

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

Overview

This procedure describes the types of assets (property) and the associated property information required to be entered by the Buyer at the time a requisition is created for equipment assets purchased at the University of Pennsylvania. When the invoice for the respective Purchase Order (P.O.) is processed by Accounts Payable (A/P) this property information is automatically transferred into the BEN Assets system.

This information is necessary for the proper identification, tracking, maintenance and inventory of the asset once it is acquired.

Responsibilities:

Schools/Centers

PO Manager/Buyer – When purchasing equipment, the Buyer is responsible for selecting the appropriate asset object code (see below) to charge for the asset purchased and for determining and entering the required property information into the property management form (pop-up box) when creating a requisition in Internet Procurement (IP) also known as BEN Buys.

PO Manager/Approver – The PO Manager (can also be the Buyer) is responsible for verifying that the object code is correct and that all required property information has been entered correctly prior to approving the requisition.

Note: The responsibilities identified here relate only to that information required for fixed asset acquisitions which meet the University's capitalization policy and not to the requisition process as a whole.

Property Management Group (PMG)

PMG is responsible for reviewing the invoice transactions from Accounts Payable (A/P) for the purchase of assets and adding these assets to the BEN Assets System. PMG is also responsible for reconciling additions between BEN Assets and the General Ledger (G/L), for reconciling assets pending in the Mass Additions Workbench to the clearing account in the G/L and for monitoring and aging assets that are pending in the Mass Additions Workbench.

Definitions

1. **Equipment** to be capitalized refers to an item of non-expendable tangible personal property with a useful life of more than one year, a cost in excess of \$5,000 per item, excluding freight charges and taxes, and for which the University has title. Equipment

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

may be moveable or fixed. Below are the various types of equipment that may be purchased at the University of Pennsylvania:

2. **Moveable Equipment** refers to equipment which can be easily moved from one area to another and includes items such as furniture, lab equipment, computers, software (other than major systems), etc.

Moveable Equipment should be purchased using the appropriate Moveable Equipment object code:

1870 Furniture and Fixtures Clearing Account

1871 Computer Equipment Clearing Account

1872 Other Capitalized Equipment Clearing Account

3. **Equipment in Process (EIP)** refers to costs incurred for fabricating non-expendable, tangible personal property, that is not available elsewhere, by physically combining or assembling modular components and/or materials into one identifiable unit are considered EIP until the equipment is completed and placed in service. The following do not qualify as EIP:

- Costs incurred for standard items that are altered or customized to make them usable on a project do not qualify as EIP.
- Items that are added to replace existing components or upgrade the asset are not components and should be expensed rather than added to cost of the existing asset.

Before ordering components to be used in fabricating a piece of equipment, the Buyer should contact PMG to have an asset number assigned to the fabricated equipment to which all component costs will be accumulated as the acquisition cost of the asset. To assign the asset number, PMG will need to create an in-process asset within BEN Assets and as such will need to input the required property information related to the equipment being fabricated.

EIP components should be purchased using the **1877** Equipment in Process Clearing Account.

4. **Collectibles** - Rare books, museum collectibles and artwork acquisitions are capitalized at cost plus associated expenses. Rare books and other collectibles are not depreciated.

Collectibles should be purchased using the **1874** Rare Books, Artwork and Collectibles clearing account.

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

Business Procedure

Requisition of Equipment

1. For the purchase of equipment and collectibles via the University's Internet Procurement system, certain object codes must be used to activate the property management form to allow the Buyer to add the additional information required for recording tracking and depreciating such assets in the University's fixed asset system - BEN Assets. These object codes are:
 - 1870 Furniture and Fixtures Clearing Account (previously 1830)
 - 1871 Computer Equipment Clearing Account (previously 1831)
 - 1872 Other Capitalized Equipment Clearing Account (previously 1832)
 - 1877 Equipment in Process Clearing Account (previously 1834)
 - 1874 Rare Books, Artwork and Collectibles Clearing Account (previously 1850-1852, and 1859)

2. The Buyer, when preparing a requisition that uses any of the above listed object codes will be required to input the following information in the property management form (pop-up box):
 - a. **Description** - Defaults from the Penn Marketplace. For equipment items ordered on a Non-catalog requisition, the Description must include an English language description of the item including the Manufacturers name and Model/Serial #.

