



# Equipment Policy Manual

Last Revised: January 2022

**SUPERSEDES ALL PREVIOUS DOCUMENTATION**  
Revisions effective upon issuance, unless otherwise noted.

I.	Northwestern University Equipment Policy Manual	
A.	Introduction.....	1
B.	Capital Equipment Inventory.....	1
C.	Purpose.....	1
D.	Property Accountant.....	2
E.	Capital Equipment Unit Representatives.....	2-3
II.	Acquisitions	
A.	Purchases.....	3-4
B.	Item Category for Equipment Purchases.....	4-5
C.	Cataloging Equipment.....	5
D.	Tagging Equipment.....	5-6
E.	Capital Equipment Inventory Verification.....	6
F.	Fabricated Equipment.....	7-8
G.	Component Systems.....	8
H.	Transfers into Northwestern University from Other Universities.....	9
I.		

- I. Northwestern University Equipment Policy Manual
  - A. Introduction



E. Capital Equipment Unit Representatives (Continued)

- x Furthermore, unit representatives are responsible for facilitating the physical observation of capital equipment inventory by a Financial Operations representative when required.

A table of unit representatives is maintained by the Accounting Services Property Accountant.

A Director or Senior Administrator approval is required to

A. Purchases (Continued)

To determine the proper account to use for equipment purchases, refer to the common Equipment Expense Accounts below (account listing is also available in the Account Code Guide)

Category	Capital Equipment Accounts (greater than \$5,000 and one year)	Non-Capital Equipment Accounts (less than \$5,000 or one year)
Athletic Equipment	77577	77077
AV Equipment	77545	77050
Capital Equipment	75843	
Computers	77570	77030/77090
Maintenance & Misc. Equipment		75850
Fixed Equipment (NIC)	75840	
Furniture	75841/77510	
Government/Sponsor Titled	77505	77071
Movable Equipment	75842	75844
Musical Instruments	77580	77040
NTG Telephone Equipment	77515	77060
Office Equipment	77550	77070/77010
Other Capital Equipment	77599	
Other NonCapital Equipment		77099
Quest- High Performance Computers	77572	

B. Item Category for Equipment Purchases (Continued)

Below is a list of the categories that should be used for capital equipment purchases:

x Artwork Asset (not capitalizable)

x ~~Artwork~~, à ¾2â5æ ! äB Ò a H3!f5 àx S Íu“s ð , èD" ðÀ”f2 cQ`â“s Íuy“ ð

D. Tagging Equipment (Continued)

Unit representatives are responsible for assisting Financial Operations with tagging their unit's new capital equipment in a manner that works best for their unit. Unit representatives are responsible for proper disposition of equipment (as outlined in the Disposition section below), including but not limited to tag removal, and removal of or segregation from the area's functioning equipment population.

E. Capital Equipment Inventory Verification

Capital equipment records are verified at least once every two years to ensure that the inventory records within the asset management system are accurate.

Capital equipment inventory verification specifically includes verifying the existence, tag number, model number, serial number, building name and room number, custodian name and asset description. Physical inventory is performed on a biennial basis. The Chicago campus inventory is performed in the even-numbered fiscal years and the Evanston campus in the odd-numbered fiscal years. If a unit has capital equipment purchased two fiscal years or more prior, that has not been verified in the prior or current fiscal year, they will be required by Financial Operations to perform capital equipment inventory verification for such equipment in the current fiscal year regardless of inventory cycle.

The Property Accountant manages the capital equipment inventory verification process by notifying units of inventory cycle due date, monitoring the progress, gathering the unit certified inventory sheets, sampling the results for accuracy, and verifying results are reflected in the asset management module. The Property Accountant will review items noted as requiring disposal or transfer on the inventory sheets and contact the department to submit the disposal request in NU Financials, if one has not been submitted.

It is the responsibility of the unit representative to determine and execute a method of capital equipment inventory verification that works best for their unit, provide required updates to Financial Operations and certify that they have done so.



F. Fabricated Equipment

Fabricated equipment is defined as an item of equipment that is ~~built~~ assembled from component parts by a Principal Investigator (PI) and/or other sponsored project personnel in an internal shop, or an external shop. When a completed item of fabricated equipment has an aggregate cost of \$5,000 or more AND when that item will be recorded as capital equipment in the University's asset system, the individual component costs associated with the fabrication (regardless of the individual amounts) will not be assessed the Facilities & Administrative (F&A) rate.

