

# **Western Michigan University Federally Funded Equipment Policy**

## **Purpose**

The purpose of this policy is to outline the specific policies, responsibilities and procedures for acquisition, control, use, care, maintenance, disposition and reporting of federal equipment.

## **Policy**

The federal government through OMB Circular A-110 requires the University to procure, use, and control property in accordance with Federal laws, executive orders, instructions from the Federal sponsoring agency, and any special instructions contained in the specific sponsored projects. It is Government policy, however, to rely upon the University's internal written procedures, subject to evaluation and approval.

## **Definitions**

- Capital Equipment is defined as any unit item with a life expectancy of a least one year and having an acquisition cost of \$5,000 or more. Shipping, taxes in-transit insurance, and installation charges should be included under this category for new purchases, provided these costs are included on the original purchase order.
- Fabricated Equipment is defined as special purpose equipment that is to be assembled or fabricated that will result in an article of nonexpendable tangible property having a useful life of at least one year, and total acquisition cost of \$5,000 or more. 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.

## **Responsibilities**

The University is responsible and accountable for all Government property in accordance with the provisions of the sponsored project, including property provided under contract, which may be in possession or control of a subcontractor. This responsibility is shared by numerous University personnel, and is specifically delegated as follows:

- The Grants and Contracts Office is responsible for reviewing equipment purchases on contracts and grants, for obtaining any sponsoring agency approvals necessary, and for notifying the Plant Accounting Office of all Government titled equipment that is transferred to the University.
- Plant Accounting maintains inventory records for all Government, University, and other sponsor owned equipment. Plant Accounting is also responsible for assigning property tags to equipment, for performing inventories in cooperation with the departments, and for providing reports and information from equipment inventory records including Government property inventory reports.
- The Principal Investigators are authorized to initiate requests for the purchase of equipment or to request restricted or Government excess property for his/her project. Principal Investigators are also responsible for proper use, maintenance and security of all assigned property, and for notifying the Grants and Contracts Office of any Government property received and any shortage, damage, loss or theft of Government property.

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- Purchasing will manage procurements approved by the Principal Investigator and will contact the Grants and Contracts Office if the purchase is over \$20,000. Procurement will be made in compliance with University procedures, State of Michigan purchasing rules, general Federal regulations (e.g., OMB Circular A-110), and any special procedures required by the sponsoring agency or specific grant or contract.

### **Equipment Screening**

The University must assure that all purchases are necessary, beneficial and not duplicated. Prior to initiating the process of acquisition of major equipment items from federal funds, it is the responsibility of the department originating the purchase requisition, to screen University inventories to avoid equipment duplication. Items of equipment under \$10,000 need to be screened for at the department. Items of equipment over \$10,000 need to be screened for throughout the University.

### **Lease Versus 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 Procurement for the Federal Government".

In procuring equipment for federally funded sponsored projects, the Principal Investigator and/or departmental business personnel should perform an analysis regarding cost effectiveness of leasing versus purchasing. In general, the purchase of capital equipment should be the most cost effective for the University and the federal government. However, there may be instances that the required items are only available on a lease and/or lease/purchase basis and this method of procurement must be used.

The lease or rental rate should be based on the following considerations:

- rental cost of comparable property, if any;
- market conditions in the area;
- the type, life expectancy, condition, and value of the property to be leased; and
- other provision of the lease agreement.

Documentation of this analysis must be maintained by the department for potential audit purposes. Lease decisions must be approved by the Associate Vice President for Business.

### **Equipment Acquisition**

Most federal agencies require that equipment be budgeted for in the proposal. Unforeseen equipment purchases are often necessary; therefore, departments should be cognizant of any sponsor restriction on the purchase of unapproved equipment. Disallowances or negative findings resulting from non-compliance of agency guidelines will be assumed by an unrestricted departmental account. **All equipment purchased with federal funds must be necessary and reasonable for proper and efficient accomplishment of project or program objectives.**

### **Ownership**

Ownership of equipment is normally designated by the sponsoring agency at the time of the award. WMU is bound by the sponsor's agreement whether or not the ownership is vested in

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WMU. All capital equipment purchased from federal funds (fund 25) is the property of Western Michigan University unless otherwise stipulated in writing by the grant or contract sponsor.

