What is the Equipment Capitalization Threshold?

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Background

- Federal government changed the cap threshold to $5,000 in the late 1990's

- Most of our peers have already implemented the change

- MIT explored making the change back in 2007; ONR informed of us of the (onerous) requirements, we moved on...

- Now, as we try to simplify our processes, time to move to "less work" on items under $5,000

Background

- As of 7/1/2013, MIT will begin using a new capitalization threshold of $5000

- The community has been informed

- MIT must inform sponsors of the change in our proposals for the new $5000 threshold to be applied

- For equipment received after 7/1/2013 the application of the old or new threshold will depend whether a "$3K Equipment Threshold" custom element flag is assigned to the WBS by OSP
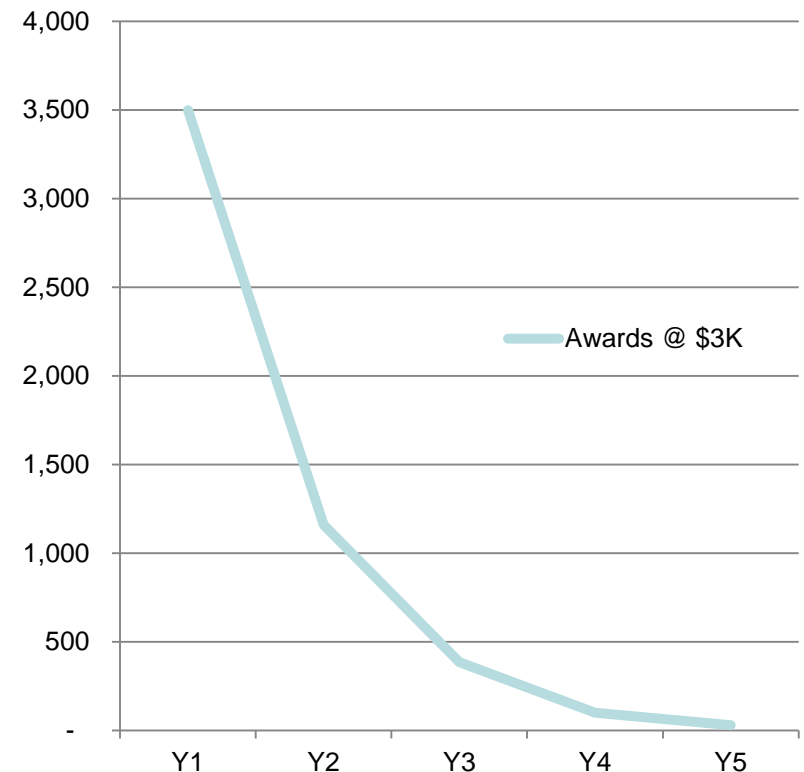
Why Change Now?

- Modernizing our processes

- Keeping up with inflation – 5K in 1998 = over $7K now, while our threshold is only $3K

- Gov't requires tagging (only) for Items over $5K and with a useful life of one year or more.

  - That means 1640 fewer items per year need to be tracked

  - Inventory of items will be smaller and easier for DLCs to kept track of – lowers audit risk

How Will We Do It?

- First "Grandfathering" all current awards – a slow transition…
  - The $3K policy will remain in effect until current awards end, including awards from proposals already submitted.
  - the proposal you submitted last week will be under the $3K policy
  - All awards from these proposals will be flagged in Coeus FLAG = $3K Award

