

COLORADO STATE UNIVERSITY-PUEBLO
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 comes in many forms and is governed by the Purchasing Department for contracts, Business Financial Services (BFS) for grants and Colorado State University- Pueblo Policies. This procedure provides guidance on the many ways the university can acquire capital assets, including: direct purchases, donations and gifts, fabrications, leases, transferred-in, federal surplus property or reutilization, and loaned equipment.
3. **Application of Procedure:** This procedure applies to all departments or organizations that acquire capital equipment and provides guidance regarding the acquisition process.
4. **Exemptions:** Any exemptions to this procedure require approval by Purchasing and/or BFS.
5. **Definitions:**
 - A. **Acquired Value/Acquisition Cost:** The standard asset value for property, regardless of age or use. The acquired value should be recorded as the net invoice unit price of the property. Other costs to include in the acquired value are services (such as shipping, insurance, modification, installation, etc.) as well as the cost of attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose of which it was acquired.
 - B. **Acquisition:** 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:** The term Capital Asset is interchangeable with Fixed Asset (which is also known as Property, Plant, and Equipment). A capital asset denotes that the capitalization process and the characteristics of the item qualify it for inclusion in the University Plant Fund. A capital asset is any property that benefits a program for more than one year and meets the established capitalization threshold.
 - D. **Capital Equipment:** Capital equipment, also known as movable 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 other threshold if set by a contract, grant, or agreement.
 - E. **Capital Equipment Fabrication:** The creation of an item of equipment or scientific instrument that is built or assembled from raw or semi-finished material by CSU-Pueblo personnel, including internal or external shop staff, and meets capital criteria.
 - F. **Capital Lease:** The act of acquiring assets by making periodic payments, which generally consist of principal and interest. A capital lease transfers substantially all of the benefits and risk inherent in ownership of the equipment to the lessee. At the end of the payment period, the lessee will obtain title

to the asset, yet is able to use the asset and spread the payments out over time easing the financial burden of making a large acquisition.

- G. Capitalization:** Capitalization acknowledges that a transaction meets all criteria necessary to be a fixed asset of the university. Capitalization does not necessarily mean that the university will be responsible for tracking the individual asset or that the individual asset is subject to depreciation or amortization.
- H. Colorado State University Research Foundation (CSURF):** Technology Transfer Office responsible to protect and manage the intellectual property resulting from research at Colorado State University-Pueblo, including negotiating contracts with commercial partners.
- I. Colorado State University Research Foundation (CSURF) Equipment Leasing Program:** The arrangement between CSU-Pueblo and CSURF to facilitate the acquisition of scientific, administrative support, and research equipment for the benefit of CSU-Pueblo pursuant to lease purchase arrangements. The CSURF Equipment Leasing Program ("Program") consists of two options: the "Municipal Lease" and the "CSURF Line of Credit Lease."
- J. Colorado State University Research Foundation (CSURF) Line of Credit Lease (LOC):** Used to acquire equipment valued up to \$50,000.
- K. Colorado State University Foundation (CSURF) Municipal Lease:** Used to acquire equipment valued \$50,000 or higher.
- L. Contractor Acquired Government Property:** Property acquired, fabricated, 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.
- M. Donation:** Gifting equipment without monetary compensation.
- N. Excess Government Property:** Property that 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.
- O. External Lease:** A direct lease agreement between a department and a vendor.
- P. Fabrication:** A manufacturing process in which an item is made from raw or semi-finished material instead of being assembled from ready-made components or parts.
- Q. Federal Acquisition Regulation (FAR):** FAR is the governing body for contracts.
- R. Federally Funded:** Federally funded capital equipment requisitions are those that will encumber funds provided by a federal sponsoring agency, the full amount of the purchase, or any portion thereof. This includes non-federal agencies providing federal-pass-through funds.
- S. Fixed Asset:** The term Fixed Asset is interchangeable with Capital Asset, and includes personal property and equipment of a durable nature that has an estimated useful life to an organization of at least one year and meets the established capitalization threshold. A fixed asset does not actually

have to be “fixed,” in that it cannot be moved. A fixed asset is also known as Property, Plant and Equipment (PPE).