### **Tagging Equipment**

Plant Accounting will tag the piece of equipment as purchased with federal funds. If the Federal agency is retaining ownership an additional tag indicates that the piece of equipment is property of the U.S. Government.

### **Utilization of Equipment**

OMB Circular A-110 provides the following guidelines of the utilization on equipment purchased with federal funds:

- “The recipient 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 and shall not encumber the property without approval of the Federal awarding agency. When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities, in the following order of priority:
  - activities sponsored by the Federal awarding agency which funded the original project, then
  - 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 recipient shall make it available for use on other projects or programs if such other use will not interfere with work on the project or program for which the equipment was originally acquired. Preference for use shall be as follows:
  - other projects or programs sponsored by the Federal awarding agency that financed the equipment; then
  - projects or programs sponsored by other Federal awarding agencies.
  
- The recipient 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 Federal statute, for as long as the Federal Government retains an interest in the equipment.
  
- 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. User charges shall be treated as program income.
  
- When requiring replacement equipment, the recipient may use the equipment to be replaced as 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.”

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## **Care and Maintenance**

The department shall provide the care necessary to maintain the equipment in the condition received or better (normal wear is expected) in order that the most useful life is secured. The maintenance program shall be preventative in nature, providing lubrication, cleaning, calibration and inspection on a regular schedule. Records of the maintenance program shall provide the description and date of maintenance actions performed, details of inspection and deficiencies discovered or corrected.

The Principal Investigator is also responsible for proper use, maintenance and security of all assigned property, and for notifying Plant Accounting or, as applicable, the Grants and Contracts Office of any property received indirectly and/or any shortage, damage, loss or theft of property. Maintenance should be in accordance with manufacturer's guidelines and recommendations.

## **Storage and Movement**

When equipment is temporarily not utilized, but required for authorized use in the future, it must be adequately stored to protect it from theft, corrosion, contamination, and damage to sensitive parts. Government equipment may be moved to off-campus storage sites only with the approval of Plant Accounting and the Grants and Contracts Office.

## **Loss, Damage or Destruction**

Departments must have appropriate safeguards in place to prevent loss, damage, and/or theft of equipment. However, in the event that equipment is stolen, it must be immediately reported to the department chairperson, director, or dean and to the Department of Public Safety. The department must complete a written report outlining the description of the missing or damaged items, serial number, date and circumstances for the loss, building and room number, steps taken to recover the property, and any other relevant information.

If government owned equipment is stolen, the University is required to promptly notify the appropriate government official of the theft. Therefore, the department must notify the Grants and Contracts Office. A copy of the above referenced report must be forwarded to Plant Accounting. The department could be liable for the loss, damage or destruction of government property.

## **Equipment Disposition**

Prior to disposing any equipment, it must be determined if the University has any obligations to a third party sponsor with respect to the equipment. If equipment was purchased under sponsored funding, it must be determined whether the equipment is:

- sponsor-owned: equipment purchase made with contract funding are generally sponsor-owned, however, in rare situations this condition may also apply to grants;
- university-owned: most equipment purchased under grants is University-owned.

After determining who has title to the equipment, it must be ascertained whether the project that the equipment was purchased for is still on-going. If the project is still on-going, the University normally has an obligation to utilize the equipment for the purposes of the project, or perhaps to make the equipment available to other federally-assisted projects.

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If it is determined that the sponsored project has ended and the University retains title to the surplus property, the University may still have obligations with respect to the equipment. **Note: It is University policy that in no instances should federal funding be used to buy surplus equipment that was originally purchased with federal funding.**

Because the requirements of equipment disposition differ slightly among granting agencies, you should contact the Grants and Contracts Office prior to disposing federally funded equipment.

### **Equipment Sales**

When the terms of the award permit the University to retain the net proceeds from the sale of University-owned equipment no longer needed, the property may be disposed of and the proceeds distributed. In general net proceeds may be retained by the department releasing the property. These proceeds are considered program income if the property was purchased under a federal grant.

