North Dakota State University
Policy Manual

SECTION 819
PROPERTY MANAGEMENT STANDARDS

SOURCE: NDSU President

1. Special elements exist in the inventory system of the University to account for property purchased on sponsored agreements. Sponsoring agencies may restrict the use and disposition of a piece of equipment and may retain title to property purchased on sponsored agreements.

   Nonfederal programs are reviewed individually for any restrictions regarding title, use of the property, or disposition of the property.

   The federal government prescribes uniform standards governing management of property furnished by the federal government or whose cost was charged to a project supported by a federal grant or other agreement. Thus, these rules are applicable to equipment purchased with federal funds and to equipment purchased with University or third party funds which was used as matching against a federally supported project.

   1.1 REAL PROPERTY. Real property means land, including land improvements, structures and appurtenances thereto, but excluding movable machinery and equipment.

   1.2 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.

   1.3 EQUIPMENT. Non-expendable tangible personal property, including exempt property, charged directly to the award - having a useful life of more than one year and an acquisition cost of $5000 or more per unit.

   1.4 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.

2. MANAGEMENT STANDARDS FOR FEDERALLY OWNED AND EXEMPT PROPERTY. If, according to the agency regulations or agreement, title of the property is retained by the federal government, the following guidelines must be adhered to.

   A. Use of the property
      1. If 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.
      2. The institution shall submit annually an inventory listing of property in custody to the Federal awarding agency.

   B. Disposition of property. Upon completion of the agreement or when the property is no longer needed, the institution shall report the property to the federal sponsoring agency for further agency utilization. (The Office of Grant and Contract Accounting should be notified and will countersign the notice to the federal agency.)

1. If the federal sponsoring agency has no further need for the property, it shall be declared excess and reported to the General Services Administration. Appropriate disposition instructions will be issued to the institution after completion of the federal agency review.

C. If the University has purchased property under an agreement in which the federal government retains title, the inventory record will reflect that the title to the property vests in the federal government (coded 02 on the item record). The item will also be coded as subject to disposition regulations which will alert the department, Inventory Control, and the Office of Grant and Contract Accounting that the item is subject to the disposition regulations described in this section.

3. MANAGEMENT STANDARDS FOR OTHER EQUIPMENT. When other equipment is acquired by the institution with project funds, title shall not be taken by the federal government, but shall vest in the institution subject to the following conditions:

A. Use of equipment for which the institution has title.

1. The institution shall not use the equipment 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.

2. 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.

3. 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. The order of priority is the same as listed in #2 above.

4. 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.

B. Property management standards for equipment acquired with Federal funds and federally owned equipment.

1. Equipment records shall be maintained accurately and shall include the following information:

    a) A description of the equipment

    b) Manufacture's serial number, model number, Federal stock number, national stock number, or other identification number.

    c) Source of the equipment, including the award number

    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.

    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.

2. Equipment owned by the Federal Government shall be identified to indicate Federal ownership.

3. Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide the competition to the extent practicable and result in the highest possible return.

C. Disposition of other equipment.

1. For equipment with a current per unit fair market value of $5,000 or more, the institution may be retained the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successors. The amount of compensation shall be computed by applying the Federal participation in the cost of the original project or program to the current fair market value of the equipment.

2. If the institution has no need for the equipment, the institution shall request disposition instructions from the Federal awarding agency. The Federal awarding agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within the agency, the availability of the equipment shall be reported to the General Services Administration by the Federal awarding agency to determine whether a requirement for the equipment exists in other Federal agencies. The Federal awarding agency shall issue instructions no later than 120 calendar days after the request and the following procedures shall govern:

    a) If so instructed or if disposition instructions are not issued within 120 calendar days after the institution's request, the recipient shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, an amount of $500.00 or 10% can be deducted for selling and handling expenses.

b) If the institution is instructed to ship the equipment elsewhere, the institution shall be reimbursed by the Federal Government by an amount which is computed by applying the percentage of the recipient's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

3. The Federal awarding agency may reserve the right to transfer the title to the Federal Government or to a third party named by the Federal Government when such third party is otherwise eligible under existing statutes. Such transfer shall be subject to the following standards.

   a) The equipment shall be appropriately identified in the award or otherwise made known to the recipient in writing.

   b) The Federal awarding agency shall issue disposition instructions within 120 calendar days after receipt of a final inventory. The final inventory shall list all equipment acquired with grant funds and federally owned equipment. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar day period, the recipient shall apply the standards listed in #1.

   c) When the Federal awarding agency exercises its right to take title, the equipment shall be subject to the provisions for federally owned equipment.

