



HARVARD UNIVERSITY FINANCIAL POLICY

Responsible Office: Office for Sponsored Programs
Effective Date: July 1, 2007
Revision Date: December 26, 2014

Capital Equipment Policy for Schools with Sponsored Research

Policy Statement

This policy provides guidance for the management and control of capital equipment either that is owned by the University, titled to the University, under the custody of the University, or for which the University is accountable to the federal government or other sponsors. Capital equipment is an asset of the University that should be safeguarded and used for University programs and purposes.

This policy, in conjunction with the Financial Management of Facilities and Equipment policy, governs the treatment of capital equipment in any schools that has sponsored research.

To the extent there is any inconsistency between Harvard's policies and the terms and conditions of a sponsoring agency's award under which equipment is provided, the more restrictive of the two shall govern.

Reason for Policy

The University receives funding for sponsored projects from external sources, including significant funding from the federal government. The University must properly classify, safeguard, and depreciate equipment. In addition, certain sponsors may have capital equipment requirements in the terms and conditions of the award.

Federal regulations and guidance include:

- OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200 (Uniform Guidance)
- Federal Acquisition Regulations (FAR), parts 45 and 52.245
- Defense Federal Acquisition Regulation Supplement (DFARS)
- Department of Energy Financial Management Handbook, Chapter 10

Who Must Comply

All schools that accept federal funding must comply with this policy and are required to employ equipment management practices that meet the requirements of the Uniform Guidance.

Procedures

The following procedures relate to acquisition, records, and disposal of capital equipment. To meet the capitalization requirements, equipment must have an acquisition cost of \$5,000 or more and a life expectancy of three years or more. Capital equipment is recorded on the University's general ledger as a capital asset and expensed to the appropriate capital equipment object code. Each school is responsible for any school-specific procedures and forms.

I. Acquisition/Purchase

Types of costs that may be capitalized as equipment:

The following costs are applied towards the \$5,000 acquisition cost and should be capitalized with the equipment.

- Any initial modifications, attachments, accessories, or auxiliary apparatus that are necessary to make an item of capital equipment useable for its acquired purpose
- Shipping charges, protective in-transit insurance, freight, and installation costs
- Upgrades, modifications, or enhancement parts that increase the useful life of the equipment by one year or more

Types of costs that *may not* be capitalized as equipment:

- Equipment repair costs
- Separate warranty costs or maintenance contracts
- Demolishing or dismantling costs
- Spare or replacement parts

II. Multi-Component Equipment and Fabrications (also known as Work in Progress or WIP)

Equipment may be a stand-alone unit or a system of parts that function as a unit.

Multi-Component Equipment

Multi-component equipment is comprised of individual pieces of equipment or material items that are connected together to operate as a system. Component pieces that individually cost less than the capitalization level but, when combined, exceed the capitalization level, shall be capitalized when purchased for one functional unit. Component pieces can be purchased from separate vendors and/or with separate invoices.

Multi-component equipment is distinguished from fabrications (discussed below) in that multi-component equipment does not generally require construction or assemblage over time.

Fabrications (WIP)

A fabrication is equipment that is constructed or developed by combining parts or materials into one identifiable unit. To be considered a fabrication:

- All component parts must work together as one unit;
- The aggregate cost of all parts in the completed unit meet the \$5,000 capital equipment threshold; and
- The completed fabrication has a useful life of three years or more.

Individual components acquired during a fabrication project are considered equipment regardless of their unit costs. For example, three parts of a robotic arm each costing \$2,500 would accumulate to one \$7,500 capital asset.

There are several steps involved in creating fabrications and placing fabrications in service:

1. Fabrication Approval

A Fabrication Request Form, or equivalent documentation, is completed by the department administrator or Principal Investigator at the beginning of each fabrication project.

2. Acquiring Parts for a Fabrication

Fabrications require the purchase of component parts and/or materials over time. Fabrication costs are charged to individual fabrication accounts (identified by tag number or unique coding) using the appropriate fabrication object code. Only costs integral to the fabrication should be charged to a fabrication account for capitalization. Integral parts include any piece or material that becomes a permanent part of the fabrication, any supply necessary for the fabrication, and any internal or external shop service fees.

3. Completing a Fabrication

When a fabrication is sufficiently developed, is available for use or is producing science **and** meets the capitalization threshold, it should be “placed in service” also known as “PIS” (i.e., considered active equipment for depreciation). Schools are responsible for notifying Financial Accounting and Reporting (FAR) when a fabrication should be placed in service by submitting the [*“Notification of Completion of Capital Equipment Fabrication”*](#) form.

