Capital Expenditure Authorization Request (CEAR) Procedure

<table>
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<tr>
<th>Office of Administrative Responsibility:</th>
<th>Office of the Senior Financial Officer (Facilities and Operations)</th>
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<td>Approver:</td>
<td>Vice-President (Facilities and Operations)</td>
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<td>Scope:</td>
<td>Compliance with this University procedure extends to the Office of the Vice-President (Facilities and Operations) and the Board of Governors.</td>
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Overview

Authorization for capital projects must be obtained for any project where an estimated cost is equal to or more than $100,000. The authorization to proceed comes via the approved Capital Expenditure Authorization Request (CEAR) form.

Purpose

To support the policy to enable the Facilities and Operations portfolio, the Board Finance and Property Committee (BFPC) and the Board of Governors (BG) to exercise appropriate authority over the expenditure of the University’s capital funds.

To ensure:

- compliance with the CEAR Policy;
- all required funding has been identified;
- the expenditure authorization has been obtained; and
- the funds transfer authorization has been granted.

PROCEDURE

1. ESTABLISHING A NEED FOR A CEAR

The CEAR must be completed for any capital project with a total budget equal to or more than $100,000. The CEAR process is initiated by the Project Manager in Facilities and Operations (F&O) (“Project Manager”) in collaboration with the unit. The Project Manager will be the point of contact for the unit with respect to any questions, issues, reporting (project status, financial status, etc), that the unit may have during the course of the capital project.

2. DEVELOPMENT OF BUDGET AND FUNDING SOURCES

The Project Manager will provide assistance to the Faculty/Portfolio in developing the budget and the appropriate supporting documentation.

Funding sources must be supported by:
a. Cash flow projections by fiscal year.

b. Documentation to assist in the verification of funding sources (e.g. donations – current amount available or the approved fundraising plan/projection, loans, grants – copy of award letter, internal loan, operating funds).

Where funding is based upon future commitments that do not materialize (e.g. donations), then the Faculty/Portfolio must provide an alternate funding source and will be responsible for the funding gap.

A CEAR appendix is prepared by the Project Manager to document the funding projections and cash flows by fiscal year and source of funding.

Faculty/Portfolio funds shall be the first call for funding unless otherwise stated in the CEAR form.

The chart of accounts (COA) information, both current and future years, is used in the annual budget process and to determine how the asset will be classified for accounting purposes.

3. CEAR APPROVAL

a. A CEAR form is completed by F&O – Planning and Project Delivery Office through discussion with the Faculty/Portfolio and appropriate approvals are obtained in accordance with the CEAR Policy.

b. F&O – Planning and Project Delivery will communicate the approval of the CEAR to the Faculty/Portfolio.

c. The approval of the CEAR provides:

i. authorization to proceed with the project as budgeted

ii. confirmation of the funding commitment

iii. authorization to set up a project

iv. authorization to bill for external revenue

v. authorization to transfer funding to the project as identified in the CEAR

4. PROJECT SET UP

Upon approval of the CEAR, F&O will set up and manage the project including procurement processes, review and approval of costs/expenses, project management responsibilities and finalization of the completed project.

New constructions, major renovations and alterations are tracked through a “J1%” or a “740600R%” chart of accounts (COA) project identifier; therefore, depending upon the funding source, these projects are managed by F&O in fund F520 (capital restricted) and/or fund F320 (capital operating).

F&O will communicate the approval of the project to the Faculty/Portfolio.

5. FINANCIAL TRANSACTIONS

a. Expenditures:

All expenditures are reviewed, approved and processed by F&O in accordance with the University’s policies and procedures.

b. Funding Sources:

All funding sources (revenues) are processed by Financial Services (FS) to the project immediately following the
CEAR approval, according to the approved cash flow arrangement.

The source or type of funding may impact the timing/process; however, generally FS bills up front (external billing) or processes transfers (i.e. operating funds commitment) at the start of the project (subject to funding source fiscal year allotments as per CEAR Appendix). The following provides examples of the timing/process of the standard types of capital funding:

i. Faculty/Portfolio operating funds:

FS will transfer the funds by fiscal year as outlined on the CEAR to the Capital Project account. Transfer will take place within approximately one month of FS receiving the approved CEAR. Future fiscal year transfers will occur in April of each fiscal year. A copy of the processed GL on-line journal entry will be provided to the Faculty/Portfolio.

ii. Restricted donations:

Where donations are specifically targeted to the capital project, these funds will be required to be deposited directly to the capital project, in accordance with the terms and conditions of the donation.