4. MANAGEMENT STANDARDS FOR EXPENDABLE PERSONAL PROPERTY. Title to expendable personal property shall vest in the institution upon acquisition. If there is a residual inventory of such property exceeding $5,000 in total aggregate fair market value, upon termination or completion of the grant or other agreement, and the property is not needed for any other federally sponsored project or program, the institution shall 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.

5. MANAGEMENT STANDARDS FOR REAL PROPERTY. Each federal sponsoring agency shall prescribe requirements for recipients concerning the use and disposition of real property acquired partly or wholly under grants or other agreements. Unless otherwise provided by statute, such requirements as a minimum, shall contain the following:

   A. 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.

   B. The institution shall obtain approval by the federal sponsoring agency for the use of real property in other projects when the institution determines that the property is no longer needed for the purpose of the original project. Use in other projects shall be limited to those under other federally sponsored projects (i.e. grant or other agreements) or programs that have purposes consistent with those authorized for support by the federal sponsoring agency.

C. When the real property is no longer needed as provided in A and B above, the institution shall request disposition instructions from the federal sponsoring agency or its successor federal sponsoring agency. The federal sponsoring agency shall observe the following rules in the disposition instructions:

1) the institution may be permitted to retain title without further obligation to the government after it compensates the federal government in an amount computed by applying the federal percentage of participation in the cost of the original project to the fair market value of the property.

2) the institution may be directed to sell the property under guidelines provided by the federal sponsoring agency and pay the federal government for that percentage of the current fair market value of the property attributable to the federal participation in the project (after deducting actual and reasonable selling and fix-up expenses, if any, from the sales proceeds). When the institution is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return; or

3) the institution may be directed to transfer title to the property to the federal government or eligible third party provided that in such cases the institution shall be entitled to compensation for its attributable percentage of the current fair market value of the property.

In all cases where the University has title to the property purchased under sponsored agreements, the item records for the property will reflect that title vests with the University (coded 01 on the item record). Because the federal government retains the right to reclaim title, the property is still subject to the disposition regulations cited in this section.

6. DETERMINING "USE" OF PROPERTY. A data element, "FEDERAL USE CODE", is included in the inventory records for all items capitalized on the University system. In order to comply with Federal regulations four different codes are available for completing the Federal Use Code data element:

0- No federal funds used in the purchase of the item; or the purchase price from all sources was less than $5,000.

1- Used on sponsored program that purchased equipment.

2- Still used on other sponsored programs.

3- Not used on any sponsored programs.

When it is determined by the Principal Investigator that the property is no longer used on any sponsored program, the University must comply with the disposition regulations as defined above. It is not the actual disposition of the property that triggers the above regulations, but the lack of use of the property.

If a department determines that certain property is no longer used on sponsored agreements, the Federal Use Code must be updated by the department. The Federal Use Code for all property is reviewed following the annual inventory. The Office of Grant and Contract Accounting will initiate the disposition procedures described above.

7. Transfer of equipment to other institutions, agencies, or entities.

A. Unless otherwise stated in the grant, contract or in regulations by the sponsoring agencies, whether public or private, title to equipment purchased with grant funds vests in the University.

B. When a Principal Investigator ("PI") leaves the University and an existing grant is released and follows the PI to a new location, the PI can request that some or all of the equipment purchased be transferred to the receiving institution. The University may, after contacting the grantor, allow the transfer if it is determined to be in the best interests of the University. The Provost and Vice President for Academic Affairs is responsible for negotiating the final agreement with the PI after consultation with the department chair, dean, and the Offices of Sponsored Programs Administration and Grant and Contract Accounting.

C. Equipment purchased from grant funds that have terminated or lapsed shall not be transferred but shall remain with the University. Disposal of such equipment shall be subject to the surplus property rules of the University (see Policy 406) or other requirements of this section if federal regulations apply.

HISTORY:

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