- T. Gift:** A thing given willingly to someone without payment; a present.
- U. Government Furnished Property/Equipment (GFE):** Property in the possession of, or directly 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. The unit acquisition cost of government furnished property shall be determined by the government and furnished to the university. Transportation and installation costs will not be considered as part of the unit price for this purpose. Normally, the unit price of government furnished property will be provided on the transfer document covering shipment of the property to the university.
- V. Government Property:** All property owned or leased by the government. Such property acquired under contracts with the university includes government furnished property and contractor acquired government property.
- W. Internal Asset Transfer:** An asset transferred within the campus to another CSU-Pueblo department. This includes transferring a capital asset to the Physical Plant department for disposal.
- X. Lease:** Grant or rights by a lessor to a lessee to possess and use real or personal property for a stated time-period in exchange for rent or other consideration.
- Y. Lease Agreement:** A contractual agreement conveying the right to use property, plant, or equipment usually for a stated time-period. A lease agreement involves at least two parties: a lessor and a lessee. The lessor agrees to allow the lessee to use the item for a specified time-period in return for periodic payments. There are two types of lease agreements available: an operating lease and a capital lease.
- Z. 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 of benefit of ownership. An Operating Lease is for a period longer than 12 months.
- AA. Purchase:** Acquiring something by paying for it.
- BB. Threshold:** Monetary limits for assets to be capitalized.
- CC. Title:** Title to acquired property can be dependent upon the contractual obligations in predefined agreements. For contract or grant acquisitions, BFS provides title information. Title to donated property or property purchased with university funds rests with the university rather than with a department. Departments that are assigned property for custody and use are held accountable for such property.
- DD. 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, receiving donations and gifts, fabricating, leasing, transferred-in, reutilizing, and loaned.
 - A. **Direct Purchases:** Initiation of a Kualo Requisition document is used to make a direct purchase from a vendor.
 1. **Purchase Order.** A requisition is initiated and submitted in the Kualo Financial System where it is electronically routed to the necessary individuals or groups and reviewed for compliance with acquisition procedures, object code usage, and capital asset information. If approved, the requisition is electronically routed to the Purchasing Department for processing and is assigned a Purchase Order Number. The Purchasing Department will make purchases approved by the principal investigator and, when required, BFS. Purchases will be made in compliance with University policy and procedures, general federal regulations, and any special procedures required by the sponsoring agency or specific contract, grant, or agreement. After an item of equipment is received and payment has been made, the Purchase Order is closed. BFS creates the asset, assigns a decal number, records the purchase on the department's property inventory list, and affixes a property decal to the equipment. BFS will contact the responsible party assigned to the asset in order to set up a time to decal the equipment. Consideration should be made as to buy new or used. The Purchasing Department regulates the purchasing process.
 - B. **Donations and Gifts:** The University frequently receives donations and gifts from a variety of sources such as commercial companies, alumni, and private parties. There is a difference between a donation and a gift for property management purposes, however, regardless of whether the property is a direct donation or a gift, there will not be any performance expectations of the university in exchange for having been given the asset. Donations should be reported to the CSU-Pueblo Foundation whenever possible.
 1. **Direct Donation.** When a donor directly donates an item or items to a department, the department must promptly notify BFS. A list of the donated items, a signed statement from the relinquishing agency releasing title of the property to the University, and a signed letter of acceptance from the University dean or department head acknowledging receipt of the property are required documents and need to be submitted to BFS.
 2. **Gift-In-Kind Donation.** CSU-Pueblo receives non-cash contributions from donors. The CSU-Pueblo Foundation handles the gift-in-kind process and BFS is notified on a monthly basis of all items gifted to the University. All donated items deemed to be over \$5,000 require an appraisal. BFS will then add any items that meet capital criteria to the Kualo database. The primary reason for gifts going through the CSU-Pueblo Foundation is for the tax benefit received by the organization or person donating the gift. 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.
 - C. **Fabrications:** 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. BFS play a key role in tracking the costs that accumulate while fabricating an asset.

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 until the program is in use.

1. **Sponsor Work-In-Progress (SPWIP).** If the funding source of a fabrication is on a 53-research account, then an 88 SPWIP account will need to be requested and will be administered through BFS.
2. **Work-In Progress (WIP).** If the funding source of a fabrication is anything other than a 53-research account, then an 89 WIP will need to be requested and will be administered through the Asset Processor.

D. Lease Agreements: Departments may need to use a lease to purchase equipment. The department can either do an External Lease (lease directly from a vendor) or use Colorado State University Research Foundation (CSURF). All leases must adhere to the lease requirements outlined in Section 8 of the Purchasing Manual. The lease contract information will need to be forwarded to Business Financial Services in order to be classified as an operating lease or a capital lease. If it is determined to be a capital lease, BFS will make the necessary capital leasing entries to the general ledger and create an asset.

