

Capital Expenditures Policy and Procedures – CAP01

1. Document History

Revision Number	Revision Date	Effective Date	Description of Changes	Prepared By	Approved By
1	5/14/04	5/17/04	Initial Release	Sam Davis	Susan Jones

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3. Purpose of This Document

This document describes the Capital Expenditures policy and the procedures that an ABC Corporate or Market employee follows to request and purchase a capital item on behalf of the company. This document also describes the review, approval, and tracking process performed by the Corporate office for each purchase. This document also addresses the related accounting recognition for capital expenditure purchases.

4. Definitions

Capital Expenditure – The money spent for acquiring or upgrading assets. Relative to ABC's business, capital expenditures are generally made to purchase furniture or fixtures, computers, programming equipment or upgrades, broadcast technical equipment or upgrades, leasehold improvements, or automobiles.

The  icon indicates the presence of an internal control.

5. Policy

ABC is responsible for establishing adequate controls over capital expenditures to ensure the timely procurement of these assets and accurate and timely recognition of these assets in the accounting records. Our policy requires that the requisition and purchase of all capital expenditures must follow the procedure as stated within this document. The objectives of this procedure are to

- Specify and set up capital expenditure vendors.
- Allow for management review and approval for investments made in capital equipment.
- Recognize qualifying purchases as fixed assets in the company's accounting systems.
- Track and review capital projects against predefined budgets or plans.
- Pay for capital expenditure items on a timely basis and consistent with approved order details.
- Leverage the company's purchasing power through centrally negotiated purchase contracts with key capital vendors.

The company does not consider purchases below \$600 to be capital expenditures. Assets purchased below the \$600 limit are expensed as they are received.

6. Process Summary

For Market Capital Expenditures, employees (requestors) identify capital expenditure requirements. The Business Manager (BM) or originating requestor generally initiates the requisitions in the WorkPlace software. The software allows for a series of Corporate-level management personnel, termed "approvers," who review and approve the capital expenditure. Approvers confirm that requisitions are authorized according to the budget or, if not part of the approved budget, assess the appropriateness of the investment.

