

**Property Accountability**

Any unit with a Capital Equipment and Low Value Equipment inventory will be charged from unrestricted private funds the excess of the acquisition cost of the improperly disposed equipment over the identified acceptable threshold. The threshold for improperly disposed equipment shall be determined annually. Implementation will be phased in beginning with FY07. See below for the thresholds currently in place.

Any property that is acquired by the University either by purchase with funds through the University or by gift from outside entities becomes property of the State. Exceptions to such ownership (e.g., loan of equipment) must be brought to the attention of Property Accounting when the property is located at the University. The University has a fiduciary responsibility to maintain the State's investment in equipment and property (Fayetteville Policy and Procedure 313.3). Equipment discarded, missing, or cannibalized without following campus procedures must be reported by the campus to the State Department of Finance and Administration (DFA) to request permission to write the equipment off the inventory. This information is included in subsequent reports to the General Assembly.

FPP 313.3 clearly outlines the process for discarding property as surplus, reporting suspected stolen property in a timely fashion to University of Arkansas Police Department (UAPD), and receiving permission to reuse parts by cannibalization. Failure to follow established procedures results in the reporting of the loss of property at acquisition cost. The University depreciates equipment but is required to maintain the original acquisition cost on its books offset by the depreciation. In many cases the net of the two is zero. Nevertheless, until the equipment is properly disposed of, it is assumed that the equipment has been determined by the responsible employee to have functional value if not monetary value. In order to emphasize the importance and necessity of following University policy, units will be held accountable for the full inventory cost of equipment identified as missing from annual inventory and reported as discarded without permission.

Departments will reimburse the University from unrestricted private funds for the acquisition cost of property that is reported to DFA as not following proper surplus property procedures (i.e. cannibalized without prior written permission, discarded without permission including donations, missing and not properly reported to UAPD etc.). University funds cannot compensate for loss of University property. Units without sufficient unrestricted private funds must be supported by unrestricted private funds from deans, directors or vice chancellors over that unit. Extraordinary circumstances, including extraordinarily expensive equipment, should be brought to the attention of the Vice Chancellor for Finance and Administration. The threshold is to encourage those units not paying sufficient attention to inventory to improve their operations.

This policy will be implemented by phasing in the amounts charged to units. Charges are based on the acquisition cost as is reported to DFA. Those charges will be a percentage of the acquisition cost as follows: 20% in the first year the department exceeds the threshold, 40% in the second year, 60% in the third, 80% in the fourth and 100% thereafter when the department

exceeds the threshold. The threshold for applying the charge will be determined by the fall semester of each fiscal year.

Current thresholds in effect:

For departments having an inventory with a historical cost of:	Threshold
< \$1,000,000	2.0%
\$1,000,000 - \$4,999,999	1.75%
\$5,000,000 - \$9,999,999	1.50%
\$10,000,000 - \$14,999,999	1.25%
\$15,000,000 - \$19,999,999	1.00%
\$20,000,000 - \$24,999,999	.75%
> \$24,999,999	.50%

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Effective for FY07 on July 1, 2006