

CAMPUS ADMINISTRATORS,

Re: Capitalized Assets (Equipment) Threshold Change Impacts

In follow-up to the campus announcement May 19, 2004 on the Capitalized Asset Threshold Change July 1, 2004, the following identifies the process impacts and some frequently asked questions (FAQ).

Campus Process Impacts

The new equipment threshold will only create a minor change in the purchasing process for campus departments.

- ▶ Purchases for \$2,500 or more must still be processed through the Campus Purchasing Department, as the low value purchasing delegation of authority remains the same.
- ▶ Purchases for equipment costing between \$1,500 and \$2,500 will no longer require a Departmental Equipment Purchase Order to be sent to CAM (Capitalized Asset Management) and the items will not be included on the department inventory.
 - ✓ **The department must take care to use the correct NCA as shown in Question 1 below**, however, as Office of the President requires accurate reporting at year end.
 - ✓ **All of the NCAs previously used for the purchase of equipment have been changed, including Current, Recharge and Plant NCAs.** A complete list of the new NCAs is listed in Question 1 below.
 - ✓ **There are two new NCAs created at the direction of UCOP for the purchase of equipment below \$4,999.** It is important that NCAs be used correctly.
- ▶ As a result of the change in threshold dollars, the number of inventorial items assigned to a department should decrease approximately 50% or more. This decrease will allow department to be able to track all inventorial equipment and to maintain complete records on those items. This does not excuse any department from the responsibility for low value equipment. (See Question 9 below)
- ▶ Only invoices for purchases of equipment costing \$5,000 or more will be paid by CAM. Accounts Payable will pay all other invoices. Using the correct NCA will help facilitate prompt payment. The invoice will still be sent by CAM to the department for approval prior to payment. Approved

invoices must be returned to CAM promptly or CAM should be notified immediately, if the department chooses to postpone payment. The department should also call the vendor with notification that payment will be delayed.

CAM will be migrating to PeopleSoft in August of this year. The change will allow CAM to offer departments some enhancements such as scanning techniques for annual inventories and the ability to track equipment by PI or user. More information will be made available during the coming months.

Below are some of the most frequently asked questions. However, if you still have concerns or questions, please call the Customer Support line at 514-4100, Option 3, Option 2 between 8:00 a.m. and 5:00 p.m. Monday through Friday.

Please make sure that everyone in your department who purchases equipment is aware of the new process and changes.

Jane A. Powers
Manager of Systems and Accounting Operations
Controller's Office

**Capitalized Assets (Equipment) Threshold Change
Frequently Asked Questions (FAQ)**

1. QUESTION: I've heard that there will be new NCAs for equipment. What are the NCAs and when they should be used?

ANSWER: In order to meet the requirements established by UCOP, new NCAs have been established to correlate with the new threshold. Please note that two new NCAs have been created, as required by UCOP, for non-inventorial equipment costing between \$200 and \$1,499 (436225) and non-inventorial equipment costing more than \$1,500 and less than \$5,000 (436230). These NCAs have not been required in the past, but it is important that they be used consistently and accurately as the information is required for calculating indirect costs and for negotiating for State replacement funding.

Please note that all equipment NCAs have been changed due to the change in threshold. You must use the NCAs listed below for any equipment purchases made after July 1, 2004.

<u>NCA</u>	<u>NCA Description</u>
<u>Current</u>	
449010	Inventorial Equipment >\$4,999
449110	Vehicles >\$4,999
449910	Computer Hardware > \$4,999
449235	Software > \$4,999 per copy
449975	Furniture >\$4,999 per item
436230	Non-Inventory EQ \$1,500-\$4,999
436225	Non-Inventory EQ \$200-\$1,499
436235	Software > \$4,999 per copy
<u>Recharge</u>	
447975	Rechg Computer EQ >\$4,999
436638	Rechg Cmptr EQ \$1,500-\$4,999
436635	Rechg Cmptr EQ \$200-\$1,499
<u>Plant</u>	
451350	Inventorial Equipment > \$4,999
451325	Non-Inventory EQ \$1,500-\$4,999
451315	Non-Inventory EQ \$200-\$1,499

Equipment costing less than \$4,999 will not appear on the department's annual inventory list, will not receive a property tag, and will not be tracked. The department will still be required to purchase these items using the NCAs listed above under Current.