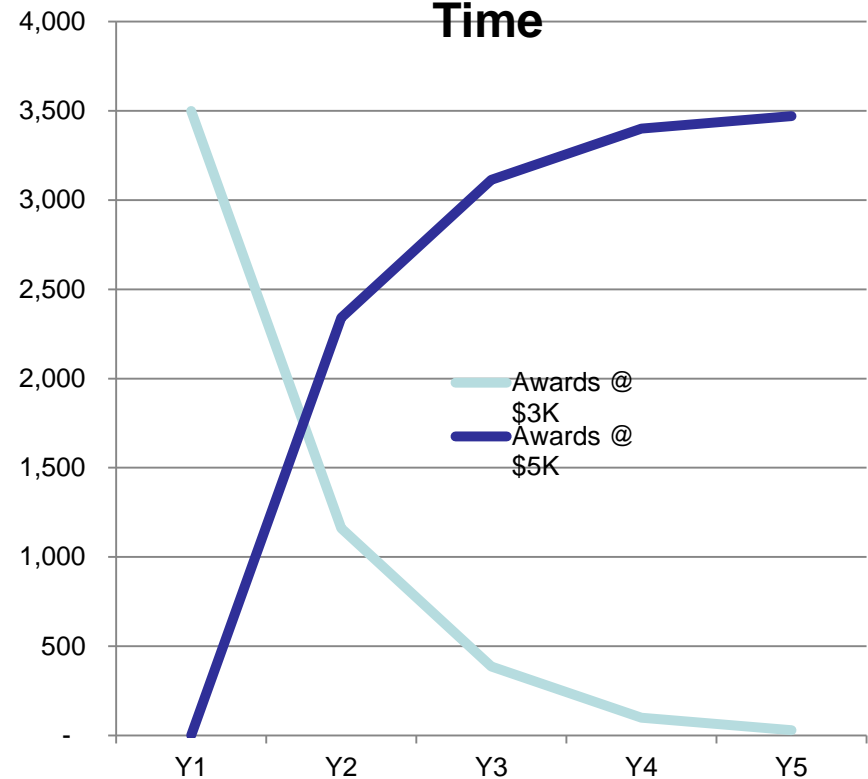**Awards at $3K will expire over time**

Awards @ $3K

How Will We Do It?

- For all awards from proposals submitted after February 1, 2013:
  - For awards beginning after July 1, 2013, all equipment purchases under the $5K threshold
  - **Remember:**
    - **FLAG = $3K**

Awards at $3K and $5K over Time

$3k Equipment Threshold
Custom Element Flag

- The two custom element flag possibilities are:
  - YES (Funding to which $3000 threshold applies)
  - BLANK/NO flag (Funding to which $5000 threshold applies)
- Eventually (after multi year transition) all YES flags on active WBS should become BLANK/NO

File   Details   Maintain   Departmental   Admin   Central Admin   Report   Window   Help

Display Award : 002577-ALA: Sequence : 1

| Award Detail | Other Header | Money and End Dates | Contacts | Reports | Terms | Special Review | Investigator | Key Person | Comments | Subcontracts | Attachments | Other |

3K Equipment Period Ended: 08/31/2013

3K Equipment Threshold: No   No

ARRA Funding:

ARRA Program Source (TAS):

ARRA Sponsor DUNS:

Billing Element:

COI Discl. Req.:

Human Subjects Flag: Unknown   Unkown if this award has human subjects

MIT Major Initiatives:

Prime Award Number:
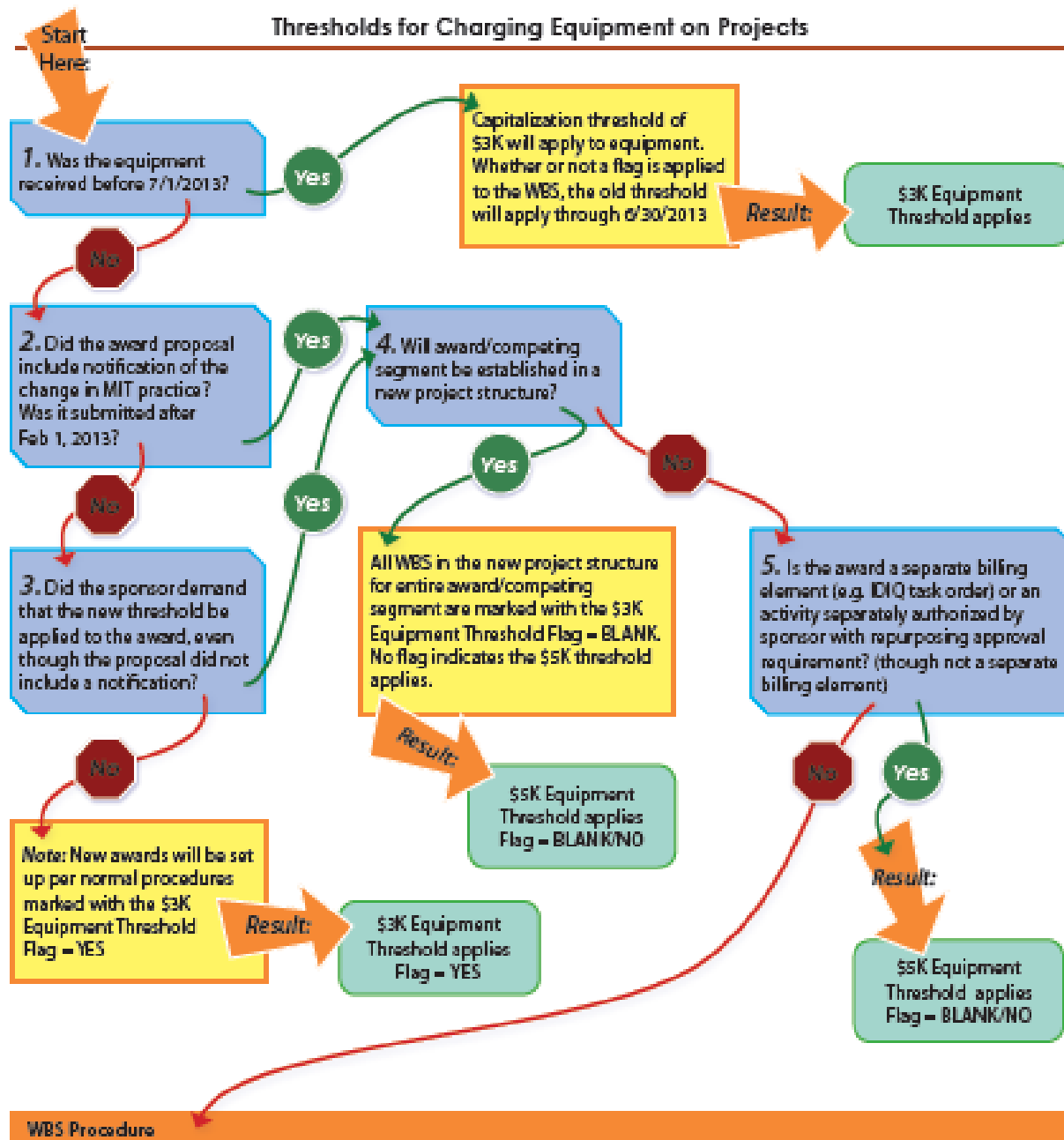
RCR Conf. Rec'd or NR:

Source of Funds:

Subcontract Placed:

Subject to E-Verify:

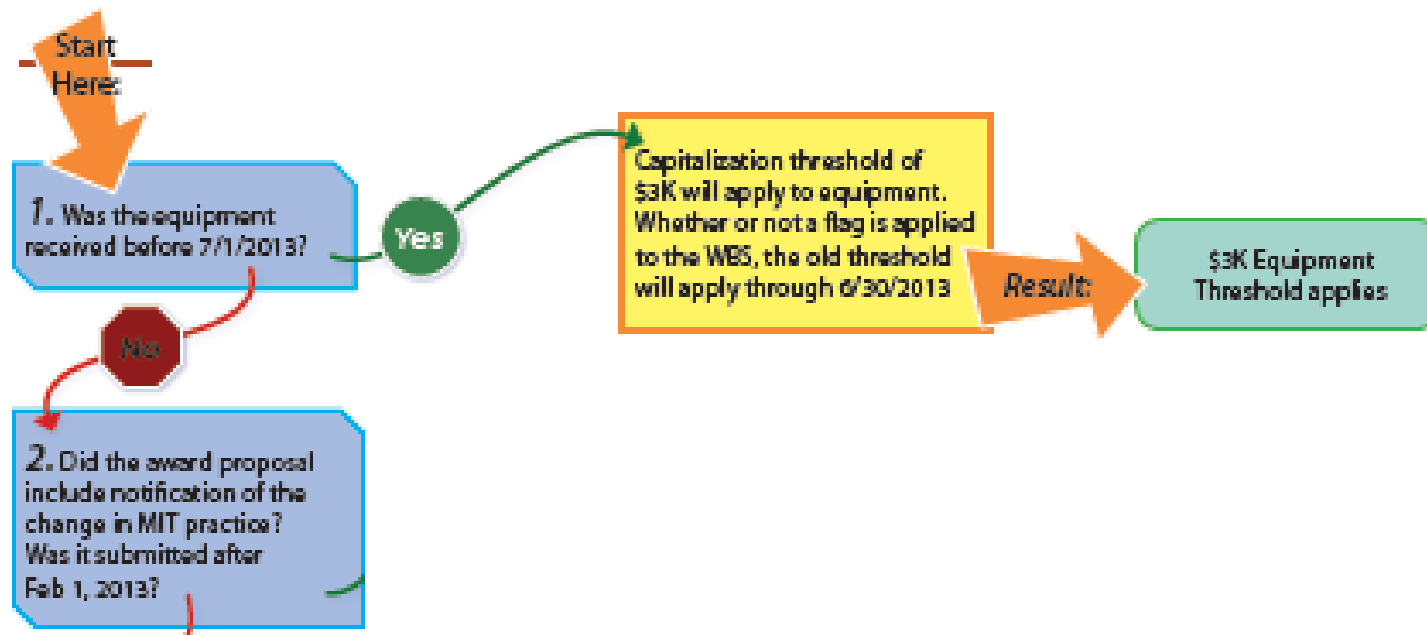**Use of Interest Income:** 0   Undetermined or Non Interest Bearing

W3C Funding Level: MIT Affiliate   7900.00

MIT

Thresholds for Charging Equipment on Projects

Start Here:

1. Was the equipment received before 7/1/2013?

Yes → Capitalization threshold of $3K will apply to equipment. Whether or not a flag is applied to the WBS, the old threshold will apply through 6/30/2013

Result: → $3K Equipment Threshold applies

No ↓

2. Did the award proposal include notification of the change in MIT practice? Was it submitted after Feb 1, 2013?

Yes → **4.** Will award/competing segment be established in a new project structure?

Yes → All WBS in the new project structure for entire award/competing segment are marked with the $3K Equipment Threshold Flag = BLANK. No flag indicates the $5K threshold applies.

No → **5.** Is the award a separate billing element (e.g. IDIQ task order) or an activity separately authorized by sponsor with repurposing approval requirement? (though not a separate billing element)

No ↓

3. Did the sponsor demand that the new threshold be applied to the award, even though the proposal did not include a notification?

Yes →

Result: → $5K Equipment Threshold applies Flag = BLANK/NO

Yes →

Result: →

No ↓

Note: New awards will be set up per normal procedures marked with the $3K Equipment Threshold Flag = YES