 - b. **BLDG-FLR-RM** – This is the building, floor and room where the asset will be located upon installation. This information can be selected from a List of Values (LOV) and will be validated against existing building/floor/room combinations in the Facilities Center database. **This is a required field.**

 - c. **Category Code** – This is the code that best describes the equipment purchased (e.g., Office & Lab Furniture, Scientific Equipment, Computer Equipment, etc.). The Category Code is used to determine the useful life of the asset over which it will be depreciated. Although the default is set to a null value, an actual category must be selected from the LOV. **This is a required field.**

 - d. **Responsible Organization** – This represents the 4-digit ORG that owns or is responsible for safeguarding of the asset. This information defaults from the first line of the Purchase Order (PO) but can be modified by the Buyer from the LOV. **This is a required field.**

 - e. **Govt. Retain Title? Y/N** – “Y” should be selected if ownership of the asset remains with the government agency that funds the acquisition of the asset; otherwise “N” should be selected. **This is a required field.**

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

Please note: If the government retains title (Y), the acquisition cost of the asset should not be capitalized using the 187x object code, but instead should be expensed to the appropriate 5xxx object code.

- f. **Custodian of Item** – This is the person within the organization who primarily uses or has primary responsibility for safeguarding the asset. The Buyer should select the Custodian from the LOV which shows the full name and Penn ID of University employees. **This is a required field.**
- g. **Custodian Phone** – This is the telephone number of the Custodian identified above. This is a free-form field which requires the Buyer to enter in the telephone number. The phone number should be at least 12 characters long, including “-‘s”, and should be formatted as follows: ###-###-#### x##, including area code and extension, if applicable. **This is a required field.**
- h. **Tagging Contact** – This is the person responsible for physically tagging the asset (or, alternatively determining that the item is untaggable) and responsible for verifying the information in BEN Assets once the asset has been entered into the system. The Buyer should select the Tagging Contact from the LOV which shows the full name and Penn ID of University employees. **This is a required field.**
- i. **Tagging Contact Phone** - This is the telephone number of the Tagging Contact identified above. This is a free-form field which requires the Buyer to enter in the telephone number. The phone number should be at least 12 characters long, including “-‘s”, and should be formatted as follows: ###-###-#### x##, including area code and extension, if applicable **This is a required field.**
- j. **Component of Existing Asset? Y/N** – Where the item purchased is to be added as a component to an existing asset, the Buyer should select “Y”; otherwise the Buyer should select “N”. This is most often used in instances where the University is fabricating equipment (Equipment in Process) and the components of the main asset are purchased separately. **This is a required field.**

Please note: Where the Buyer is purchasing components, an asset must already be set up in BEN Assets to accumulate the costs of the various components into one asset. This will require the Buyer to contact the PMG in advance when a new piece of fabricated equipment is going to be constructed to set up the asset in the BEN Asset system and have an asset number assigned. See section on EIP below for how to have an asset number assigned.

- k. **Primary Asset Number** – When the answer to “Component of Existing Asset? Y/N” is “Y”, the Buyer must enter the asset number of which the item being

**Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008**

purchased is a component in this field. The Asset Number will be validated against existing assets in BEN Assets. **This is a required field if the answer to the Component field is equal to “Y”.**

Equipment in Process (EIP)

1. EIP assets are equipment that is fabricated by the University. While the equipment fabrication is still in process, the costs of components or materials for the final or “primary” asset will be accumulated in BEN Assets in an “in process” status and will not be depreciated until the asset is completed and placed in service.
2. The School/Center must request PMG to set up the EIP asset in BEN Assets prior to purchasing components for the asset. To do this, the School/Center must contact PMG and using the “Equipment Information Form” available on the PMG website provide the following information:
 - Description (standard English language description that will be used to identify the asset to the School/Center responsible for the asset)
 - Installation Location – Building/Floor/Room (must be a valid location in SPACE)
 - Category Code of the finished asset
 - Responsible ORG (the 4-digit ORG that owns or is responsible for safeguarding of the asset)
 - Does the Govt Retain Title? Y/N – if the government does retain title, costs of the fabricated asset should be expensed
 - Custodian
 - Custodian Phone number, formatted as follows: ###-###-#### x##, including area code and extension, if applicable
 - Tagging Contact
 - Tagging Contact Phone number, formatted as follows: ###-###-#### x##, including area code and extension, if applicable
 - Expected in-service date (this is an estimate and will be entered into BEN Assets for informational purposes only; assets will not be depreciated until PMG is notified that the asset has been placed in service and PMG changes the status of the asset from “in-process” to “capitalized”, at which time the in-service date will be updated to reflect the true in-service date)
3. Once the School/Center has provided the information above to PMG, PMG will create the in-process asset in BEN Assets, which will then assign the asset an Asset Number. PMG will forward the Asset Number to the requestor (usually the Buyer) in the School/Center. This Asset Number should be entered into the property management form (pop-up box) by the Buyer in the field “Primary Asset Number” for any and all components purchased for the equipment item to be fabricated. The “Primary Asset

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

Number” field only becomes active when the question “Component of Existing Asset?” has a “Y” response.

