

---

## FEDERAL PROPERTY MANAGEMENT PROCEDURE GUIDE

### Purpose

The Federal Property Management Procedure Guide provides basic procedures for the management of federal property under North Dakota State University's control. The manual describes the system used for the acquisition, records, maintenance, physical inventory, control and disposition of facilities and property of North Dakota State University (NDSU), the United States Government and various other grantee agencies. The manual complies with Federal Acquisition Regulation (FAR), OMB Circular A-110, OMB Circular A-21, DoD Property Administration Guidelines, State of North Dakota Century Code, North Dakota University System State Board of Higher Education (SBHE) policies and NDSU Policy 819.

### Responsibility

The Principal Investigator (PI)/Departmental Administrator/Asset Management Contact and Grant and Contract Accounting Grants Officer are responsible for reviewing the award document(s) to determine agency-specific requirements such as but not limited to:

- a) Title
- b) Use of Property
- c) Disposition of Property

The PI/Department Administrator/Asset Management Contact is responsible to:

- a) Ensure that proper University procedures are followed for the acquisition of property, equipment, supplies, etc.
- b) Manage capital equipment inventory making sure accounting records are updated on a timely basis and making sure equipment resources are appropriately managed
- c) Ensure that equipment inventory includes only active items
- d) Report equipment deletions and transfers timely to the Accounting Office, so records are updated
- e) Report stolen items to University Police and Accounting Office.
- f) Turn surplus items over to the Purchasing Office, for use by another department or public auction
- g) Prohibit the personal use of University equipment (see NDSU Policy 700.3)
- h) Proper departmental approval must be documented if equipment needs to be taken to an employee's home (see NDSU Policy 700.2)
- i) Ensure the department's annual inventory of items (required by state law and federal regulations) is completed by the requested deadlines
- j) Assist in locating equipment items for random audit verifications
- k) Manage and track minor IT (Information Technology) equipment (valued between \$750 and \$5000)
- l) Report major equipment additions to Facilities Management to update the buildings content insurance coverage

The Asset Management Account Technician (AMAT) is the primary contact for matters relating to government property management. The AMAT will work closely with the PI/Departmental Administrator/Asset Management Contact, Grant & Contract Accounting and Purchasing to facilitate effective property management at the University the AMAT is responsible to:

- m) Maintain and update the Asset Management system
- n) Ensure that all equipment is inventoried and accounted for and that AM records are updated at least annually.
- o) The disposition of equipment
- p) Ensure equipment is identified according to property procedures and/or agency requirements

The Grant & Contract Accounting Grants Officer is responsible to:

- a) Ensure that contract and grant property reporting requirements are complied with as specified
- b) Reporting requirements to the various agencies both federal and state

NDSU will make all property records, including correspondence relating thereto, available for review or audit when reasonable notice of intent has been provided by the interested parties.

The terms of the contract shall supersede if there are inconsistencies between the contract, these standards and/or FAR.

## **Definitions**

**ACCESSORY ITEM:** an item which facilitates or enhances the operation of plant equipment but which is not essential for its operation

**ACQUISITION:** the process of acquiring property either through purchase, transfer or donation

**AUXILIARY ITEM:** an item without which the basic unit cannot operate

**CAPITAL EQUIPMENT ENHANCEMENT:** 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.

**CAPTIAL 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.

**DISPOSITION:** the process of transferring; returning to the contracting agency; sale, scrapping or trading in of property

**EXEMPT PROPERTY:** Tangible personal property acquired in whole or in part with Federal funds, where the Federal awarding agency has statutory authority to vest title in the institution without further obligation to the Federal Government.

**GOVERNMENT PROPERTY:** Property that is owned by or leased to the Government or acquired by the Government under the terms of a contract or agreement. Title vests with the Government. Such property includes both NDSU acquired and government-furnished property

**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 included 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.

**GOVERNMENT ACQUIRED CAPITAL EQUIPMENT:** Equipment acquired by the University with funds provided by the Federal Government through a grant or contract.

**GOVERNMENT 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.

**CAPITAL EQUIPMENT:** Non-expendable tangible personal property, including exempt property, having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. The property is 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. Shipping, in-transit insurance, and installation charges should be included as part of the cost for new purchases. Title vests with the institution.

