What is the Equipment Capitalization Threshold?

Shawna Vogel, Associate Director
Office of Sponsored Programs

Kevin Milligan, Associate Director, Property Office
Office of the Vice President for Finance
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

- 5
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
$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
<table>
<thead>
<tr>
<th>Award Detail</th>
<th>Other Header</th>
<th>Money and End Dates</th>
<th>Contacts</th>
<th>Reports</th>
<th>Terms</th>
<th>Special Review</th>
<th>Investigator</th>
<th>Key Person</th>
<th>Comments</th>
<th>Subcontracts</th>
<th>Attachments</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>3K Equipment Period Ended:</td>
<td>08/31/2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3K Equipment Threshold:</td>
<td>No</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA Funding:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA Program Source (TAS):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA Sponsor DUNS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing Element:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COI Discl. Req.:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Subjects Flag:</td>
<td>Unknown</td>
<td>Unknown if this award has human subjects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT Major Initiatives:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prime Award Number:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RCR Conf. Rec’d or NR:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of Funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subcontract Placed:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject to E-Verify:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of Interest Income:</td>
<td>0</td>
<td>Undetermined or Non Interest Bearing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>W3C Funding Level:</td>
<td>MIT Affiliate</td>
<td>7900.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Thresholds for Charging Equipment on Projects

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

2. Did the award proposal include notification of the change in MIT practice? Was it submitted after Feb 1, 2013? 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 $3K threshold applies.
   - Result: $3K Equipment Threshold applies Flag = BLANK/NO

3. Did the sponsor demand that the new threshold be applied to the award, even though the proposal did not include a notification? No
   - Result: $3K Equipment Threshold applies Flag = BLANK/NO

4. Will award/competing segment be established in a new project structure? Yes
   - Result: $3K Equipment Threshold applies Flag = BLANK/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) Yes
   - Result: $3K Equipment Threshold applies Flag = BLANK/NO

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

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 3xxxxxxx 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

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.

Result:

$5K Equipment Threshold applies Flag = BLANK/NO

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)
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

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 addition, 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