Job Aid: Creating a Capital Lease Requisition

It is important to note, the university only enters into lease agreements with Lessors approved by Central Purchasing. Approved Lessors are those with whom a Master Lease Agreement (MLA) has been negotiated and executed by the Vice President of Procurement Services.

Prior to the initiation of any capital lease requisition, Department \ Schools are required to review the university’s Capital Lease Policy, Capital Lease Process, and Leasing Lifecycle and coordinate the lease with the contract officer in charge of leasing in the Central Purchasing Office.

To issue a lease requisition in ARC, you must follow the instructions outlined below: This example is based on a 5 year lease with 10 semi-annual payments and first year’s payments are made in the current fiscal year. Prior to issuing a multi-year requisition, Department \ School must create the applicable years’ budget line in the budget tool module for the chartstring being used. Due to ARC systems requirement multi-year contract payments must be itemized by line per Columbia’s fiscal year.

What you need to have before you begin a multi-year requisition

1. Verify length of contract per Lease quote provided by purchasing
2. In what fiscal years do the payments take place?
3. Determine how many fiscal years will cover the contract term
4. Create the necessary budget lines in the Budget Tool to accommodate the number of fiscal years required for your requisition. Note this must be created using one of the applicable leasing natural accounts such as 63110 (equipment), or 63120 (motor vehicle), or 63050 (postage meter), etc.
   a. Currently department can only create 4 fiscal years’ budget line in the budget tool, for subsequent years contact Michelle Cooper in the Purchasing office*
5. Requisitions must pass budget check prior to submitting for departmental approval

* To create budget line for any fiscal year(s) beyond year 4, department must forward the chartstring details to Michelle Cooper and indicate the fiscal years needed. *(Note, department must create the budget line in the budget tool for the first 4 years)*
**Step 1: Define Requisition**

Complete all sections below with the exception of Category, Unit of Measure and Buyer

1. If purchase is unable to meet the competitive bidding process, select Sole / Single Source as indicated.
2. If there are multiple Category Codes, **Do Not** enter in “Define Requisition”, but rather be sure to indicate the appropriate category code(s) for each line item.
3. Due date (for multi-year contracts, the due date should be entered **in each line item with the exception of the first line, which must be a fixed cost service. Do not** enter a due date on the “Define Requisition” page.
4. **If there are multiple chart stings, this must be entered in for each line item. Do Not** enter this information in “Define Requisition”.

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**Create Requisition**

1. Enter Lease category code
2. Type in Vendor ID
3. Do not enter
4. Select
5. Enter "ea"
6. Chartfield 1 should be completed if this chartstring will be used for all payments. If not, then complete at line item level.

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**Sole \ Single source is based on equipment purchase and should be flagged if equipment purchase meets this requirement.**
Step 2: Add Items and Service

Select “Fixed Cost”, this must be selected for all multi-year contracts such as leases with a contract start and end date.

**Note Value of Service is $0**

Type in brief description of lease

Type in estimated lease start and end dates

Type in equipment quote #

Type in quote date

Type in brief description and select “Send to Vendor”

Select Add or Start new Type – This is required to add the line items for the payment stream based on Columbia’s budget year requirement.
**Step 2 – Add Items and Services continues – Line item #1**

![Image of Create Requisition screen]

Select "yes"

**Step 2: Add Items and Services continues – Line item #2**

![Image of Create Requisition screen]

Select Special items
**Step 2: Add Items and Services continues – line item # 2 (1st year’s lease payments)**

- **Select to add line item**
- **Type in applicable payment for current fiscal year in this example it is payment 1**
- **Type in payment amount**
- **Type in # of payment(s) due for current fiscal year**
- **Enter last day of the relevant fiscal year**
Select ok,

Note you will receive this message for each due date entered since each will be at the end of each fiscal year (where applicable)
Step 2: Add items and Services continues – line item # 3 (2\textsuperscript{nd} year’s lease payments)

Type in applicable payment details for 2\textsuperscript{nd} year, in this example it is payments 3 & 4

Type in payment amount

Type in # of payment(s) for applicable fiscal year,

Type in last day of relevant fiscal year, in this case 6/30/14

Select to add line item
Step 2: Add items and Services continues – line item # 4 (3rd year's lease payments)

Type in applicable payment details for 3rd year, in this example it is payments 5 & 6

Type in payment amount

Type in # of payment(s) for applicable year

Type in last day of relevant fiscal year, in this case 6/30/15

Select to add line item
Step 2: Add items and Services continues – line item # 5 (4th year’’ lease payments)

