

Plant, Property and Equipment Business Process/Procedure
Acquisitions: Capital Project Close Out
Effective: March 2008

Overview

To describe the procedure for capitalizing construction projects once they are substantially completed or closed out.

Responsibilities:

Schools/Centers

Senior Asset Administrator (SAA)

The Asset Administrator is responsible for obtaining all necessary information required (Description, Location (Building, Floor, and Room), Responsible ORG, Custodian, Tagging Contact, etc.) to add any moveable equipment acquired and capitalized through construction projects. The SAA is responsible for distributing the tags to Tagging Contact and ensuring that all equipment is tagged. The SAA is also responsible for verifying that all the School/Center's equipment is tagged or identified as untaggable and that tag numbers are updated in the assets in BEN Assets after the equipment is tagged.

Asset Administrator (AA)

The AA is responsible for updating tagging status from "Ready for Tagging" to "Tagged" or "Untaggable", and entering the tag number into BEN Assets for any tagged equipment upon notification of tagging status and tag number by the Tagging Contact (TC). The AA may also enter any changes to location, Tagging Contact, Custodian, descriptive information, etc. identified by the TC when the asset has been verified and tagged.

Tagging Contact (TC)

The TC is responsible for physically affixing property tags on moveable equipment capitalized through the CIP process or, alternatively, for determining that the equipment is not taggable. The TC is then responsible for notifying the AA of the tag number assigned to the asset or that the asset should be identified as "Untaggable". The TC is also responsible for verifying, via printed reports, the information in BEN Assets (i.e., location, Tagging Contact, Custodian, descriptive information, etc.) is correct with regard to the asset at the time of tagging and for notifying the AA of any changes.

Facilities and Real Estate Management (FRES)

The Construction Accounting Group in FRES is responsible for reviewing the construction-in-progress (CIP) projects on a monthly basis and notifying PMG that the facility is now occupied. FRES is also responsible for assigning the capitalizable costs of non-research related construction to its various components and for providing this information to PMG to create the assets in BEN Assets. FRES is also responsible for providing documentation to external consultants for buildings with research related activities. Additionally, FRES is responsible for reviewing equipment expenditures on a

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monthly basis and identifying any assets requiring to be capitalized and informing PMG what costs should be capitalized and what costs should be expensed.

Property Management Group (PMG)

PMG is responsible for creating journal entries to close out the project and for adding the building, fixed and moveable equipment assets manually to BEN Assets. Upon receipt of information from FRES, PMG should coordinate the componentization with external consultants for buildings with research related activity. PMG should also capture the grant funding information at the time of entry into BEN Assets.

Business Procedure

1. Capital projects include new building construction, or building addition, expansion, enlargement or extension and replacement that increase the useful life of an asset. Only those projects with a project cost over \$100,000 will be capitalized. These assets may be created for a substantially completed project and/or for a project which has been completed and for which a Final Certification has been issued by Office of the Treasurer.
2. Expensing of project costs – Certain costs incurred during the construction of an asset are not capitalizable and should be expensed as incurred. These costs are recorded as part of the capital project in certain 19xx object codes that are then automatically closed out to expense at the end of each month.
3. “Close out” refers to moving costs that have been recorded in construction in progress (19xx object codes in the 000010 fund) to either a capitalized asset (1879 Building and Fixed Equipment Clearing Account or one of the 1870-1872 moveable equipment clearing accounts) when the asset is substantially complete or to expense (5225 Other Non-Capitalized Furniture/Removable Fixtures/Equipment or 5408 Non-Capital CIP Close-Out) as incurred.

4. Creation of Building and Fixed Equipment Assets

- a. On a monthly basis, FRES will review open construction projects and identify which projects are substantially complete and should be capitalized. Projects that are substantially complete are those which are ready for occupancy.

Please note: Projects may be capitalized even though final payment has not been made on the project.

- b. FRES notifies PMG that the project is ready to be closed out so that PMG can record the project close out in the General Ledger (G\L) and can add the asset in BEN Assets.

