code expense. Repairs and maintenance do not add to the life of the asset and should be expensed. Coding these properly helps ensure that the appropriate total value of the cluster is being used for accountability and depreciation expense purposes.

Expanding an Existing Cluster With or Without Multiple Funding Sources (also known as "add costing") – Additional computing units (nodes) and related components that are purchased to add to an existing cluster (and that are not replacing a computer that already exists within the cluster), can be "add costed" to the existing cluster if ALL of the following criteria are met:

1. The total cost of the expansion is $5,000 or more;
2. The addition contains at least one computer unit (node);
3. The addition meets the original cluster criteria detailed above;
4. The fund sources have similar title vesting of equipment (i.e. If the original cluster is University titled, the expansion must also be University titled).

The expansion to the cluster should be purchased using the appropriate computer cluster object code (06-14, 06-15, 06-16, or 06-17). A note must be included in the purchase requisition identifying the asset tag number of the cluster that will be expanded by this acquisition (this is also known as "add costing" to an existing asset).

Machinery and Equipment (M&E) Sales Tax Exemption

Equipment purchased for certain University research and development activities may qualify for a sales tax exemption allowed under RCW 82.08.02565, known as the Machinery and Equipment Tax Exemption, or "M&E Exemption." The exemption may be applied towards purchases of fixtures, equipment, and support facilities that are an integral and necessary part of pilot scale manufacturing or used directly in University manufacturing or research and development activities as defined in RCW 82.63.010 (16). Items with a total cost of $200 or more may qualify for this exemption. The M&E Tax Exemption, RCW 82.08.02565 does not tie the tax exemption to the University of Washington's capitalization threshold of $5,000.

For the purposes of meeting the criteria for an M&E Tax Exemption, Research and Development refers to activities performed to discover technological information, and technical and non-routine activities concerned with translating technological information into new or improved products, processes, techniques, formulas, inventions, or software. The term includes exploration of a new use for an existing

drug, device, or biological product if the new use requires separate licensing by the federal food and drug administration under chapter 21, C.F.R., as amended. The term does not include adaptation or duplication of existing products where the products are not substantially improved by application of the technology, nor does the term include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

The Principal Investigator and the Department should ensure that all criteria for the exemption are met. If an exemption is taken on an item that is later deemed by the Washington State Department of Revenue to not qualify, the department will ultimately be required to pay the tax along with penalties and fines. Submit the purchase request using the correct object codes.; the exemption will only be taken on items with:

- Proper M&E object codes
- A sufficient M&E statement detailing the type of research to be performed and the desired outcome. The location of this comment varies by method of purchase. Specific locations for each purchasing method.

If during the useful life of the asset it is determined it will not be used 50% or more on qualifying research, the department will be required to pay the tax due.

Equipment Inventory will review and approve requisitions and M&E statements in comments section of PAS and eProcurement purchases; respond to vendor questions regarding allowable exceptions; and, assist department in applying the M&E Tax Exemption.

Procurement Services will place orders; work with vendor to ensure tax is not included on invoices with purchases qualifying for the M&E Tax Exemption; review tax exemption when paying the invoice; and deduct the tax from payment to vendor where appropriate.

> **Using the proper M&E object codes associated with the exemption will automatically place the applicable items in a tax exemption status. The necessary certificate needs to be completed, and attached to the order, by the department. Failure to use the proper M&E object codes will generate tax on your orders. Once an order has been released to the buyer, the only way to change the object code is to cancel the current requisition and re-enter it with the correct code. Once an invoice has been paid, the exemption <u>cannot</u> be retroactively applied.**

Equipment Disposals

Equipment Disposal refers to both physically removing properties from a department and to the removing of the item from a department's active inventory, relieving the department of accountability for reporting and tracking. The terms disposal and surplus are often used interchangeably.

The University must dispose of all property (equipment, material, and supplies) through its established disposal procedures. Please see "Disposal of Federal or Agency Equipment" for the disposal of non-University titled equipment.

As described by WAC 236-48-198, University-titled equipment may not be sold to employees, principal investigators, or to the public unless all disposal requirements have been met and the sale is processed by the Surplus Property Office.

NOTE: When buildings are demolished or alterations made, there are usually some materials which are salvageable. Normally, under the terms of the contract, salvageable material becomes the property of the contractor. The contractor is responsible for removing this materially physically from the University campus and may then dispose of it as he or she sees fit. This removal requirement ensures that University employees will not remove such materials from the campus and thus appear to be taking University materials for their own personal use.

Departments benefit from timely and proper disposal of excess property because:

- Timely disposal makes property available to the entire campus.
- You may be able to reduce costs by using another department's idle equipment.
- Disposal of excess equipment reduces the time needed to locate unused equipment during required inventories.
- You are prepared for any audit.
- You may lose federal funding if your department is not in compliance.