4. It is the School/Center’s responsibility to ensure that costs are properly identified and accumulated for each item of fabricated equipment. On a monthly basis the Schools and Centers with EIP must review their in-process equipment assets to ensure that all costs have been captured in the acquisition cost for the assets. This review should also identify any assets that have been or will be placed in service or to identify in-process assets that were retired before being placed in service.
5. Once the asset has been placed in service, the School/Center must notify PMG of the change in status and the in-service date. Upon such notification, PMG will change the status of the asset from “in-process” to “capitalized” and update the date in service. This will start the depreciation process of the asset. If the asset is disposed of without having been placed in service, the School/Center should notify PMG of such disposal. The School/Center should expense the acquisition cost of the asset by debiting expense (5225 or 5224) and crediting the 1877 Equipment in Process Clearing Account PMG will then record the adjustment to the cost in BEN Assets and retire the asset.

Addition of Equipment to BEN Assets

1. Once the equipment has been received and the invoice from the vendor has been processed by A/P, the equipment charge will be posted to the G/L by A/P. For any transactions posted by A/P to the asset clearing accounts (object codes 187X), A/P will transfer the P.O. and invoice information, including the information from the property form in the original requisition, to BEN Assets. Once this information transfer is made, the equipment information is available to be viewed by PMG in BEN Assets in the Mass Additions Workbench.
2. On a daily basis PMG will review the items in the Mass Additions Workbench of BEN Assets.
 - a. PMG will review the “FA - Purchase Orders Existing in BEN Assets” standard Business Objects query to identify invoices that need to be added to existing assets. PMG will then add these costs to existing assets using the “Add to Asset” button.
 - b. PMG will review of the purchase order/invoice to determine if the asset needs to be merged with another invoice; to determine if the invoice is for multiple units that need to be split into multiple assets; and/or to determine if there are costs that do not qualify for capitalization.
 - c. PMG will also review the amount of funding for any asset purchased with grant funds. The “Research Amount” field is automatically populated with the invoice line amount for any invoice line with an invoice distribution to a 5xxxxx fund. If the invoice line represents a cost adjustment, or component that is to be added to an existing asset, then PMG will notate the amount of grant

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

funding and then add this amount to the amount in the “Research Amount” descriptive flex field of the primary asset.

Please note: For any assets that are merged or split, PMG must determine the amount of grant funding to be combined from the merged assets or to be distributed among the split asset(s) and add this amount to the appropriate asset(s) after they have been created by the “Post Mass Additions” process.

- d. PMG will review any items that have been identified as a component of an existing asset and will add that component to the asset number identified in the “Primary Asset Number” descriptive flex field using the “Add to Asset” button.
 - e. PMG will review any items that have the descriptive flex field “Does Govt Retain Title?” marked as “Y” and follow up with the School/Center purchasing the equipment to ensure that if the University does not retain title to the equipment, the costs are expensed. It is the School/Center’s responsibility to record the entry to expense the costs and clear the clearing account.
 - f. PMG will verify that the following information has been completed for each asset:
 - Category Code
 - Location
 - Description
 - Custodian
 - Custodian Phone #
 - Tagging Contact
 - Tagging Contact Phone #
 - Responsible ORG
 - g. If any information is missing or has become invalid since the requisition was created, PMG must contact the TC or Custodian at the School/Center to obtain the missing information.
3. Once PMG has completed its review of the asset in the Mass Additions Workbench and the item is ready to be made an asset, PMG will change the “Queue” field of the item to “Post”.
 4. Periodically, but at least once a day, PMG will then run the Post Mass Additions process to create the assets. Once the asset has been created, it can be viewed and updated in BEN Assets by the Schools/Centers. Because the Data Warehouse is updated nightly, the asset will not be available for reporting in the Data Warehouse until the day after it has been created in BEN Assets.
 5. BEN Assets will create journals to transfer the acquisition cost for assets created from the Clearing Account (187X) to the Cost Account (182X). These entries will be posted to the G/L at the end of each month when depreciation is run and the current period in BEN Assets is closed.