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- i. ***Non-Research Facilities*** - For projects with non-research related activity ready to be capitalized, FRES will review for Payment of Applications and other invoices related to the project from contractors and assign the costs of the project to the various components of the facility or renovation project, such as roof, HVAC, interior construction, etc. FRES will forward this information to PMG along with the supporting documents.
 - ii. ***Research Facilities*** - For projects with research related activity ready to be capitalized, FRES will provide all supporting documents related to the project to the University's external consultant who will then assign the capitalizable project costs to the facility's various components.
 - c. Once the Final Certification is prepared and final payment on the project has been made, FRES will review invoices that have been received since the project was initially capitalized to the time of final payment.
 - i. ***Non-research projects*** - As above, FRES will review non-research projects and forward the costs by component to PMG to add to the existing assets in BEN Assets.
 - ii. ***Research projects*** - For research projects, FRES will provide the invoices to the external consultant who will then componentize the project costs and forward the information to PMG to add to the existing assets in BEN Assets.
5. For all projects, both research and non-research, upon notification that the project is ready to be closed:
 - a. PMG creates a manual journal to close out the construction project as specified in the information from FRES to the appropriate clearing account (**1879 Building and Fixed Equipment Clearing Account**).
 - b. From the component information sent by FRES (non- research related activity) and External Consultants (research related activity) PMG creates the assets in BEN Assets (either manually or by an upload via ADI).

Please note: Because the external consultant reviews the research projects on a quarterly basis, there will be a delay in some instances between the time the project is closed out and added to the clearing account in the G/L and the time the asset is created in BEN Assets and the clearing account is cleared in the G/L.

- c. In order to create the asset in BEN Assets, PMG also needs the following information from FRES (Coordinated with SAA in the S/C):
 - Description – a standard English language description that will be used to identify the asset to the School/Center responsible for the asset

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- Installation Location (Building/Floor/Room) - must be a valid location in SPACE
 - Category Code of the 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 asset should be expensed
 - Custodian - this will also be the primary contact for PMG with any questions regarding the asset
 - Custodian Phone number, formatted as follows: ###-###-#### x##, including area code and extension, if applicable
 - Tagging Contact – the person in the School/Center responsible for tagging the equipment and verifying the BEN Assets information related to the asset
 - Tagging Contact Phone number, formatted as follows: ###-###-#### x##, including area code and extension, if applicable
 - In-service date – date asset is placed in service
- d. PMG will then create the asset in BEN Assets based on the information provided by FRES above. In addition to the information provided by FRES, PMG must complete the following fields in the asset record:
- Tagged – PMG will change the Tagged status from “Ready for Tagging” to “Untagged” for all Building and Fixed Equipment.
 - Tagging Date – PMG will enter the current date as the Tagging Date after changing the Tagged status.
 - Research Amount – for capital projects funded by grant funds, PMG, in conjunction with ORS, will allocate the grant funding among the appropriate building and fixed components in accordance with the grant requirements.
 - Capital Program Number – PMG will enter the G/L capital program number in the appropriate field in the Asset Key.
- e. BEN Assets will create journals to transfer the acquisition cost for assets created from the Clearing Account (1879) to the Cost Account (1820). 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.

6. Equipment Purchases as Part of a Capital Project

- a. All moveable equipment purchased using CIP object codes for capitalizable equipment (19xx) will be reviewed by FRES to identify those items that qualify as a capitalizable asset. Those equipment costs which do not meet the University’s capitalization policy are recorded using CIP object codes for expensible equipment (19xx) and are closed-out to an expense object code on

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a monthly basis. For capitalizable equipment, FRES will provide the invoices and property management information (in conjunction with the appropriate School/Center) to PMG so that PMG can create the asset in BEN Assets. The property management information required to create the asset is as follows:

- Description – a 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 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 asset should be expensed
- Custodian - this will also be the primary contact for PMG with any questions regarding the asset
- Custodian Phone number, formatted as follows: ###-###-#### x##, including area code and extension, if applicable
- Tagging Contact – the person in the School/Center responsible for tagging the equipment and verifying the BEN Assets information related to the asset
- Tagging Contact Phone number, formatted as follows: ###-###-#### x##, including area code and extension, if applicable
- In-service date – date asset is placed in service

If the item does not qualify as a capitalizable asset, FRES will then notify PMG of cost to be expensed. PMG will prepare an entry to expense the cost.

- b. Upon notification by FRES, PMG creates a manual journal to close out the equipment purchased as part of the construction project to the appropriate clearing account:

1870 Furniture and Fixtures Clearing Account
1871 Computer Equipment Clearing Account
1872 Other Capitalized Equipment Clearing Account

- c. PMG will then create the equipment asset in BEN Assets based on the information provided by FRES above.
- d. BEN Assets will create journals to transfer the acquisition cost for assets created from the Clearing Account (187x) to the Cost Account (1821). 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.

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Reconciliations

1. PMG will periodically during the month review the activity in the G/L clearing account **(1879 Building and Fixed Equipment Clearing Account)** to identify the Building and Fixed Equipment assets that need to be created.
2. On a monthly basis, PMG will reconcile the acquisition cost of assets in BEN Assets 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.
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.
4. PMG will add current month additions to the Plant Rollforward schedule