Financial Internal Controls Initiative
2020 Capital Equipment Training

Part 1: Asset Acquisition

University of Wisconsin-Madison
Welcome!

Capital Equipment Training

Amy Rognsvoog
Property Control Manager
Financial Information Management
Division of Business Services
Agenda

Introduction

Asset Acquisition Procedures

110.1: Recording and Tagging Capital Equipment

110.2: Gift in Kind

110.3: Transfer-in with New Hire from Another Institution (Transfer-In via No Purchase or Purchase)

110.4: Fabricated Capital Equipment

110.5: Upgrades to Existing Capital Equipment
Introduction

Stop-Gap Results

- Audit Findings by Legislative Audit Bureau (LAB)
  - Assets not tagged
  - Assets not found in the location where indicated in Property Control's records, but were found located elsewhere on campus
  - Assets not found at all

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Equipment Sample Size</th>
<th># of Audit Exceptions</th>
<th>% Audit Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>20</td>
<td>11</td>
<td>55%</td>
</tr>
<tr>
<td>2010</td>
<td>40</td>
<td>13</td>
<td>33%</td>
</tr>
<tr>
<td>2011</td>
<td>40</td>
<td>8</td>
<td>20%</td>
</tr>
<tr>
<td>2012</td>
<td>40</td>
<td>14</td>
<td>35%</td>
</tr>
<tr>
<td>2013</td>
<td>40</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>2014</td>
<td>40</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>40</td>
<td>6</td>
<td>15%</td>
</tr>
</tbody>
</table>
Introduction

- Partnered with APR and campus community
- Approximately 50 people across campus have been involved, since 2014
Introduction

Results of CapE Team’s Work:

- New capital equipment policy
- New capital equipment procedures
- New forms
- Strengthened DPA support
- Formalized DPA roles & responsibilities
- Completed an extensive effort to update DPA asset assignments
Introduction

Property Control Team

Amy Rognsvoog – Property Control Manager
Cindy Gillis – Property Control Project Accountant
Tony Lotten – Property Control Accountant
Michael Verhagen – Property Control Accountant

Property Control Website:
https://businessservices.wisc.edu/accounting/capital-equipment/
Capital Equipment Website Review
Introduction

The Capital Equipment Life Cycle

- Asset Acquisition
- Asset Movement & Inventory
- Asset Disposition
Asset Acquisition

Asset Acquisition Procedures (Training Part 1)

110.1: Recording and Tagging Capital Equipment
110.2: Gift in Kind
110.3: Transfer-in with New Hire from Another Institution (Transfer-in via No Purchase or Purchase)
110.4: Fabricated Capital Equipment
110.5: Upgrades to Existing Capital Equipment
Asset Movement & Inventory Procedures (Training Part 2)

110.6: Physical Inventory
110.8: Location/Room Changes
110.9: Change in Custody to Another Department
Asset Disposition Procedures (Training Part 3)

110.7: Disposition
110.10: Asset Loan Agreements
110.11: Departing Employee Requests to Take Capital Equipment to a New Institution
Asset Acquisition Procedures

Let’s get started!
What Is Capital Equipment?

- Cost GREATER than $5,000 per item or fabrication
- Useful life GREATER than one (1) year
- Moveable items – not attached to a building

Definitions Associated with Capital Equipment:
What do you think?
Entrance into Capital Equipment Asset Management

1. Purchase Order Issued → Vendor Delivers → Vendor Invoice Received → AP Posts Item in General Ledger → Payment Posted to WISDM


   - Monthly Mailing of Cap Equip Conf Forms & Tags to DPAs → Complete Cap Equip Conf Form w/ Asset Details & Tag Asset → Send Completed Cap Equip Conf Form Back to Property Control → Complete Record in Asset Mgmt System

   - Property Control
   - DPA
   - Other Groups or Systems
Navigating Capital Equipment Procedures

Contents

I. Procedure Statement
II. Who Is Affected by this Procedure
III. Procedure
IV. Contact Roles & Responsibilities
V. Definitions
VI. Related References
VII. Revisions
110.1: Recording and Tagging Capital Equipment

