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Last Approved	N/A	Owner	Karen Wamhoff
Next Review	3 years after approval	Document Area	Vice President and Chief Financial Officer
		Applicability	Saint Louis University Campus Wide

Capital Equipment Capitalization Policy

Responsible University Official: Vice-President and Chief Financial Officer/ David Heimburger

Policy Owner: Director of Accounting/ Karen Wamhoff

Policy Contact: Director of Accounting/ Karen Wamhoff

1.0 Reason for Policy

The purpose of this policy is to outline specific responsibilities and procedures for acquisition, use and disposition of capital equipment, and maintain an accurate inventory of movable capital equipment for financial reporting in accordance with GAAP.
In addition, as a recipient of Federal grants and contracts, the University must comply with the provisions of the Office of Management and Budget which requires fixed asset recordkeeping and periodic verification of capital equipment regardless of the original source of funding. Saint Louis University is required to comply with the capital recordkeeping requirements outlined in the Office of Management and Budget Compliance Supplement 2 CFR Part 200.

2.0 Policy Statement

This policy is established to ensure proper accounting of both university-funded and externally-funded capital equipment. It provides guidance in ensuring accuracy of capital equipment valuation and depreciation expense for the University's financial statements, including indirect cost recoveries for equipment utilized on federal projects.

The Controller's Office is responsible for ensuring that accurate records are maintained for all capital equipment and buildings in accordance with GAAP .

Equipment Acquisition

The Controller's Office is responsible for ensuring all equipment acquisitions are recorded timely in accordance with GAAP. Items charged by departments to trackable spend categories are reviewed for capitalization in Workday. To be capitalized, the equipment must have a useful life of more than two years, an acquisition cost of more than $5,000 per unit, and not be expendable. If capital, the asset will be registered and have accounting assigned before depreciation begins. Generally the first day of the month is utilized as an acquisition date for equipment. All equipment acquisitions must be completed and reviewed by the Controller's Office by each quarter end.

Projects and Construction in Progress

For Capital Projects that have approval (see procedures) for Capital Spending, the Department is responsible for creating projects in Workday. The Controller's Office will approve the project after set-up. The Department is responsible for project expenses and acquiring appropriate expense approvals. The Controller will keep the Construction in Progress list up to date. Once the project is completed and closed, it is the department's responsibility to make the Controller's Office aware of this completion. The Controller's Office will then place the project in service as a Capital Asset within the period placed in service.

Physical Inventory

The University is required to perform a full physical inventory of its capital equipment, and a subsequent reconciliation to the recorded assets in Workday, at least once every two years, in accordance with OMB Uniform Guidance and GAAP. The full physical inventory of capital equipment usually takes place in the Spring, before the close of the fiscal year. Departments are responsible for physically locating, inspecting and confirming the existence of each piece of equipment. The Controller's Office is responsible for reconciling with the assets' records in Workday and updating accordingly. The Controller's Office will work with the departments to resolve any errors or discrepancies. The updates in Workday are required to be completed by June, the University's year end. Failure to comply will result in escalation to the Department's Dean and/ or Vice-President.

Please note: if a location of capital equipment is moved temporarily (shorter than 60 days) no update in Workday is required.

Capital Depreciation

Buildings and equipment are stated at cost, less accumulated depreciation. Land is stated at cost at the date of acquisition or estimated fair value at date of contribution. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated on the straight-line basis.

Depreciable lives are as follows:

- 40-50 years for buildings,
- 10-35 years for building improvements, and
- 3-15 years for equipment.

The Controller's Office is responsible for recording depreciation expense monthly.

Disposal of Equipment

Departments are required to notify the Controller's Office whenever equipment is disposed of within 90 days of the disposal and by fiscal year end.

Transfer of Capital Equipment within SLU

Equipment being moved from one location, cost center, grant, program, gift, etc to another should be communicated to the Director of Accounting to ensure Workday is appropriately updated for the correct location as well as to avoid issues during the physical inventory. If equipment is being moved temporarily (60 days or less), no update is required.

3.0 Scope

This policy applies to all operating units of Saint Louis University, excluding Saint Louis University-Madrid, including all faculty, staff, students, volunteers, and other workforce members not otherwise identified.

4.0 Procedures

Procedures will be added at a later date.

5.0 Sanctions

Individuals who fail to comply with this policy and the procedures associated with it may be subject to disciplinary actions guided by the University's *Staff Performance Management Policy*, *SLU Faculty Manual (St. Louis Campus)*, or *Student Handbook*. Non-compliance with this policy may result in disciplinary action, up to and including separation from the University.

