

**Policy No.: MMA7**

## **Capital Purchase Process**

### **POLICY STATEMENT**

All budgeted and unbudgeted capital equipment and projects will be approved according to this policy before initiating any procurement activities. Once approved for purchase, all actions will be coordinated through Materials Management.

### **REASON FOR POLICY**

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### **ENTITIES AFFECTED BY THIS POLICY**

This policy applies Material Management

### **WHO SHOULD READ THIS POLICY**

All staff, faculty, employees, and agents representing or engaging in practice within Materials Management

### **DEFINITIONS**

Capital equipment - Any durable item with an expected life of three years or more and a purchase price of at least \$5,000. Groups of items that comprise a system shall be considered capital if the total cost is at least \$5,000. Repairs or repair parts can only be considered capital if the action extends the life of the equipment at least three years past its current book life.

Capital projects - Any renovation or construction projects that create a capital asset, extend the life of a capital asset by at least three years, or increase the productivity of a capital asset and have a total expected cost of at least \$5,000.

### **PROCEDURES**

1. Budgeted equipment items:

- a. Upon publication of the approved capital list, the Director of Supply Chain will contact all other managers who have capital items approved to discuss procurement procedures. They will make a preliminary decision as to the method of procurement (e.g., bid, RFP, negotiation, combination), competition, when to start the process and who will be on the negotiation team, if any.
  - b. Department managers will re-initiate capital requests far enough in advance of the planned acquisition month so that sufficient time is provided to source, bid, and/or negotiate. This can be from one month to six months depending on the complexity of the purchase.
  - c. Any significant changes to the request must be approved by the Value Implementation Process Team (VIP). Any increase in the estimated price of 10% or greater must be approved by the Chief Financial Officer.
  - d. At least 30 days before the scheduled purchase, the Director of Supply Chain will request from Finance final approval to purchase all items in the scheduled month. Finance will send back approval along with the appropriate general ledger number to use as well as the equipment tags for the items.
  - e. Any savings from the budgeted cost will be returned to the capital fund for use on other requests that were not approved due to lack of funds.
2. Procurement of unbudgeted equipment items:
    - a. Upon identification of an unbudgeted capital need, the department manager submits a fully completed Request for Capital Budget Approval/Purchase form to the Director of Supply Chain as in the budget approval stage. Justification for the emergency need must be included.
    - b. Any requests for new or emerging technology must go through the VIP technology assessment process prior to submission for purchase.
    - c. The Director of Supply Chain will review the request for completeness, verify that the appropriate vice president supports the purchase, obtains approval from Engineering and/or Information Systems if needed, and forwards to the appropriate vice president.
  3. The Vice President forwards the request directly to the CFO who will take one of the following actions:
    - a. Approve the request using capital contingency funds
    - b. Approve the request reallocating funds budgeted for another capital item
    - c. Refer the request to the VIP technology assessment team for recommendation
    - d. Return the request for further information or justification
    - e. Deny the request

If approved, the Director of Supply Chain will contact the department manager to discuss procurement procedures and initiate.

## **RELATED DOCUMENTS, FORMS, AND TOOLS**

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## **AUTHORIZING SIGNATURE**

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Date