A fabrication’s construction period is generally set by the scope of the sponsored project, however, tubs should review the status of all in-progress fabrications at least every 6 months. Projects that haven’t incurred charges after 6 months should be reviewed and placed into service or written off if they are impaired and will not be utilized. Exceptions should be carefully reviewed, but if there is a compelling reason to extend the WIP period, please notify FAR for review. For additional guidance, see the Equipment Work in Progress section of Appendix B. If work on the fabrication ends and the capital threshold of \$5,000 is not met, the fabrication account must be closed and the asset must be disposed.

4. Adding Additional Expenses to a Completed Fabrication

After a fabrication has been placed in service any additional costs should be expensed as incurred. In some instances, additional costs represent an upgrade and may be capitalized as such. For costs to be considered a fabrication upgrade, they must increase the useful life by one year or more and add new or additional functionality to the existing fabrication. Fabrication replacement parts or repairs are not considered upgrades.

5. Fabrication Modification/Subsequent Project

After a fabrication has been placed in service, any additional modification or subsequent related project that meet that capitalization criteria should be treated as a separate asset and assigned its own tag number and useful life. The modification or subsequent project’s tag number should be associated with the original fabrication.

III. Equipment Classifications

Capital equipment is classified differently depending on ownership or title to the equipment. Title to or ownership of equipment is determined by the provisions of the sponsoring award, contract, or agency policy. There are four classifications of capital equipment:

1. Sponsored Purchased/University-titled

Equipment purchased in whole or in part with sponsored funds with title vested to Harvard

University is considered “sponsored equipment.” Sponsored equipment purchased with federal funds may be also be considered “exempt equipment.” Title to exempt equipment is conditional and is subject to federal use and disposition restrictions. Equipment purchased with non-federal funds may also be subject to the conditions of the sponsoring agency.

2. Government-titled Equipment (GTE)

Equipment purchased with federal funds with title vested to the federal government is considered “government-titled equipment.” Government-titled equipment may not be disposed or removed from service without approval from the sponsoring agency. Note that sponsors other than the federal government may also reserve title to equipment according to the terms and conditions of the award.

3. Government-furnished Property (GFP)

Equipment in the possession of, or acquired directly by, the federal government and subsequently delivered or otherwise made available to the University under a grant or contract is considered “government-furnished property.” Title to government-furnished property remains with the government, regardless of the equipment’s value. Government-furnished property must be appropriately identified by tag and in GMAS for special reporting requirements.

4. University-Funded Equipment

Equipment purchased with non-sponsored university funds is considered “university equipment.” Title to university-equipment is vested with Harvard University. University equipment is tested as part of the A-133 audit and is generally subject to the same guidelines as sponsored equipment. For policy information related to university equipment, see the main Facilities and Equipment Policy and other accompanying appendices.

IV. Records

Identification of Equipment

Upon receipt of sponsored capital equipment, schools must maintain records that include a description of the equipment, a serial number or other identification number, the source of funding, who holds title, the acquisition date and cost, the location, use and condition status, and any ultimate disposition data. Equipment records must be maintained and updated in such a manner that allows for an item of equipment, whether at Harvard or at an off-campus site, to be located within a reasonable amount of time.

Tagging Equipment

To maintain effective identification of equipment, schools must affix uniquely numbered identification tags to equipment. Tags and tag numbers facilitate the schools' equipment inventory control by enabling individuals to match pieces of equipment to their associated information, as required by federal regulations. In cases where items cannot be physically tagged (e.g., too small, temperature-sensitive, or in cases where the tag would interfere with use or operation), a property record/tag must still be maintained and available for review upon request.

Inventory Control

Federal regulations require any tub with sponsored capital equipment to perform a full physical inventory every two years to verify both the accuracy of equipment records and the existence and current use of these assets. Inventory records must contain information necessary to identify the equipment including equipment description, serial number, acquisition information and location. It is the responsibility of the tubs to perform the federal and University-required inventories and maintain all inventory and equipment records.

V. Disposition

Disposition is the process of removing equipment which has no further University use from inventory. Any piece of capital equipment which has ceased to function or for which the University has no further use must be disposed of and removed from inventory records. Equipment must also follow the dispositional process when it is:

- No longer in use
- No longer the responsibility of Harvard University (e.g. transferred or sold); or,
- No longer part of the inventory of active items.

Equipment purchased with federal or other external sponsor funds is often subject to sponsor-specific disposition restrictions and cannot be disposed without prior approval. Contact the Office for Sponsored Programs for assistance in determining sponsor restrictions.

Information regarding capital equipment items that have been removed from the inventory records must be maintained by the school or department. Ultimate disposition data should include date and description of disposal method (e.g. scrapped, transferred and donated). Fully depreciated assets that are still being used should remain on the inventory records.