1. Department financial staff code all capital purchases to 46XX accounts.

**Account Codes for Capital Equipment**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4602</td>
<td>Equipment – Laboratory &amp; Classroom</td>
</tr>
<tr>
<td>4603</td>
<td>Equipment – Medical</td>
</tr>
<tr>
<td>4604</td>
<td>Equipment &amp; Furniture – Non-Wood</td>
</tr>
<tr>
<td>4605</td>
<td>Equipment &amp; Furniture – Capital Lease</td>
</tr>
<tr>
<td>4606</td>
<td>Equipment -COVID</td>
</tr>
<tr>
<td>4620</td>
<td>Computer Equipment Including Data Communication and Data/Word Processing</td>
</tr>
<tr>
<td>4625</td>
<td>Computer Equipment – Capital Lease</td>
</tr>
<tr>
<td>4630</td>
<td>Software Purchase</td>
</tr>
<tr>
<td>4635</td>
<td>Software – Capital Lease</td>
</tr>
<tr>
<td>4640</td>
<td>Furniture – Wood</td>
</tr>
<tr>
<td>4652</td>
<td>Automobiles</td>
</tr>
<tr>
<td>4655</td>
<td>Automobiles – Capital Lease</td>
</tr>
<tr>
<td>4660</td>
<td>Trucks &amp; Other Vehicles</td>
</tr>
<tr>
<td>4665</td>
<td>Trucks &amp; Other Vehicles – Capital Lease</td>
</tr>
<tr>
<td>4670</td>
<td>Fabrication in Progress</td>
</tr>
<tr>
<td>4680</td>
<td>Capital Purchases – Inter-Institutional Agreements</td>
</tr>
</tbody>
</table>
110.1: Recording and Tagging Capital Equipment

2. Property Control reviews 46XX account activity and establishes inventory records for each item.

Property Control’s View in the General Ledger

<table>
<thead>
<tr>
<th>Monetary Amt</th>
<th>Fund</th>
<th>Dept</th>
<th>Prog</th>
<th>Project/Grant</th>
<th>Acct</th>
<th>Jrnl Date</th>
<th>Descr</th>
<th>PO</th>
<th>Vchr ID</th>
<th>GL Jrn ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,210.00</td>
<td>101</td>
<td>196200</td>
<td>4</td>
<td>PRJ87JR</td>
<td>4602</td>
<td>12/1/2016</td>
<td>C LAB SYS: iPECS Lab System,</td>
<td>704K443001</td>
<td>2439873</td>
<td>AP0042807</td>
</tr>
</tbody>
</table>
110.1: Recording and Tagging Capital Equipment

2. Property Control reviews 46XX account activity and establishes inventory records for each item. (Continued)

Purchasing Inquiry Page: [https://www.busserv.wisc.edu/purch/PurchInqMenu.htm](https://www.busserv.wisc.edu/purch/PurchInqMenu.htm)

3. If necessary, Property Control investigates with department financial staff and completes journal entry to reassign non-capital purchases to appropriate account.
110.1: Recording and Tagging Capital Equipment

4. Property Control creates *Capital Equipment Confirmation Form* and sends it, along with appropriate asset tag, to the DPA.
110.1: Recording and Tagging Capital Equipment

5. DPA affixes asset tag to capital equipment item. If tag cannot be affixed to item, affix asset tag to the alternate method/location that the DPA manages.

Qualifiers for assets which tags cannot be affixed include:

a. Item too delicate to tag
b. Tag would de-face or de-value the asset
c. Tag would make the asset un-usable
d. Asset is not accessible
e. Asset shape or size prohibits tagging
f. Asset does not have compatible surface/environmental conditions
g. Asset is subsequently impractical to scan
110.1: Recording and Tagging Capital Equipment