Legal Reasons for Timely Disposal
State law requires that State/University property should not sit idle for lengthy periods of time. In a timely and appropriate manner, departments should dispose of items they no longer need.

It is a contractual commitment that federally owned equipment be in active use while in custody of a campus department, and that disposal action be taken in a timely manner if it is not.

Appropriate Disposal Methods

<u>Surplus</u>
Dispose of equipment, materials, and supplies, whether inventorial or not, through the established procedure facilitated by the Surplus Property Department. Equipment Inventory removes the record of equipment from the department's inventory.

It is important to enter tag numbers individually because this form serves as the official record used by the Equipment Inventory Office to remove assets from the OASIS system. Failing to enter individual tag numbers may result in items being surplussed but not removed from the OASIS system. The department will then have to report the item as lost using a Property Activity Request - Form 1024 because there will be no official record of the item's surplus.

Equipment Inventory will verify that the Supervisor's UWNetID entered on the request is a manager or higher. If unable to determine this, EIO will email the departmental administrator (or equivalent) for

approval of the surplus disposal. If no response is received from the administrator within two weeks of initial contact, EIO will escallate the situation to its assistant director.

<u>**Cannibalize**</u>

The removal of components for reuse rendering the parent unit unusable. Cannibalized equipment must be reported to Equipment Inventory on a Property Activity Request - Form 1024. Unused parts must be disposed of through the Surplus Property Office.

The department sends written approval to Equipment Inventory so that the transaction can be recorded, along with a 1024 signed by the authorized departmental approver (manager or higher).

It is up to the department to arrange for the physical disposition of the remaining parts by scheduling a pick up or drop off with Surplus Property. <u>It is not okay to throw the remaining parts away</u>.

<u>**External Transfer (Leaving the University)**</u>

Transfer equipment ownership and/or responsibility to another non-profit research institution within the United States. Note: If an item is to be transferred outside of the United States or to a for profit institution, it may be allowable with sponsor approval.

These transfer requests can consist of many different funding sources including:

- Open Award Funds
- Closed Award Funds
- State Funds
- Any combination of the above

These transfer requests can also consist of different ownership titles of equipment including:

- State/University
- Federal
- Agency

NOTE: It is important that departmental administrative or fiscal staff contact the Equipment Inventory Office (EIO) at the beginning of this process to avoid potential problems and delays in transferring equipment.

The process begins when a Department sends asset tag number(s) to EIO for review. EIO reviews funding source and verifies the title of the item(s) (i.e. University, Federal, or Agency), and then proceeds in accordance with determined funding scenario below.

If Open Award Funds, a Department requests written verification from the Office of Sponsored Programs (OSP) and Grant & Contract Accounting (GCA) that the open award will leave the UW.

If Closed Award Funds, EIO verifies the item(s) will be used to continue research and approves item(s) to leave the UW. Special language will be included in the paperwork 1) to notify the recipient that the Federal

Government could come back for the item(s) at some point in time, and 2) the sponsoring agency is also being notified of the transaction.

After EIO approves, the department can deny the transfer if they have use for the equipment somewhere within the department.

If State Funds, the item(s) cannot leave the University for free. If EIO denies the item(s) for free transfer, the department cannot later approve.

If there is no need for the equipment somewhere else in the department, the department can choose to sell or give the item(s) internally to another UW department, or send the item(s) to Surplus Property for regular surplus disposal. The departing researcher still has the option to purchase the item(s) through Surplus Property. Surplus can work directly with the purchaser (new institution).

Unless being purchased to continue the same research, computing equipment will wiped prior to sale.

Finalizing Transfer

EIO sends necessary paperwork to department at the end of the review process. If item(s) are eligible for transfer, paperwork will include an Equipment Transfer Form. This form is filled out by EIO, but needs signatures from the department.

The Department then negotiates with the receiving institution about transporting the equipment, and transports the equipment according to the agreement with the other institution. The Department also maintains copy of Transfer Paperwork (prepared by the Equipment Inventory Office) for 3 years.

Internal Transfer
Transfer equipment from your department to another within the University and remove it from your department's records. (You may give or sell it to the other department).

The Department decides to transfer equipment to another UW department. If the equipment is federally owned or funded on current awards, it gets written approval from the sponsor before the item can be surplussed, moved, transferred, or disposed of. This documentation must be complete and contain Agency's written authorization, date of disposal, and appropriate disposal action.

The department then sends written approval to Equipment Inventory so that the transaction can be recorded. They negotiate with the other department about the price of the item, if any.

If they decide to sell instead of give, submit a Journal Voucher to reassign funding for the negotiated amount. Submit to EIO.

