



Upgrades to Existing Capital Equipment Procedure

Procedure #: 110.5

Rev.: 0

Effective Date: January 1, 2017

Related Policy: [Capital Equipment Policy](#)

Functional Owner: Property Control, Business Services

Contact: Property Control Manager: (608) 890-3131
Property Control Mailbox: Property@bussvc.wisc.edu

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I. Procedure Statement

UW-Madison departments must code upgrade purchases to 46XX accounts if all of the following criteria are met:

- Upgrades must be made on existing capital equipment.
- Upgrades must have aggregate costs of \$5,000 or more, by themselves, regardless of the cost of the existing equipment being upgraded.
- Upgrade must result in either:
 - A substantial increase in the functionality of equipment, which allows it to function or perform tasks that it was previously incapable of performing and extends the useful life of the asset.
 - A substantial increase in the efficiency of the equipment, that is, an increase in the level of service provided by the equipment without the ability to perform additional tasks, and extends the useful life of the asset.

If equipment vendor's software upgrades cost \$5,000 or more and result in either of the above described gains, they can be a qualified capital equipment upgrade. For UW-Madison implementation simplicity and clarity under White House OMB Uniform Grant Guidance § 200.313 (d) - Equipment, repairs or maintenance costing \$5,000 or more **do not qualify** as a capital equipment upgrade.

UW-Madison departments may obtain upgrades as either purchased complete or fabricated upgrades. If purchased complete, the qualified upgrade must reference the asset tag number of the existing capital equipment item. For fabricated upgrades, if the existing capital equipment was fabricated, departments cannot use the prior Asset ID number, they must obtain a new Asset ID number. As with other fabrications, departments must code parts and labor to the 4670 account and submit [Form 110.4F Capital Equipment Fabrication Request](#) to obtain a new Asset ID number associated with the fabricated upgrade. The request form needs to reference the asset barcode tag number of the existing capital equipment item that is being upgraded. Property Control routinely reviews 46XX purchases. For upgrades, Property Control establishes a new inventory record associated with the existing inventory record. Property Control does not assign or mail a new asset barcode tag for upgrades if the existing capital equipment is already tagged.

II. Who is affected by this Procedure

This procedure applies to all UW-Madison departments that upgrade existing capital equipment. It should be understood by department managers, DPAs, department purchasing and financial personnel, Department Chairs, Directors, Deans, CFOs and employees responsible for equipment in these departments.

III. Procedure

The following steps represent the overall process:

1. Department financial staff code upgrades to the 46XX accounts in the [UW System Chart of Accounts](#) and reference the asset barcode tag number on the existing equipment being upgraded.
 - a. Upgrades must be made on existing capital equipment.
 - b. Upgrades must have aggregate costs of \$5,000 or more, by themselves, regardless of the cost of the existing equipment being upgraded.
 - c. Upgrade must result in either:
 - i. A substantial increase in the functionality of equipment which allows it to function or perform tasks that it was previously incapable of performing and extends the useful life of the asset.
 - ii. A substantial increase in the efficiency of the equipment, that is, an increase in the level of service provided by the equipment without the ability to perform additional tasks and extends the useful life of the asset.
2. If an upgrade is to be fabricated over time, the department financial staff must code parts and labor to the 4670 account and the employee responsible for the fabricated upgrade must work with their DPA to submit Form 110.4F Capital Equipment Fabrication Request.
3. Property Control reviews capital purchases at the end of each month. For upgrades, Property Control attempts to find the asset barcode tag number of the existing equipment being upgraded. Property Control establishes a new inventory record associated with the existing inventory record.
4. If Property Control cannot obtain needed information, they will ask for more information from the DPA.

5. If Property Control believes an item does not meet the required criteria, they will not establish an inventory record. Instead, they will contact the DPA and department financial personnel to investigate. If it is confirmed as not meeting the criteria, Property Control will complete a journal entry to reassign the purchase to an appropriate general ledger account. Property Control will not establish inventory records for repair and maintenance costs (e.g. replacement parts) because these do not increase equipment value under Generally Accepted Accounting Principles.
6. If needed, Property Control will assign or mail a new asset barcode tag. Usually a new asset barcode tag is not needed for upgrades because the existing capital equipment being upgraded is already tagged.
7. If Property Control sends an asset barcode tag, follow [Procedure 110.1 Recording and Tagging Capital Equipment Purchases](#) after corresponding step #4.

IV. Contact Roles and Responsibilities

	Dept Fin Staff	Responsible Employee	DPA	Property Control
Upgrades to Existing Capital Equipment				
1) Code qualified capital equipment upgrades to 46XX accounts, reference asset barcode tag number of existing equipment being upgraded.	X			
2) If needed, complete Form 110.4F Capital Equipment Fabrication Request and send to Property Control.		X	X	
3) Review 46XX activity and establish upgrade inventory record associated with existing inventory record.				X
4) If necessary, ask DPA for more information.				X
5) If necessary, ask department financial personnel for clarification of purchases coded to capital equipment. Complete journal entry to reassign purchases that do not meet upgrade criteria to appropriate account.				X
6) Assign and mail asset barcode tag to the DPA (only if existing equipment is not already tagged).				X
7) If Property Control issues an asset barcode tag, affix per Procedure 110.1.			X	

V. Definitions

- [Capital Equipment Definitions](#)

VI. Related References

- [Form 110.4F Capital Equipment Fabrication Request](#)
- [UW System Chart of Accounts](#)
- [Procedure 110.1 Recording and Tagging Capital Equipment Purchases](#)

VII. Revisions

Procedure Number	110.5
Date Approved	January 1, 2017
Revision Dates	