**Samples:**
When Tags Cannot Be Affixed to Items

<table>
<thead>
<tr>
<th>Owner</th>
<th>Inventory#</th>
<th>Asset#</th>
<th>Common Name</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>F0033825</td>
<td>F001804</td>
<td>Eclipse Drill 1</td>
<td>DRILL, ICE CORING, EDM, ECLIPSE, SSEC#003825, UW ICE CORING AND DRILLING SERVICES, TRANSFERRED FROM UNIV. OF NEBRASKA, GOV. FURNISHED, TO#235004, DUPLICATE DECAL SENT TO DAVID ALLEN</td>
</tr>
<tr>
<td>F</td>
<td>F0033892</td>
<td>F001808</td>
<td>Replicate Coring</td>
<td>REPLICATE CORING DEVELOPMENT PROJECT FOR ICDS/EDDO, SSEC IM#014786, 3/D DOUBLE O RING RECEPTACLES, PURCHASED WITH PURCHASING CARD SSEC #22035</td>
</tr>
<tr>
<td>F</td>
<td>F0033825</td>
<td>F001807</td>
<td>Blue Ice Drill</td>
<td>BLUE ICE DRILL, 12&quot; INITIAL REQ. FABRICATION OF HELICAL FLIGHTS ON THE OD FO THREE FIBERGLASS TUBES THAT WILL BE SUPPLIED BY ICDO.</td>
</tr>
</tbody>
</table>

Responsible Person: Kristina Stawny
Location: 8010
110.1: Recording and Tagging Capital Equipment

6. DPA completes capital equipment information fields and change/confirm pre-printed asset information on the *Capital Equipment Confirmation Form* and returns to Property Control within two (2) weeks.

7. Property Control completes/updates the asset’s record within the asset management system.

8. DPA contacts Property Control if a tag is expected and no tag has been received.
110.2: Gift in Kind

1. Department financial staff complete the *GIK Routing Form*, obtain approval from dean or director, and send to Gift Management *prior to taking custody*.

**Gift in Kind (GIK)** refers to a non-monetary gift received by the University.

**Gift in Kind Routing Form:**
https://www.busserv.wisc.edu/GiftForms/gift_main_menu.aspx
110.2: Gift in Kind

1. Department financial staff complete the *GIK Routing Form*, obtain approval from dean or director, and send to Gift Management prior to taking custody. (Continued)

**Support for Valuation**

- Must be attached to completed *GIK Routing Form*
- May include, but is not limited to:
  - Independent appraisal by the donor
  - Invoice or receipt associated with purchase by the donor
110.2: Gift in Kind

2. Gift Management reviews documents supporting GIK valuation and advises if further procedures are necessary.

3. Property Control reviews GIK monthly and establishes inventory records for gifted items valued at $5,000 or more.

4. Property Control creates *Capital Equipment Confirmation Form* and sends it, along with appropriate asset tag, to the DPA for each new gifted asset entered into the system.

5. DPA affixes asset tag to capital equipment item. If tag cannot be affixed to item, affix asset tag to the alternate method/location that the DPA manages.
### 110.2: Gift in Kind

6. DPA completes capital equipment information fields and change/confirm pre-printed asset information on the *Capital Equipment Confirmation Form* and returns to Property Control within two (2) weeks.

7. Property Control completes/updates the asset’s record within the asset management system.

8. Property Control follows up with DPA if full information is not returned, or DPA contacts Property Control if they haven’t been contacted within two (2) weeks regarding a recently arrived gifted asset.
110.3: Transfer-in with New Hire from Another Institution (Transfer via No Purchase or Purchase Scenarios)

“Transfer-in” refers to capital equipment received from another institution either at no cost or an agreed upon purchase of existing (used) equipment from a new hire’s prior institution.

Purchase is only allowed if the equipment already exists at the new hire’s prior institution.

UW-Madison departments that receive transfers-in are responsible for notifying Property Control in writing.
110.3: Transfer-in with New Hire from Another Institution (Transfer via No Purchase or Purchase Scenarios)

1. Employees who anticipate transfer-in of capital equipment from another institution notify their DPA and provide information on the transaction.

Transaction Information

- Sale or $0 transfer
- Description of capital equipment items arriving
- New hire’s name
- Name of institution/department the new hire is leaving
- Points of contact for approving the transfer at both institutions
110.3: Transfer-in with New Hire from Another Institution (Transfer via No Purchase or Purchase Scenarios)

2. DPA notifies Property Control in writing.

Property Control,

Our department is receiving a $0 transfer-in of capital equipment resulting from a new hire.