**MAINTENANCE:** the process of providing the amount of care necessary to obtain a high quality of production and the most useful life of property

**MATERIAL:** Property which may be incorporated into or attached to an end item to be delivered under an agreement or which may be consumed in the performance of an agreement. It includes, but is not limited to, raw and processed material, parts, components, assemblies, and small tools and supplies. Title of these expendable personal property type items vests in the institution upon acquisition.

**PERSONAL PROPERTY:** Property of any kind except real property. It may be tangible - having physical existence, or intangible - having no physical existence, such as patents, copyrights or securities.

**PHYSICAL INVENTORY:** the process of physically locating and counting property, comparing the information to applicable records, then adjusting and reporting as required. In case of conflict, the physical inventory supersedes.

**REAL PROPERTY:** Real property means land, including land improvements, structures and appurtenances thereto, but excluding movable machinery and equipment. Title to real property shall vest in the institution subject to the condition that the institution shall use the real property for the authorized purpose of the project, as long as it is needed and shall not encumber the property without approval of the Federal awarding agency.

**RECORDS:** the official accounting and subsidiary records maintained by NDSU to control all property furnished or otherwise acquired

**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 or alterations, but which has some value in excess of its scrap value

**SCRAP:** property that has no reasonable prospect of being sold except for the recovery value of its basic material content

**SENSITIVE PROPERTY:** Property potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that shall be subject to exceptional physical security, protection, control, and accountability. Examples include weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

**SPECIAL TEST EQUIPMENT:** Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing an agreement. 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 foundation and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

## **Acquisition**

Government property may be acquired by:

- a) Purchase through University Purchasing, or
- b) Government-approved transfer from government surplus, or
- c) Loan from another government-funded project, or
- d) 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 Grant & Contract Accounting prior to acquisition.

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

- a) Upon receipt of a fully executed award that includes approved government property, GCA notifies the PI of the receipt and acceptance of the award
- b) GCA sets up the award and notifies the PI of the project number. A notation is included on the Award Info Sheet indicating equipment and the amount approved in the award,.

- c) The PI/Departmental Administrator/Asset Management Contact initiates purchase of the property via purchase requisition in accordance with NDSU purchasing policies (see NDSU Policy 400) and procedures.
- d) Purchase requisitions are routed through the Grant & Contract Accounting Office for review of allowability on the agreement.
- e) Purchasing generates a purchase order.
- f) The goods and services are received at the department
- g) The department matches the goods and services with the invoice and reviews the order for completeness
- h) Capital equipment items are entered into the PeopleSoft system as “Federally Funded”.
- i) The PI/Departmental Administrator/Asset Management Contact labels and tags the item to indicate government owned property

#### Lease vs. Purchase

OMB Circular A-110 states, “Where appropriate, an analysis of lease and purchase alternatives should be made to determine which would be the most economical and practical Purchasing for the Federal Government”

The Purchasing Department is responsible for analyzing the cost effectiveness of lease vs. purchase when acquiring equipment with federal funds. Lease decisions must be approved by the Purchasing Department (see NDSU Policy 401).

#### Donated Equipment

Donations of equipment with a value of \$5,000 or more will be put on the property file with the actual cost and if not available, estimated value.

#### Transferred Equipment

Transfers of equipment with a value of \$5,000 or more will be put on the property file with the actual cost.

## **Receiving/Identification**

The PI/Departmental Administrator/Asset Management Contact is responsible for examining the property received to determine the quantity received, condition and transit-related discrepancies. If it is unacceptable for any reason (damage, incomplete, incorrect, etc) the department works with Purchasing to arrange a return to the vendor.

The PI/Departmental Administrator/Asset Management Contact is responsible for acknowledging receipt and for notifying the AM Account Technician of receipt of property.

Affix an NDSU inventory tag to the item. Tags are available from the Accounting Office.

Fill out the necessary information on an inventory document. Instructions are available from the Accounting Office. Attach the inventory document to the Receiving Report (Accounts Payable Voucher or Interdepartmental Billing form, if applicable) and submit it to the Accounting Office. When the items purchased are enhancements or attachments to equipment that is already

inventoried, the inventory number of the existing item should be written on the receiving report (Accounts Payable Voucher or Interdepartmental Billing form), if applicable.

