Financial Internal Controls Initiative
Capital Equipment Training

Part 1: Asset Acquisition

University of Wisconsin-Madison
Welcome!

Capital Equipment Training

Presented by

Property Control

Financial Information Management
Division of Business Services
Introduction Polling
Agenda

Introduction

Asset Acquisition Procedures

- 3008.1: Recording and Tagging Capital Equipment
- 3008.2: Gift in Kind
- 3008.3: Transfer-in with New Hire from Another Institution (Transfer-In via No Purchase or Purchase)
- 3008.4: Fabricated Capital Equipment
- 3008.5: 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
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

Cha Lor – Assistant Director Property Control
Michael Verhagen – Property Control Senior Accountant
Anthony Lotten – Property Control Accountant
Chloe Peng - Property Control Accounting Assistant
Iris Rhee – Property Control Accounting Assistant

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 Procedures (Training Part 1)

3008.1: Recording and Tagging Capital Equipment

3008.2: Gift in Kind

3008.3: Transfer-in with New Hire from Another Institution (Transfer-in via No Purchase or Purchase)

3008.4: Fabricated Capital Equipment

3008.5: Upgrades to Existing Capital Equipment
Asset Movement & Inventory Procedures (Training Part 2)

3008.6: Physical Inventory
3008.8: Location/Room Changes
3008.9: Change in Custody to Another Department
Asset Disposition Procedures (Training Part 3)

3008.7: Equipment Disposition
3008.10: Asset Loan Agreements
3008.11: 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
2. Vendor Delivers
3. Vendor Invoice Received
4. AP Posts Item in General Ledger
5. Payment Posted to WISDM
   - Monthly Report of Acct Code 46xx
   - Pull P-card Transactions
   - Look Up P.O. & P-card Details For Initial Asset Details
   - Validate/Correct Capital Equipment Coding
   - Create New Record in Asset Mgmt System

- 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

Color Coding Key:
- Property Control
- DPA
- Other Groups or Systems
Navigating Capital Equipment Procedures

<table>
<thead>
<tr>
<th>Procedure Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure #</td>
</tr>
<tr>
<td>Revision</td>
</tr>
<tr>
<td>Effective Date</td>
</tr>
</tbody>
</table>

Contents

I. Procedure Statement
II. Who Is Affected by this Procedure
III. Procedure
IV. Contact Roles & Responsibilities
V. Definitions
VI. Related References
VII. Revisions
3008.1: 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>
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<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><strong>4606</strong></td>
<td><strong>Equipment -COVID</strong></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><strong>4670</strong></td>
<td><strong>Fabrication in Progress</strong></td>
</tr>
<tr>
<td>4680</td>
<td>Capital Purchases – Inter-Institutional Agreements</td>
</tr>
</tbody>
</table>
3008.1: 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 Jrnl-ID</th>
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<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>iCLAB SYS: iPECS Lab System,</td>
<td>704K443001</td>
<td>2439873</td>
<td>AP00428070</td>
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</tbody>
</table>
3008.1: 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
ShopUW+ Home Page:  https://shopuwplus.wisc.edu/

3. If necessary, Property Control investigates with department financial staff and completes journal entry to reassign non-capital purchases to appropriate account.
3008.1: Recording and Tagging Capital Equipment

4. Property Control creates *Capital Equipment Confirmation Form* and sends it, along with appropriate asset tag, to the DPA.
3008.1: 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
3008.1: 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>Contract</th>
<th>Inventory Label</th>
<th>Common Name</th>
<th>Item Description</th>
<th>Responsible Person</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>F</td>
<td>F0033662</td>
<td>F001804</td>
<td></td>
<td></td>
<td>Eclipse Drill 1</td>
<td>DRILL, ICE CORING, 83MM , ECLIPSE, S650X152323, LW ICE CORING AND DRILLING SERVICES, TRANSFERRED FROM UNIV. OF NEBRASKA, GOV., FURNISHED, 1/20X30A, DUP AC 1PC DECAL SENT TO DAVE ALLEN.</td>
<td>Kristine Stearns</td>
<td>5010</td>
</tr>
<tr>
<td>F</td>
<td>F0033662</td>
<td>F001804</td>
<td></td>
<td></td>
<td>Replicate Coring</td>
<td>REPLICA CORING DEVELOPMENT PROJECT FOR IRRIGATION, SS60 INT80 14796, 3L, DOUBLE O RING RECEPTACLE, PURCHASED WITH PURCHASING CARD SS60 #20205</td>
<td>Kristine Stearns</td>
<td>5010</td>
</tr>
<tr>
<td>F</td>
<td>F0033662</td>
<td>F001807</td>
<td></td>
<td></td>
<td>Blue Ice Drill 12&quot;</td>
<td>BLUE ICE DRILL 12&quot;, INITIAL REG., FABRICATION OF HELICAL FLIGTS ON THE 12&quot; OD THREE FIBERGLASS TUBES THAT WILL BE SUPPLIED BY ICCC.</td>
<td>Kristine Stearns</td>
<td>5010</td>
</tr>
</tbody>
</table>
3008.1: 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.
Polling Question 1 & 2
Pop Quiz