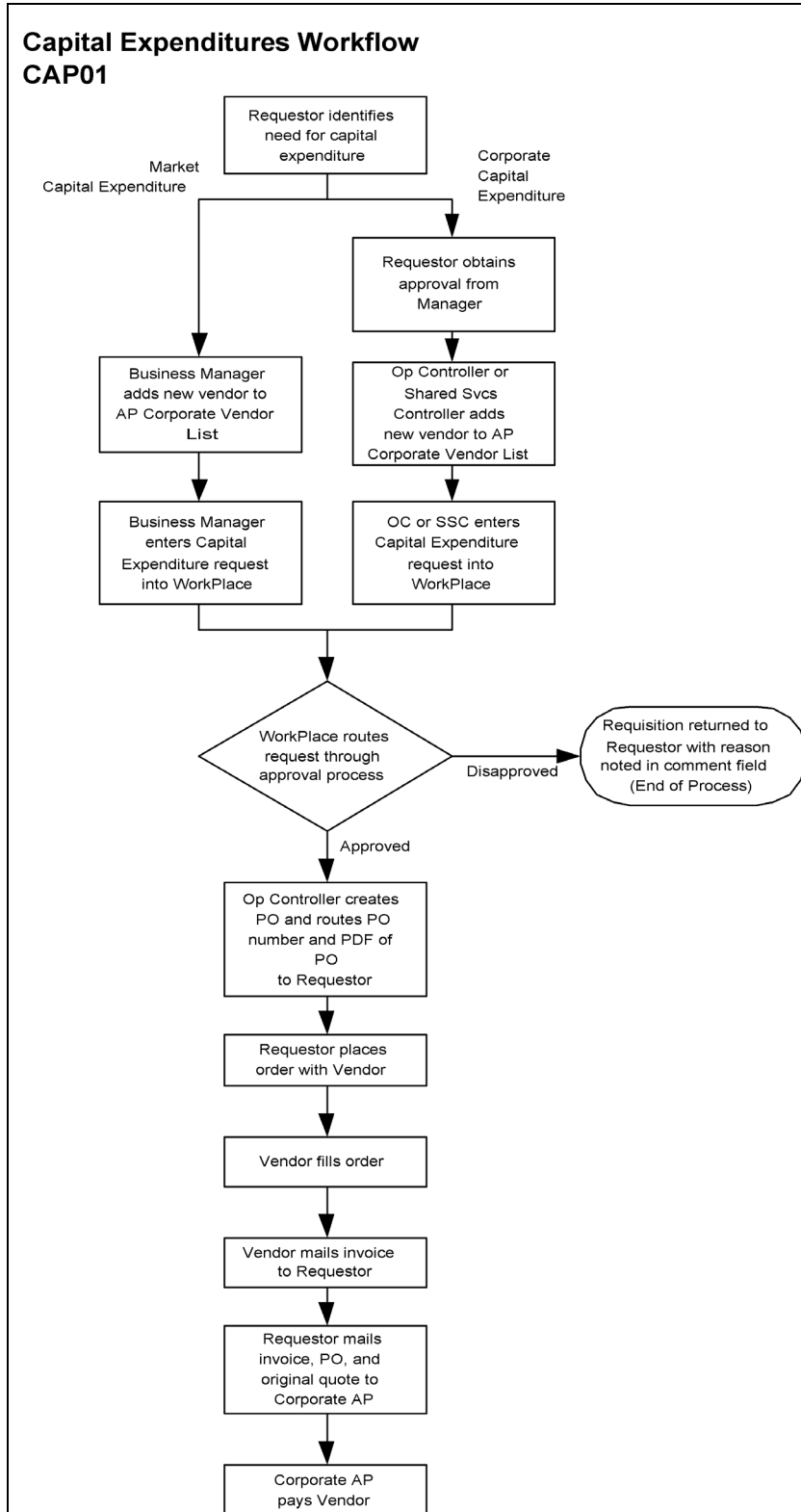
For Corporate Capital Expenditures, the approval process is similar. Corporate employees who want to purchase a capital asset must obtain approval from their manager and bring that request to either the Operations Controller or the Shared Services Controller, who then initiate requisitions in WorkPlace.

The financial statement elements associated with Capital Expenditures are Fixed Assets and Accounts Payable (AP).

The Process Manager for this policy and procedure is the Operations Controller.

The key systems involved in this procedure are the Capital Expenditure PO system, WorkPlace Purchase Order Receiving Module (referred to in this document as the "WorkPlace software" or "WorkPlace"), and the Great Plains Fixed Assets system (referred to in this document as the "Great Plains system" or "Great Plains").

7. Workflow



8. Procedure

Follow the procedure in this section for Capital Expenditures requests.

8.1 Requestor Identifies Need

Employees in the Market (usually Engineers, Operations Managers, or BMs) can request the purchase of a capital asset. The employee (requestor) begins the process by obtaining a quote from a vendor for a capital asset.

8.2 Corporate Requestors Obtain Approval from Manager



Corporate employees obtain approval from their manager before submitting a requisition to the Operations Controller or the Shared Services Controller.

8.3 New Vendor Added to Accounts Payable Corporate Master Vendor List



If the vendor is new, either the requestor or the BM in a Market submits the Capital Expenditure vendor information to the Corporate AP department. The new vendor is submitted using the Vendor Request Form to Diane Flood, Corporate AP Manager. Refer to *Setting Up New Vendors Policy and Procedures - AP01M*. The Vendor Request Form provides the Corporate AP Department with information such as the vendor's address, payment terms, and W-9 information. This form is used to both add and delete a vendor to or from the Corporate Master Vendor List on an as-needed basis.