Where the donation was not initially specifically targeted to the capital project and the unit is able to use the restricted donations for a capital project, FS will transfer the entire donation funding (including future years capital project commitment, if available) to the capital fund (F520). A copy of the processed GL on-line journal entry will be provided to the unit.

iii. Restricted grants (i.e. grant is for a specific capital project):

Where grants are specifically for a capital project, FS will generate the external billing and ensure the funds are received.

Where the grant was not initially specifically targeted to the capital project and the unit is able to use the restricted grant for a capital project, FS will transfer the entire donation funding to the capital fund (F520). A copy of the processed GL on-line journal entry will be provided to the unit.

iv. Changes to funding sources:

Changes to the funding sources are permitted. A supplemental CEAR form is required to reflect funding changes. These arrangements must be made with the Senior Financial Officer, Facilities and Operations in advance of the transfer becoming due.

6. REPORTING

F&O will report to Faculty/Portfolio through the Planning and Project Delivery Office at the project level on the status of the construction and budget variance on a quarterly basis.

F&O will report as required to the Board of Governors (BFPC), on a quarterly basis.

7. PROJECT COMPLETION

Upon completion of the project, a final CEAR is generated to balance the Project and reflect any realized variances. No further expenditures to the project will be allowed after the final CEAR is generated. All final CEARs with a credit balance will be approved by VP Facilities and Operations for credit CEARs up to $2,000,000, or jointly by the VP Facilities and Operations and VP Finance and Administration for credit CEARs over $2,000,000.

a. For projects that come in under budget:

i. If funded by a grant, the grant funds will generally be returned to the sponsor.
ii. If funded by multiple sources (i.e. operating funds and a grant), F&O, in collaboration with F&A, will discuss and review funding sources to determine the disposition of the funds.

b. For projects that come in over budget:

i. If the project requires additional funding for completion, F&O will work with all the funding partners to jointly identify additional funding sources.

ii. F&O will prepare and submit a Supplemental CEAR adjusting the budget to mitigate against over-commitment and/or contract amendment delays.

Note: If CFI funded, a holdback percentage is required subject to CFI audit completion. Once the audit is complete, CFI will release the holdback amount. Therefore, the final CEAR (and determination if the project is under or over budget) cannot be made until after the CFI audit is complete.

DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use.

<table>
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<tr>
<th><strong>Capital Project</strong></th>
<th>A project that requires construction, renovation, restoration, infrastructure upgrading or the installation of capital equipment. Such projects may also apply for landscaping, paving, grounds and utilities improvements or changes.</th>
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<tr>
<td><strong>Capital Expenditure Authorization Request (CEAR) form</strong></td>
<td>The CEAR provides Facilities and Operations Directors, Facilities and Operations Associate Vice-Presidents, Vice-President (Facilities and Operations), the Board Finance and Property Committee and the Board of Governors with a summary of relevant information which may be found under the following headings: scope of project and proposed space; purpose and justification; alternatives considered; consequences of not approving expenditure; effect on operating budget; equipment purchase; start date - completion date; cost estimate; confirmed source(s) of funding with appropriate documentation; expenditure and fund transfer authorization.</td>
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<td><strong>Capital funds</strong></td>
<td>All funds utilized by the University of Alberta, regardless of the sources, for purposes of undertaking capital projects.</td>
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<td><strong>Supplemental Capital Expenditure Authorization Request (CEAR) form</strong></td>
<td>The Supplemental CEAR provides Facilities and Operations Directors, Facilities and Operations Associate Vice-Presidents, Vice-President (Facilities and Operations), the Board Finance and Property Committee and the Board of Governors with a summary of relevant information which may be found under the following headings: funding variation; revised costs; source of funding; justification to change and completion dates.</td>
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FORMS

There are no forms for this procedure.

RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca.

Comprehensive Institutional Plan 2011 (UA) [in development]

Financial Management and Practices Policy (UAPPOL)
U of A Policies and Procedures On-Line (UAPPOL)

Internal Loan Policy (UAPPOL)

Real Property Compliance Policy (UAPPOL)

Real Property Proceeds Policy (UAPPOL)