Repair, Replacement and Renovation Reserve

Policy Type: Administrative  
Responsible Office: University Controller’s Office, Senior Vice President and Chief Financial Officer  
Initial Policy Approved: 07/30/2015  
Current Revision Approved: 06/27/2018

Policy Statement and Purpose

The university has a significant number of assets and renovations that cost $50,000 or more that are funded from departmental operating budgets. As provided in this policy, departments may establish a repair, replacement and renovation reserve to accumulate funding for the repair, replacement or renovation of these assets.

The requirements for the establishment of a reserve are as follows:

1. The specific equipment items or renovation work to be funded must be identified.

2. The cost of the equipment or the renovation cost must exceed $50,000.

3. The reserve is to be utilized for a renovation project or equipment that would not be replaced on an annual basis by a department. In considering this criteria, the number of pieces of the type of equipment owned by the department and the necessity to maintain a specific model and/or year would be considered. For example, a department with 50 PCs, which are replaced over a three to five year cycle, would not qualify as good financial management and would dictate the annual replacement of a portion of the inventory. However, a computer laboratory that had 50 PCs, which are replaced at one time to insure compatibility, would qualify.

4. The reserve must be funded on an annual basis. The annual transfers may be funded in advance if sufficient budget is available.

5. Funds in the reserve may not be returned to the operating budget.

6. Reserves may not be funded from sponsored program accounts or agency fund accounts.
7. The associate vice president for finance and budget must approve all reserve accounts upon the recommendation of the university controller and the university budget director. Annually, the university controller shall prepare a report on the activity in the reserve accounts for the associate vice president for finance and budget.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

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Who Should Know This Policy

Any VCU employee who administers or manages departmental resources, including:

- Senior executive officers
- Deans, directors and department heads
- Fiscal administrators
- Finance staff

Definitions

There are no definitions at this time.

Contacts

The University Controller's Office officially interprets this policy and is responsible for obtaining approval for any revisions as required by the policy Creating and Maintaining Policies and Procedures through the
appropriate governance structures. Please direct policy questions to the University Controller.

**Policy Specifics and Procedures**

The establishment of a repair, replacement and renovation reserve requires:

- Identification of qualified equipment by the department;
- Determination of the replacement cost;
- Determination of the replacement cycle;
- Source of the replacement funding by account; and
- Next replacement date; or
- Renovation cost with estimates from facilities management outlining work to be performed

Departments initiate the process by completing the "Request for the Establishment of a Repair and Replacement Reserve" form. The form is to be approved by the dean or department head and responsible vice president before being forwarded to the university budget director and university controller for review. The associate vice president of finance and budget must approve all repair and reserve accounts.

Upon approval by the associate vice president of finance and budget, the university controller will establish a repair and replacement reserve (in the XXXXPR and PRXXXX range). The organization will be assigned departmental attributes as opposed to those assigned to university accounts maintained by Facilities Management.

All purchases of equipment will be made from the reserve. No transfers of funds from the reserve will be allowed except for transfers to approved capital projects unless the associate vice president of finance and budget approves a transfer in the case of fiscal exigency.

Departments may fund additional transfers in subsequent years should budget be available.

In the absence of donor restrictions, repair, replacement and renovation reserves are considered unrestricted university resources and may be reallocated by the president of the university.

**Forms**

1. Request for Establishment of a Repair, Replacement, and Renovation Reserve Account

**Related Documents**

1. Repair and Replacement Reserve Example
Revision History

This policy supersedes the following archived policies:

<table>
<thead>
<tr>
<th>Approval/Revision Date</th>
<th>Title</th>
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<tbody>
<tr>
<td>April 7, 2003</td>
<td>Repair and Replacement Reserve Policy</td>
</tr>
<tr>
<td>July 30, 2015</td>
<td>Repair and Replacement Reserve</td>
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FAQ

There are no FAQ associated with this policy.