

June 11, 2004

To: The Campus Community

From: George Pernsteiner  
Vice Chancellor, Administrative Services

Re: **Increase in Inventorial Equipment Threshold to \$5,000**

The Office of the President has formally announced a change in the University's definition of inventorial equipment. Effective July 1, 2004 the acquisition cost threshold will be increased from the current \$1,500 to \$5,000. Because of the rapid implementation of the new \$5,000 threshold, purchases of equipment costing between \$1,500 and \$4,999, ***received during the period of July 1, 2004 through June 30, 2006, will be exempt from indirect cost (overhead) charges.*** This change will decrease the University's burden of recording and tracking equipment and reduce risks related to compliance.

For campus departments, the key points of the implementation plan are as follows:

1. All new items of equipment ***received*** on or after July 1, 2004 must meet the new \$5,000 threshold to be considered inventorial equipment. The new definition applies, retroactively, to items of equipment already ordered (see no. 5 below).
2. Also effective July 1, 2004, adding value to an existing piece of inventorial equipment, such as an upgrade or additional components, must be at least \$5,000. Add-on amounts of less than \$5,000 will be considered supplies and must be expensed using an 8000 series object code. The \$5,000 minimum does not apply to the purchase of fabrication components.
3. To allow adequate time for budgeting on contracts and grants, purchases of equipment costing between \$1,500 and \$4,999, ***received during the period of July 1, 2004 through June 30, 2006, will be exempt from indirect cost (overhead) charges.*** This two-year grace period has been provided to allow departments to rewrite/renegotiate existing extramural awards to incorporate the new inventorial equipment threshold and to include the new threshold in contracts and grants proposals. Items costing between \$1,500 and \$4,999, received after July 1, 2006, will be subject to indirect cost charges.
4. For the purposes of tracking the \$1,500 to \$4,999 equipment purchases, object code **8120** must be used on all requisitions, purchase orders and low value orders. ***This object code will exempt equipment purchases from indirect cost charges during the period of July 1, 2004 through June 30, 2006.*** Its use is not restricted to funds subject to overhead and it must be used for all relevant equipment purchases in order to provide Office of the President with the information necessary for its financial reporting and to obtain

equipment replacement funding from the State. Correct use of the object code is the responsibility of the department.

5. Because of the late notice of the threshold increase, some purchase orders have been processed for items that will be received on or after July 1, 2004 and no longer meet the definition of inventorial equipment. Purchasing and Equipment Management will identify these purchase orders, issue change orders and cancel property numbers as required. Departments will be notified of all change orders and property number cancellations.
6. Items of (non-inventorial) equipment with a value of less than \$5,000 received after July 1, 2004 will **not** be assigned UC property numbers and will **not** be issued UC property tags. The only exception is firearms.
7. Items of **existing** inventorial equipment with a value of less than \$5,000 will only be removed from inventory **once they are fully depreciated**. Equipment Management will process the disposals, as instructed by Office of the President, and provide write-off lists to departments so they can identify items that no longer need to be tracked. It is expected that the first list will be received in late summer 2004.
8. Equipment Management will provide departments with details on how physical inventories will be conducted, in light of the new \$5,000 threshold, when the next series of inventories is distributed in January 2005. Departments currently performing physical inventories must work with the current lists; at least until the first write-off disposals are processed.

A copy of the formal announcement letter from Anne C. Broome, Vice President, Finance Administration at Office of the President, can be viewed on the web at:

[http://www.ucop.edu/irc/campus\\_specs/efa/eq\\_threshold\\_letter\\_060404.pdf](http://www.ucop.edu/irc/campus_specs/efa/eq_threshold_letter_060404.pdf)

A copy of the Implementation Plan, in the form of a Questions & Answers document, can be viewed at: [http://www.ucop.edu/irc/campus\\_specs/efa/final\\_qa\\_june2004.doc](http://www.ucop.edu/irc/campus_specs/efa/final_qa_june2004.doc)

If you have any questions concerning implementation of the new \$5,000 threshold, please feel free to contact Vaughn Boyle, Equipment Manager, at [vaughn.boyle@purc.ucsb.edu](mailto:vaughn.boyle@purc.ucsb.edu) (x7377), Jim Corkill, Associate Director, Accounting Services, at [jim.corkill@accounting.ucsb.edu](mailto:jim.corkill@accounting.ucsb.edu) (x5882), or Randall Stoskopf, Purchasing Manager, at [randall.stoskopf@purc.ucsb.edu](mailto:randall.stoskopf@purc.ucsb.edu) (x3001).