

**COLORADO STATE UNIVERSITY**  
**Financial Procedure Instructions**  
**FPI 4-3**

1. **Procedure Title:** Property Management – Acquisition of Capital Equipment
2. **Procedure Purpose and Effect:** Procedures for any department or organization within the University to acquire capital equipment. The acquisition process can come in many forms and can be governed by Federal Acquisition Rules (FAR) for contracts, The Office of Management and Budget (OMB) for grants, the State of Colorado, and Colorado State University Policies. This procedure is broken up into seven sections as it provides guidance on the many ways the University can acquire capital assets. Section 1 is for direct purchases, section 2 is for gifts and donations, section 3 is for fabrications, section 4 is for leases, section 5 is for transfers, section 6 is for Federal Surplus Property or Reutilization and section 7 is for loaned property.
3. **Application of Procedure:** This procedure applies to those departments/areas which acquire capital equipment and gives guidance to them regarding the acquisition process.
4. **Exemptions:** Any exemptions to this procedure would need to be approved by Purchasing and the Property Management Office.
5. **Definitions:**
  - A. **Acquired Value:** The standard asset value for property, regardless of age or use. The acquired value of a University purchased item of non-expendable personal property should be recorded as the net invoice unit price of the property including cost of modification, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose of which it was acquired. Examples of service cost that can be capitalized with equipment purchases may include:
    1. Cost of assembling the asset
    2. Cost of installation
    3. Freight
    4. In-transit Insurance
    5. Preparing the site and asset for its intended use
  - B. **Acquisition:** (1) The act of acquiring. (2) The acquiring of property or services by contracting with appropriated funds through purchase or lease, or other means, including transfer or fabrication, whether the property or service are already in existence or must be created, developed, demonstrated, and evaluated.
  - C. **Capital Asset:** Any physical property that benefits a program for more than one year and meets the established threshold. Capital asset expenditures include funds expended for land, improvements to land, buildings, leasehold investments, equipment, and library books.
  - D. **Capital Equipment:** Equipment includes items which are not considered an integral part of a University building, are non-expendable, do not lose their identity through incorporation into a more complex unit, have a useful life of more than a year, and have an acquisition cost of \$5,000 or more, or another threshold as set by a contract, grant, or agreement. An item is non-

expendable if it is characteristically restored to service by replacement of lost, worn or damaged parts. The acquisition cost of a University purchased item of non-expendable personal property should be recorded as the net invoice unit price of the property including cost of modification, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose of which it was acquired. Other charges, such as cost of installation, transportation (shipping and handling), taxes, in transit insurance, etc., shall be included in the unit acquisition cost.

- E. Construction:** The building of something, typically a large structure.
- F. Contractor Acquired Government Property:** Property purchased or otherwise provided by the University for the performance of a contract or grant. Title is vested in the Government in accordance with contract or grant terms and conditions.
- G. Donation/Gift:** Property can be acquired through a direct donation to a department or through the Advancement Office as a Gift-in-Kind. The primary reason for gifts going through the Advancement Office is for the tax benefit received by the organization or person donating the gift. Regardless of whether the property is a direct donation or gift, there will not be any performance expectations of the University in exchange for having been given the asset.
- H. Excess Government Property:** Property which has additional useful life but is no longer required by the Federal Agency and is available to other Federal agencies or Federal contractors such as the University.
- I. Fabrications (WIP):** Movable fabricated equipment is an asset created (built) by a University organization. A fabrication is not something that can be configured at a store or assembled (like a system) by the organization. The cost of individual components may be less than the capitalization limit; however, the finished, tangible asset must have a total cumulative cost that does meet the capitalization limit in order to be capitalized. Materials and direct labor used in the construction of the asset can be capitalized as part of the fabrication. Direct labor for fabrications is defined as all hands-on assembly labor of the fabricated equipment, plus the direct supervision of that hands-on labor. Labor associated with research and the design of a fabricated asset should be expensed. In addition, labor costs that are impossible or impractical to trace to a specific fabrication should be expensed. Items having an acquisition value of \$5,000 or more will be capitalized on their own merit if they are, or can be, stand-alone equipment (i.e., a computer, a power supply unit, etc.).
- J. Fixed Assets:** Personal property and equipment of a durable nature that have an estimated useful life to an organization of at least one year (also known as property, plant, and equipment). Examples include land, buildings, machinery, and furniture.
- K. FAR:** Federal Acquisition Regulation is the governing body for contracts.
- L. Government Furnished Property:** Property in the possession of or acquired by the Government and subsequently delivered to or otherwise made available to the University for use under specified contracts and grants. This could include Excess Government Property and/or Transferred Property.

**M. Government Property:** All property owned or leased by the Federal Government. Such property acquired under contracts with the University include: Government Furnished Property and Contractor Acquired Government Property.

