

FEDERAL PROPERTY MANAGEMENT STANDARDS	3-0127 ADMINISTRATION & FINANCE August 2010
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1.01 The Director of Budget Operations through the Associate Vice President for Administration and Finance is designated as the staff member responsible for government property control. The Director of Budget Operations has, in turn, charged the Assistant Director of Asset Management in Budget and Asset Management with the responsibility of maintaining Fixed Asset inventory records for all accountable equipment, regardless of the funding source. The policies and procedures detailed herein comply with the requirements of the Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations." The property management policy also complies with the requirements of Federal Acquisitions Regulations (FAR) Part 45, "Government Property." The procedures comply with the DoD Manual for the Performance of Contract Property Administration issued by the Assistant Secretary of Defense. Compliance with the directives ensures uniformity of standards governing the management and disposition of property furnished by the federal government, the cost of which was charged to a project supported by a federal award.

1.02 Because of the variance in rules and regulations across government agencies managing acquired or furnished federal property, it is emphasized that principal investigators, division or college research directors, and contract officers must be familiar with specific contractual requirements for the properties before initiating the following processes: (1) acquisition, (2) cannibalization, (3) disposal, including transfer or sale, (4) safekeeping, (5) vesting of title, and (6) accountability. This caveat applies regardless of whether equipment is procured with grant or contract funds furnished by a sponsoring agency or obtained through a federal surplus property program.

1.03 For purposes of these guidelines, government-furnished property (GFP) is any property that has been acquired directly by the government and subsequently delivered or otherwise made available to the University for its use. Contractual agreements governing acquisitions from federal or state excess property pools require equipment items not meeting the University's definition of equipment to be held as accountable property. In these instances, the agreement conditions prevail over Oklahoma State University policy. By reference, Policy and Procedures Letter 3-0125, Inventory of Fixed Assets, is made an integral part of this policy and procedures letter.

PROPERTY MANAGEMENT STANDARDS AND PROCEDURES

Property Management

2.01 Each department head who is assigned the responsibility and accountability for equipment in his/her respective area that is in the possession of, under the control of, accountable to, owned by, or utilized by or for Oklahoma State University is responsible for its care and protection to prevent loss, damage, or destruction. The Chief Executive Officer and President is responsible for the overall property management system, including effective property of each type of asset. The Vice President for Administration and Finance is responsible for the oversight of the property management system, including policies and procedures, training, and overall communications. The Director of Budget Operations is responsible for identification, record-keeping, and reporting of property acquisitions, accounting records, periodic internal audits, and ensuring the timeliness and accuracy of updates to the property management system. The Departmental Custodian is responsible for daily operations of the departmental property controls to include identification and tagging, departmental record keeping and reporting, movement, inventory, and communications of property issues to Risk, Plant and Property Management.

The Asset Management staff shall identify property through purchase orders, check vouchers, government and other acquisition documents; enter data into the Fixed Assets System according to the requirements of OMB Circular A-110 and the Fixed Assets System; assign barcode, tamper-evident tags to physically identify each acquired item by asset number; update appropriate fields of the Fixed Assets System as needed; prepare and distribute timely property reports; identify, investigate and report incidents involving loss, damage, or destruction of property to appropriate authorities; ensure accuracy of information relative to property movement; coordinate a biannual physical inventory of all accountable property; conduct random audit visits to spot check departmental inventories; conduct corrective actions to deficiencies disclosed during internal audits; and communicate with appropriate individuals regarding property issues.

Purchasing/Acquisition of Equipment on Grant or Contract Accounts

2.02 The primary objective of acquisition is ensuring that only those items and quantities authorized by contract terms and conditions or budget requirements are acquired or fabricated and to ensure the validity of property classifications. Reference is hereby made to the University Policy and Procedures Letters for Purchasing, Purchasing Equipment on Grants and Contracts, and Inventory of Fixed Assets for specific policies and procedures regarding purchasing, acquisitions, and procurement, including the acquisition of government property.

