

COMPTROLLER POLICY MANUAL

	POLICY: CMP 405-01
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Lease Purchase of Capital Equipment	Effective date: 03/10/2004
	Revision date: 05/14/2018

PURPOSE

Procedure for lease of capital equipment

SOURCE

University policy

POLICY

CMP 405-01: Lease Purchase of Capital Equipment

All lease, or lease purchase agreements for capital equipment must be reviewed by the Comptroller's office prior to execution and signed by an authorized University official in accordance with the University's Contract Signature Authority policy. Users should upload all associated documents into the requisition using OnBase functionality. Regardless of the lease period involved, a formal University purchase order will be issued.

Prior to accepting lease or lease purchase agreements as submitted by the requisitioning department, Contracting, Purchasing and Risk Management and/or the Comptroller's Office will determine the respective financial implications of leasing versus purchasing the capital equipment by considering the following factors:

- Title: who retains title of the goods/equipment?
- Liability: who is responsible if equipment is stolen or damaged?
- Insurance: does the vendor carry sufficient insurance on his/her employees when rendering services and/or is the equipment adequately insured?
- Maintenance: are all maintenance costs included in the original cost of the lease, or is the University responsible for maintaining the equipment at its own expense?
- Payback period: if the University were to make an outright purchase, what is the payback period, and what credits are accumulated in the event that a Lease Purchase Agreement is executed?
- Fund availability: does the requisitioning department have sufficient budget funds or, in the event of grant or contract funds, is the available funding suitable for this type of expenditure?

In addition, the Comptroller's Office will review all lease transactions to determine if potential operating or closed-end leases *do not* qualify as a capital lease. The University uses the criteria of GASB 87 to make this determination. After Comptroller review and approval, closed-end leases will then follow the normal approval process.

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The Comptroller's office will also review proposed lease purchase or capital leases to determine the overall appropriateness of the transaction with particular emphasis on the interest rate charged and the effect of creating additional institutional debt. Following this initial financial review, such transactions must also be approved by the Vice President/Chief Financial Officer before final approval can be granted.

Lease or lease purchase agreements will not be approved unless they include a flexible cancellation provision that allows the University to discontinue agreements if necessary appropriation funding from state, federal or other legal sources is reduced or terminated. This is especially important for Sponsored Projects and for University service centers that "recharge" costs to federal funds.