

Financial Management of Property, Plant and Equipment (aka Fixed Assets Policy)

Policy Revision Date: 07/01/2018

Category	Current Policy (revision date 07/01/2014)	Changes to Policy (revision date 07/01/2018)	Effect
Fixed Equipment	Silent, but in practice the equipment is added to a project in CAPS.	Capitalize Fixed Equipment over \$100K without going through CAPS.	None, just clarifications, and ease of process for tubs.
Land Improvements	There is an inconsistency between the main policy and the appendices as to whether or not to depreciate land improvements	Clarify that land improvements are depreciable. Will create minor categories for land improvements and assign useful lives to each of the minor categories	Depreciation expense, in the case that land improvements were not previously being depreciated. Land Improvements are depreciated over 35 years.
Leasehold Improvements	Useful life is 35 years for leasehold improvements	Useful life is remaining life of the external lease plus any extensions, or 35 years, whichever is shorter	Accelerated depreciation
	Silent on treatment of leasehold improvements when a lease is transferred internally	Provide guidance on transfers of leasehold improvements to one Harvard entity to another upon transfer of a lease. If the new entity takes the space as is, the leasehold improvement asset is transferred at NBV to new entity. If new entity re-purposes the space, then the original entity takes an impairment for the NBV.	No impact, just clarification
Fabrications	Vague on Placed in Service expectations, leaves a lot up to interpretation, which has led to long outstanding WIP. Review of WIP projects that have not had activity in the prior 6 months.	Defines flow chart for deciding if a Fabrication is capitalizable vs expense, with main attributes, being expected placed in service date, and deliverable on contract. Review all of WIP every 6 months to confirm all projects are still active.	Will put assets into service sooner, and in more in line with the use of the asset
IT & AV Useful Lives	Depreciating 15 years	More options for useful life to better align with this equipment's life. 15 years for IT 5 years AV	Depreciation will be accelerated for much of the University's IT and AV equipment
Carpentry/Painting/Maintenance over \$100K	Silent, but in practice these costs are added to a project in CAPS.	Provide guidance on capitalization of projects for carpentry, painting and landscaping >=\$100k	None, just clarifications, and ease of process for tubs
Definitions	Definitions included in main policy and Appendix A	Consolidate all definitions into one appendix, will ensure consistency of language and that all terms are appropriately defined	None
Partial Place in Service	Lack of information in the current policy, and only completed yearly.	Increased and clarified the language, and the process, and encourage review quarterly	No financial effect in total, but aligns the deprecation in the periods rather than a large catch-up when the entire asset is placed in service
Impairment/Disposal for all assets	Vague language on when to impair or dispose. Lack of information on equipment impairments. Also the terms used by Oracle were not the same as used by the policy.	Clarified language on partial and full impairments and when it remains in or is removed from Oracle; Expanded language on disposition of equipment including sale of equipment. Also created a standard disposition form to be completed and scanned to Oracle Assets.	None, just clarification
Upgrades, Enhancement for Equipment	No Threshold	\$5,000 Threshold, to match the capitalization policy	All upgrades not over \$5,000 will be expensed as incurred
Multi-Component Equipment	Silent on the timing of the purchases for multi-equipment	Point in time, all items purchased at the same time, and prior to being placed in service.	Should have none, as the additional purchases could be treated as upgrades, to the extent the meet the upgrade requirements
Appendix A	Specific to federally funded research	Expands or clarifies requirements when purchasing with sponsored funds.	
General		Ensured consistency between main policy and the appendices, largely by removing information from the appendices and including in the main policy where appropriate.	Will be more consistent and intent is for the policy to flow better



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Inventory	Vague language on the physical inventory process	Pending inventory purchase price threshold for research areas. All equipment must be tagged for inventory tracking.	May result in lower inventory requirements with schools with federal research, but no monetary impact