

## Debt-Financed Equipment Business Process

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**Submitting a request** Tubs requiring access to loan pool funds for the fabrication or purchase of capital equipment that meet University guidelines must complete the Request for Debt Financing of Capital Equipment form and submit it with any vendor proposals/invoices or other documentation to the Office of Treasury Management (OTM).

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**OTM reviews the request** OTM will review the proposal for appropriateness and completeness. If the proposal meets the requirements, OTM will assign the requested loan to a loan pool, assign an appropriate interest rate code to the request, and return a copy of the approved request to the requesting tub. If the proposal does not meet the standards necessary for debt financing, the tub will be notified by phone or email.

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**Requesting a balance sheet activity or subactivity** Once the requestor has received approval, they (or their tub's authorized requestor) will request a unique balance sheet activity (or balance sheet subactivity, per their tub's business process) to record spending against the debt.

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**Entering a balance sheet activity into CSMA** When the authorized requestor enters a request for a balance sheet activity into CSMA, they will be prompted to identify their new activity as debt-related by checking the debt flag. If they complete this field, they will not be permitted to save their request without also supplying the interest rate code assigned by OTM in the interest rate type attribute field.

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**Entering a balance sheet subactivity into CSMA** When the authorized requestor enters a request for a balance sheet subactivity into CSMA, the request form will check the parent activity in Oracle. If the parent activity value has an interest rate type code, the system will identify the subactivity request as "debt-related."

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**CSMA notification to OTM** When the debt-related balance sheet request is saved, CSMA will generate a response notification to OTM requesting approval. This notification will be sent internally within CSMA and via e-mail. OTM will log in to CSMA and respond to the notification via the Workflow Worklist.

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## Debt-Financed Equipment Business Process, continued

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### OTM takes action on notification

OTM will match the information on the response notification with the approved debt financing request form and will take action on the request as follows: Approve, Reject, or Return for Edit.

- **Approve** - If the information on the request matches the debt financing request form, OTM will click "Approve" on the notification. Notification approval will generate two actions: (1) the request will be queued for autoload within CSMA; and (2) an FYI notification will be generated to Apps Admin requesting that they open CVR OBJ 1140 3-6 to allow either the unspecified subactivity (if the request is an activity) or the subactivity value requested (if the request is for a subactivity).
- **Return for Edit** - If the request is legitimate, but the information on the request does *not* match the debt financing request form, OTM will click "Return for Edit" on the notification. "Return for Edit" applies to cases where the request is legitimate, but some data element (description, interest rate type, etc.) needs to be updated (or a debt financing request form received) before the request can be approved. OTM will enter comments justifying the action when they click "Return for Edit." "Return for Edit" will generate two actions: CSMA will (1) set the request status to Returned for Edit; and (2) send a response notification to the requestor. The requestor will have the choice of either canceling the request or updating the data elements and resubmitting it. If the requestor cancels the request, CSMA will generate an FYI notification to OTM notifying them of the action. If the requestor resubmits, CSMA will generate a new response notification to OTM. OTM will have the same three response options (Approve, Reject, Return for Edit) that they had for the original request.
- **Reject** - OTM will click "Reject" when the request is illegitimate (i.e. the parent activity or subactivity value is incorrect, the debt financing request form was rejected, etc.) or when the tub has contacted them via phone or e-mail and asked them to reject the request. OTM will enter comments justifying the action when they click "Reject." "Reject" will generate two actions: CSMA will (1) set the request status to Closed/Rejected; and (2) send an FYI notification to the requestor informing them of the action.

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**Apps Admin loosens CVR**

Upon receipt of the FYI notification of a BS debt activity/subactivity ADD approval, Apps Admin will open CVR OBJ 1140 3-6 to allow either the unspecified subactivity (if the request was an activity) or the subactivity value requested (if the request was for a subactivity). Apps Admin will follow standard procedures to loosen the CVR (usually same-day turnaround).

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**Tubs begin to use new activity or subactivity**

After the new BS activity/subactivity has been established in the GL and the CVR has been loosened accordingly, tubs may begin coding the fabrication or purchase to object code 1140 (with the balance sheet activity/subactivity).

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**Interest charges**

Each month, OTM will create an entry to charge interest (object code 1142) on all debt-financed WIP balances. In the event that a project opens and closes in the same month, a full month's interest will be charged at the time of the close.

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**Submitting Notification of Completion form**

Upon completion of the fabrication or purchase, the tub will notify OTM by submitting the Notification of Completion of Capital Equipment Fabrication or Debt-Financed Purchase form.

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**OTM checks the form**

OTM will check the form for completeness and make entries to charge last month interest and close the project to a loan. OTM will then return the approved copy of the Notification of Completion to the tub with the final loan amount indicated.

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**Apps Admin tightens CVR**

OTM will then forward a request to [cvrrequest@harvard.edu](mailto:cvrrequest@harvard.edu) requesting that rule OBJ 1140 3-6 be "tightened" to prevent any future transactions to the BS activity and/or subactivity and object 1140. Apps Admin will follow their standard CVR tightening procedures to tighten the rule, holding the change until the associated CCIDs can be disabled as part of the month-end disable processes.

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## Debt-Financed Equipment Business Process, continued

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**Activities not disabled until loan paid down**

**Balance sheet debt activities should not be disabled until OTM has completed all related debt service entries to pay down the loan.** Upon receipt of the FYI notification of a BS debt activity/subactivity DISABLE approval, Apps Admin will create a request in their local tracking system to "tighten" CVR OBJ 1140 3-6 to exclude either the unspecified subactivity (if the request was for an activity) or the subactivity value requested (if the request was for a subactivity). Apps Admin will follow standard procedures to tighten the CVR (monthly after the close). BS debt activities should not be disabled until all related debt service entries to pay down the loan are complete.

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