**N. Lease:** Grant or rights by a lessor to a lessee to possess and use real or personal property for a period of time in exchange for rent or other consideration. A lease-purchase is a contractual agreement conveying the right to use property, plant, or equipment usually for a stated period of time. A lease agreement involves at least two parties, a lessor and a lessee. There are two types of lease-purchases available; an operating lease and a capital lease.

An operating lease includes a lessor (vendor), who collects rent, and a lessee (the university), who uses the leased equipment or property and pays periodic rent for such use. The lessee merely uses the equipment and/or property and there is no transfer of ownership or any risk or benefit of ownership. A capital lease agreement spreads out the terms of payment for equipment while transferring all of the benefits and risk inherent in ownership of the equipment to the lessee. A "capital lease-purchase" is the act of acquiring assets by making periodic payments, which generally consist of principle and interest. At the end of the payment period, the purchaser obtains title to the equipment, but has been able to use the equipment and to spread equipment payments over time to ease the financial burden of making large acquisitions.

**O. OMB:** Office of Management and Budget is the governing body for grants.

**P. Purchase:** Acquiring something by paying for it.

**Q. Threshold:** Monetary limits for assets to be capitalized. Thresholds for capital equipment acquisition are necessary for accountability. Capitalization acknowledges that a transaction meets all criteria necessary to be a fixed asset of the University, and recognizes depreciation expense for them. For more information on thresholds see Capitalization Thresholds CFP. Listed below is the financial threshold for each asset category:

<u>Type of Asset</u>	<u>Capitalization \$ Threshold</u>
Art and Historical Collections	\$ 5,000 per item/collection
Building and Building Improvements	\$50,000
Equipment and Furniture	\$5,000
Intangible Assets	\$50,000
Land	all acquisitions will be capitalized
Land Improvements	\$50,000
Leasehold Improvements	\$50,000
Library Materials and Collections	all acquisitions will be capitalized
Software – purchased	\$ 5,000
Software – internally developed	\$50,000

**R. Title:** Title to acquired property can be dependent upon the contractual obligations in predefined agreements. For Contract or Grant acquisitions the Office of Sponsored Programs provides title information. Title to property purchased with University funds rests with the University rather than with a department. Departments which are assigned property for custody and use are held accountable for such property.

**S. Transfer:** Transfer of property to or from other universities or organizations. These occur primarily due to a transfer of faculty and/or the transfer of a sponsored project from one university or organization to another. Property purchased by the University or furnished by the Federal government to which the Government retains title is considered Government Furnished Equipment (GFE) when it is transferred to an ongoing federally sponsored contract or grant.

**6. Procedure Statement:** There are multiple ways the University can acquire capital equipment including directly purchasing either new or used items, gifts and donations, fabricating, leasing, transferring in, and reutilizing.

**A. SECTION 1: Direct purchase:**

1. A requisition is initiated by the principal investigator (or others as appropriately designated) and submitted in the Quali Financial System. This requisition is electronically routed to the Property Management Office (as well as other necessary individuals or groups) and reviewed for compliance with acquisition procedure, object code usage, and capital asset information. Requisition information to help with the object code usage and capital asset tab can be found on the Property Management website. If approved, the requisition is electronically routed to Purchasing for processing. After an item of equipment is received, Property Management assigns a decal number, records the purchase on the property inventory, and affixes a property tag to the equipment. An Inventory Specialist will contact the responsible party assigned to the asset as needed in order to set up a time to decal the equipment.
2. Consideration should be made as to buy new or used. The Procurement Services department regulates the purchasing process.

**B. SECTION 2: Gifts and donations:**

1. The University frequently receives gifts and donations from a variety of sources such as commercial companies, alumni, and private parties. There is a difference between a gift and a donation for Property Management purposes (see definition above).
  - a) The gift-in-kind process is handled by the Advancement Office and Property Management is notified on a monthly basis of all items gifted to the University. An asset acquired as a gift-in-kind must be kept by the University for a minimum of three years in order for the donating entity to receive their tax benefit.
  - b) When a donation has occurred, a donor directly donates an item(s) to a department and the department must complete an Add Equipment to the Property System Form and submit the completed form to the Property Management Office. This form can be located on the Property Management website. A signed statement from the donor releasing title to the property to the University should accompany this form.