**Name of new hire:** Dr. Frank Corvin  
**New hire’s former department and institution:** Department of Astronomy, University of Michigan  
**Description of equipment:** Advanced Extremely High Frequency Communications Satellite, manufactured by Lockheed Martin in 2011  
**Contact for approving transfer at University of Michigan:** Dr. Jerry O’Neill, (734) 33307777, Oneill@astro.lsa.umich.edu  
**Responsible person at UW-Madison:** Tank Sullivan, (608) 262-9681, Tsullivan@wisc.edu

Please let me know if you need additional information.

Mildred Adkins, DPA  
Department of Astronomy  
University of Wisconsin-Madison  
608.260.5551
110.3: Transfer-in with New Hire from Another Institution (Transfer via No Purchase or Purchase Scenarios)

3. For capital equipment transfers under a purchase scenario, the Departments should contact Purchasing Services to discuss the valuation of the asset prior to finalizing the agreement.

The payment will be coded to a capital account code and trigger follow-up under the standard purchase process.

See Procedure 110.1:
Recording and Tagging Capital Equipment Purchases
110.3: Transfer-in with New Hire from Another Institution (Transfer via No Purchase or Purchase Scenarios)

4. For $0 transfers, Property Control will attempt to contact transferring organization to obtain book value of the equipment.

5. If Property Control cannot contact the transferring organization, Property Control will request the new hire’s department provide an estimated market value of the transferring equipment.

6. Department financial staff will estimate market value and gather supporting documentation for the estimate. It may include, but is not limited to:
   a) Independent appraisal
   b) Invoice or receipt associated with similar purchase
   c) Market pricing for similar equipment
110.3: Transfer-in with New Hire from Another Institution (Transfer via No Purchase or Purchase Scenarios)

7. Property Control establishes inventory records for transferred item(s) valued at $5,000 or more.

8. Property Control creates *Capital Equipment Confirmation Form* and sends it, along with appropriate asset tag, to the DPA for each new gifted asset entered into the system.

Then follow Steps 5-8 in 110.1 – Recording and Tagging Capital Equipment.
110.4: Fabricated Capital Equipment

**Fabrication:** Purchases of component parts and direct labor that are custom joined to create an asset with a value greater than $5,000.00 and a useful life greater than a year. Each part must be necessary for the asset to function.

When fabricating an equipment item with aggregate cost of $5,000 or more and that meets the definition of capital equipment, UW-Madison departments must code component parts and direct labor purchases to 4670 – Fabrication in Progress.

An Asset ID number must be requested and created.

The Asset ID number is used for reporting all qualifying purchases.
110.4: Fabricated Capital Equipment

1. Person responsible for fabricating completes and signs the Fabrication Request Form and sends it to the DPA.
110.4: Fabricated Capital Equipment

2. DPA sends the completed/signed form to Property Control.

- Property Control will review the submission and confirm the title requirements of the project listed.

- Awareness of title requirements will be confirmed with the Department and DPA.

Property@bussvc.wisc.edu
110.4: Fabricated Capital Equipment

3. If fabrication is to be paid for on a sponsored award, Property Control routes the request to Research and Sponsored Programs (RSP) for additional review.

4. Property Control establishes an inventory record, assigns an Asset ID number, and notifies the responsible person, DPA, department financial personnel and RSP.

**Note:** Although an Asset ID number will be established for fabricated equipment, Property Control will not assign or mail a physical tag at this time.
110.4: Fabricated Capital Equipment

5. During fabrication, department financial staff code components and direct labor to the 4670 account, referencing the Asset ID number.

Notes

• All qualified components or direct labor should be coded to 4670, regardless of cost.
• 4670 is the only capital purchase account for which it is permissible to code single item purchases less than $5,000.
• The cost of replacement/spare parts for the equipment should not be coded to 4670.
6. Property Control reviews the 4670 purchases monthly and attempts to find the Asset ID number and accumulate cost on the inventory record.