Result: → $3K Equipment Threshold applies Flag = YES

No →

$5K Equipment Threshold applies Flag = BLANK/NO
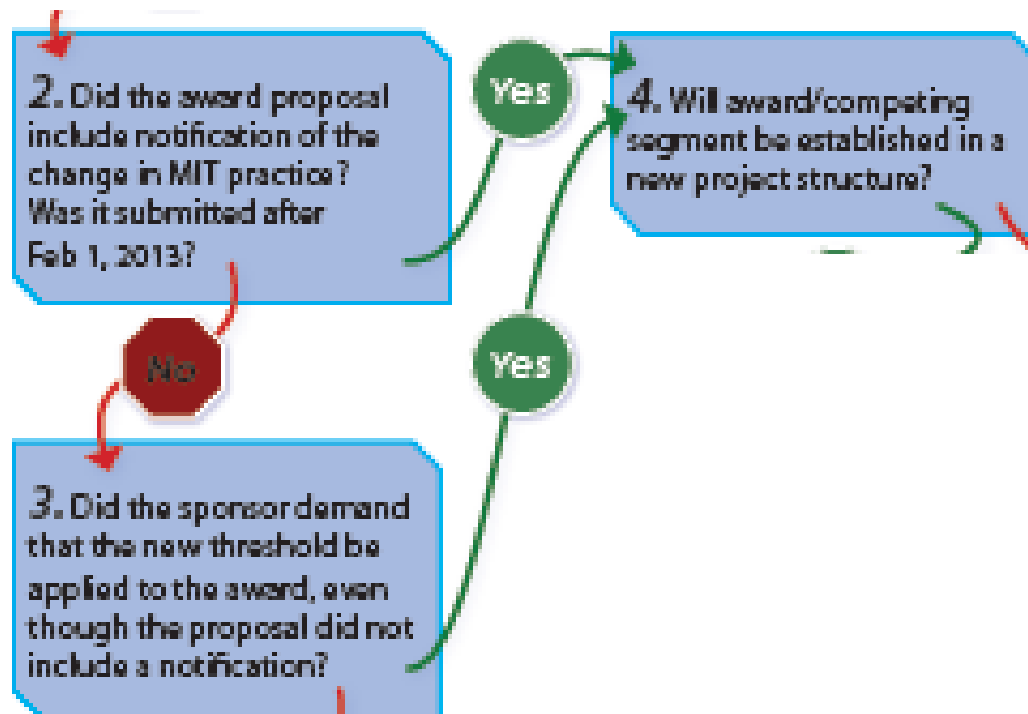
WBS Procedure

Question 1

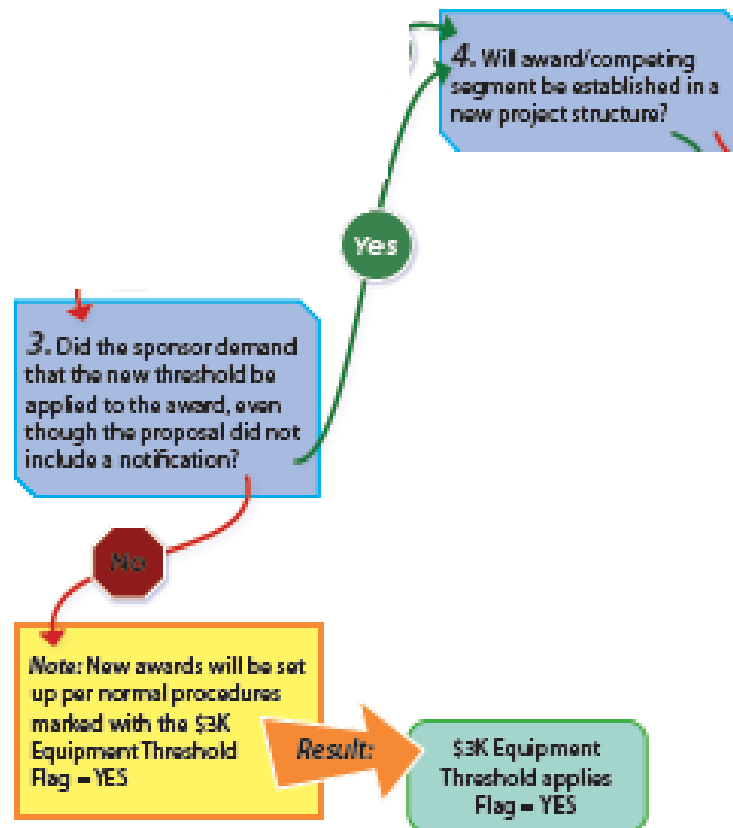Was the equipment received before 7/1/2013?

Question 2

Did award proposal include notification of the change in MIT practice? (Was it submitted on or after February 1, 2013?)

