Federal Property Procedures

Purpose

The purpose of this procedure manual is to provide basic procedures for the management of federal property under The University of North Dakota’s control. This manual takes into consideration University of North Dakota policy, State Board of Higher Education policy, North Dakota Century Code, 2 CFR 200 of the Uniform Guidance and Federal Acquisition Regulations (FAR) Part 45 – Government Property. The Principal Investigator (PI) and/or Departmental Administrator and Grants and Contracts Administration are responsible for reviewing the award document(s) to determine agency-specific requirements given by the awarding agency for the management of government property.

Introduction

The University of North Dakota is directly responsible and accountable for the acquisition, use, maintenance, movement, disposition and reporting of all property obtained with federal funds and for the maintenance, and reporting of capital equipment provided by the Government for use on a federally funded project. For the purposes of this procedure manual, equipment shall refer to a) Capital Equipment which is defined as any unit item with a life expectancy of at least one year and having an acquisition cost of $5,000 or more; and b) other items having a lesser value but specifically controlled by the agency.

Definitions

Government Property — Property that is owned by or leased to the Government or acquired by the Government under the terms of a contract or sponsored agreement. Title to government property vests with the Government. Such property includes both University of North Dakota-acquired and government-furnished property as defined below:

- Government-Furnished Capital Equipment: Equipment owned by the Government but furnished to the University for use under a federally-funded project. Transportation and installation costs are not considered as part of the unit price for this purpose. Normally, the unit price of government-furnished equipment is provided on the document covering shipment of the property.
- Contractor-Acquired Capital Equipment: Equipment acquired by the University with funds provided by the Federal Government through a grant or contract.
- Contractor-Fabricated Capital Equipment: Special purpose equipment that is assembled or fabricated and that results in an article of capital equipment. The fabricated unit consists of items or assemblies of parts that are interconnected and interdependent so as to become a new functional entity for a special purpose.

Government Material — Government property which may be incorporated into or attached to an end item to be delivered under a contract or which may be consumed in the performance of a contract. It includes, but is not limited to, raw and processed material, parts, components, assemblies, and small tools and supplies.

Auxiliary Item — An item without which the basic unit of plant equipment cannot operate.
**Capital Equipment** — Personal property of a capital nature (including equipment, machine tools, test equipment, furniture, vehicles, and auxiliary items) for use in performing services, in performing research, or for any administrative or general plant purpose with an acquisition cost of $5,000 or more and having a useful life beyond one year.

**Capital Equipment Enhancements** — Personal property of a capital nature costing greater or equal to $5,000 and a useful life beyond one year. The cost of the equipment enhancement is added to an existing tag number and depreciated over the remaining useful life of the asset.

**Capital Equipment Fabrications** — Personal property of a capital nature which is used to fabricate an item with a total amount costing greater or equal to $5,000 and a useful life beyond one year.

**Salvage** — Property that, because of its worn, damaged, deteriorated, or incomplete condition or specialized nature, has no reasonable prospect of sale or use as serviceable property without major repairs, but has some value in excess of its scrap value. Currently the University of North Dakota assigns a salvage value of $0.00 to capital equipment.

**Scrap** — Property that has no reasonable prospect of being sold except for the recovery value of its basic material content.

**Special Test Equipment** — Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

**Management of Government Property**

Written procedures for the management of government property are included in this manual. The manual is a collaborative effort of the Grants and Contracts Administration, Procurement & Payment Services and Asset Management to establish and maintain an Asset Management system for the control, use, maintenance, repair, protection and preservation of government property in the custody of the University of North Dakota and its subcontractors. The manual addresses functional areas of government property administration with consideration of 2 CFR 200 and FAR Part 45 requirements.

The Asset Management Accountant (AMA) is the primary institutional contact for matters relating to government property management. The AMA works closely with the Departmental Administrators/Asset Management Contact, Grants and Contracts Administration, and Procurement & Payment Services to facilitate effective property management at the University.

The PIs/Departmental Administrators/Asset Management Contact need to notify Grants and Contracts Administration and the AMA as soon as possible if a piece of equipment cannot be located. Grants and Contracts Administration will review the agreement to see if action is needed. A follow-up search must be completed by the department within 6 months to perform a second search for the asset.

An inventory is completed annually for all equipment. Also, audits are done periodically by the Internal Auditing Department.
Acquisition

Government property may be acquired by (1) purchase through University Procurement & Payment Services, or (2) government-approved transfer from government surplus, or (3) loan from another government-funded project, or (4) by fabrication as an end product of the sponsored agreement.

Most federal agencies require that capital equipment be budgeted in the proposal. In those instances where unforeseen capital equipment purchases become necessary, the PI may have to obtain prior approval from the sponsoring agency for acquisition of equipment depending on the terms of the agreement.

Any equipment acquisition, whether budgeted in the proposal/award or approved by the agency after the award, must be reviewed by the Grants and Contracts Administration prior to acquisition.