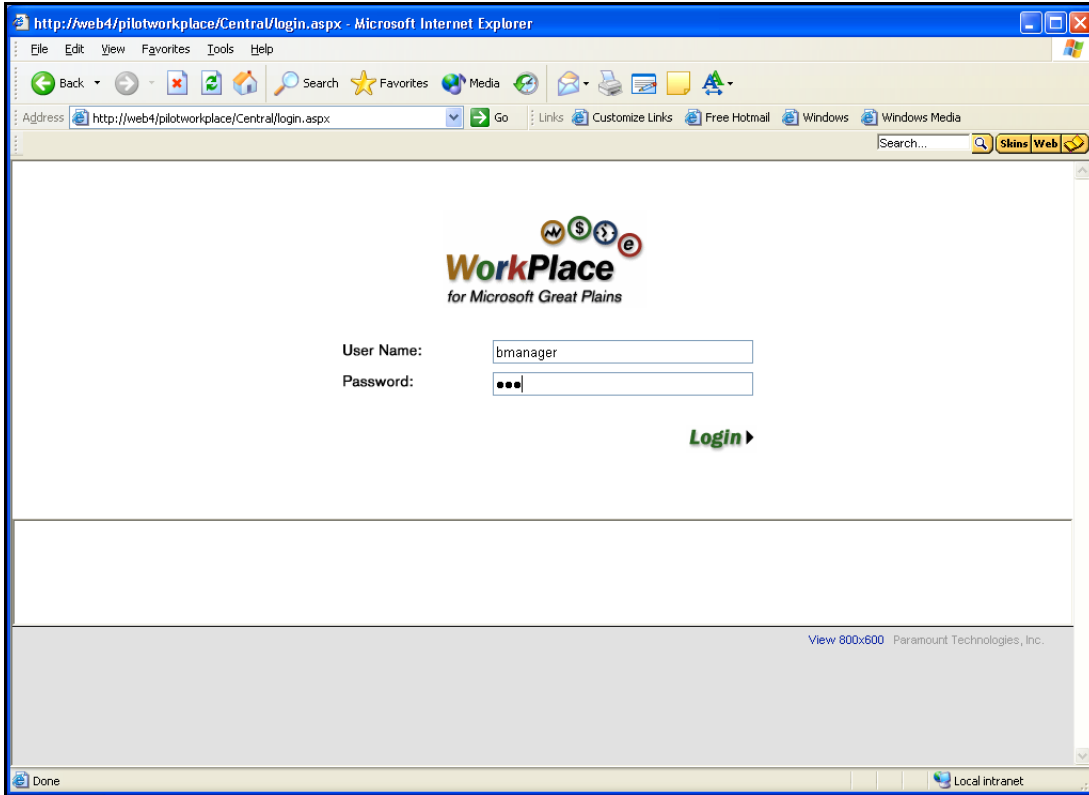
8.4 Requestor Enters Requisition Into WorkPlace

ABC uses the WorkPlace Purchase Order Receiving Module from Paramount Technologies to procure capital equipment. WorkPlace is a web-based application that allows the requestor in a market to log on and enter a requisition for a capital expense item. The system then routes the requisition to the appropriate approvers using a workflow that is built into the WorkPlace application. Upon final approval, the Operations Controller processes the requisition and creates a Purchase Order (PO) in the Great Plains Purchase Order module.

