



UW-Madison Administrative Policy
Policy # 110
Capital Equipment Policy

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Next Review: TBD

Functional Owner	Director of Asset Management, Business Services
Executive Sponsor	Asst. Vice Chancellor for Business Services
Policy Contact	Supervisor Property Management, 608-265-7830 or Property Control Mailbox Property@bussvc.wisc.edu

Policy Summary

UW-Madison defines capital equipment assets as any individual item which has a per-unit acquisition or fabrication cost of \$5,000 or more, is movable (not permanently affixed to a building), and has a useful life of at least one year. It does not include real property (land), most software, animals or library holdings. In fulfillment of its mission and compliance responsibilities, UW-Madison must maintain an accurate inventory system and procedures that safeguard assets, and assure financial accountability, reporting accuracy, adequate insurance, efficient utilization and appropriate disposition of all capital equipment.

Policy Application

This policy applies to all UW-Madison divisions, departments and individuals involved in the acquisition, utilization and/or disposition of capital equipment in their operations, and the Property Control Office within the Division of Business Services, which is responsible for recording, monitoring and tracking capital equipment assets.

Rationale

UW-Madison has a fiduciary responsibility to manage the capital assets for which it has been entrusted. This includes strict adherence to both State and Federal policies in an effort to assure safeguarding and accounting for all capital assets.

Policy Detail

UW-Madison defines capital equipment assets as any individual item which has a per-unit acquisition or fabrication cost of \$5,000 or more, is movable (not permanently affixed to a building), and has a useful life of at least one year. It does not include real property (land), most software, animals or library holdings. In fulfillment of its mission and compliance responsibilities, UW-Madison must maintain an accurate inventory system and procedures that safeguard assets, and assure financial accountability, reporting accuracy, adequate insurance, efficient utilization and appropriate disposition of all capital equipment. Policy details are organized into capital equipment asset life-cycle stages: (I) acquisition of assets, (II) tagging and physical inventory tracking and (III) final dispositions. In addition, this policy includes detail on the Department Property Administrator role (section IV).

I. Acquisition of Assets

- A. All capital equipment asset purchases must be placed on institutional inventory records regardless of their funding source(s) or ownership title (Federal or University).
- B. Gifts in Kind (GIK) are non-monetary gifts, which if they meet the definition of capital equipment assets, must be added to institutional records. Book value must be based on a written estimated fair value of the GIK.
- C. With prior approval from their Division's business office, departments hiring new research-related employees can execute a Transfer-In of existing capital equipment assets without purchase from the new hire's former institution. Departments of new hires who negotiate a transfer-in of capital equipment asset(s) must notify their DPA and Property Control of the incoming item(s).
- D. With prior approval from their Division's business office, departments hiring new research-related employees can purchase existing capital equipment from a new hire's prior institution. Departments must requisition such purchases through Purchasing Services within the Division of Business Services.
- E. Fabricated capital equipment expected to cost \$5,000 or more must be declared in advance to Property Control through a fabrication request so that a Fabrication ID number is established and referenced for all future qualified expenditures. Upon putting the fabrication into service, the asset's responsible person must notify their designated DPA and Property Control so that the asset can be tagged and the accumulated value moved from a Fabrication in Progress account into a Capital Equipment account and begin depreciation.
- F. Upgrades (purchased or fabricated) costing \$5,000 or more to existing capital equipment assets can be capitalized only if the upgrade results in one or more of the following:
 - a. A substantial increase in the functionality of equipment which allows it to function or perform tasks that it was previously incapable of performing.
 - b. A substantial increase in the efficiency of the equipment, that is, an increase in the level of service provided by the equipment.

The record of the qualified upgrade must be linked to the original asset and its corresponding asset tag, but the upgrade will depreciate under its own separate schedule.

II. Tagging and Physical Inventory Tracking

- A. All capital equipment must be tagged with the appropriate asset ID tag (Federal or University owned), and records completed in the central asset management system when the asset, whether purchased or fabricated, is put into service.
- B. Asset tags must be placed on a routinely visible location of the asset. Capital equipment that is designated as "untaggable" must still have inventory records completed in the central asset management system.