The process by which information relating to government-owned property included in new awards or in modifications to existing awards is distributed to the appropriate UND staff is generally in the following manner:

- Upon receipt of a fully executed award that includes approved government property, Grants and Contracts Administration notifies the PI of the receipt and acceptance of the award.
- Grants and Contract Administration sets up the award and notifies the PI of the project number. A notation is included on the memo indicating equipment and the amount approved in the award, including a copy of the award, a budget and other internal supporting documentation as required.
- The PI/Departmental Administrator initiates purchase of the property via a Purchase Requisition and forwards supporting documentation to Procurement & Payment Services.
- Procurement & Payment Services routes the purchase requisition to the Grants and Contracts Administration to be reviewed for allowable purchases on the agreement before purchase and for it to be signed.
- Procurement & Payment Services generates a purchase order.
- The item is received at the Central Receiving dock or the Campus Postal Department and the item is delivered to the department. The item may also be received directly by the department.
- The order is reviewed for completeness by matching the item received to the invoice.
- Upon receipt of an invoice, Payment Services forwards it to the appropriate department to process for payment.
- Capital equipment items are entered into the PeopleSoft System as Federal property.
- The PI/Departmental Administrator/Asset Management Contact labels and tags the item to indicate federal ownership.

Lease vs. Purchase

2 CFR 200.318 states, “The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.”

Procurement & Payment Services is responsible for analyzing the cost effectiveness of lease vs. purchase when acquiring equipment with federal funds. Lease decisions must be approved by Procurement & Payment Services.
Receiving

The Campus Postal Department is generally the point of entry for shipments of freight to the University. Shipments received in the Campus Postal Services will be delivered to departments on a daily basis by Campus Postal personnel. The delivery of large shipments (size or quantity) will be to Central Receiving and delivery to the various departments will be arranged through Facilities. Receiving Department personnel are not authorized to unpack boxes, set up merchandise, or make a delivery to multiple points within a department.

When the property is delivered to the department, the PI/Departmental Administrator/Asset Management Contact is responsible for examining it to determine quantity received, condition and any transit-related discrepancies. If the merchandise received is unacceptable for any reason (damaged, incomplete, incorrect, etc.), the department works with Procurement & Payment Services to arrange a return to the vendor.

For property that is delivered directly to the department (does not go through Central Receiving), the PI/Departmental Administrator/Asset Management Contact is responsible for acknowledging receipt and for notifying the AMA of receipt of government-furnished property.

Identification

Asset Management is responsible for the issuance of university property tags for all items of capital equipment, both federal and non-federal. The department Asset Management Contact is responsible for placing the tag on the equipment. The PI/Departmental Administrator/Asset Management Contact is responsible for notifying Asset Management of any untagged or incorrectly tagged items of capital equipment.

In addition, the PI/Departmental Administrator/Asset Management Contact is responsible for attaching a label (tag) to items, both capital equipment and non-capital items, of government-owned property in the department.

Property Records

Asset Management maintains the official records for all federal government property coded as capital equipment. The information contained in the PeopleSoft Asset Management system includes:

- UND property identification number
- description of the asset
- serial number
- department custodian
- location (building/room)
- acquisition method and respective acquisition amounts (state furnished “S” or federal furnished “F”)
- total acquisition cost
- date received or acquisition date
- University project number/funding agency
- Date disposed (if applicable)

The PI/Departmental Administrator/Asset Management Contact is responsible for maintaining lists of government property (capital and non-capital) for each of his/her projects, including property at offsite locations and property in the custody of subcontractors. The PI/Departmental
Administrator/Asset Management Contact is also responsible for working with the AMA to self-audit government property at least once a year and for updating property records accordingly.

While reviewing/approving equipment requisitions, Procurement & Payment Services ensures that all required supporting documentation exists prior to purchase of the item. The AMA maintains a complete and current inventory list of each item of federal government property and follows up with the PI/Departmental Administrator/Asset Management Contact to complete the information upon receipt of the property.

**Movement**

The PI/Departmental Administrator/Asset Management Contact is responsible for notifying the AMA when government property is relocated, so the AMA can update the PeopleSoft system with the new location. If prior approval from the agency is required before property movement, the PI/Departmental Administrator/Asset Management Contact should request such approval.

Movement out of the department of any item of federal government property that is tagged with a university property tag must be documented by the PI/Departmental Administrator/Asset Management Contact on an Equipment Transfer and Status Report which should be signed by the department heads of both the transferring and receiving departments and forwarded to Asset Management.

Any time a capital equipment item leaves the campus for an extended period of time or is returned to the campus, the PI/Departmental Administrator/Asset Management Contact is responsible for contacting Asset Management and the Insurance Department. All capital equipment used off campus permanently or primarily, more than 50% of the time, must be designated as off campus for insurance reasons.

**Storage**

The PI/Departmental Administrator/Asset Management Contact is responsible for storing property in accordance with acceptable commercial housekeeping procedures and for providing adequate protection from corrosion, contamination and damage. Additional security and protection must be ensured for sensitive items.

**Inventories**

**Annual Inventory**

The AMA and the PI/Departmental Administrator/Asset Management Contact will work together to conduct an annual inventory of all government-owned property and resolve any discrepancies disclosed by the inventory. Departmental inventory records will be updated upon completion of the inventory and resolution of discrepancies. Any adjustment to government property will not be made without approval from the agency. Subcontractors are also required to inventory all government-owned property and report the results to Grants and Contracts Administration.