### **Transferring Property to Western Michigan University**

All new faculty members transferring to the University and bringing research equipment must notify Plant Accounting and the Grants and Contracts Office.

Incoming research equipment falls into one of the following categories:

- Transfer of title: with an equipment transfer, title passes from institution to institution and never becomes titled to the research investigator. Occasionally the transferring institution will seek reimbursement for the equipment.
- Government-owned equipment: authority to transfer accountability must be given by the federal government either by the terms of a sponsored project being continued at this University or by other transfer documents.
- Equipment on temporary loan: title does not transfer on equipment to be returned to the former institution.

Plant Accounting will then affix the appropriate tags onto the equipment and record it in the University's fixed asset system.

### **Transferring Property To Another Educational Institution**

When a Principal Investigator transfers to another educational institution and wishes to transfer equipment purchased with funds from a Western Michigan University sponsored project, several items must be addressed.

- The sponsor may retain full title, in which case the sponsor decides whether the property may be transferred. The sponsor may give title to the University only after a certain time has elapsed after termination of the sponsored project. In this interim period both the sponsor and the University may be involved in making the transfer decision.
- In the event the sponsor has given the title of the property to the University, either at the time of purchase or at a later date, the decision to transfer remains a University decision.

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- If the sponsor and the University agree to the transfer of property to another institution, the proposed recipient institution must then also agree. The recipient institution must supply the University with a contact name, address, and telephone and facsimile numbers. The recipient contact must check the equipment, and sign and return the paperwork within two weeks.

Exceptional cases arise where specialized items of equipment may be essential to the continuation of a Principal Investigator's research at his/her new institution. Should this be the case, consideration will be given to a request by the Principal Investigator for the transfer of the equipment. The Principal Investigator should note that, in addition to the need for the equipment, the following conditions must prevail if the University holds title to the property.

- The equipment was purchased by the researcher's sponsored project in whole or part. In cases where Western Michigan University provided a portion of the funding, the new institution will be asked to reimburse in the same proportion of the existing appraised value as determined by Plant Accounting.
- The equipment is not required in research continuing in the University under direction of others.
- Outgoing equipment must be formally accepted by the new institution.

### **Physical Inventory**

The University has the fiduciary responsibility of maintaining proper control over all of its equipment, regardless of the location or purpose. Failure to accurately account for equipment could preclude the University as a whole from applying for federal grants as the inventory records are subject to federal and other external audits. Adequate insurance requires accurate documentation of University owned equipment; therefore, each department must review the records and submit any changes to ensure that the records in the inventory system are correct.

The Plant Accounting office conducts a physical inventory for departments on an annual basis. This process allows University departments to verify inventory and make appropriate corrections. Plant Accounting prepares a listing of all equipment owned by each department at the end of each fiscal year. Each department must verify the items on the list and note any corrections before returning the list to Plant Accounting. Departments must also assist the Plant Accounting staff to locate and identify the equipment when they are conducting the physical inventory, which is performed throughout the fiscal year.

### **Subcontractor Control**

Each subagreement entered into by the University where the Federal property may come under the control of a subcontractor must contain specific provisions concerning the subcontractor's responsibility for the care, custody, and use of the property. This provision should require, by flowing down requirements in the prime award, that the subcontractor assume the responsibility and obligations of the University with respect to the property while it is under the subcontractor's control. These obligations will include appropriate care, utilization, storage, movement, disposition, and record keeping. The subcontractor's approved property control system shall include procedures necessary for accomplishing this responsibility.

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## Reporting Requirements

The Grants and Contracts office is responsible for submitting equipment reports required by federal agencies.

## Sources of Federal Guidelines

- **OMB Circular A-110 “Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations”**  
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- **General Federal Acquisition Regulations (FAR)**  
<http://www.arnet.gov/far/>

## Sources of Other Pertinent University Policies

- [WMU Equipment and Inventory Policy](#)
- [WMU Purchasing Policies and Procedures Manual](#)
- [WMU Surplus Policy Statement](#)

Last Updated 11/03  
Grants and Contracts Office