2.03 The University, as a grantee and contractor, is required to be prudent in the acquisition and management of equipment acquired with grant or contract funds. Expenditures of grant or contract funds for acquisition of new equipment are discouraged, if suitable equipment is immediately available for use and, if appropriate, approved by the Federal Awarding Agency. If no suitable equipment is available for immediate use, a statement that no known source exists for

the needed equipment shall be made on the face of the purchasing or procurement document. All purchases shall be subject to the procurement rules of Oklahoma State University. Principal Investigators should also take advantage of items appearing on the surplus equipment inventory list, if the equipment meets the criteria required by the Principal Investigator of the research project.

Receiving

2.04 The primary objectives in receiving property are to determine the quantity received and its condition, and to identify transit-related expenses.

- A. Each individual who receives property purchased, acquired, or procured by or for the University shall examine the property to determine the quantity received compared to the bill of lading or shipping document, the condition of the property, and identify any discrepancies. The signature of the carrier's representative is obtained on the bill of lading or shipping document when discrepancies are identified. The receiving individual shall enter the date received, sign the shipping document, and forward the shipping document and packing list immediately via campus mail to the department receiving the shipment. Misdirected shipments and discrepant property shall be adequately segregated and controlled, pending receipt of disposition instructions by appropriate authority. Incoming property shall be provided adequate protection and storage during the receiving process. The property shall also be made available during reasonable business hours for identification and tagging by the departmental property specialist. Returnable and reusable containers shall be property accounted for and controlled.
- B. University departmental financial personnel shall reconcile the bill of lading or shipping document and packing list with purchase orders, requisition documents, and related documents to ensure accountability for all items, attachments, and accessories. Once the shipping document and equipment received have been confirmed, departmental financial personnel shall execute a Purchasing receiving report and return it to Purchasing for initial payment approval processing. Purchasing-approved receiving reports are then processed through the University's Central Accounting department for payment. Claims with purchase order copies, invoices, warrant numbers, check vouchers, or other documents relative to the property are prepared and forwarded to the Assistant Director, Asset Management in Budget and Asset Management for identification and entry into the University's Fixed Assets System.

Identification

2.05 Each item of equipment must be identified to ensure accountability for insurance purposes and effective property control.

The Assistant Director, Asset Management, via his or her designee(s), shall extract appropriate data from claims, purchase orders, check vouchers, goods-in-kind documents, and/or government

documents and enter such data into the Fixed Assets System within fourteen (14) days of receipt of the property documentation. Each asset shall be assigned a number, which shall be affixed to the items by a tamper-evident bar-coded tag, or by engraving, marking, or other appropriate means when affixing the bar-coded tag is not possible. Property with a life expectancy less than that established by the University shall be recoded by the object code to reflect a non-property code.

Records

2.06 The official accountable records are maintained to show status of property and to establish control of property.

University Accounting personnel are responsible for retaining and filing requisitions, bids, purchase orders, check vouchers, and other documents relative to all purchases, including property. Asset Management staff is responsible for interacting with government agencies regarding the receipt of government property, for interacting with Departmental Custodians regarding government property and for retaining and filing copies of documentation in the historical property files of the University.

Storage

2.07 Placing property in appropriate areas for effective control, protection, and preservation is paramount for the operability and utility of the property and for proper protection of government property. Storage areas shall be clean, organized, limited to authorized personnel, properly lighted, and arranged for short-term and long-term preservation. Each individual who has responsibility for storing property shall ensure the appropriate safeguard of the property. The Departmental Custodian shall be responsible for storing excess property.

Lost, Stolen, Damaged or Destroyed Equipment

2.08 The University is responsible for replacing or repairing equipment that is lost, stolen, damaged, or destroyed. Any loss or theft of equipment must be promptly reported to Police Services and to Asset Management. Asset Management will report the loss or theft to Grants and Contracts, who will make a loss or theft report to the appropriate contracting officer. Asset Management will reflect the loss or theft on the Fixed Assets inventory.

2.09 Any equipment that is willfully damaged or destroyed must be repaired or replaced with University funds. It is inconsistent with federal property regulations to cannibalize furnished or acquired property without authorization from the cognizant federal agency.