- C. Effective July 1, 2017, a physical inventory of all capital equipment within the custody of UW-Madison must be completed every year. Any discrepancies between quantities or locations determined by the physical inspection and those shown in the central asset management system must be investigated to determine the causes of the discrepancy and reconciled.
- D. Departments have up to 15 business days from the last physical inventory or audit to locate items if they were not found in their last documented location.
- E. An asset should be reported as lost only after a concerted effort has been made to find it. Property Control will remove items from active records as lost with a written request from the Department Chair/Dean or Director.
- F. Any capital equipment asset that was previously reported as missing and subsequently deactivated in the central asset management system, if found later, must be reactivated. A new asset tag should not be issued unless the original asset tag is missing.
- G. In between physical inventories, the DPA must update asset records upon knowledge of any known capital equipment relocations or a permanent change of custody to another UW-Madison department.
- H. An asset loan agreement must be obtained through Property Control for any capital equipment asset placed at a non-UW-Madison location for 30 days or more.

III. Final Dispositions

- A. Departments must receive written approval from Property Control prior to disposition of capital equipment. Allowable retirement reasons and specific guidance for the dispositioning of capital equipment assets are outlined in a set of procedures.

Disposition includes:

- Surplus
- Transfer to departing employee's new institution with ongoing sponsored project
- Sell / move to departing employee's new institution
- Cannibalize
- Trade-in
- Return to vendor
- Deliver per contract
- Lost
- Stolen
- Destroyed
- Record-keeping error
- Unallowable dispositions

IV. Department Property Administrator

- A. Every campus unit (school, college, administrative unit) must designate at least one Department Property Administrator (DPA). Property Control will formalize this designation through an agreement with the DPA and unit senior financial officer.
- B. The DPA must manage capital equipment for his or her individual unit(s) for the equipment's entire lifecycle, from arrival on campus through final disposition. Personnel designated as DPAs must undergo training and certification, administered by Property Control.

Consequences for Non-Compliance

Failure of any employee to comply with this policy may result in disciplinary action up to and including dismissal based on the severity of the action or non-action of the employee(s). Incidents related to fraud may be referred to the police for further investigation and action.

For DPA's, consequences may also include revocation of their DPA agreement and re-assignments of property administration duties.

Researchers should be mindful that failure to follow federal guidelines could result in loss of future research funding.

Supporting Tools

Wis. Stat. s.36.11

UW System FPPP 33 - Accountability for Capital Equipment

White House OMB Uniform Grant Guidance § 200.313 (d) - Equipment

Definitions

1. **Asset Loan** - A UW-Madison capital equipment asset that will temporarily reside for 30 days or more at a location not directly part of UW-Madison.
2. **Asset Tag** - A bar-coded tag that is affixed to an asset signifying that the item is a capital equipment asset and whether it is titled to UW-Madison or a Federal Government agency.
3. **Asset Trade-In** - An active asset is relinquished to a vendor in exchange for the reduction in price towards the purchase of new similar asset.
4. **Cannibalization** - An asset is removed from active service (retired), but remains on campus for the purpose of supplying spare parts for another (same or similar) piece of equipment that's still in service.

5. **Capital Equipment Asset** - An acquisition qualifies as capital equipment if it meets these four criteria:
 - a. Item has a per-unit acquisition cost of \$5,000 or more before any applicable trade-in allowance, or qualifies as a fabrication with a cost of \$5,000 or more.
 - b. The acquired item has a useful life expectancy of one year or more.
 - c. The item is moveable; that is, it is not permanently affixed to a building or another object in such a way as to lose its unique identity.
 - d. The item is an inanimate object, typically used to perform tasks (e.g. research, grounds-keeping, farming, transportation, etc.). Items like artwork, animals and most software are not considered capital equipment assets.
6. **Chief Financial Officer (CFO)** – the senior leader within the Division who’s primarily responsible for oversight and management of the Division’s financial activities.
7. **Fabrication** - Purchases of component parts and direct labor that are custom joined to create an asset not commercially available, and is capitalized together as one asset. To meet this definition, component parts must work together to perform one function. Each component part must be necessary for the asset to function, i.e. removal of any part would result in the asset not operating at capacity or for its intended purpose. Software can be considered a fabrication component only if the software is integral to the control and operation of the fabricated asset, i.e. without the software the fabricated asset will not function for its intended use.
8. **Gift in Kind** - A non-monetary gift received by the University to be used in operations.
9. **Move** - For purposes of this policy, a move is defined as a zero-dollar sale to a new institution that results in a transfer of title, possession and accountability for the equipment from UW-Madison to a new academic institution. At UW-Madison, moves can only be done in cases where a researcher is departing for the new academic institution. In any other situation, equipment must be declared as surplus.
10. **Sale** - For purposes of this policy, a sale is defined as a transaction in which title to equipment, possession and accountability is relinquished in exchange for a sale price. At UW-Madison, sales can only done in cases when a researcher is departing for a new academic institution. In any other situation, equipment must be declared as surplus.