Question 3

Did the sponsor demand that the new threshold be applied to the award, even though the proposal did not include a notification?
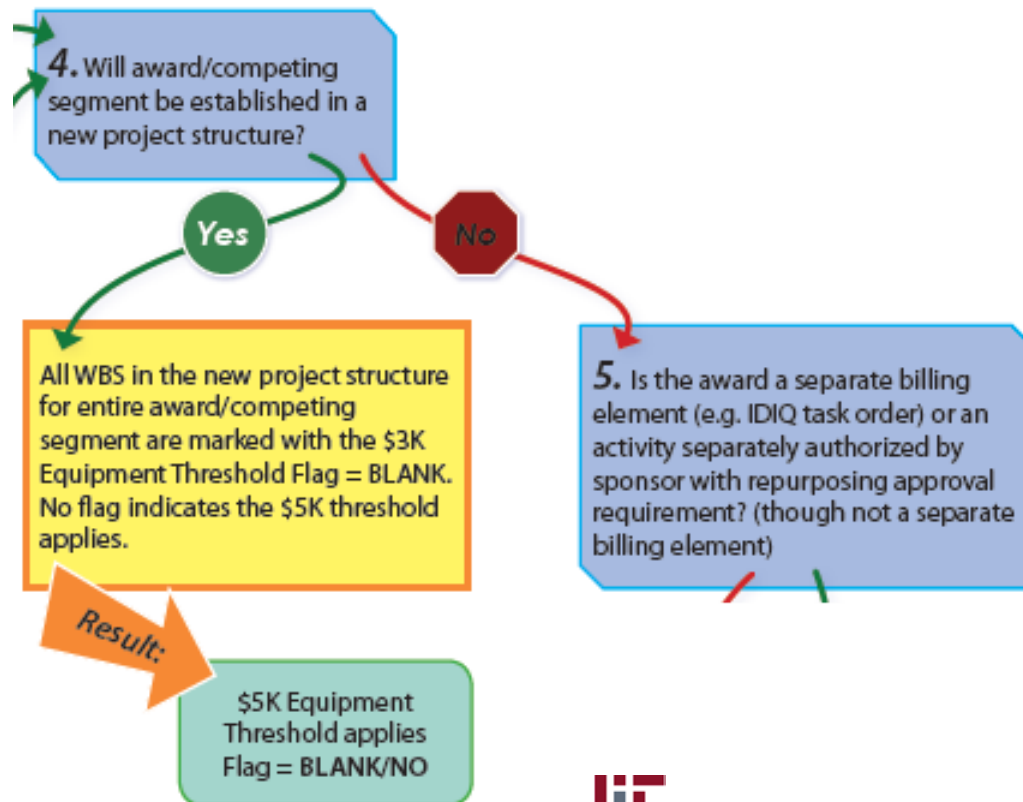
$3K Equip Threshold Flag Yes

As of February 1, 2013, OSP will mark all existing WBS (and pending proposals) with $3K Equip Threshold Flag YES, except:

- Multi-sponsor coded WBS, including consortium fee funded WBS
- Structures sponsor-coded "MIT Internal" (not cost sharing)
- All research WBS with costing sheet RESEB, RESSN, RESTDC
- All 1xxxxxx WBS, except for those with costing sheet GENMF (MTDC base)
- All 2xxxxxx WBS and 3xxxxxx WBS, except for those with costing sheet FUNMNX and FUNMFX (MTDC bases) and FUNTDE
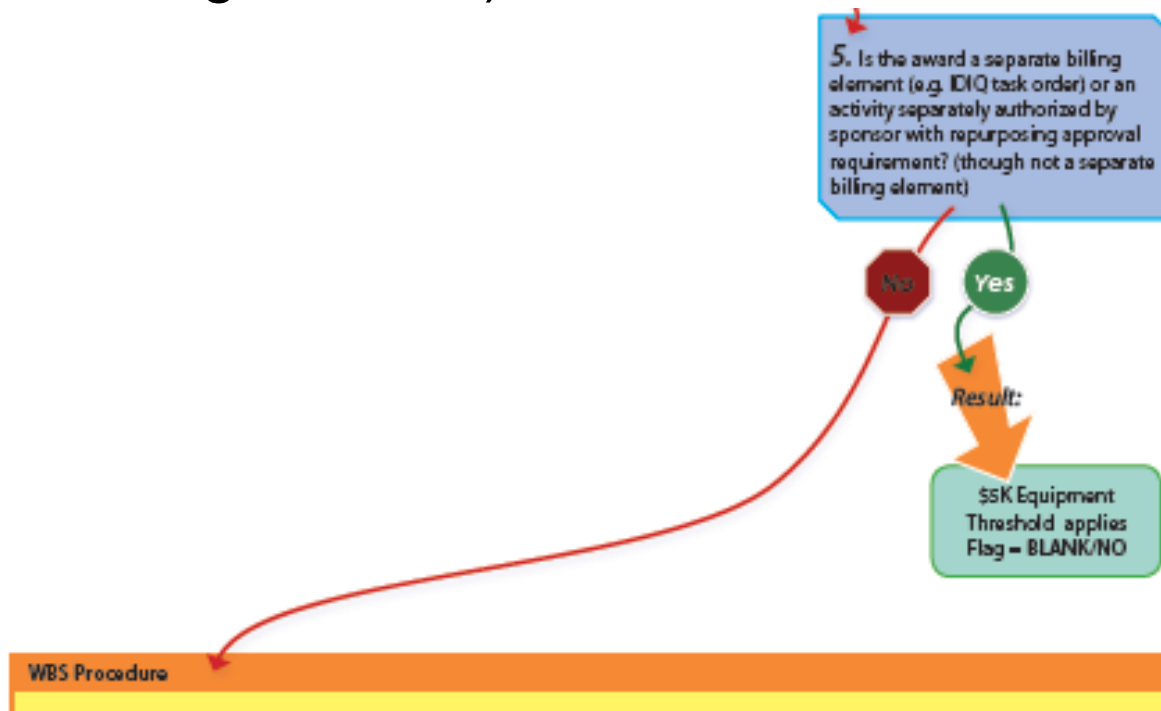
Question 4

Will award/competing segment be established in a new project structure?

4. Will award/competing segment be established in a new project structure?

Yes

No

All WBS in the new project structure for entire award/competing segment are marked with the $3K Equipment Threshold Flag = BLANK. No flag indicates the $5K threshold applies.

5. Is the award a separate billing element (e.g. IDIQ task order) or an activity separately authorized by sponsor with repurposing approval requirement? (though not a separate billing element)

Result:

$5K Equipment Threshold applies Flag = BLANK/NO

Question 5

Is the award a separate billing element (e.g. IDIQ task order) or an activity separately authorized by sponsor with repurposing approval requirement (though not a separate billing element)?

WBS Procedure

WBS Procedure

Step 1: If carryforward of unexpended funds is approved, OSP CA requests total equipment budget being carried forward from prior period. Equipment must be received in 3 months.

Step 2: OSP creates new child WBS for the equipment budget carryforward with a period of three (3) months with the $3K Equip Threshold Flag = YES. The WBS should not be extended except for extraordinary situations.

Step 3: On all other active project WBS, OSP CA will change $3K Equipment Threshold Custom Element Flag from YES to NO, indicating a $5K threshold. In additions, the OSP CA will enter the end date for the prior award period in MM/DD/YYYY format for the Custom Element entitled "$3K Threshold Period Ended As Of"

EXAMPLES

Example 1

Oscilloscope purchased and received on 6/10/2013 for $4,000. Department splits the cost between an old award ($3K policy) and a new award ($5K policy).

Equipment will be capitalized (GL 421818).

Reason: Item was received before 7/1/2013.

Example 2

Oscilloscope purchased and received on 7/10/2013 for $4,000. Department splits the cost between an old award ($3K policy) and a new award ($5K policy).

Equipment will be minor equipment (GL 421827).

Reason: Item was received after 7/1/2013.

Other changes as of 7/1/2013

- New requests for fabricated equipment will be capitalized at the $5K.

- Upgrades to existing capital equipment will be changed from the current minimum of $500. to $2,000.

No changes to creating equipment records

QUESTIONS