Responsibilities and Contacts

Harvard University is responsible for capital equipment in accordance with the provisions of the sponsored project and federal guidelines. Harvard University has a decentralized equipment management practice under which individual schools are responsible for most aspects of sponsored equipment management. Management of capital equipment includes proper record maintenance, safeguarding of equipment, and assurance that disposition or encumbrance of equipment is performed in accordance with federal and other sponsor requirements.

Principal Investigators

Principal Investigators (PIs) are responsible for the management of capital equipment under their sponsored awards and have ultimate responsibility for compliance with this policy and the terms and conditions of the sponsored award. PIs are responsible for tracking equipment used in their lab or under their direction, assisting in the completion of reports and physical inventories, and notifying the department of any changes with respect to condition, location, loss, or damage.

Schools

Schools are responsible for maintaining the school-level equipment management system and all records of capital equipment in their possession. In addition, schools and departments are responsible for using, maintaining, protecting, and disposing capital equipment according to the terms and conditions of the sponsored award through which the equipment was acquired. Schools are also responsible for following University capital equipment policies.

School Subject Matter Experts

Faculty of Arts and Sciences – Jessica McCall

Harvard Medical School – Kelsey Hunt

School of Engineering and Applied Sciences – Laura Smith

School of Public Health - Kathleen Sullivan

Wyss Institute – Corey Duggan

Office for Sponsored Programs

The Office for Sponsored Programs (OSP) is responsible for providing policy and procedural guidance. OSP is also responsible for responding to requests for reports and information from sponsors, auditors and other parties. OSP, on behalf of the schools, submits federal reports to the government including DoD form 1662 and NASA form 1018.

Financial Accounting and Reporting

Financial Accounting and Reporting (FAR), within the Office of the Controller, maintains University-funded capital equipment policies to ensure adherence with Generally Accepted Accounting Principles (GAAP) and other regulatory requirements, to promote consistent accounting treatment across the University, and to ensure the operating results of University units are not misstated as a result of transactions unrecorded or recorded improperly.

Definitions

Acquisition Cost: the cost of an asset including the cost to ready the asset for its intended use. The acquisition cost of capital equipment includes the purchase price of the item, the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for purpose for which it is required, costs necessary to obtain and prepare the asset for use, shipping costs, taxes, protective in transit insurance, and installation. The acquisition cost of donated assets is the fair market value at the time of donation. Acquisition cost does not include repairs, service contracts, or supplemental warranties.

Capital Equipment: moveable, tangible personal property with a useful life of more than three years a per-unit acquisition cost of \$5,000 or more. Capital equipment includes scientific equipment, fabrications, software, and donated assets. Capital equipment is recorded on the University's general ledger as a capital asset and expensed to the appropriate capital equipment object code.

Fabricated Equipment: equipment constructed or developed by combining parts and/or materials into one identifiable unit. The aggregate cost of all parts in the completed unit must meet the \$5,000 capital equipment threshold and must have a useful life of one year or more. Fabricated equipment is also known as "work in progress," "WIP," or a "fabrication."

Government-Furnished Property (GFP): equipment purchased by the government and subsequently delivered to or made available to the University (FAR 45.101).

Government-Titled Equipment: equipment purchased with federal funds and titled to the federal government.

Sponsored Purchased/University-Titled: equipment acquired in whole or in part with federal or other sponsoring agency funds with title vested to Harvard University.

University-Funded Equipment: equipment purchased with non-sponsored university funds. Title to university-equipment is vested with Harvard University. University equipment is tested as part of the A-133 audit and is generally subject to the same guidelines as sponsored-equipment. For additional information related to University-funded equipment, see the Facilities and Equipment Account Policy and accompanying appendices.

Upgrades (also known as betterments): capitalized additions to an item of capital equipment that adds new or additional functionality or extends the useful life by one year or more. Replacement parts or repairs are not considered upgrades.

Related Resources

Government-owned Property Overview and Procedures - provides information on managing government-furnished property (GFP) and government-titled equipment (GTE)

Financial Management of Property, Plant and Equipment Policy – University-wide accounting for all capital assets (including university-owned capital equipment, buildings and land)

University Sponsored Equipment Roles and Responsibilities Matrix- provides guidance to University staff on equipment management roles and responsibilities

Revision History

May 2014	<i>Notification of Completion of Capital Equipment Fabrication</i> form added, recommendation to review fabrications every 6 months added, full list of federally-required equipment records added, definition of acquisition cost revised to include fair market value for donations, and definition of capital equipment added
July 2014	Changed title of policy from “Capital Equipment Policy” to “Capital Equipment Policy for Schools with Sponsored Research.” Adjusted the policy statement to reference the Financial Accounting and Reporting policy and clarify that this policy applied to all equipment (sponsored and non-sponsored) in any school with sponsored research.
December 2014	Updated referenced to OMB Uniform Guidance
November 2015	Updated contacts
January 2016	Added link to University Sponsored Equipment Roles and Responsibilities Matrix