7. If Property Control cannot find the Asset ID number, they will ask department financial personnel to provide it.
8. Property Control examines 4670 purchases to ensure they meet four criteria:

   a) Items must be fabricated over time.
   b) Component parts must be attached to, or internal to, the completed fabrication and essential for the equipment’s operation.
   c) Direct labor must be hands-on assembly labor and traceable to the equipment.
   d) For electronic systems, component parts must be attached in a manner of dependency integral to the functional operation of the fabrication.

**Note:** If Property Control thinks a purchase does not meet criteria, they will contact the DPA and department financial personnel to investigate.
110.4: Fabricated Capital Equipment

9. Once per year, Property Control requests that DPAs with fabrications open past their estimated completion date contact the person responsible for the fabrication to confirm in writing that the equipment is still not in use and no impairment has occurred. Person responsible should also provide a revised estimated date that the fabricated equipment will be ready to use.

10. Upon initial use of the fabricated equipment, the person responsible must notify the DPA in writing. The DPA then informs Property Control.
110.4: Fabricated Capital Equipment

11. Property Control aggregates all costs during fabrication to establish the value of the capital equipment, and changes its status to “in-service” which will start depreciation.

Property Control will also assign and mail an appropriate physical tag to the DPA with instructions to affix it.

12. DPA follows remaining steps (5-8) outlined at this corresponding point in Procedure 110.1 – Recording and Tagging Capital Equipment Purchases.
110.4: Fabricated Capital Equipment

13. After fabricated equipment is put into initial use, future code 4670 purchases are not allowed unless the purchases meet the criteria for a qualified upgrade to an existing equipment item.

Notes

- Qualified upgrades may be fabricated for an item costing $5,000 or more.
- A fabricated upgrade requires a new Asset ID number
- Refer to Procedure 110.5 – Upgrades to Existing Capital Equipment.
Upgrade purchases must be coded to 46XX accounts if all of the following criteria are met:

1. Upgrades are made on existing capital equipment.
2. Upgrades have aggregate cost of $5,000 or more by themselves
3. Upgrades result in either:
   a) A substantial increase in functionality of the equipment, allowing it to perform tasks it could not perform previously and extending the useful life of the asset
   b) A substantial increase in the efficiency of the equipment, increasing the level of service provided by the equipment without performing additional tasks, and extends the useful life of the asset.

Note: Repairs or maintenance costing $5,000 or more do not qualify as a capital equipment upgrade.
110.5: Upgrades to Existing Capital Equipment

Upgrades Purchased Complete
The upgrade must reference the asset tag number of the existing capital equipment item.

Fabricated Upgrades
If the existing capital equipment was fabricated, departments cannot use the prior Asset ID number.

Parts and labor for fabrication upgrades must be coded to 4670.

A Fabrication Request Form must be completed to obtain a new Asset ID number for the fabricated upgrade. Request Form must reference the asset tag number of the capital equipment item being upgraded.
110.5: Upgrades to Existing Capital Equipment

1. Department financial staff code qualified capital equipment upgrade to 46XX accounts, referencing tag number of existing equipment being upgraded.

2. If the upgrade will be a fabricated upgrade, the responsible person completes a Fabrication Request Form and the DPA sends it to Property Control for a new account code.

See Procedure 110.4 – Fabricated Capital Equipment.
110.5: Upgrades to Existing Capital Equipment

3. Property Control reviews 46XX activity each month and establishes an upgrade record associated with existing record.

4. If Property Control cannot find necessary information (i.e., tag number of the existing capital equipment being upgraded), they will ask for more information from the DPA.
110.5: Upgrades to Existing Capital Equipment

5. If Property Control believes an item does not meet the criteria for a capital equipment upgrade, they will not establish an inventory record. They will ask the DPA and department financial personnel to investigate.

If confirmed as not meeting the criteria, Property Control will complete a journal entry to reassign the purchase to an appropriate general ledger account.

6. If needed, Property Control assigns and mails a new asset tag.

7. If Property Control issues an asset tag, DPA affixes tag per tagging steps of Procedure 110.1 - Recording and Tagging Capital Equipment.
110.5: Upgrades to Existing Capital Equipment

What questions do you have about upgrades to existing capital equipment?
What questions do you have about the first phase of the Capital Equipment Life Cycle?
Thank you for your participation in Capital Equipment Training Part 1.