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

Returns of Assets for Credit

1. When an asset is returned to the vendor a credit memo may be issued by the vendor for the return. This credit is processed by Accounts Payable (A/P) against the asset clearing account (1870, 1871 or 1872) which incurred the original charge.
2. Once the credit from the vendor has been processed by A/P, the credit will be posted to the G/L by A/P. For any transactions posted by A/P to the asset clearing accounts (object codes 187x), A/P will also transfer the P.O. and invoice information, including the information from the property form in the original requisition, to BEN Assets. Once this information transfer is made, the equipment acquisition information is available to be viewed by PMG in BEN Assets in the Mass Additions Workbench.
3. On a daily basis PMG will review the items in the Mass Additions Workbench of BEN Assets.
 - a. PMG will review the “FA – Purchase Orders Existing in BEN Assets” standard query in Business Objects to identify credits that need to be applied to existing assets. PMG will then add these credits to existing assets using the “Add to Asset” button.
 - b. PMG will review of the purchase order/invoice to determine if the credit needs to be merged with another invoice; to determine if the credit needs to be split among multiple assets; and/or to determine if the credit relates to costs that did not qualify for capitalization.
 - c. PMG will also review the amount of funding for any asset purchased with grant funds. The “Research Amount” field is automatically populated for any credit invoice line with an invoice distribution to a 5xxxxx fund with the credit invoice line amount. If the invoice line represents a cost adjustment or credit, then PMG will notate the amount of grant funding and then reduce the amount the amount in the “Research Amount” descriptive flex field of the primary asset by this amount.

Please note: For any credits that are merged or split, PMG must determine the amount of grant funding to be combined from the merged credits or to be distributed among the split asset(s) and apply this credit amount to the appropriate asset(s) after they have been created by the “Post Mass Additions” process.
 - d. PMG will review any credits for items that have been identified as a component of an existing asset and will apply that credit to the asset number identified in the “Primary Asset Number” descriptive flex field using the “Add to Asset” button.
 - e. PMG will review any items that have the descriptive flex field “Does Govt Retain Title?” marked as “Y” and follow up with the School/Center purchasing the equipment to ensure that if the University does not retain title to the equipment, the costs are expensed. It is the School/Center’s responsibility to record the entry to credit the expense account and clear the clearing account.

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

4. Once PMG has completed its review of the asset in the Mass Additions Workbench and the item is ready to be made an asset, PMG will change the “Queue” field of the item to “Post”.
5. Periodically, but at least once a day, PMG will then run the Post Mass Additions process to adjust the assets. Once the asset has been adjusted, the adjustment can be viewed in BEN Assets by the Schools/Centers. Because the Data Warehouse is updated nightly, the adjustment will not be available for reporting in the Data Warehouse until the day after it has been created in BEN Assets.
6. BEN Assets will create journals to transfer the credit for any asset whose cost is adjusted from the Clearing Account (187x) to the Cost Account (1821), reducing the asset cost. These entries will be posted to the G/L at the end of each month when depreciation is run and the current period in BEN Assets is closed.
7. On occasion, the refund may be less than the acquisition cost of the asset. In these instances, the School/Center that owned the asset should prepare a manual journal entry to charge (debit) expense (5224 Non-Capitalized Computer Equipment & Peripherals or 5225 Other Non-Capitalized Furniture/Removable Fixtures/Equipment) and reduce (credit) the asset clearing account (1871 Moveable Equipment Clearing Account) for the difference between the acquisition cost of the asset and the amount of the refund. PMG will then make an additional cost adjustment to reduce the acquisition cost of the asset to zero since the University no longer owns the asset. PMG will also maintain documentation of the cost adjustment, including authorization for the cost adjustment. See PP&E Procedure “Acquisitions: Manual Journal Entries to Clearing Accounts, Returns, Cash Refunds for Returns of Assets and Trade-ins” for more details.

Reconciliations

1. On a monthly basis, PMG will reconcile the assets in the Mass Additions Workbench with the balances in the clearing account in the G/L. Any reconciling items must be reviewed and addressed promptly. Reconciling items should be aged and should be cleared within 90 days.
2. On a monthly basis, PMG will reconcile the acquisition cost of assets in BEN Assets with the balances in the cost accounts in the G/L. Any reconciling items must be reviewed and addressed promptly. Reconciling items should be aged and should be cleared within 90 days.
3. On a monthly basis, PMG will reconcile the new assets created in BEN Assets with the activity in the G/L. Any reconciling items must be reviewed and addressed promptly. Reconciling items should be aged and should be cleared within 90 days.

Plant, Property and Equipment Procedure
Acquisitions: Assets Purchased via BEN Buys
Effective: March 2008

4. At the end of each month PMG will reconcile the acquisition cost of in-process assets in BEN Assets with the balance in the 1826 Equipment in Process account in the G/L. Reconciling items should be aged and should be appropriately addressed and cleared within 90 days.
5. PMG will add current month additions to the Plant Rollforward schedule