**C. SECTION 3: Fabrications:**

1. A fabrication takes place when the University makes or builds something in-house. Equipment or software that is fabricated or based on the specification set forth by a researcher may result in an asset that requires identification and control. The Plant Fund Accountant, within the Financial Reporting and Analysis department, and the Office of Sponsored Programs play a key role in tracking the costs that accumulate while fabricating an asset. If the funding source of a fabrication is on a 53 research account then an 88 WIP

(Work In Process) account will be requested and administered through the Office of Sponsored Programs (OSP). If the funding source of a fabrication is anything other than a 53 research account then an 89 WIP account will be requested and administered through the Plant Fund Accountant. The most important consideration for in-house fabrications is the capacity and expertise of organization staff and the facilities and tools required. Costs to be capitalized for internal software should be captured from the point management has authorized and committed funds till the program is in use. Please refer to the Property Management Capitalization Thresholds CFP for more information on what types of costs to capitalize.

**D. SECTION 4: Lease:**

1. From a Property Management perspective, the acquisition of assets by leasing does not differ from buying those items. The Colorado State University Research Foundation (CSURF) oversees the lease-purchase program and all leases are given to the Lease Accountant, within the Financial Reporting and Analysis department. Once the Lease Accountant has made any necessary capital leasing entries to the general ledger, an Inventory Specialist will be notified of the new equipment in order to get it properly decaled and recorded in the CAM database.

**E. SECTION 5: Transfer:**

1. When equipment is transferred into the University from another university or other federal agency this is considered a transfer. If the transfer of equipment is directly related to a contract, grant, or agreement then the Property Management Office should be notified by the Office of Sponsored Programs. If the transfer of equipment happened at the departmental level then it is the department's responsibility to complete an Add Equipment to the Property System Form and submit the completed form to the Property Management Office. This form can be located on the Property Management website. A letter of acceptance from the University Dean or Department Head and a letter of release from the relinquishing agency must accompany this form.

**F. SECTION 6: Federal Surplus Property or Reutilization:**

1. Another method for the University to acquire property is through the Federal Surplus Property Program monitored by the General Services Administration (GSA). The University can acquire property at little or no cost from the federal government through this program. This property is considered surplus by the federal government and could be reutilized. The federal government defines surplus property as property no longer needed by the federal government property that is first designated as excess to the acquiring federal agency then offered to all other federal agencies. The manager of the Surplus department is able to acquire federal surplus property for the University. Further information about this program can be obtained at <http://www.nasasp.org>. It is the department's responsibility to complete an Add Equipment to the Property System Form and submit the completed form to the Property Management Office. This form can be located on the Property Management website.

**G. SECTION 7: Loaned Property:**

1. The government or other sponsor can loan equipment to the University. It is the department's responsibility to complete an Add Equipment to the Property System Form and submit the completed form to the Property Management Office. This form can be located on the Property Management website. A letter of acceptance from the University Dean or Department Head and a loan document stating the terms of the loan from the loaning agency must accompany this form.

**7. Reference and Cross-References:**

ASTM home page (E2279-03 Standard for Establishing the Guiding Principles for Property Management): <http://www.astm.org/index.shtml>

CSURF website: <http://www.csurf.org/>

Federal Acquisition Regulation home page (FAR Part 45, FAR 52.245-1, DFARS, NASA FARS, DOE FARS): <http://www.acquisition.gov/far/>

Financial Reporting and Analysis website: <http://busfin.colostate.edu/Depts/FRA.aspx>

GASB home page (GASB 34): <http://www.gasb.org/>

GSA home page: <http://www.gsa.gov/portal/category/100000>

KFS User Manual: [http://busfin.colostate.edu/Resources/Guides\\_Manuals.aspx](http://busfin.colostate.edu/Resources/Guides_Manuals.aspx)

NPMA – The College and University Property Manual and Fundamentals of Personal Property Management: <http://www.npma.org/>

OMB Uniform Guidance information is located at: [http://www.whitehouse.gov/omb/grants\\_docs/](http://www.whitehouse.gov/omb/grants_docs/)

OSP website: <https://vprnet.research.colostate.edu/OSP/>

Procurement Services website: <http://www.purchasing.colostate.edu/>

Property Management website: <http://busfin.colostate.edu/Depts/PropMgt.aspx>

State of Colorado Fiscal Procedures Manual website:  
[http://www.colorado.gov/dpa/dfp/sco/FiscalProcedures/Cur/manual\\_cur.htm](http://www.colorado.gov/dpa/dfp/sco/FiscalProcedures/Cur/manual_cur.htm)

**8. Forms and Tools:**

Add equipment to the Property System form can be located at  
<http://busfin.colostate.edu/Depts/PropMgt.aspx>. (Under the Forms Heading)

CAM Basic Training (includes information on how to complete a requisition for capital equipment) can be located at <http://busfin.colostate.edu/Depts/PropMgt.aspx> (Under the Training Heading)

Gift-in-Kind Processing Forms can be located at <https://advancing.colostate.edu/DAIS/FORMS>

Kuali Tips for Capital Assets can be located at <http://busfin.colostate.edu/Depts/PropMgt.aspx>  
(Under the Guides and Manuals Heading and the Kuali Documents subheading)