Depreciation and Use Charges

2.10 Under applicable federal regulations, indirect cost charges for depreciation cannot be made for that equipment or that portion of equipment acquired with federal funds even though equipment title has been transferred to the University. The University's inventory records

indicate the source of funds; therefore, the federal participation, if any, is excluded in the University's calculation of use charges.

Inventories

2.11 Physically locating and counting property is necessary for loss, damage, and destruction control, risk management, and to ensure the availability of property to meet the mission. Excess property can be identified for reutilization, for upgrades or repairs, or for disposition instructions if it is government property.

The Assistant Director, Asset Management shall conduct a physical inventory every two years. Information shall be distributed to Department Heads in advance to allow adequate time for visual verification and correction to be completed. The Department Heads shall provide information to the Departmental Custodians to locate, count, and verify property. The Assistant Director, Asset Management shall request information regarding each asset to determine its usage, operability, and anticipated location. Property records shall be updated and corrections provided to the Assistant Director, Asset Management to correct the University's official inventory records. Discrepancies regarding government property shall be reported by the Departmental Custodian to the Department Head and the Assistant Director, Asset Management in a timely manner.

2.12 Periodic inventory reports required by sponsoring agencies are rendered by Grants and Contracts Financial Administration in coordination with the Assistant Director, Asset Management. Final project inventory reports are rendered by Grants and Contracts Financial Administration.

2.13 Under existing University policy for Inventory of Fixed Assets, Policy and Procedures Letter 3-0125, responsibility for care, custody, and maintenance is assigned to the department head. This responsibility and accountability carries the companion responsibility to physically count equipment items at least biennially and reconcile the results with the inventory records. Fixed Asset inventory listings are furnished by Asset Management. Any differences in the physical count and inventory records are to be reported to Asset Management, for notification of the Grants and Contracts Financial Administration Office and the appropriate sponsoring agency. By reference, University Policy and Procedures Letter 3-0125 is made an integral part of this letter.

2.14 There may be instances wherein a principal investigator will receive an item of government property directly from a federal agency without the knowledge of Asset Management, Grants and Contracts Financial Administration, or the college research director. In these instances, it is the responsibility of the principal investigator to report such receipt to Asset Management so that the property can be logged on University records and tagged. This requirement also applies to any department that obtains property from a federal surplus property program. Any item, regardless of source, meeting the criteria as accountable equipment as previously set out in 2.01 must be tagged and placed on the University inventory.

Movement

2.14 Movement is defined as the process of moving all types of property from one point to another within facilities in which the University operates, for any purpose, and protection during movement.

- A. Each individual who moves property, for whatever reason or purpose, shall be responsible for ensuring that the property is safeguarded and is moved under proper authority. Notification of such changes shall be reported in a timely manner to the Departmental Custodian who, in turn, reports such changes to Asset Management staff to ensure updates to the University's Fixed Asset system.
- B. Property that is to be shipped off-site for research experiments shall be reported to the Departmental Custodian in sufficient time to allow for proper documentation, insurance coverage when appropriate, shipping arrangements, and proper preparations for shipment. The Departmental Custodian shall be the point of contact for all shipments, especially those involving movement outside of the United States.

Transfer of Property to Other Institutions

2.16 In some cases, property may follow a principal investigator if he/she transfers to another institution. Property which has been purchased with grant or contract funds or otherwise provided by a sponsor will be transferred upon receipt of proper request and sponsor authorization if title has not been vested in the University and if no law, agreement, or regulation exists to indicate that the University may logically expect to obtain title to the property. Where title to grant or contract purchased or furnished property has been vested in the University or will become so vested in the normal course of events, transfer will be approved only when no need for it exists within the University.

2.17 The following conditions must be met (not necessarily in the order listed) before a transfer of property can be approved by the University:

- A. All requests for transfer of property will be coordinated by and through the dean and/or director having administrative responsibility for the contract(s) or grant(s) involved.
- B. A written request must be received by the dean and/or director from an authorized representative of the proposed recipient organization stating in detail what property is being requested and that the recipient organization will accept responsibility for the item(s) transferred.
- C. Written approval must be received by the dean and/or director from an authorized representative of the sponsoring agency unless title to the property has been unequivocally transferred to the University.