Fabricated equipment should be ~~identified~~ identified prior to the acquisition of component parts or services related to the fabrication. This identification can be made initially, in the sponsored project proposal budget or, later, using the Change Request system. The PI should detail what item is being fabricated, the materials and/or shop services necessary for the fabrication, and the estimated costs using the fabricated equipment questionnaire & form. Costs that should be budgeted and charged to a sponsored account include materials and supplies necessary for the fabrication as well as any internal or external shop charges. Although project personnel may participate in the fabrication, their salaries will not be exempt from the F&A rate assessment. Only labor costs that are implicit 18.95 T52 o1.95 h(11-1 )032 p)

62 (h(e)4 (c)4 (T52( cat90.acco f)-1u)-4(s)(e)4 tcat)-6 (i)6 (at)]TJ- ((e-2gr)3 (gr)3 ()go. (r)3

#### F. Fabricated Equipment (Continued)

If a fabricated equipment item will have an aggregate cost of less than \$5,000, the individual costs for all acquisitions should be budgeted and charged to the appropriate materials and shop accounts. Those accounts will be assessed the F&A rate. Account 77535 should not be used. In this case, an inventory tag will not be assigned, as the fabricated item will not be recorded in the asset system.

If ownership of the final product is to transfer to the sponsor, the F&A rate exemption does not apply to the individual fabrication costs. In such cases, the costs associated with the fabrication should be classified under the appropriate materials and shop accounts. Account 77535 should not be used. The F&A rate must be applied to all such costs associated with the fabricated item. Items purchased as part of the fabrication that individually cost \$5,000 or more and would otherwise exist as standalone items of capital equipment should be charged to account 77505 government/sponsor titled capital equipment. The account 77505 will be subject to F&A charges.

The use of account 77535 and the applicability of the F&A rate exemption is intended for instances of construction or modification of an item that will operate as a single piece of equipment and where shop services are typically required. This policy is not intended to address instances where components are connected together in a system, such as when individual computers and servers are joined to create a network. Please refer to the Component Systems section below for guidance in these instances. Questions regarding which policy is applicable in a given situation should be directed to the Office for Sponsored Research or Accounting Services for Research & Sponsored Programs.

#### G. Component Systems

A component system is comprised of individual equipment or material items connected to operate as a system, such as when individual computers and servers are joined together to create a network. Component systems are distinguished from fabricated equipment in that they do not generally require extensive construction or assemblage, as provided by an internal or external shop. For more information regarding proper treatment of fabricated equipment costs, please refer to the Fabricated Equipment section.

When system components are purchased, individual items that cost \$5,000 or more should be treated as capital equipment and exempted from the Facilities & Administrative (F&A) rate assessment. The individual items that cost less than \$5,000 should be treated as capital equipment when: 1) those items could not operate on a standalone basis and 2) they will be included on the same purchase requisition as the other system components. Both conditions must be met in order to qualify for F&A rate exemption. If those items less than \$5,000 do not meet these criteria, they should be charged to non-capital accounts and will be assessed the F&A rate.

#### H. Transfers into Northwestern University from Other Universities

Occasionally, when a faculty member transfers to the University from another institution, the faculty member will bring equipment. In such cases, the new faculty member's department should send a list of those items having an estimated fair market value of at least \$5,000 to the Property Accountant. The list should include the description, purchase date, original cost, serial numbers, model numbers, manufacturer, and new location along with any other pertinent information for each transferred item. The Accounting Services Department will use this information to update the equipment inventory and tag the equipment, if necessary.

#### I. Donated Equipment

When a unit of the University receives a donated piece of capital equipment, the Office of Alumni Relations & Development (ARD) should be notified so that the equipment will be properly valued and a University gift receipt issued. ARD issues a gift receipt to the donor and also prepares a gifts-in-kind transmittal form providing necessary information for the Property Accountant to enter the donated equipment into the inventory system.

#### J. Non-Capital Equipment Inventory by Departments

The University's main equipment inventory covers all capital equipment with a minimum cost of \$5,000 and a useful life of one year or more. The majority of computers cost under \$5,000 and are not included in NU's inventory. Since all departments are required to keep inventory of non-capital equipment (costing under \$5,000), the University is providing inventory tags and an Excel template to track department equipment. The departments will provide their own labels up and maintain their inventories.

#### K. Finance Leases

Leased equipment is not owned by the University and is not included in the University's equipment inventory unless it meets one of the following criteria and is then considered a capital lease:

- x Lease transfers ownership to Northwestern University.
- x Lease contains a bargain purchase option.
- x Lease term is 75% or more of economic life of the property.
- x Present Value (PV) of lease payments is at least 90% of the fair market value (FMV) of the leased property.

## K. Finance Leases (Continued)

Effective September 1, 2020, new lease accounting guidance will be implemented. A lease will be classified as a finance lease (previously, capital lease) when the lease meets any of the following criteria at lease commencement:

- x Lease transfers ownership of the underlying asset to Northwestern University by the end of the lease term
- x Lease grants Northwestern University an option to purchase the underlying asset that the University is reasonably certain to exercise
- x Lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.
- x Present Value (PV) of the sum of the lease payments and any residual value guaranteed by Northwestern University that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- x Underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

If your department rents or leases tangible property or equipment, please notify the Accounting Services department at [equipment@northwestern.edu](mailto:equipment@northwestern.edu) to ensure the proper accounting treatment is applied.

