Repair and Replacement Reserve

Policy Type: Administrative
Responsible Office: Vice President for Finance and Administration; University Controller’s Office
Initial Policy Approved: 04/07/2003
Current Revision Approved: 07/30/2015

Policy Statement and Purpose

The University has a significant number of assets that cost $50,000 or more that are funded from departmental operating budgets. Departments may establish a repair and replacement reserve to accumulate funding for the replacement of these assets. The requirements for the establishment of a reserve are as follows:

1. The specific equipment items to be funded must be identified.
2. The cost of the equipment must exceed $50,000.
3. The reserve is to be utilized for 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 3 – 5 year cycle, would not qualify as good financial management 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 amount will be determined by the University funding formula to ensure that funds are available for the replacement cycle. 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. If the source of the funding is University funds, a local fund reserve may be established. Otherwise a State fund 0302 or 0306 reserve will be required.
7. The Vice President for Finance and Administration 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 Senior Vice President.
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

Anyone who administers or manages departmental resources:

• Senior Executive Officers
• Deans, Directors and Department Heads
• Fiscal Administrators
• Finance and Administration 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’s Office.

Policy Specifics and Procedures

The establishment of a repair and replacement 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.
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 Vice President of Finance and Administration will approve all repair and reserve accounts.

Upon approval, 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 organization. No transfers from the reserve will be allowed except for transfers to approved capital projects unless the Vice President of Finance and Administration approves a transfer in the case of fiscal exigency.

Departments may fund future year transfers should budget be available.

State reserves will be maintained in State fund 0302 Program 11004 or State fund 0306 Program 809. Local reserves will be maintained in the University operating pool. Reserve accounts will not accrue any investment return.

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

**Forms**

1. Request for Establishment of a Repair and Replacement Reserve Account
   [http://www.controller.vcu.edu/uco/Repair-ReplacementAccountRequest.pdf](http://www.controller.vcu.edu/uco/Repair-ReplacementAccountRequest.pdf)

**Related Documents**

1. Repair and Replacement Reserve Example
   [http://www.controller.vcu.edu/uco/Repair-ReplacementReserveExample.pdf](http://www.controller.vcu.edu/uco/Repair-ReplacementReserveExample.pdf)

**Revision History**

This policy supersedes the following archived policy:

Initial Approval, April 7, 2003, *Repair and Replacement Reserve Policy*

Revised and Approved, July 30, 2015, *Repair and Replacement Reserve*

**FAQs**

There are no FAQs associated with this policy.