- D. Provision must have been made in writing by an authorized representative of the sponsor or receiving organization for the University to be reimbursed for any costs which it may incur incidental to the transfer. If the removal of the equipment results in significant costs to make the space usable, these costs also must be approved for reimbursement. Care must also be taken to ensure that the University is reimbursed for its participation, if any, for the original acquisition cost of the property.
- E. A statement by the department or school head must be forwarded to the appropriate vice president through the dean and/or director stating that no need exists for such equipment in the foreseeable future. Approval by the dean and/or (director) or an authorized representative will be evidence also that no such need exists elsewhere within his/her area of responsibility.
- F. The appropriate vice president must decide whether it is in the best interest of the University to approve transfer of the item(s) in question or whether title should be retained by the University.

2.18 Despite transfer of the principal investigator to another institution, the equipment does not have to be transferred if:

- A. the University retains the project for which the equipment was acquired and, with the approval of the federal granting agency, places the project under a new director.
- B. the cost of transferring the equipment, as determined by the granting agency, would be excessive, relative to its then current value.
- C. the new grantee does not require the equipment to continue the project.

Special Test and Plant Equipment

2.19 FAR 45.505-5 and FAR 45.506(c) promulgate specific and stringent record-keeping standards for special test equipment and plant equipment costing \$5,000 or more. It is critical to the University that these requirements are met to the satisfaction of various federal audit agencies. By reference, FAR 45.505-5 and FAR 45.506(c) are made an integral part of this Federal Property Management Standards policy.

Annual and Financial Reports of Government Property

2.20 Some funding agencies rely on reports from contractors regarding the value of property and number of items with the contractor. Reports are typically completed on documents specific to the needs of each funding agency.

The Departmental Custodian, together with Grants and Contracts Financial Administration, is responsible for researching contract files to determine contracts subject to report requirements, the number and value of accountable property, and reporting deadlines and

addresses. Asset Management shall provide reports from the Fixed Assets system to Grants and Contracts Financial Administration for annual reporting purposes, including appropriate forms and timely preparation and distribution of reports.

2.21 The property accounting records will contain data to report annually the dollar amount of federal government-owned property, such as land, building, and plant equipment. The report shall be prepared and forwarded to the assigned federal government property administrator in accordance with FAR 45.505-14 and the corresponding FAR supplement paragraphs.

2.22 DoD FAR Supplement (DFAR) 45.505-6 requires submission of a DD Form 1342 for each item of Industrial Plant Equipment as defined by DFAR 45.301.

2.23 DoD Property in Custody of Contractors report, DD Form 1662, is due October 30 with “as of” date of September 30 of the current fiscal year. In addition, an itemized listing of equipment and unit costs will be submitted for grants.

2.24 NASA FAR Supplement 18-45.505-670 requires submission of a DD Form 1342 for each item of Contractually Reportable Equipment as defined by NASA FAR Supplement 18-45.501.

2.25 NASA Property in the Custody of Contractor report, NASA Form 1018, is due October 30 with “as of” date of September 30 of the current fiscal year. In addition, an itemized listing of equipment and unit costs will be submitted for grants.

2.26 DOE biannual property financial reports are due April 15 and October 15 with “as of” dates of February 28 and August 31, respectively.

2.27 FAR Clause 52.245-5 requires a listing of all equipment to which title vests in the contractor under subparagraph (c)(4) of the clause within 10 days following the end of the calendar quarter during which it was received. This listing should be forwarded to the contracting officer.