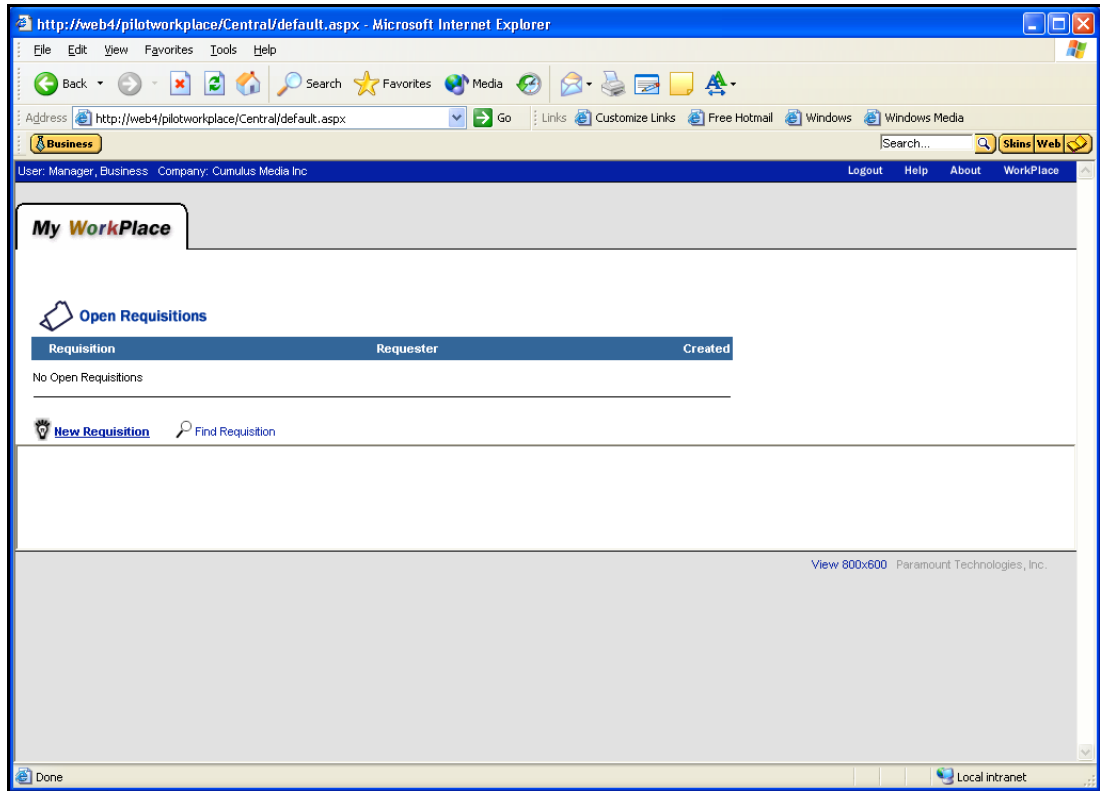
Note: Each market has one **User Name** and **Password**. The BM, Engineer, and any other individual designated by the Market Manager are approved requestors who can access the system and initiate a requisition.

The requestor creates a Capital Expenditure Request as follows:

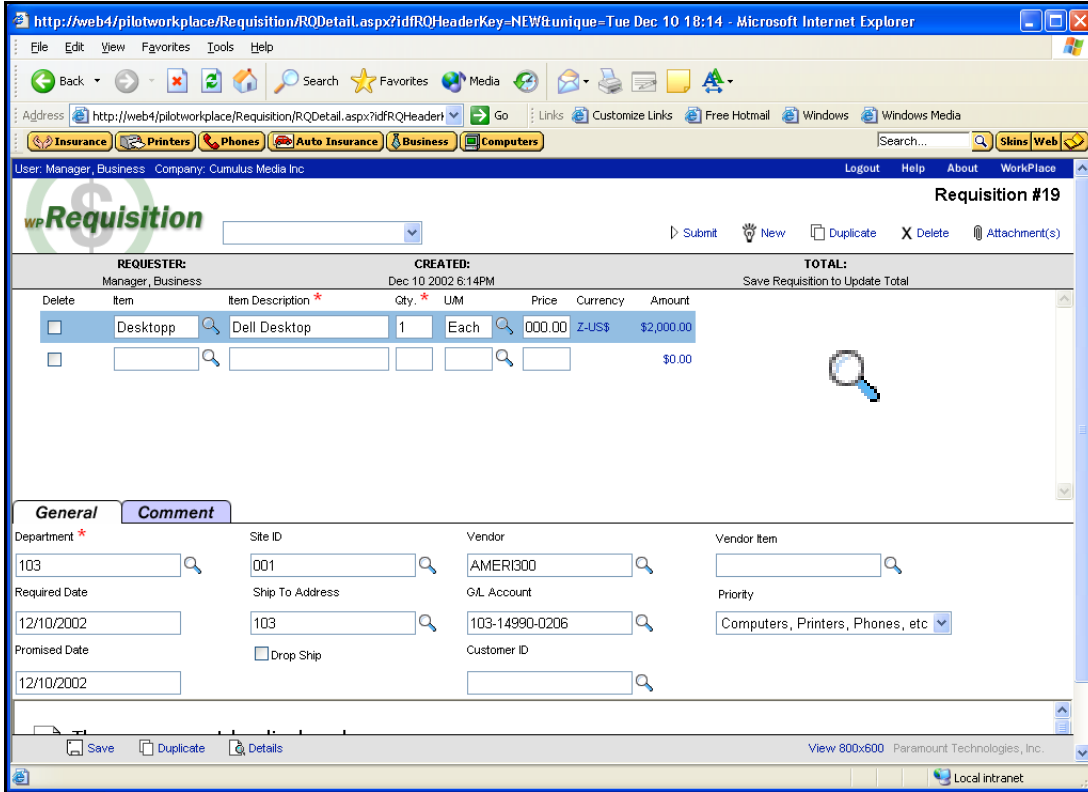
1. Access the ABC WorkPlace application at <http://WorkPlacelive.abc.com>. The system displays the **Login** window.