6.0 Responsibilities

The Controller's Office responsibilities are as follows:

- Ensuring equipment acquisitions have the proper approvals
- Ensuring equipment acquisitions are recorded timely in accordance with GAAP;
- Ensuring items charged by departments to trackable spend categories are reviewed for capitalization in Workday;
- Ensuring equipment acquisitions are reviewed by each quarter end;
- Reconciling the assets' records in Workday and updating accordingly;
- Working with the departments to resolve any errors or discrepancies during the physical inventory observation;
- Escalating failure to comply to the Department's Dean and/ or Vice-President; and
- Determining depreciation and recording depreciation expense monthly.

The Departments responsibilities are as follows:

- Obtaining proper approvals for capital spend
- Charging equipment acquisitions to trackable spend categories;
- Physically locating, inspecting and confirming the existence of each piece of equipment;
- Notifying the Controller's Office whenever equipment is disposed of within 30 days of the disposal and by fiscal year end; and
- Communicating to the Controller's Office equipment being moved from one location, cost center, grant, program, gift, etc to another within 30 days of change.

7.0 References

University Policies Including But Not Limited To:

Non-Retaliation Policy

Reporting Concerns of Misconduct Policy

Staff Performance Management Policy

University Resources Including But Not Limited To:

Asset Disposal Transfer Form Equipment Information Form

SLU Faculty Manual (St. Louis Campus)

External Resources Including But Not Limited To:

Single Audit Act of 1984
Single Audit Act Amendments of 1996
OMB circular A-133, Compliance Supplement, 2 CFR Part 200 subpart F AICPA ASC 350-40.

8.0 Definitions

Acquisition Cost: The acquisition cost of a piece of equipment is defined as the net invoice price including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired. Ancillary charges, such as duty, in-transit insurance, freight and installation are included in the acquisition costs.

Building Costs: Building costs are capitalized in the following categories for projects with a life of more than two years and an acquisition cost of $10,000 or greater.

- Buildings purchased by the University are capitalized.
- New construction includes the erection of a new asset or the addition, expansion or extension of an existing asset that adds to its overall external dimensions.
- An alteration is a modification of an existing asset so that it may be used for a new purpose.
- A renovation is the total or partial upgrade of a facility to higher standards of quality or efficiency than originally existed.
- Renewal and Replacement costs overhaul and restore a facility so it may be effectively used for its current purpose.
- The final category in which building costs are capitalized is building subsystems such as plumbing, roofing, electrical, and HVAC.
- Costs for recurrent work required to preserve or prevent damage to a facility is considered maintenance and is not capitalized.

Computer Software Developed: The accounting for the costs of Computer Software Developed or Obtained for Internal Use is addressed by ASC 350-40 (formerly Statement of Position (SOP) 98-1) issued by the AICPA. There are three stages of development; the preliminary project stage, the application development stage and the post-implementation operation stage.

- Internal and external cost during the preliminary project stage should be expensed as incurred. These include costs associated with assessing needs, determining technology requirements, and selecting a vendor or consultant.
- Internal and external cost during the application development stage may be capitalized. This phase includes design, including software configuration and interfaces, coding, installation to hardware, and testing. Costs that may be capitalized during the application development stage include external direct costs of materials and services in developing or obtaining internal-use software. Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of their time spent directly on the project, may be capitalized. Travel expenses incurred by employees in their duties directly associated with developing the software may be capitalized.
- Post-implementation/operation stage costs should be expensed as occurred. These include training costs and application maintenance.
- Data conversion costs should be expensed. These may include purging or cleansing of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new/additional data, and conversion of old data to the new system. Training, maintenance, overhead, and general and administrative costs should be expensed.
- Upgrades and enhancements can be capitalized following the same model as long as there is additional functionality, i.e., modifications enable the software to perform tasks not previously available.

Construction in Progress: Construction in progress consists of construction expenditures for physical properties that have not yet been placed in service.

Equipment: Equipment is defined as an article of non-expendable, tangible personal property, including information systems, having a useful life of more than two years and an acquisition cost of $5,000 or greater per unit.

Financial Accounting Standards Board (FASB) Accounting Standards Codification: The source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities.

GAAP: Generally accepted accounting principles in the United States

9.0 History

This is a new university policy.

Attachments

[Disposal.transfer template 2.xlsx]

[image1.jpeg]

[image3.png]

[image4.png]

[image5.png]

[image6.png]

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[New EIF template.xlsx]

Approval Signatures

Step Description	Approver	Date
Chief Policy Officer hold before ULC to make required edits	Michael Reeves	Pending
Policy Review Committee	Michael Reeves	9/13/2024
Policy Review Committee	Karen Wamhoff	9/3/2024
Chief Policy Officer review before PRC	Michael Reeves	9/3/2024

Applicability

SLUCare, Saint Louis University