Definition of Equipment/Property

2.28 The University, in conformity with state statute, defines an item as a tangible asset if it can be used repeatedly without material impairment of its physical condition, has a calculable period of service (which is further defined by University Policy as a useful life of two years or more) and a value exceeding the reporting threshold the Director of Central Services for the State of Oklahoma establishes for the entity, but not to exceed the federal capitalization rate specified on the Office of Management and Budget Circular A-21 or future federal circulars or regulations as amended. For Oklahoma State University and its constituent agencies, a capitalization threshold of \$5,000 has been established. In some instances, external agencies that award grants, contracts, or other type agreements to the University define accountable equipment less stringently. Grant or project directors should therefore be aware that a purchase requisition for non-accountable equipment (usually referred to as expendable or exempt), as defined by an external awarding agency's contractual document, is processed and classified as equipment in

accordance with University policy and state law. Title to non-accountable (expendable) equipment usually vests in the University at acquisition.

2.29 Title to equipment acquired by the University with federal funds shall vest in the University, subject to the following conditions:

- A. Title to federally owned equipment costing \$5,000 or more vests as set forth in the contract. Under federal contracts, title to equipment purchased with contract funds costing \$5,000 or more vests as set forth in the contract (reference FAR Clause 52.245-5(c)(4) ALT 1 and FAR 35.014). Under federal grants, title to federally owned equipment remains with the federal government. Title to equipment acquired with project funds shall vest as set forth in OMB Circular A-110, Attachment N 5. and 6.

2.30 Generally, title to equipment costing less than \$5,000 is vested in the University upon acquisition (reference FAR 52.245-5(c)(4)).

2.31 Capital expenditures for general purpose equipment are allowable as direct contract charges only when approved in advance by the sponsoring agency.

2.32 Capital expenditures for special purpose equipment are not allowable as direct charges unless the acquisition is approved in advance by the sponsoring agency.

2.33 Most sponsoring agencies require prior approval from their appropriate contracting officer before any item of equipment costing \$1,000 or more is procured. Approval to purchase may be made by letter of authorization. Items that are listed in the approved proposal budget are usually considered to have met the prior approval condition required by most federal agencies. However, to prevent disallowance of cost, caution should be exercised to ensure the agency's requirements are met. In some cases, screening for the equipment through federal property agencies may be required.

2.34 As an absolute safeguard against cost disallowance, project directors are urged to submit requests and receive in writing authorization for purchase from the appropriate federal agency contracting officer. Approval for purchase is treated as official documentation and kept on file in the Office of Grants and Contracts Financial Administration.

Consumption

2.35 The process of incorporating property or material into an end item or otherwise consuming it in performance of a contract is consumption. University operations are such that materials and property are not consumed; therefore, this function is not applicable.

Utilization

2.36 The process of using property for the purpose it was acquired is utilization. Principal investigators shall be responsible for ensuring that property is used in accordance with

contractual authorization, when appropriate, according to the purpose for which it was designed, and in a safe manner. For government property, utilization includes the time period in which the property has been authorized, usage on non-government work, and proper recording of actual use.

Maintenance

2.37 Regular required upkeep and maintenance ensures operability of property. Principal investigators shall ensure the performance of regular required maintenance according to schedule, when appropriate. Maintenance actions shall be recorded upon completion. Such records shall be analyzed when breakdowns occur to determine the cause and to ascertain the possibility of inadequate preventive or routine maintenance.

Subcontractor Control

2.38 A prime contractor has responsibility for property for which it is held accountable by a funding agency. Therefore, subcontractors are responsible to prime contractors for property under its control.

The Director of Grants and Contracts Financial Administration shall ensure that subcontracts contain the flow down of proper clauses and provisions consistent with the Property Policies and Procedures for the control, use, maintenance, repair, protection, and preservation of property. This may take place either through the University, as the prime contractor, performing surveillance of its subcontractors or through the prime contractor electing to rely upon the government's surveillance, when government property is involved, through the operation of a support property administration delegation.

When government property is involved, the appropriate Government Property Administrator shall be made aware of all such subcontracts, purchase orders, transfers, and other actions that contain or provide government property to a subcontractor. The subcontract functions shall contain the required approvals by the appropriate Government Contracting Officer for incorporation and flow down of the limited risk of loss provisions and the administration of the risk of loss prevention on behalf of the government for any instances of loss, damage, or destruction of government property in the possession of the subcontractor.

The Director of Grants and Contracts Financial Administration shall also ensure the University's compliance as a subcontractor with directives of a prime contractor.