The inventory document will be returned after it is included on the fixed asset records of the University.

Equipment purchases from Federal funds valued at more than \$5,000 must be tagged with a "Property of North Dakota State University-Federal Funds" identification tag. These tags will be provided by the Accounting Office.

## **Records**

NDSU maintains the Asset Management system in accordance with NDSU Policy 505. The following data elements are maintained within NDSU's Asset Management system to account for property purchased on sponsored agreements.

- a) A description of the equipment
- b) Manufacture's serial number, model number, Federal stock number, national stock number, or other identification number, NDSU tag #
- c) Source of the equipment, including funding source (award # and dept #)
- d) Whether title vests in the recipient or the Federal Government
- e) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
- f) Information from which one can calculate the percentage of Federal participation in the cost of the equipment. (not applicable to equipment furnished by the Federal Government)
- g) Location and condition of the equipment and the date the information was reported.
- h) Unit acquisition cost
- i) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- j) Acquisition method: "s" state furnished or "f" federally furnished

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 AM Account

Technician to self-audit government property at least once a year and for updating property records accordingly.

While reviewing/approving equipment requisitions, purchasing ensures that all required supporting documentation exists prior to the purchase of the item. The AM Account Technician 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.

## **Maintenance**

The PI/Department Administrator/Asset Management Contact is responsible for the care and maintenance of government and university property in her/her possession or control from time of receipt of the property until relieved of responsibility by NDSU. The PI/Department Administrator/Asset Management Contact will ensure that the property is maintained and repaired by qualified laboratory technicians or returned to the manufacturer for repair as necessary. 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/Department Administrator/Asset Management Contact shall establish a program of regular preventative maintenance in accordance with manufacturer's specifications. A log shall be kept reflecting

- a) dates of oiling and cleanings
- b) detection of troubles or malfunctions
- c) nature and cost of repairs
- d) parts replaced and cost.

## **Subcontractor Control**

Grant and Contract Accounting is responsible and accountable for all government property in the custody of subcontractors or at alternate locations. Sponsored Programs 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 GCA.

The AM Account Technician 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 departmental level while the AM Account Technician (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 AM Account Technician and Grant & Contract Accounting (if applicable) of any changes to property locations.

## **Utilization**

Government property acquired via surplus, transfer or directly shall be used expressly for the purpose stated in the agreement unless specifically authorized by the awarding agency.

Awarding agencies may restrict the use and disposition of a piece of equipment and may retain title to property purchased on sponsored agreements.

The institution shall not use equipment acquired with Federal funds to provide services to non-Federal outside organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by the Federal statute, for as long as the Federal Government retains an interest in the equipment.

The institution shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original project or program, the equipment shall be used in connection with its other federally sponsored activities in the following order of priority:

- a) Activities sponsored by the Federally awarding agency, which funded the original project
- b) Activities sponsored by other Federal awarding agencies

During the time that equipment is used on the project or program for which it was acquired, the institution shall make it available for use on other projects or programs if such use will not interfere with the work on the project or program for which the equipment was originally acquired in the following order of priority:

- a) Activities sponsored by the Federally awarding agency, which funded the original project
- b) Activities sponsored by other Federal awarding agencies
- c) If the equipment is owned by the Federal Government, use on other activities not sponsored by the Federal Government shall be permissible if authorized by the Federal awarding agency. Use charges shall be treated as program income.

When acquiring replacement equipment, the recipient may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the Federal awarding agency.

When it is determined by the PI that the property is no longer used on any sponsored programs, the University must comply with the disposition procedures.

## **Storage**

The PI/Departmental Administrator/Asset Management Contact is responsible for storing property in a safe, clean environment and for providing adequate protection from corrosion, contamination and damage. For sensitive items, additional security and protection must be ensured.