2. Type the **User Name** and **Password**, and click **Login**. The system displays the **My WorkPlace** tab.



- Click the **New Requisition** link to enter a new item. The system displays the **Requisition** window.



- Type the **Item**, **Item Description**, **Qty**, **U/M**, and **Price** for each line item. The **Item** and **Description** are freeform areas, but you can choose the **Item** from a predefined list using the **Lookup** (magnifying glass) feature.
- On the **General** tab, type your **Department** number, which is the same as the Market Number used in the Great Plains system. Click the magnifying glass to select the correct department number from a list of departments and their descriptions.
- Type the **Required Date**.
- You do not need to type the **Promised Date**. The **Site ID** is always 001.
- For the **Ship To Address**, type your Market Number.
- Click the magnifying glass to select a **Vendor** that is already set up in the Great Plains system.
- Type the **G/L Account** in the following format: Market Number-14990-Location Code (for example, 103-14990-0206). BMs can obtain their market-specific coding by contacting their staff accountant at the Corporate office.
- Set the **Priority** for the purchased item. This is an important step.
This **Priority** assigns the correct workflow for approval of this purchase. It determines how the requisitions will fit in the flow for approval. The requisition will be routed through the proper approval lines established in the workflow.

- Click the **Attachment** hyperlink at the top of the window to attach documentation or quotes. The system displays the **Attach File** window.

http://web4/pilotworkplace/Central/WCAttach.aspx?LinkTableKey=19&LinkTableName=RQHeader&unique=- Mi...

User: Manager, Business Company: Cumulus Media Inc

Attach File

WP Central

New Attachment:

File

Description

Files Currently Attached:

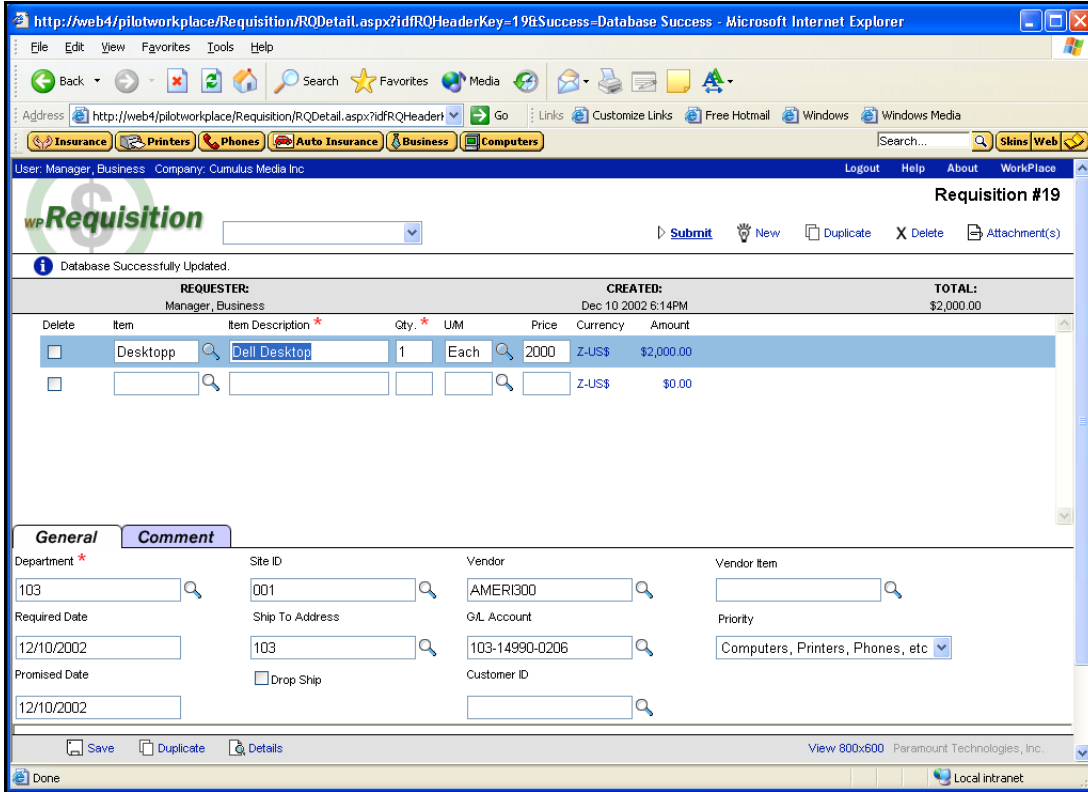
Delete	Attachment	File Size	Description
<input type="checkbox"/>	Workplace Test Attachment.doc	19968 Bytes	<input type="text"/>