2. QUESTION: What NCAs should be used for equipment costing \$5,000 or more?

ANSWER: The procedure for purchasing equipment with a cost of **\$5,000 or more** will remain the same.

<u>NCA</u>	<u>Type of Equipment</u>
449010	Inventorial Equipment > \$4,999
449110	Vehicles > \$4,999
449910	Computer Hardware >\$4,999
449235	Software >\$4,999 per copy
449975	Furniture >\$4,999 per item

3. QUESTION: What about equipment purchased on a contract or grant that specifies a lower threshold for equipment?

ANSWER: If an item costing less than \$5,000 is purchased with sponsored project funds and are defined as inventorial equipment under the terms of the specific agreement; the items should be treated as inventorial equipment.

4. QUESTION: How should proposal budgets be prepared?

ANSWER: Expenditures for equipment items with a unit cost of \$1,500 or more, to be received before December 31, 2005, will be included in the equipment portion of the project budget and will be excluded from the Modified Total Direct Cost (MTDC) base to which indirect cost rates are applied.

Expenditures for equipment items with a unit cost of \$5,000 or more, that are projected to be received on or after December 31, 2005, will be included in the equipment portion of the project budget and excluded from the MTDC base to which indirect cost rates are applied.

5. QUESTION: Does the new equipment rule apply to only purchases made after July 1st? We recently purchased a piece of equipment that was just over \$1,500 and we'd really rather not go through the process of getting tags for it.

ANSWER: All equipment costing \$1,500 or more and purchased before July 1, 2004, will receive a property number and be added to the inventory. Although you will not be required to track or inventory the equipment, it will be depreciated over its normal useful life.

6. QUESTION: After July 1, 2004 can we stop the inventory of items under \$5,000 in value?

ANSWER: The items will no longer appear on your annual inventory list. However, departments are still responsible for the items. In other words, you should still know who has a laptop, digital camera, etc. and should monitor how and where they are used. This is especially true for items that were purchased on a sponsored fund and the specific terms of the agreement (or established sponsor policy) establish a lower inventory threshold (See Question 3 above).

7. QUESTION: How will this affect the process for disposing of unwanted equipment?

ANSWER: The department will still need to complete an Equipment Inventory Modification Request for all items having property numbers and sent to CAM. For several UCOP programs, it is necessary to continue to track items costing less than \$5,000 that have not completely depreciated. CAM will need to monitor and track those items, even though they do not appear on the department inventory and remove items from the database that have been disposed.

8. QUESTION: Is anything except equipment affected by the change?

ANSWER: The threshold for software (per copy cost) will be raised to \$5,000 as will add-to-value items.

9. QUESTION: What does the department need to do as a result of the change?

ANSWER: The greatest and most critical impact to the department will be the change in NCAs for non-inventorial equipment. (See Question 1 above) Other considerations will include tracking of

theft-sensitive items costing \$4,999 or less, marking items that will have property stickers, but will not be included on the inventory, and accounting for all equipment assigned to the department's custody code.

Although Capitalized Assets will not create a list, or track items that may be considered theft-sensitive, the department should remain fully committed to the proper control of all its assets, regardless of the cost. It is recommended that the department custodian or designee carefully track items that may be prone to misuse.

There will be items that currently have a property tag that will be dropped from the department inventory list as of July 1, 2004. It is recommended that some type of signal be used to alert the custodian that the item is no longer considered inventorial. A brightly colored sticker applied next to the tag, but not covering the property number or an application of highlighter on the tag, is effective.

10. QUESTION: How will indirect costs be applied on sponsored grants and contracts?

ANSWER: During FY 2004-05 and FY 2005-06 indirect cost assessment to sponsored (extramurally funded) projects will continue to be applied using the same equipment threshold (\$1,500) as in FY 2003-04. To ensure the proper indirect cost application departments must use the proper NCA's as noted above in Question 1.

Beginning July 1, 2006, expenditures for items costing less than \$5,000 will be considered non-capital equipment and indirect costs will be applied for these items if received on or after July 1, 2006.

11. QUESTION: What if my budget was submitted using the lower equipment threshold but the equipment was received on or after July 1, 2006?

ANSWER: The budget will not be the determining factor for the application of indirect costs. Indirect costs will be applied using the \$5,000 threshold for all expenditures for equipment items received on or July 1, 2006 without regard to the threshold used in preparing the budget. Principal investigators should plan accordingly to ensure equipment is received prior to July 1, 2006.