

Brandeis Capital Policy & Process

September 2014

Process

Requests for capital funds are submitted during budget development. The current guidelines for capital are: equipment, technology, furniture or fixtures costing \$5,000 or more and having a useful life of more than one year or renovations, building additions, or major projects costing more than \$25,000. Capital Projects extend the useful life of a physical facility and/or materially increase the market value of an existing facility.

Regardless of the financing (donor gifts, debt, vendor gifts or working capital) all capital assets of the University must be included in the capital budget process.

Each capital project must have a project manager who is responsible for its total completion. This includes attaining appropriate authorization, purchasing of materials, approval of invoices and general project oversight. Only the project manager(s) is to sign invoices for payment, as he/she is also responsible for reconciling expenses and monitoring all activity in the assigned account.

Approval of the capital budget is an acknowledgement that funds exist should the decision be made to complete the project or purchase. It is NOT an authorization to spend funds. Actual spending is authorized via a Capital Authorization Form (CAF), which must be filled out by the project manager, have the appropriate signatures and then be submitted to the Controller's Office. CAF's without appropriate approval will be returned to the project manager.

Beginning in FY16, all capital purchases (other than grant funded equipment) must have a CAF completed and will need to be budgeted in Fund 12. There will no longer be the ability to purchase capital items through Fund 11.

Each request should be accompanied by a detailed explanation or narrative that outlines the scope of the project and provides a breakdown of the project components and cost estimates. The request is then verified against the budget and a project number is assigned. (If the item is not budgeted, additional signatures and a substitution are required.) A Purchase Requisition must then be completed, with the approved CAF by the Project Manager attached, and include the new account number noted and forwarded to the Procurement Department for creation of a Purchase Order (P.O.) and vendor selection. Please make sure you follow the procurement policy including the competitive bidding procedures as discussed on the Procurement Services link below.

http://www.brandeis.edu/financialaffairs/procurement/policies_new/index.html

As with the operating budget, unspent capital funds are NOT "rolled forward" into the next fiscal year. Any anticipated needs for the following year for existing projects must be re-submitted for approval as part of the next year's budget process. Thus managers should carefully review the status of their current projects during the budget process and estimate as best they can whether it is realistic that they will be completed in the current year (i.e., that all materials will be purchased and received by June 30). If that is unlikely, they should submit for approval with the new budget whatever amount needs to be carried forward. If this is not done, they will need to substitute funds approved for the next year's capital projects to cover expenses from the current year.

Capital Asset Policy

Capital expenses relate to the acquisition and maintenance of the land, buildings, furnishings and equipment of the University. These expenses are recorded in the Finance system in the following categories: 1) capital projects, 2) equipment and furnishing purchases, and 3) software.

A capital project extends the useful life of a physical facility by more than three years, has a cost of \$25,000, and/or materially increases the market value of an existing facility. Costs that are below the \$25,000 threshold for capitalization that neither significantly adds to the permanent value of a property nor prolong its intended useful life are expensed; (example: maintenance work required to preserve or immediately restore a facility to such condition that it can be effectively used for its designated purpose).

Major maintenance projects make significant repairs to campus property in order to bring a facility back to a basic standard of repair. These projects will be expensed regardless of the individual dollars amounts in the project.

Equipment and furnishing purchases greater than \$5,000 with a useful life of three years or more will be capitalized.

Software purchases over \$5,000: Software development generally involves three phases:

1. Preliminary project phase: when conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technologies and final selection of alternatives is made.
2. Application development phase: design of chosen path including software configuration and software interfaces, coding, installation of computer hardware and testing, including parallel processing phase
3. Post-implementation/operation phase: training and application maintenance activities

Costs associated with the preliminary project and the post-implementation/operating phases should be expensed as incurred. Internal and external costs associated with the application development phase should be capitalized. Costs to develop or obtain software that allows for access or conversion of old data by new information systems should also be capitalized.

Training costs incurred to develop or implement internal-use computer software/applications during the application development stage can be capitalized. Training in the post implementation/operation stages should not be capitalized since such training programs should be conducted on a continuous basis, and the related costs should be recognized as an integral component of the University's operating budget.

Annual software licenses to operate software are not capitalized and are expensed.

Capital Asset Policy – Equipment purchased with grant funds

Costs are not capitalized but expensed in the year of purchase. However, since the Federal Government retains an interest in the equipment, the equipment is tracked in the finance system for inventory purposes. The equipment purchased with Federal funds should not be used to provide services to non-Federal outside organizations without prior approval of the Controller, in order to determine that all Federal contract provisions are adhered to.

The equipment should be used in the project for which it was acquired as long as needed. When no longer needed for the original project, the equipment can be used in connection with other federally-sponsored activities in the following order of priority: (i) activities sponsored by the Federal awarding agency which funded the original project, then (ii) activities sponsored by other Federal awarding agencies.

During the time that the equipment is used on the project for which it was acquired, it can be made available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally purchased. When the equipment is no longer needed, please contact the Controller's Office as certain Federal contract provisions may have to be adhered to.

Capital Asset Policy – Donor Gifts used for Capital Purchases

When a donor restricts a contribution to the construction or purchase of equipment, the records in the finance system must reflect that donor intention. If gift dollars are used to purchase capital, the legal donor agreement should intend for that to be the case. If a capital gift is acquired during the year, those funds may be used to pay for capital not in the approved capital budget and will be a forecasted variance.

Depreciation

<u>Type of Asset</u>	<u>Capitalization Threshold</u>	<u>Useful Life*</u>
Buildings	\$25,000	60 years
Building Rehab/Improvement	\$25,000	18 years
Land improvements	\$25,000	
Building Improvements (minor)	\$25,000	5 years
Equipment		
Furniture & Equipment	\$5,000	5 years
Computer Equipment	\$5,000	5 years
Vehicles	\$5,000	5 years
Microcomputers	All capitalized	2 to 3 years
Software	\$5,000	3 years

Disposal of Capital Assets

When the disposal of a fixed asset occurs, Financial Affairs should be notified.