

BOWDOIN COLLEGE

memorandum

From: Treasurer's Office
To: Financial Reporting Tool Users
Date: July 1, 2009
RE: Use of Equipment Account Codes

Beginning July 1, 2009, the College is implementing a new procedure for approving and posting operating equipment purchases. The new process will enhance internal controls over large equipment purchases and enable actual operating equipment purchases to align with the approved operating equipment budget.

Background

Under the current process, any number of items can be coded to equipment (account codes 6410 – 6450), including smaller purchases that should be coded to supplies (ex: a \$20 oscillating fan or a \$75 desk lamp). The mixture of supplies coded to equipment with budgeted equipment purchases complicates back office accounting and creates difficulties when preparing both internal and external financial reports.

Operating equipment is defined under the budget process as equipment exceeding \$1,000 and is specifically budgeted during the annual budget process. Approved operating equipment budgets are visible in the financial reporting tool, shown on the equipment line (though the individual items that make up the total budgeted amount are not).

Process

Beginning July 1, 2009, only budgeted operating equipment purchases should be coded to equipment account codes (6410 – 6450). Each divisional budget manager has received a list of approved operating equipment for FY 2009/10. Before submitting an operating equipment invoice for payment, please have it approved by your divisional budget manager or senior officer, thereby indicating the equipment is on the approved operating equipment budget list. Ann Ostwald, in the office of the Dean for Academic Affairs, will authorize all operating equipment purchases in Academic Affairs. The Controller's Office will not post an invoice to an equipment code without a divisional budget manager's signature. It is important to note this new process pertains to **operating projects only** - projects beginning with a 2xxxxx or a 3xxxxx.

In some divisions, there are several approved operating equipment items. If one of the approved items costs less than the approved amount while another costs more, the division may have the flexibility to manage within the total approved budget. The division does not have the flexibility, however, to purchase unbudgeted items if overall savings are achieved.

If an unbudgeted operating equipment purchase becomes necessary due to an unexpected failure, for example, and the replacement cost will exceed \$1,000, please notify Stefanie Foster or Jamie Tatham. If under \$1,000, the unbudgeted item should be purchased with existing operating funds and coded to supplies.

Exceptions

Under certain circumstances the approved operating equipment budget may need to be altered (ex: due to the unexpected failure of another piece of equipment). In these situations, the divisional budget manager should notify Stefanie Foster or Jamie Tatham.

This process does not apply to major maintenance projects within Facilities Management or to technology purchases within Information Technology.

Equipment Purchased with Restricted Funds

Divisions/departments planning to post equipment purchases to non-operating or multi-year projects should continue to use the equipment codes.

FAQ's

Question: In the FY 2009/10 budget, the Treasurer's Office received approval for one piece of operating equipment - a \$5,000 fire safe vault for securing vital paper records. The Treasurer's Office purchases the vault in early August and appropriately posts the purchase to an equipment code. Later in the same fiscal year, an office chair breaks at the Treasurer's Office and needs replacement at a cost of \$500. Should the new office chair be posted to an equipment code?

Answer: No. First, determine whether or not the office chair was approved as part of the operating equipment budget. In this case, only the vault was budgeted. Second, since replacement of an office chair is unbudgeted, determine if the purchase will exceed \$1,000. In this case, the office chair replacement cost is \$500 and, therefore, should be coded to supplies.

Question: What if the office chair is specialized and will cost more than \$1,000 to replace?

Answer: Contact Stefanie Foster or Jamie Tatham. After determining how to pay for the office chair, it will be coded to equipment. The variance caused by the unbudgeted purchase will be documented.

Question: What if the vault, approved for \$5,000, ends up costing \$4,500? Doesn't that leave \$500 available to cover the cost of a \$500 replacement office chair?

Answer: No. It should not be assumed that spending less on approved operating equipment results in available funds for other purposes. The College, at times, may need to approve spending on a piece of operating equipment in one division that exceeds the budgeted amount. Savings from other budgeted operating equipment purchases in another division(s) may make up for the overage or offset the cost of an unbudgeted operating equipment purchase.

Question: What if the vault, approved for \$5,000, ends up costing \$6,000?

Answer: The expectation is that the amount requested for any operating equipment is based on research from vendors and includes costs for shipping, installation and training if necessary. If the cost of the operating equipment exceeds the budget, contact Stefanie Foster or Jamie Tatham. In this case, the affected department may need to identify \$1,000 of savings in other areas.