[View 800x600](#) Paramount Technologies, Inc.

Local intranet

- Click the **Browse** button to locate the file that you need to attach, and then click **Attach**. Repeat this step for as many files as you need to attach.

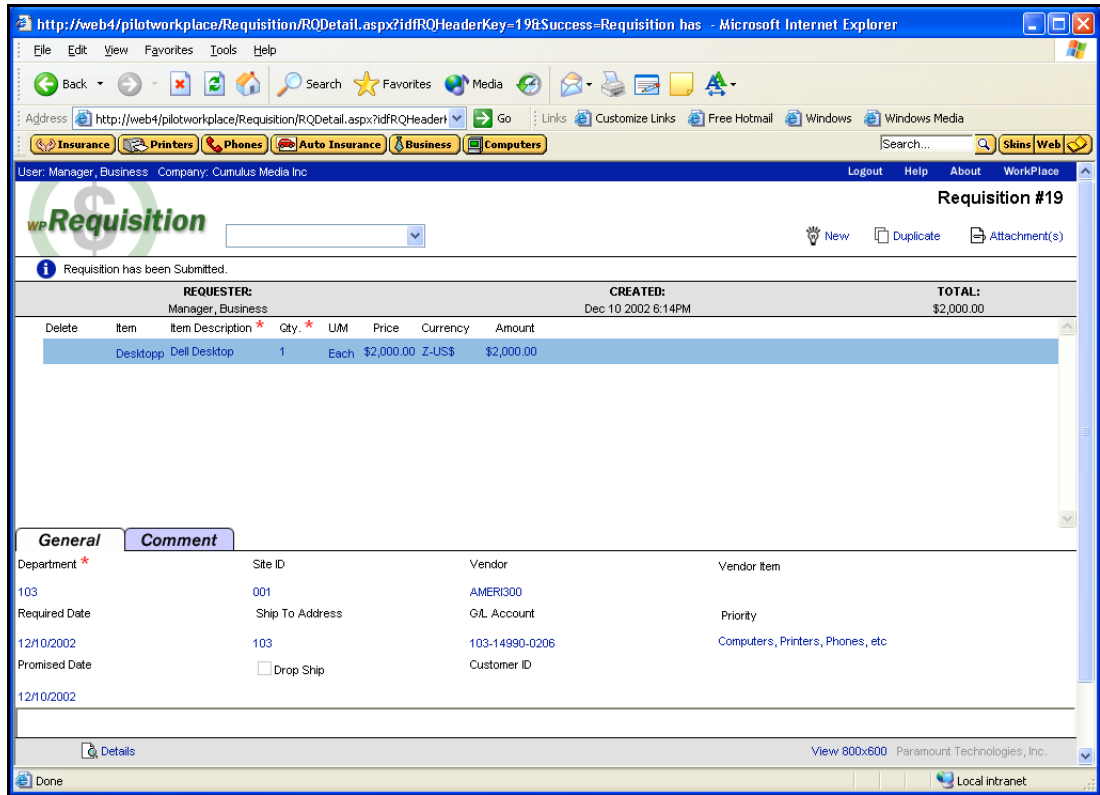
- When you have completed the form, click **Save** at the bottom of the window. The system redisplay the **Requisition** window.