1. **External Lease.** An external lease will be classified as either an operating lease or a capital lease.
 - a. **Operating Lease.** A requisition will need to be submitted annually, for each year of the lease term, using the expense object code 6646 and will not result in an asset being created.
 - b. **Capital Lease.** An asset will be created by BFS and the department will need to submit a requisition to set up the payments for the asset using the proper lease payment object code (8300-Furniture/Fixture, 8310-Other Capital Equipment, etc.). The Capital Asset tab will need to be completed using "Multiple Systems" as the Capital Asset System Type; "Modify Existing" as the Capital Asset System State; entering the asset number created by the Lease Accountant; and using "Capital Lease" as the Capital Asset Transaction Type. The lease payment terms will need to be entered in the Payment Info Tab and the Lease Agreement attached in the notes section.
2. **CSURF Lease.** A CSURF lease will be set up as either a CSURF Line-of-Credit Lease (for assets valued up to \$50,000) or as a Municipal Lease (for assets valued at \$50,000 and up).
 - a. The department will need to complete the applicable Request Form and submit it to CSURF; Procurement can assist the department in contacting CSURF. CSURF oversees the lease purchase program and will forward the lease paperwork to BFS.
 - b. Once BFS has made the necessary capital leasing entries to the general ledger, the asset will be created and assigned a decal.
 - c. Payments are the responsibility of the Acquiring Department. A payment will be initiated by CSURF's issuance of a request for a fund transfer into a revolving fund. A payment check will be generated from the revolving fund via a Disbursement Voucher.

E. Transferred-In: Equipment that is transferred into the University from another university or other federal agency.

1. **Contract, Grant, or Agreement.** If the transfer of equipment is related to a contract, grant, or agreement, the department shall promptly report the transferred-in equipment to BFS. BFS is responsible for obtaining any sponsoring agency approvals necessary regarding the transfer and to ensure that the equipment being transferred-in is properly reflected in the University's records.
 2. **Direct.** If the transfer of equipment happened at the department level, the department is responsible to report the transferred-in equipment promptly to BFS. A list of the transferred-in equipment, a signed Letter of Release from the relinquishing agency releasing title of the property to the University, and a signed Letter of Acceptance from the University dean or department head acknowledging receipt of the property are required documents and need to be submitted to Property Management.
 3. **Federal Surplus Property or Reutilization.** The Federal Surplus Property Program is 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, "Excess personal property not required by any federal agency as determined by the Administrator of the General Services Administration (GSA)." Excess Personal Property is defined as, "Any personal property under the control of a federal agency that the agency head determines is not required for its needs or for the discharge of its responsibilities." Procurement has provided Colorado State University-Pueblo departments the necessary eligibility to log-in to the Federal Surplus Property website to obtain equipment. You will need an access code and password, contact your Procurement Agent for the code and password. To screen for Federal Surplus Property, go to: www.gsaccess.gov. Thomas Phillips is the contact person on the government side. His contact information is: thomas.phillips@state.co.us, 4999 Oakland St, Denver CO, (W) 303-370-2166. If you locate an item or items you are interested in obtaining, email the information to Thomas Phillips, so he can put a "freeze" on the item(s). It is the department's responsibility to promptly report incoming federal surplus property received. A list of the acquired items, a signed Letter of Release from the relinquishing agency releasing title of the property to the university, and a signed Letter of Acceptance from the University Dean or Department Head acknowledging receipt of the property are all required documents and need to be submitted to BFS. Further information about this program can be obtained at <http://www.nasasp.org>.
- F. Loaned Equipment:** Loaned equipment consists of assets owned by some organization or person, other than CSU-Pueblo, where CSU-Pueblo has been granted the use of such equipment for a specified length of time. Some equipment may be on loan from a sponsor or the federal government, or the equipment might be on loan to a contract, grant, or agreement.
1. Loaned equipment does not have a minimum tracking value. It is recorded using the monetary value stated on the loan documents.
 2. Property that will be on loan to the University for more than 30 days is tracked in Quali.
 3. If the loaned equipment is directly related to a contract, grant, or agreement, the Office of Sponsored Programs should notify Facilities Management.
 4. If the loan is initiated at the departmental level, the department is responsible to report the loaned equipment promptly to Facilities Management.
 5. A list of the loaned items, with their stated monetary values, and a loan document signed by both parties are the minimum required documents.

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, and DOE FARS): <https://www.acquisition.gov/?q=browsefar>

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

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

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

OMB Uniform Guidance information is located at: <https://www.whitehouse.gov/omb/information-for-agencies/circulars/>

Purchasing Department website: <https://www.csupueblo.edu/purchasing/index.html>

8. **Forms and Tools:** None.