1. Which item below is one of the requirements to capitalize a piece of equipment?
   A. Cost of an item is greater than $2,500
   B. Life of the asset is greater than 1 year
   C. The item is attached to a building
   D. The item has been funded by the Federal government

   The correct answer is B.

2. The best place to review UW-Madison capital equipment procedures and find capital equipment forms is:
   A. Files from a co-worker or employee previously in your position
   B. Paper handouts from training sessions

   The best place is C.
3008.2: 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_in_kind.aspx](https://www.busserv.wisc.edu/GiftForms/gift_in_kind.aspx)
3008.2: 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
3008.2: 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.
3008.2: 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.
3008.3: 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.
3008.3: **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
3008.3: 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) 333-07777, 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
3008.3: 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 3008.1: Recording and Tagging Capital Equipment Purchases
3008.3: 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
3008.3: 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 3008.1 – Recording and Tagging Capital Equipment.
Polling Questions 3 & 4
1. When transfer-in capital equipment is received at no cost, it does not need to be reported to Property Control and tagged.
   A. True
   B. False

2. For capital equipment transfers-in under a purchase scenario, Procedure 3008.1 - Recording and Tagging Capital Equipment should be followed.
   A. True
   B. False
What is a fabrication at UW-Madison?
Purchases of component parts and direct labor that are custom joined to create an asset with a value greater than $5,000 and a useful life greater than a year. Each part must be necessary for the asset to function.

This definition boils down to these key points:

- A researcher needs specialized equipment that cannot be purchased so he/she decides to build it on their own.

- It needs to meet all Capital Equipment criteria including $5,000 or greater in value and last more than one year.

- Costs include component parts and direct labor (hands-on assembly labor of a third party traceable to the equipment).
3008.4: Fabricated Capital Equipment

➢ It does not include design, salaries, or personnel expenses of UW employees nor does it include replacement/spare parts (considered repairs or maintenance).

➢ All component parts must work together to perform one function. If any part is removed, the asset ceases to operate at its intended purpose. Software costs can be considered part of a fabrication only if it is integral to the control and operation of the asset.

➢ Fabrications should have multiple purchases over a period of time. If a build extends past the fiscal year end or will involve costs associated with multiple purchase orders, PCards, or direct payments, a fabrication should be established.
What to do if you or someone in your department is going to fabricate a piece of equipment:

➢ Person responsible for fabricating completes and signs the Fabrication Request Form and sends it to the DPA. The DPA sends completed/signed form to Property Control.

➢ Property Control assigns an asset ID number to your build. You are not issued an asset barcode tag until the fabrication is complete.
3008.4: Fabricated Capital Equipment

Fabrication Request Form

Capital Equipment Fabrication Request Form

University of Wisconsin – Madison
Accounting Services – Property Control
Suite 6101, 21 North Park Street, Madison WI 53715-1218
projectcontrol@wisc.edu 608-263-3780

Request Date: Requesting Dept. (UDDS):
Building: Room (final destination):

Equipment Type (select one):
- Agricultural & Farm Equipment
- Athletic Equipment
- Automotive
- Office Machines
- Medical Equipment:
- Medical Instruments
- Office Machines
- Medical Supplies
- Office Machines

Fabrication Name:
Fabrication Function:
Estimated Cost of Fabrication:
Estimated Completion Date of Fabrication:

Sponsor Funded? Yes No Sponsor Titled? Yes No
Sponsor Name: Project ID(s):