- Click **Save** at the bottom of the **Requisition** window.
- When you are ready to submit the requisition, click **Submit** at the top of the window. The system displays the confirmation dialog.



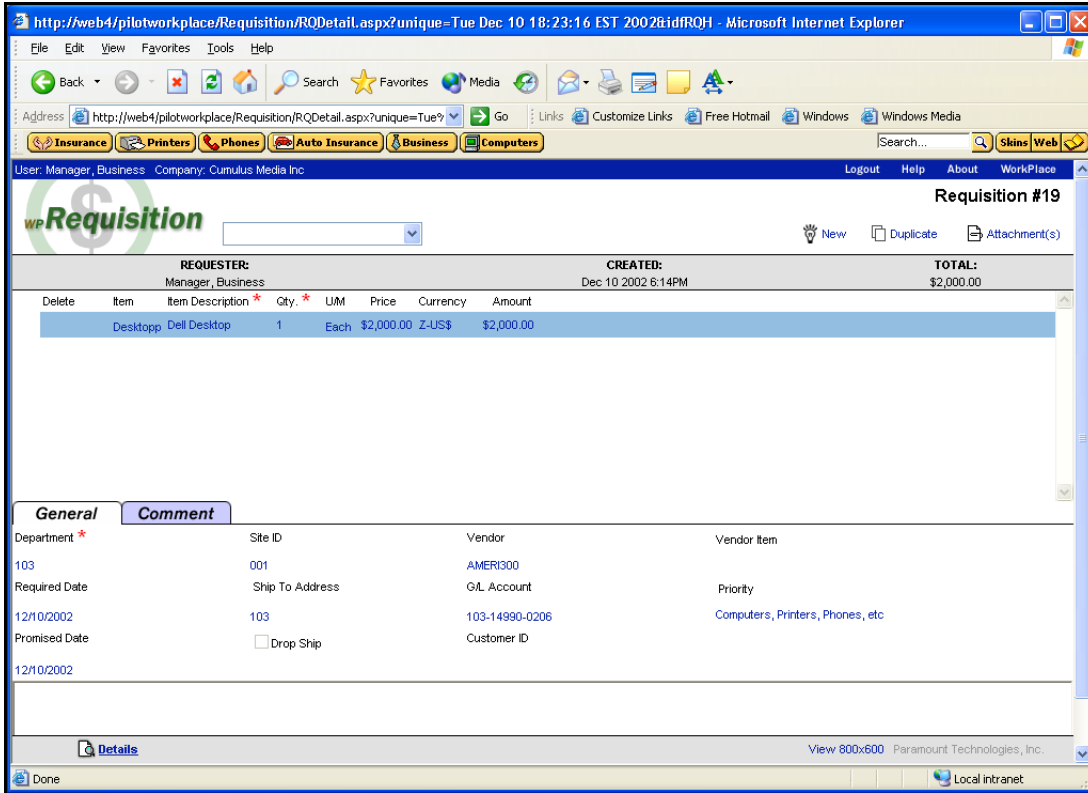
17. Click **Yes** to confirm the submission. The system redisplay the **Requisition** window with the “Requisition has been Submitted” message at the top of the form.



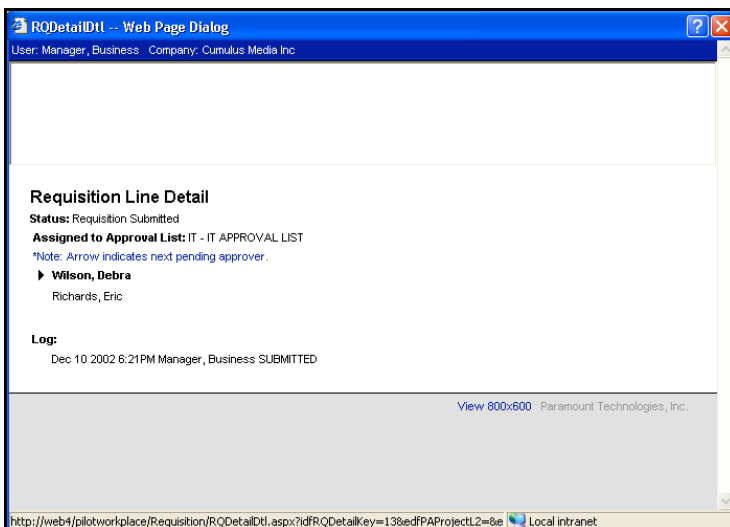
8.4.1 Checking the Status of a Requisition