## **Consumption of Materials**

Consumption is the process of incorporating materials/supplies provided by the Federal Government into an end item or otherwise consuming them in the performance of the agreement. Consumption of the materials/supplies must be authorized by the awarding agency. Quantities consumed must be reasonable and in proper quantities for the work being performed. The PI/Departmental Administrator must ensure that:

- a) consumption of materials is accurately documented (including authorization from the awarding agency)
- b) age-sensitive materials/supplies are consumed first
- c) any unused materials/supplies are returned to the Government if the residual exceeds \$5000 in total aggregate fair market value and is not needed for any other federally sponsored project or program
  - a. the institution may retain the property for use on non-federally sponsored activities, or sell it, but must in either case, compensate the federal government for its share. The amount of compensation shall be computed in the same manner as equipment.
- d) excess government property has been screened for parts or components that are removed or recovered from repair, rework, testing or cannibalization

## **Physical Inventory**

An annual physical inventory of equipment is performed by the departments. The results of the physical inventory are reviewed by the AM Account Technician and reconciled with the AM System. Detailed instructions for the annual inventory are sent out by the Accounting Office.

The inventory includes:

- a) Physical inspection of existence
- b) Tagging verification - NDSU and Federal (if applicable)
- c) Condition
- d) Usage and continued need
- e) Reconciliation (to include)
  - a. Date Inventory was completed
  - b. A list of all items that varied

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 Grant & Contract Accounting.

## **Relocation of Property**

It is the nature of a research institution such as NDSU, to move property where it may be needed. The PI/Departmental Administrator is responsible for notifying the AM Account Technician when property is relocated, so the AM Account Technician can update the Asset Management system with the new location. If prior approval from the agency is required before property movement, the PI/Departmental Administrator should request such approval.

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 the AM Account Technician. All capital equipment used off campus permanently or primarily, more than 50% of the time, must be designated as off campus for insurance reasons.

## **Contract Close-out**

The PI/Departmental Administrator/Asset Management Contact and Grant & Contract Accounting work together to fulfill all contractual property requirements at the close-out of the contract.

GCA has the primary responsibility submitting the closeout report of government property if required by the sponsoring agency. They GCA Officer will work with the Department and AM Account Technician to complete the property report.

Information on government property at subcontractor locations is reported to 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.

## **Disposition**

The PI/Department Administrator/Asset Management Contact, Grant & Contract Accounting, AM Account Technician and Purchasing work together to dispose of government property as required by the Federal Government. Disposition includes transfers, sales, losses, stolen property and sales.

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 of the equipment, the PI, in conjunction with Grant & Contract Accounting, should contact the agency for disposition instructions with an authorized signature from the University.

Upon completion of the sponsored agreement, the PI, in conjunction with Grant & Contract Accounting, should contact the agency for disposition instructions. The property may be disposed of by one of the following methods:

- a) NDSU has title already
  - a. will continue to use the equipment without further obligation to the sponsor or,
  - b. dispose of the equipment
- b) NDSU doesn't have title
  - a. Request disposition from the agency
  - b. Request title from the agency as the item is still needed

Any disposition of government property must be approved by the agency prior to disposition. Upon approval, disposition instructions will be communicated to the PI/Department Administrator/Asset Management Contact, AM Account Technician and Purchasing.

## **Reports**

Annual reports of property holdings and accountability are required by most awarding agencies for grants and contracts. A thorough review of each new grant and contract will be conducted to determine applicable property reporting requirements. Grant & Contract Accounting (GCA) will prepare and submit property reports to awarding agencies as required, through the use of the reports from the Asset Management system,

Information on property at a subcontractor location will be reported to GCA.

Property Loss/Stolen Reports - copies shall be submitted to GCA to be reported to the sponsoring agency and included with the award documents.

## **Contractor Responsibility and Liability for Property Loss**

All equipment acquired through a subcontract or in use by a subcontractor will fall under NDSU's established property procedures. The requirements of government reporting as well as screening that apply to all Federal, State, and Private funds shall apply. The subcontractor shall have an acceptable property control system.

- a) The grant or contract will specify a subcontractors roles and responsibilities, if not, approval of a subcontractor for use on a federal and state grant or contract will be obtained
- b) Use of federally owned property, unless specified in the grant or contract must be approved in writing by the grant/contract officer or his/her designee for such matters
- c) Property must be used only for the purposes authorized in the grant or contract
- d) The subcontractor will establish a maintenance program equal to or better than those outlined in this manual and have those records available for review by NDSU and Government officials

For items in use by the subcontractor or at alternate locations, the subcontractor will accept liability for the property until it is back in NDSU's possession.