

SANILAC COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

ADMINISTRATIVE POLICY

NUMBER: BA058

NAME: EQUIPMENT POLICY

INITIAL APPROVAL DATE:	07/30/2024	BY: Sanilac CMHA Board
(LAST) REVISION DATE:	07/30/2024	BY: CFO
(LAST) REVIEW DATE:	08/15/2024	BY: Policy Committee
DISCONTINUED DATE:	N/A	REPLACED BY: N/A

I. **PURPOSE**

To outline procedures for using, maintaining and disposing of equipment acquired for the various programs of the Agency.

II. **APPLICATION**

Populations: **All**

Programs: **Direct – All
Contracted - None**

III. **POLICY**

Sanilac County Community Mental Health Authority will use, maintain, and dispose of equipment acquired by Sanilac County Community Mental Health Authority in accordance with the State laws and procedures set forth by the funding source used to acquire the equipment.

IV. **DEFINITIONS**

None

V. **STANDARDS**

A. Use of Equipment

1. Equipment shall be used in the program for which it was acquired as long as needed. When no longer needed for the original program, the equipment may be used in other activities currently or previously provided by Sanilac County Community Mental Health Authority.
2. Equipment will be available for use within other programs, providing such use will not interfere with the work on the program for which it was originally acquired. First preference for other use shall be given to other programs.
3. When acquiring replacement equipment, the equipment to be replaced can be used as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to approval by the CFO.

B. Management of Inventory and Equipment

1. Property records will be maintained that include items i. through vii. below. An inventory record will be maintained on all equipment items having a unit cost over \$5,000 and an expected useful life greater than one year, either owned or leased, consisting of the following information:
 - i. Description of item
 - ii. Location and program
 - iii. Cost or cost estimate
 - iv. Date of purchase
 - v. Serial number
 - vi. Vendor name
 - vii. Source of funding
 - viii. Condition of property item
2. The Finance Department will be responsible for safeguarding equipment by recording and updating the property/inventory records whenever equipment is purchased, donated, sold, disposed of, or stolen.
3. A physical inventory will be conducted yearly and reconciled to property and inventory records.
4. An inventory list of all items will be located in the Finance Department.
5. Property purchased with government funding will be tagged.
6. Property will be safeguarded to prevent loss or theft by adhering to the above management items. Additionally, if/when any property discrepancies are identified, the CFO will be notified immediately in order for recovery processes to occur. Any theft or unauthorized disposition of any agency property by agency staff will result in discipline up to and including termination.

C. Depreciation of Equipment

1. Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. Sanilac Community Mental Health Authority may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, if they are used and/or needed in the agency's activities, and properly allocated to funding sources. Such compensation must be made by computing depreciation.
2. Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the agency by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For the computation of depreciation, the acquisition cost will exclude:
 - i. The cost of land;

- ii. Any portion of the cost of buildings and equipment donated by the Federal Government, regardless of where title was originally vested or where it is presently located;
- iii. Any portion of the cost of buildings and equipment contributed by or for the agency that are already claimed as matching or where law or agreement prohibits recovery;
- iv. Any asset acquired solely for the performance of a non-Medicaid Program

3. When computing depreciation charges, the following must be observed:

- i. The period of useful service or useful life established in each case for usable capital assets must take into consideration these factors:
 - 1. Construction
 - 2. Nature of the equipment
 - 3. Technological developments in the area
 - 4. Historical data
 - 5. Renewal and replacement policies followed for the individual items or classes of assets involved
- ii. The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must remain consistent during its useful life. If there is no evidence that the expected consumption of the asset will be greater early in the useful life of the asset, the straight-line method should be method used. A depreciation method once used may not be changed unless approved in advance by the agency. The depreciation methods used to calculate the depreciation amounts must be the same methods used for the agency's financial statements.
- iii. The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). If the agency decides to depreciate its buildings by its components, the same depreciation methods must be used for all financial statements purposes.
- iv. No depreciation may be allowed on any assets that have outlived their depreciable lives.
- v. Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life. The total amount of use allowance and depreciation for an asset may not exceed the total acquisition cost of the asset.

Sanilac County Community Mental Health Authority Policy Manual

4. Charges for depreciation must be supported by adequate property records, and physical inventories will be done yearly to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, depreciation records showing the amount of depreciation must be maintained.

D. Disposition of Equipment

1. Equipment for disposal shall meet one of the following criteria:
 - i. The item is at the end of its useful life.
 - ii. The item is obsolete.
 - iii. The item presents a safety hazard.
 - iv. The item is no longer needed/used by the mental health programs.
2. An Equipment Disposal Form (Form #0252) should be completed by an appropriate supervisor for all equipment disposals, consisting of the following information:
 - i. Complete description, condition, and age of items
 - ii. Method of disposal
 - iii. Appropriate authorizations and signatures
 - iv. Receipt for goods sold or traded
 - v. Should include numbered asset tag on form where applicable
3. The Equipment Disposal Form (Form #0252) should be reviewed and approved by the CEO and/or CFO prior to disposal.
4. The approved Equipment Disposal Form (Form #0252) should be forwarded to the accountant for maintenance of inventory records.
5. Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation.
6. Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the original funding source shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the original funding source's share of the equipment.
7. Any item sold must be advertised to the public since public funds were used to purchase the item.

VI. ATTACHMENTS

VII. REFERENCES

2 CFR 200.313
2 CFR 200.436
29 CFR 97.32(c)(4)
45 CFR Part 92