The Departmental Custodian shall ensure the property has been tagged at the subcontractor's locations and shall require appropriate reports consistent with the requirements of the applicable funding agency(ies).

Disposition and Excess Federal Government-Owned Property

2.39 The process of disclosing excess property, requesting disposition instructions from funding agencies and effecting disposal of property.

- A. Property that has been declared excess by projects, laboratories, centers, departments, or units to the Departmental Custodian shall be evaluated by the Departmental Custodian to determine condition, ownership, and reutilization, when appropriate. Excess government property or property in which the Federal Government has reserved the right to retain title shall be reported to the appropriate agency for disposition instructions as promptly as possible after the item is determined to be excess. Notification should be made by use of the standard Form 1428 or DD Form 1342. (See FAR 45.606-1, DFAR 45.608-71 and NASA FAR Supplement 18- 45.7102.) The Departmental Custodian shall in turn notify Asset Management of their excess property.
- B. Disposition of government property shall be accomplished within thirty days of receipt of disposal authority. University identification tags or markings shall be removed or otherwise destroyed on items to be returned to the government. Documentation shall be retained to include authority, disposal action, date of disposal, and bills of lading or other shipment documents, when applicable.
- C. Property for which the University retains title shall be made available for reutilization, if the condition warrants, may be used as a “trade-in” to the manufacturer or a vendor for upgraded or newer products, when appropriate, or must be sold by sealed bid or public auction as dictated by Oklahoma State Statutes and the rules of the governing board of the University. Priority reutilization of property acquired with federal funds shall be to other federal projects. Priority reutilization of University-owned property shall be to University projects, followed by University departments and auxiliary operations, other higher education institutions under the University’s governing board, then other government agencies within the state at a state, county, or local level.
- D. Any item of excess property, regardless of its inclusion on the University’s Fixed Asset inventory or not, shall be published in an appropriate manner by the rules of the University’s governing board. Each item shall be retained for a minimum of ten (10) working days after the initial publication to allow ample opportunity for reutilization. After the ten (10) day period, items shall be made available to public schools and/or governmental agencies, stored for public sale or sealed bid, or disposed as scrap/salvage, according to management determinations.
- E. Items deemed through the evaluation process to be scrap/salvage shall have all identification markings removed or otherwise destroyed and recycled through a salvage business, if economically feasible, or disposed of through the trash removal system following approval of the Assistant Director, Asset Management. Proceeds from scrap sales of government property shall be credited to the Federal Government.
- F. Any offerings to the public shall be via public auction, public sale, or sealed bid. These methods of sale shall be advertised in advance through adequate means of

printed advertising. For those sales conducted through a sealed bid process, the University department with possession of the equipment shall retain the right to accept or reject the high bid(s). Proceeds from the sale of assets purchased with government funds shall be credited to the Federal Government, when appropriate.

2.40 In accordance with OMB Circular A-110 and FAR, government furnished equipment and contractor purchased equipment will be reported to the federal awarding agency within 90 days of contract or grant completion

Contract Property Closeout

2.41 The process of properly closing out the property element of a contract is as follows:

Grants and Contracts Financial Administration shall analyze each project that is in the closeout process to determine property accountable to it. A listing of property associated with a grant or contract is obtained from the Asset Management office. A final property report shall be prepared by Grants and Contracts Financial Administration, reviewed and approved by the signature of the Assistant Director, Asset Management, according to the contract guidelines and submitted to the appropriate agency. Disposition of government property shall be requested or, if in the best interest of the University, title to the property shall be requested with the final property report.

Should the Government Contracting Officer specify transfer of property from a completed contract to another active contract, the Departmental Custodian shall annotate the property and projects records to reflect the transfer. Should the Contracting Officer transfer title or abandon property to the University, the Assistant Director, Asset Management shall annotate property and project records.

The Departmental Custodian, Grants and Contracts Financial Administration, and the Assistant Director, Asset Management shall interact with the appropriate property administrator to ensure property issues are resolved before contract closeout. Such issues might include discrepancies in number of items, items which cannot be located, discrepancies in dollar values, etc.

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