Type in applicable payment details for 4th year, in this example it is payments 7 – 8

Type in # of payment(s) for applicable fiscal year

Type in payment amount

Type in last day of relevant fiscal year, in this case 6/30/16

Select to add line item
Step 2: Add items and Services continues – line item # 6 (5th year’s lease payments)

Type in applicable payment details for 5th year, in this example it is payments 9-10

Select to add line item

Type in payment amount

Type in last day of relevant fiscal year, in this case 6/30/17

Type in # of payment(s) for applicable year
Step 3: Review and Submit

Select “Review and Submit”
**Step 3 Review and Submit continues**

Expand selections for line item # 2, 3, 4, 5 & 6 to update the encumbrance for each budget year.

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Vendor Name</th>
<th>Quantity</th>
<th>UOM</th>
<th>Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5 year finance lease of GE vol</td>
<td>Bank of America</td>
<td>1.0000</td>
<td>Each</td>
<td>0.0000</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>Lease payments 1 - 2</td>
<td>Bank of America</td>
<td>2.0000</td>
<td>Each</td>
<td>7,500.00</td>
<td>15,000.00</td>
</tr>
<tr>
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<td>2.0000</td>
<td>Each</td>
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<td>15,000.00</td>
</tr>
<tr>
<td>4</td>
<td>Lease payments 5 - 6</td>
<td>Bank of America</td>
<td>2.0000</td>
<td>Each</td>
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</tr>
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Total Amount: 75,000.00 USD
Step 3: Review and Submit continues – Budget Information Tab

Select the budget information tab for lines 2, 3, 4, 5 & 6
Step 3: Review and Submit continues – Review Budget date (lines 1 – 3)

Payments 1 & 2 are due in current fiscal year, therefore no update is required.

Payments 3 & 4 are due in next fiscal year update budget date to July 1 of the next fiscal year.
Step 3: Review and Submit continues – Review Budget date (lines 4 – 6)

Update lines 4, 5 & 6 budget dates to July 1 of each applicable fiscal year.
Step 3: Review and Submit continues – Update Budget date for line items 2 & 3

(by updating the budget years, the funds will not encumber until the date indicated here). Note budget date always begins on the first day of the fiscal year with exception of the current fiscal year which is always the date the requisition is created.

Since line 2 payments are for current fiscal year, no change is required.

Here is the updated budget date based on the corresponding fiscal year.
Step 3: Review and Submit continues – Update Budget date for line items 4,5 & 6 continues

(by updating the budget years, the funds will not encumber until the date indicated here). Note budget date always begins on the first day of the fiscal year with exception of the current fiscal year which is always the date the requisition is created.

Here are the updated budget dates based on the corresponding fiscal years.

Due to system’s limitation, the budget line for fiscal year 5 must be created through coordination with the Central Purchasing office.

Select
Step 3: Review and Submit continues – Budget Check

Select ok to review budget status
Step 3: Review and Submit continues – Verify budget status (lines 2 - 3)

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Verify budget status for each fiscal year’s payment. Status must be either “Warning” or “Valid” to move forward.
Step 3: Review and Submit continues – Verify budget status (lines 2 -3)

Budget Error:

- If requisition fails budget check or if there is a budget error, it must be corrected before submitting the requisition for approval.
- A budget error means there is no budget line created in the department’s budget for the applicable fiscal year. For example, if line items 3 – 5 received a budget error and based on the example listed above, department would need to create the budget lines for fiscal year July 1, 2013 – June 30, 2014; July 1, 2014 – June 30, 2015 & July 1, 2015 to June 30, 2016 and Central Purchasing would coordinate the creation of budget line for fiscal year July 1, 2016 to June 30, 2017.
- Once the budget error is corrected, verify budget dates and perform “check budget again”
Warning or Valid budget:

- A budget warning means the budget line was created with $0.
- The requisition is ready to be submitted by approval, follow the normal process for issuing a requisition.

Budget dates:

- It is important to verify the budget date prior to submitting the requisition for approval since the system often reverts the budget date to the date the requisition was created if any changes were made to the requisition after the budget date was updated. Changes such as but not limited to:
  - Change made on the “Define Requisition” page
  - Category code change
  - Natural account change
  - Requisition previously had a “budget error” and the budget error was corrected

Should you have any questions, please contact Michelle Cooper at 212-854-7326 or Silvia Preval at 212 305 3979 sp3027@columbia.edu