11. **Surplus** – Any item that:
 - a. does not function anymore;
 - b. is obsolete;
 - c. is not useful; or
 - d. is not needed in the foreseeable future.

12. **Transfer-In** - For purposes of this policy, “transfers-in” is capital equipment received from an incoming employee’s prior institution (usually from another university). This used equipment may transfer-in without purchase to UW-Madison, or could have an exchange of funds under limited circumstances.

13. **Transfer-Out** - For purposes of this policy, transfer-out is defined as a transfer of title and accountability for equipment to a new institution. At UW-Madison, transfers can only be done in cases when a researcher is departing for a new institution with an ongoing sponsored project that will be moved there, and the sponsored project paid for the capital equipment asset.

14. **Upgrade** - For purposes of this policy, an upgrade refers to substantial improvements costing \$5,000.00 or more. Upgrades may be fabricated or purchased complete. To be considered a capital equipment upgrade, the upgrade must result in one or more of the following:
 - a. A substantial increase in the functionality of equipment which allows it to function or perform tasks that it was previously incapable of performing.
 - b. A substantial increase in the efficiency of the equipment, that is, an increase in the level of service provided by the equipment without the ability to perform additional tasks.

15. **Untaggable Asset** - A capital equipment asset that is not compatible with being tagged due to special circumstances (e.g. asset too small for the tag, would adversely impact asset performance, etc.).

General Responsibilities

Department Property Administrator (DPA) - Serves as the liaison between their department/division and the Property Control Office for matters regarding capital equipment.

Division Chief Financial Officer (CFO) – Coordinates the designation of DPA(s) for their division and provides oversight and support to the DPAs in execution of their responsibilities.

Office of Research and Sponsored Programs (RSP) - Reviews project proposals on behalf of the Board of Regents, transmits proposals to providers of extramural support, and monitors fund expenditures by PIs. RSP provides Property Control with contract information specifically related to property (capital equipment) title, funding source(s), the dollar amount, and equipment relevant terms and conditions of the sponsored research.

Property Control Office - Responsible for the overall management of capital equipment acquired by and assigned to the University of Wisconsin - Madison in accordance with current state and federal policies. Management duties include establishing and maintaining necessary records to ensure accurate accounting and reporting of all capital equipment in the possession of the University.

Principal Investigator (PI) - Responsible for initiating and conducting extramurally funded research, training, or public service projects. PI is responsible to generally ensure that all federally titled property is exclusively utilized to support research on the contract/grant under which it was acquired. PIs must also support the DPA in performance of their capital equipment asset management duties.

Surplus with a Purpose (SWAP) - Through DOA designated authority, is responsible for disposing of UW-Madison's surplus property. Prior to sending capital assets to SWAP, DPAs must work with Property Control to ensure proper handling of the equipment, especially federally funded/federally titled property, hazardous materials, and other special cases.

Links to Related Policies

UW System Administrative Policy 334 – Accountability for Capital Equipment

<https://www.wisconsin.edu/uw-policies/uw-system-administrative-policies/accountability-for-capital-equipment/>

UW System Administrative Policy 332 – Financial Reporting of Library Holdings

<https://www.wisconsin.edu/uw-policies/uw-system-administrative-policies/financial-reporting-of-library-holdings/>

White House OMB Uniform Grant Guidance § 200.313 (d) - Equipment

<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-313.pdf>