To the best of my knowledge, this equipment fabrication will result in a unique, special purpose, stand-alone piece of equipment. The total cost of material and supplies will be $5,000 or greater and will have a planned useful life of more than one year. During the fabrication period, I will code fabrication costs to account code 4670. Component parts will be attached to, or internal to the fabricated equipment. Direct labor will be hands-on assembly labor and traceable to the equipment. (e.g., Physical Sciences Lab). Direct labor will not include expenses such as design, salaries, or personnel expenses, as these would be considered part of indirect costs. When the fabrication is completed and placed into operation, I will contact Property Control so the equipment can be recorded for capitalization as an asset in the University’s accounting system.

Responsible Person Name: DPA Name:
Responsible Person email: DPA email:
Responsible Person Phone #: DPA Phone #:

Property Control Use Only

Rev. 05/02/17

Please return completed form: email: property@business.wisc.edu

Inter-Department Mail: Attn: Property Control
Suite 6101
21 North Park Street
Madison, WI 53715-1218
3008.4: Fabricated Capital Equipment

What does Property Control (PC) do when the Fabrication Request Form is submitted?

- PC reviews the form for completeness and accuracy.
- PC identifies if the asset is UW titled or Federal/Sponsor titled as this has implications during set up of the fabrication.
- PC Assigns a unique Asset Identification Number and notifies responsible person, DPA, department financial personnel, and RSP.
- PC creates a tracking document with all pertinent information.
- Each month we identify the charges under 4670 and track in the individual Excel tracking documents. We ask that the Departments do the same.
3008.4: Fabricated Capital Equipment

Fabrication ID number required:

- Purchase orders requisition (comments field)
- Pcard purchases (Purchasing Card Capital Equipment Documentation Form)
- Non-Salary Cost Transfers (comments field) to identify the fabrication costs so Property Control can track them under the correct build.

- Pcard Policy 3013.5 – The Pcard form must be sent to PC for every purchase utilizing a 46XX account code at the point of purchase. Lack of policy compliance could lose the Pcard for the department.

- Account code 4670 must be used for all eligible costs associated with the fabrication.
Do these costs belong to a fabrication?

A researcher wants to build a robotic arm. Cost is estimated at $35,000 and will take nine months to build.

The following costs are incurred:

1. $3,000 on various parts purchased with a Pcard.
2. $500 on spare gears for the arm.
3. $8,000 on parts purchased with a purchase order.
4. $3,200 on salary costs for his assistant to assist in the build.
5. $10,000 on specialized software to control the arm.
6. $6,000 on a trolley to move the arm (works independently of the arm).
3008.4: Fabricated Capital Equipment

- Annual Fabrication Status Communications
  - Property Control contacts departments with open fabrications prior to each fiscal year-end to confirm the following:
    - Potential Impairment
    - Build Closures
    - Build Extensions

- Upon initial use of the fabricated equipment, the person responsible must notify the DPA in writing. The DPA then informs Property Control.
3008.4: Fabricated Capital Equipment

What do I do when the Fabrication is complete?

➢ Notify your DPA who in turn notifies Property Control via email.

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

➢ Property Control will also assign and mail an appropriate physical tag to the DPA for adherence.

➢ DPA follows remaining steps (5-8) outlined at this corresponding point in Procedure 110.1 – Recording and Tagging Capital Equipment Purchases.
3008.4: Fabricated Capital Equipment

➢ 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.

➢ 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 3008.5 – Upgrades to Existing Capital Equipment.
Polling Question 5 & 6
Pop Quiz

1. If fabrication is to be paid for on a sponsored award, Property Control will route the Fabrication Request Form to ____________ for additional review.
   A. The Associate Vice Chancellor for the Division of Business Services
   B. Facilities, Planning and Management (FP&M)
   C. The Vice Chancellor for Finance and Administration
   D. Research and Sponsored Programs (RSP)
   
   2. After receiving a Fabrication Request Form and getting all necessary signatures, Property Control will establish an inventory record, assign an Asset ID number and mail a physical tag to the DPA.
   A. True
   B. False
3008.5: 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.
3008.5: 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.
3008.5: 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
3008.4 – Fabricated Capital Equipment.
3008.5: 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.
3008.5: 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 3008.1 - Recording and Tagging Capital Equipment.
3008.5: 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.