## III. Dispositions

### A. Equipment Disposal Requests

Northwestern University members are required to complete an electronic Asset Request via NU Financials when they physically dispose of capital equipment from the University. Requests for capital equipment disposals assets transfers – including change of custodian, custodian department, or physical location – available via the Asset Management Self Service portlet found in NU Financials > NavBar > Navigator > NU Interfaces and Processes > Assets Self Service > Create/Search Asset Request > Add. The Asset Management Self Service portlet allows you to input requests directly into NU Financials and monitor your request as they move through workflow. The Property Accountant will review all the requests that come through the Asset Request workflow. Disposed equipment represents items sold, stolen, traded in, scrapped, donated, returned to vendor, destroyed, transferred out, cannibalized, recycled, or posted on the surplus property exchange web page. The following procedures should also be followed regarding the disposal of equipment from the University.

A. Equipment Disposal Requests (Continued)

Equipment Acquired Using Federal Funds: Before sale, trade, scrapping or transferring of any capital equipment acquired using sponsored project funds can occur, Principal Investigator or Research Administrator should review the terms and conditions of the award so that all necessary forms are prepared and clearances obtained from the sponsor. It is crucial the above mentioned process begin immediately so the dean, chairman, or unit manager is informed instantly, so as to not delay the disposal. For all capital equipment that is purchased on an active grant and will be transferred to another institution, Principal Investigators must also complete an award requisishment through Office for Sponsored Research (OSR). When supporting documentation is complete, a form for capital equipment disposals or assets transfers- including change of custodian, custodian department, or physical location are available via the Asset Management Self Service portlet found in NUFinancials > NavBar > Navigator > NU Interfaces and Processes > Assets Self Service > Create/Search Asset Request. The Add Property Accountant and ASRSP will review all the requests that come through the Asset Request workflow.

Equipment Acquired Any Other Way: When the sale, trade, scrapping or transferring of any capital equipment acquired any other way occurs, the administrative unit overseeing the equipment should submit a form for capital equipment disposals or assets transfers including change of custodian, custodian department, or physical location. The form is electronically available in the Asset Management Self Service portlet found in NUFinancials > NavBar > Navigator > NU Interfaces and Processes > Assets Self Service > Create/Search Asset Request > Add. The Property Accountant will review all the requests that come through the Asset Request workflow.

Accounting for the Proceeds of Disposition: After the necessary approvals are obtained for the disposition of any capital equipment acquired as outlined above, any proceeds should be credited to the proper revenue account. Use the appropriate account and ChartField that was originally charged for the acquisition of the equipment. If the original acquiring account has been closed, use the department's appropriated budget account to record the credit from the proceeds of the disposition.

If the disposition is intra



B. Insurance (Continued)

Fine arts, rare books, musical instruments, and other objects of exceptional value must be provided for specially. These objects can be covered in a special form of insurance that requires full details such as values, descriptions, etc. for coverage. For further information regarding coverage of this type, please contact the Office of Risk Management.

It is important to note that insurance provided by the University covers University owned property only. Property owned by Faculty, Staff, and Students must be covered by the owners of the property. The University is not responsible for property it does not own.

IV. Policies and Procedures for Government-Titled Equipment

A. Responsibilities

The establishment and control of grants and contracts is maintained by the Office of Sponsored Research within Northwestern University.

The Office for Sponsored Research (OSR) is responsible for assistance in identifying potential sponsors, developing and submitting proposals, completing agreements, and submitting reports. For more information, please contact the Office for Sponsored Research at (630) 491-3000 or visit the OSR website at [www.osr.northwestern.edu](http://www.osr.northwestern.edu).

B. Acquisition of Government Property (Continued)

1.



C. Receipts for Government Property

A receiving copy of the official purchase order is sent to the Project Director. Upon delivery of the property, the Project Director or representative indicates the quantities received, their condition if damaged, the date received, and any back ordered items. The receiving copy is signed and forwarded to the Accounts



G. Disposition (continued)

If there is a transfer of accountability to another University project: a) request a DD Form 1149 b) sign and return it to the Government Property Administrator, c) forward DD Form 1342 with change of project to DIPEC if required, d) notify Principal Investigator, e) change ID tags if necessary, and f) change property records to reflect transfer.

If the title is transferred or abandoned to the University: upon receipt of letter from the Government transferring or abandoning title, a) forward DD Form 1342 if required to DIPEC indicating disposition, b) notify Research Services and Principal Investigator, c) have all Government markings and ID tags removed, and d) change property records to reflect relief of accountability.

Excess and Idle Industrial Plant Equipment (IPE). ASRSP staff shall report to the Government Property Administrator any Government property, including IPE, which is excess to the needs of the contract under which it was acquired or which is no longer required for the purposes authorized.

A DD Form 1342 shall be prepared and submitted to DIPEC through the Government Property Administrator. The Property Administrator will assure the proper storage of excess property and idle IPE until DIPEC and the Property Administrator determine its disposition. Upon receipt of disposition instructions the Property Administrator shall comply with shipping instructions, submit DD Form 1342 indicating disposition, notify the Principal Investigator, have all ID tags and markings removed, and change property records to reflect relief of accountability.