You may not use federal funds to purchase items that were originally bought with federal funds. This would be billing the government twice for the same item.

The department then initiates request for transfer by submitting a Property Activity Request - Form 1024 to Equipment Inventory. The form needs a signature from an authorized departmental approver (manager or

higher). It is up to the department to negotiate moving the property with the department that is acquiring the equipment; Transportation Services can help if the equipment is large.

Return to Vendor

Return tagged and inventoried equipment to the vendor and remove it from your department's records.

The department identifies items to return to the vendor. If you are returning the equipment for a "no-cost replacement" (direct replacement - no money involved), notify Equipment Inventory of the new tag number/serial number via an EIO note on OASIS or through email (eio@uw.edu). The department will return the equipment in the method you agreed upon with the vendor. You may want to consider insuring the parcel. No Property Activity Request - Form 1024 is needed.

If you are returning equipment for anything other than a "no-cost replacement," work with Purchasing, who negotiates any credit or return with the vendor and the vendor issues the credit. Make sure to verify that the credit arrived (on MyFD or PAS), either by budget number on MyFD, or by purchase requisition on PAS. If the credit does not arrive within 60 days, contact Purchasing.

The department initiates request for return to vendor by submitting a Property Activity Request - Form 1024 to Equipment Inventory using the proper disposal method. Complete Section C of the form by entering "Return to Vendor" or checking the "Return to Vendor" box. The form must have a signature from authorized department approver (manager or higher).

Ship the equipment to the vendor following the directions from Purchasing.

Equipment Inventory will process the completed 1024 form and remove the equipment from the department's inventory. **EIO will not remove the asset until credit is visible on MyFD or PAS.**

Trade-In

A purchase of equipment is considered a trade in when one or more pieces of existing equipment are given to the vendor for a specified dollar amount discount. If the total cost of the new purchase (paid amount plus discount amount) is $5,000 or more, the new purchase must be tagged and inventoried.

The department identifies equipment for disposal/surplus. If the equipment is federally owned or funded on current awards, written approval must be gotten from the sponsor before the item can be surplussed, moved, transferred, or disposed of. This documentation must be complete and contain Agency's written authorization, date of disposal, and appropriate disposal action.

The department then sends written approval to Equipment Inventory so that the transaction can be recorded. They also prepare a Purchase Requisition including the equipment tag numbers. See Acquisition of Equipment - Trade In. They will initiate the request for trade in by submitting a Property Activity Request - Form 1024 to Equipment Inventory using the proper disposal method. The form must have a signature from authorized department approver (manager or higher).

A completed copy of Property Activity Request - Form 1024 is attached to the Purchase Requisition and send to Purchasing. Purchasing negotiates with the vendor about the credit and returning the credited equipment to the vendor. If the request for credit is accepted, Purchasing forwards all necessary paperwork

to Equipment Inventory who removes the record of the old equipment. The equipment is returned to the vendor by following the directions from Purchasing.

Equipment Inventory verifies that the Property Activity Request - Form 1024 is complete. If any information is missing, returns the form to the department for completion. We then process the completed form and removes the equipment from the department's inventory. EIO maintains copy of Property Activity Request - Form 1024 for 6 years and prepares annual deletion reports and sends to departmental Head for review.

Inappropriate Disposal Methods
- Throwing equipment and materials in the trash.
- Putting equipment in the hall under a sign saying "Free".
- Taking home equipment, materials, supplies, or unusable parts for personal use.
- Donating equipment without appropriate approval.

Lost/Stolen Equipment
Remove equipment from your department's records if you are unable to locate it after applying a good faith effort. This usually occurs during a physical inventory. If the item is later found, Equipment Inventory can re-activate the item in the database.

If equipment was taken from the University without permission, the department should file a police report and then remove the asset from its inventory with a 1024. If equipment is reported stolen, EIO will require a case number from the police.

Federal- and Agency-titled Equipment
Receiving Items from Federal Agencies - In addition to the procedures related to receiving University-titled equipment, if you are receiving items from a Federal agency, you need to follow these additional steps.

If the items received from federal agencies cost less than $5,000, they do not need to be tagged upon receipt, but must be monitored and accounted for separately by the receiving department. Official government transfer documents must accompany equipment upon arrival. Equipment Inventory's Federal Program Coordinator should be contacted to ensure proper processing of all transfer documents regardless of cost.

Inventories for Federal and Agency Assets

Federal-Titled – Please go to page 13 or click on this link for more information.

Agency-titled – Please go to page 13 or click on this link for more information

Equipment Reporting

Closeout property reports - documents written at award closeout or at the special request of the granting agencies. These reports list all property purchased under a grant or contract (including property under subcontractors) regardless of ownership.