In addition, a yearly inventory of all capital equipment items (both federal and non-federal) is performed by the Asset Management Contact. The Asset Management Contact generates an inventory list of capital equipment by running the query, NDU_AM20, in PeopleSoft. The Asset Management Contact physically locates each item on the list, notes any changes to location or status and returns the annotated list to Asset Management. Asset Management then updates the official property record.
Closeout or Terminal Physical Inventory

Grant and Contracts Administration shall prepare an inventory of government property in the possession of The University of North Dakota or its sub-awardees at termination or closeout of an award. Grants and Contracts Administration will contact the awarding agency for disposition instructions.

Reports of Government Property

Grants and Contracts Administration (GCA) has the primary responsibility for preparing and submitting interim and closeout reports of government property as required by the sponsoring agencies. GCA will run a Query or will contact Asset Management for a list of all capital equipment purchased under the award, will obtain the appropriate signature, and will ensure that the report is submitted to the agency in a timely manner. Information on government property at subcontractor locations is reported to the GCA.

Consumption of Materials

Consumption is the process of incorporating raw materials provided by the Federal Government into an end item or otherwise consuming them in the performance of the contract. Consumption of materials must be authorized by the agency. Quantities consumed must be reasonable and in proper quantities for the work being performed. The PI/Departmental Administrator/Asset Management Contact must ensure that a) consumption of materials is accurately documented (including authorization from the granting agency); b) age-sensitive materials are consumed first; c) any unused material is returned to the Government; and d) excess government property has been screened for parts or components that are removed or recovered from repair, rework, testing or cannibalization.

Utilization of Government Property

University departments should use government property for the purpose(s) for which it was described in the award. The PI/Departmental Administrator/Asset Management Contact is responsible for obtaining agency approval prior to using any government property for purposes other than those described in the award.

Maintenance

The PI/Departmental Administrator/Asset Management Contact is responsible for the care, maintenance and utilization of government property in his/her possession or control from the time of receipt of the property until relieved of responsibility by the agency. The PI/Departmental Administrator/Asset Management Contact will ensure that the property is maintained and repaired by qualified laboratory technicians or return it to the manufacturer for repair as the situation may require. The PI is also responsible for assuring that only qualified technical project personnel use the property and assuring that the property is protected from any deteriorating elements. The PI/Departmental Administrator/Asset Management Contact shall establish a program of regular preventative maintenance and keep records reflecting the nature and cost of repairs, parts replaced and cost.

Subcontractor and Alternate Location Property Management

Grants and Contracts Administration is responsible and accountable for all government property in the custody of subcontractors or at alternate locations. GCA is responsible for ensuring that
contractual provisions and requirements related to government property are flowed down to subcontractors. Information on government property at subcontractor locations is reported to the GCA.

The AMA and the PI/Departmental Administrator/Asset Management Contact all maintain records (for capital equipment items) of government property that is physically located off-campus. The PI/Departmental Administrator/Asset Management Contact maintains this information on a department level while the AMA (for capital equipment items) maintains this information on a university-wide level.

The PI/Departmental Administrator/Asset Management Contact has the primary responsibility for keeping accurate records of government property at off-campus locations and for notifying the AMA and Grants and Contracts Administration (if applicable) of any changes to property locations.

**Disposition**

The PI/Departmental Administrator/Asset Management Contact and Grants and Contracts Administration work together to dispose of government property as required by the Federal Government.

Effective property management provides for disclosing excesses as they occur. The PI is responsible for assessing the use of government property on an ongoing basis. Property should be reviewed periodically and its need justified. When there is no further use for the equipment, the PI, in conjunction with Grants and Contracts Administration, should contact the agency for disposition instructions with an authorized signature from the University. Disposition must be approved by the agency before property is removed from inventory. The PI/Departmental Administrator/Asset Management Contact should notify the AMA of approved disposition.

At completion of the sponsored agreement, the PI, in conjunction with Grants and Contracts Administration, should contact the agency for disposition instructions. The property may be disposed of by one of the following methods: 1) UND has title already and will continue to use the equipment without further obligation to the sponsor or will dispose of the equipment, 2) UND does not have title and will request disposition from the agency, or 3) UND does not have title, but title is requested from the agency because the item is still needed. Any disposition of government property must be approved by the agency prior to disposition.

**Closeout**

The PI/Departmental Administrator/Asset Management Contact and Grants and Contracts Administration work together to fulfill all contractual property requirements at the closeout of a contract.

GCA has the primary responsibility for preparing and submitting the closeout report of government property if required by the sponsoring agency. GCA will run a Query or will contact Asset Management for a list of all capital equipment purchased under the award, will obtain the appropriate signature, and will ensure that the report is submitted to the agency in a timely manner.

Information on government property at subcontractor locations is reported to the GCA.

If the PI wishes to transfer government property from a completed contract to another active contract, he/she must obtain prior approval from the agency.