You can check the status of a requisition to find out its current stage in the approval process.

1. From the **My WorkPlace** tab, click **Find Requisition**. The system displays the **Requisition** window.



2. Select the requisition that you want to check.
3. Click the **Details** hyperlink at the bottom of the window. The system displays the requisition status.



8.5 WorkPlace Routes Request Through Approval Process



WorkPlace sends an e-mail message to the Approver based on the Priority assigned on each requisition. The following table summarizes which approvers have been assigned to each priority.

Priority	Approver
Computers, Printers, Phones.	Shared Services Controller
Towers, Studios, Programming	Corporate Director of Engineering
Facility Build Out	Corporate Director of Engineering
IT Insurance Claims	Shared Services Controller
Technical Insurance Claims	Corporate Director of Engineering
Auto	Corporate Operations Controller
Auto Insurance Claims	Corporate Operations Controller

The Approver accesses the Workflow application and approves or disapproves the request in the system. If the Approver denies the capital expenditure request, an e-mail notice is automatically sent to the requestor.

8.5.1 Requisition Approved



Once the Approver has approved the requisition, WorkPlace electronically routes it to Operations Controller. The Operations Controller receives an e-mail from the system, alerting him that an Approver has routed a requisition to his holding queue in the software. The Operations Controller then reviews the requisition for completeness, proper coding, and asset classification. If the requisition is incomplete or was assigned an inappropriate Priority, the Operations Controller will make changes to the content of the requisition, change the Priority, or both. Often a change in Priority will require that a different Approver approve the requisition. In this case, WorkPlace routes the requisition to the correct Approver based on the Operations Controller's change.

The Operations Controller routes approved requisitions to the EVP, along with an e-mail notifying the EVP that the approved requisition has been routed to his system queue. The EVP then goes into WorkPlace and reviews the requisition. If he approves the requisition, it is routed back to the Operations Controller, who creates a PO, as detailed in Section 8.6. If the EVP disapproves the requisition, a notice is sent to the requestor.

8.5.2 Requisition Not Approved

If the Approver or the Corporate Operations Controller does not approve a requisition, the Approver or the Operations Controller will make an entry in the comment field of the requisition. This tells the requestor why the order was denied.

8.6 Operations Controller Creates Purchase Order

The Operations Controller creates a PO in the Great Plains system. When the Operations Controller creates the purchase order, an e-mail message providing the PO number and a PDF file of the PO is sent to the person who entered the requisition.

8.7 Requestor Places Order with Vendor

Once the requestor receives the PO from the Operations Controller, the requestor can place the order with the Vendor. The requestor should send the PO to the vendor so the vendor can reference the PO on the invoice.

8.8 Vendor Fills Order

Once the PO is received, the Vendor can fill the order as stated on the PO.

8.9 Vendor Mails Invoice to Requestor

Invoices will be mailed to the requestor who ordered the fixed asset.

8.10 Requestor Mails Invoice and Attachments to Corporate Accounts Payable

The requestor mails the invoice, PO, and the original quote submitted with the requisition to the Corporate AP Manager.

8.11 Corporate Accounts Payable Pays Vendor



The AP Manager reviews the information to determine whether there are any variances from what was approved. If there is a difference, the requisition must be rerouted and approved for the updated amount in the WorkPlace application.

AP must perform a two-way match to pay a Capital Expenditure invoice. The match compares the invoice and purchase order. The Corporate AP Manager only pays properly matched invoices.

After the invoice has been received and matched against the PO and processed, the asset information is transferred from AP to Fixed Assets in the Great Plains system.