UW's Equipment Inventory Office prepares the reports and submits them within 60 to 90 calendar days after the date of completion of the award. There are two types of reports:

- Closeout Positive Property Report: an inventory listing all property purchased or furnished under the grant or contract regardless of ownership.
- Closeout Negative Property Report: a report indicating that UW bought no property under the grant or contract.

Award closeout is the process of:

- Documenting and assuring the fulfillment of the terms and conditions of the award,
- Certifying compliance with applicable regulations, terms and conditions, and
- Completing all award by-products, such as final vouchers, reports, patent disclosures, and property disposition.

Disposing of Federal or Agency Equipment - Federal or agency property cannot be disposed, cannibalized, transferred, or removed without prior written approval from the funding agency or private entity. After sponsor permission has been obtained, EIO sends the department a white tag to be placed over the yellow Federal or Agency tag. This tag will say FEDERAL AGENCY PROPERTY, CLEARED FOR DISPOSAL and will indicate to Surplus Property that these items are okay to dispose of. If specific disposal instructions from the sponsor exist, EIO works with Surplus Property to promptly dispose of equipment according to the those instructions and in accordance with Federal Acquisition Regulation 45.6 Reporting, Reutilization, and Disposal. Equipment Inventory also maintains records reflecting authority to dispose, disposal method, date of the disposal, and when the record is posted to the inventory control system.

Cannibalizing of Federal- or Agency-titled Equipment: In addition to the regular process for disposal of equipment in this fashion, you must meet the following requirements:

If the equipment is federally owned or funded on current awards, the department must have written approval from the sponsor before the item can be surplussed, moved, transferred, or disposed of. This documentation must be complete and contain the agency's written authorization; appropriate disposal action, which could:

- Relieve the University of further federal accountability by giving the title to the University at which point it falls under state policies and procedures.
- Request the University to return the equipment to the agency.
- Request the University sell the equipment and return the proceeds to the agency less $5000 or 10% of the proceeds, whichever is less, for selling and handling expenses.
- Transfer the equipment usage to another award by the same sponsoring agency (e.g., NIH to NIH, NASA to NASA) and leave the title with the federal government

Transfers Out, Federal- and Agency-titled Equipment - The only property that potentially qualifies for a "free" external transfer is that which has been acquired from federal grants and contracts. Transferring equipment acquired from a federal grant or contract to another non-profit institution involves strict and

sometimes confusing regulations. This process requires prior review and approval from the Equipment Inventory Office.

If Federal or Agency Titled equipment, the Department requests written sponsor approval from the department (specific to the award and/or budget number).

If sponsor approves, EIO receives written sponsor approval from the department and approves the item(s) to leave the UW. After EIO approves, the department cannot deny the transfer, however, the researcher can choose to leave the item(s) behind

If sponsor does not approve, EIO notifies the department that the item(s) cannot leave the UW.

When no longer needed, the Department either returns the equipment to the Federal government or agency or they work with EIO to request disposition instructions. Disposition instructions could relieve the University of further federal accountability by giving the title to the University (at which point it falls under state policies and procedures), request the University sell the equipment and return the proceeds to the agency (less $5000 or 10% of the proceeds, whichever is less, for selling and handling expenses), transfer the equipment usage to another award by the same sponsoring agency and leave title with the federal government.

Checklist for the Successful Inventory Contact

The following checklist is a guide for inventory contacts to make sure they can fulfill their duties.

- ➢ Is your department aware that you are the inventory contact?
- ➢ As an Inventory Contact, you are responsible for general daily inventory tasks. Do you know what those include? Those include:
  - o Tagging assets within 3-7 days of receipt, and reporting them;
  - o Tracking pending assets (including Asset Control emails) to get them entered and approved in OASIS;
  - o Problem solving inventory issues;
  - o Updating asset information (changes in custodian, location, etc.)*;
  - o Proper disposal of assets
  - o Overseeing the biennial physical inventory process, including timely completion.
- ➢ Do you have tag stock on hand for new equipment (both white for inventorial equipment and purple for non-inventorial equipment)? (To order tags, go to this link.)
- ➢ Does your department know to alert you immediately when they receive equipment?
- ➢ Does your department know to alert you each time they relocate equipment?
- ➢ Did you record the identifying equipment information and report it to Equipment Inventory via direct entry into OASIS or with a UW Equipment Information Form?
- ➢ If you have a recent change in department head, administrator, inventory contact, or backup contact, have you updated that information with EIO? If so, please use this web form to make the necessary changes
- ➢ If you have had a replacement under warranty of an asset, have you updated the serial number in OASIS? Have you notified Equipment Inventory of the tag number change?

*Note: It is not accepted practice to wait for the biennial physical inventory to make equipment updates.