Equipment Compliance

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MAXIMUS Higher Education Practice

• Headquartered in Northbrook, IL
  o Satellite Offices in:
    ➢ Denver, CO, Lexington, KY, Columbus, OH, Phoenix, AZ,
      Charlottesville, VA, McLean, VA, and Albany, NY

• Backed by a $1.7 billion multinational corporation
  o Gives our practice unparalleled financial stability and the resources to invest in developing expertise in Federal regulations and guidance like 2 CFR Part 200
MAXIMUS Higher Education Practice

- Serves over 150 colleges, universities, and university hospitals in 49 states plus universities in Puerto Rico and the US Virgin Islands
  - 90 top 100 research institutions
  - Less than $1M to $1B in research

F&A and Other Rate Consulting Services

- F&A Cost Rate Proposal Preparation (Long and Short Form) and Negotiation (DHHS-CAS & ONR/DCAA)
- Space Surveys/Reviews
- Fringe Benefit Rates
- Federal Disclosure Statement (DS-2) and Direct Costing Policy
- Service Centers and/or Recharge Centers Rates and Policies

F&A Software

- Comprehensive Rate Information System
  - Over 150 universities use CRIS
- WebSpace – Space Utilization Software
  - Over 50 universities use WebSpace
MAXIMUS Products and Services

- **Grant Management Compliance and Internal Controls**
  - Effort Reporting Consulting and Software
  - Uniform Guidance Diagnostic – High Level Review
  - Federal Compliance/Risk Assessment (C/RA) – In-depth Review
  - Grant Management Help Desk Services
  - Online Grant Management Training and Onsite Faculty Training
  - Learning Management and Continuing Education Software
  - Research Operational Reviews – Business Process Review and Improvement
  - Policy and Procedure Assistance
  - Transition Staffing
  - Audit Response Assistance
  - Export Control Compliance
  - And more

American Appraisal – A Division of Duff & Phelps

- **Company overview:**
  - In business since 1896. Acquired by Duff & Phelps in February of 2015.
  - 700 Million in annual revenues
  - Dedicated Higher Education Group
  - Provides valuation services to all sectors of the economy domestically and abroad.
    - Serving Higher Education for over 25 years
    - Construction componentization, fixed asset inventory and reconciliation, and insurance valuations.
American Appraisal – A Division of Duff & Phelps

AA Qualifications to Serve the Higher Education Community

• Dedicated Higher Education Group for over 25 years
  o Staff includes 9 consultants who are dedicated to work on Higher Education engagements on a full time basis.
  o Average experience of our consultants is 15 years.
  o Serves the asset related needs of liberal arts colleges, public and private universities, and medical schools. Particular experience with research institutions.

• Executed over 500 engagements
• Assisted in the direct development of OMB A-21 reporting services

Agenda

• Financial/SPA side of equipment compliance
• Case studies
• Property management side of equipment compliance
• F&A considerations
Equipment 200.313

Definition: Tangible personal property (including IT systems) having a useful life of more than 1 year and a per-unit acquisition cost equal or exceeding the organization’s capitalization threshold or $5,000.

Title: Title vests upon acquisition with the awardee. Unless statutory and agency authorization exists for vesting title without further obligation to the Federal government, the title vests conditionally with the awardee.

**Conditional Title is a new term. It has always been effective, just not explicitly named in A-110

Equipment and Conditional Vesting 200.313(a)

Title must vest in the non-Federal entity subject to the following conditions:

1. Use the equipment for the authorized purpose until funding for the project ceases, or until it is no longer needed for the project (regardless of continued federal funding for the project).
2. Not encumber the property without approval of the awarding agency.
3. Use and dispose of the property in accordance with (b), (c), and (e) of this section
   - Note: (b) is only applicable to states

Normally NSF (NSF AAG Chapter IV D) and NIH (NIHGPS 8.3.3.2.1) both allow equipment purchased by non-profit entities, including colleges and universities, to be considered “exempt property”

Agencies are allowed to do this under the Federal Grant and Cooperative Agreement Act, 31 U.S.C. 6306
### Pre-Award Considerations for Equipment

- Equipment compliance starts at the pre-award stage of a grant:
  - Avoid acquisition of unnecessary or duplicative items (200.318d)
    - If you already have the equipment, then do not budget and purchase another one
  - If you need equipment then budget for it
  - Budget for it in the appropriate budget year
  - Write a good budget justification for equipment
    - Note in your proposal if you will be purchasing via sole source method and justify this method

### Procurement of Equipment

Some changes in the Uniform Guidance that can effect the procurement of equipment:

- Micro purchase threshold of $3,000 (200.320a)
  - What’s your institution’s capitalization threshold?
- Computing devices now supplies if less than $5,000 or institutional capitalization threshold (200.94)
- Sole source (200.320f)
  - Scientific reasons for sole source are acceptable (see COFAR FAQs)
PROCUREMENT OF EQUIPMENT

Other areas to watch out for:

• Purchase of unbudgeted equipment
  o Have justification well documented
  o Prior approval to rebudget or change in scope?

• Equipment purchased near the end of the grant
  o Rule of thumb is 90 days, but some agencies are going back even further

• Equipment and equipment depreciation for Federal and other sponsored projects should be easily identifiable in accounting system
  o This can affect the F&A rate calculation process

QUICK REFRESHER ON ALLOWABLE COSTS

For a cost to be allowable:

• Allocable - The items charged to a project benefit the project
• Reasonable - “Prudent person” test
• Consistency - Costing methods and application
• Sponsor specific allowability - Guidelines, Terms, Conditions, Restrictions
• Supported by documentation
Allocation of Equipment

Considerations:

- Will it be used solely on one grant or many grants?
- Is there a reasonable method to proportionately allocate the cost of equipment to several grants and/or university funds?
- Is it general purpose equipment?
- Is there proper documentation and justification for the allocation basis?

Equipment Case Studies

UC-Berkeley audit by NSF OIG

- Equipment (undisclosed dollar amount) charged was not necessary or reasonable.
  - Laser system – not included in original grant application. It comprised 33% of total funding and NSF questioned whether this was a change of scope
  - Purchases near end of award:
    - 17 days before end of a 5 year grant
    - 7 Months before end of a 5 year grant
    - 10 days before end of 18 month grant
    - 99 days before end of 2 year grant
Equipment Case Studies

UC-Berkeley audit by NSF OIG

**UC-Berkeley’s response:**

- They believe a majority of these equipment charges are reasonable and necessary for the performance of the award
- Each purchase must be evaluated based on the particular facts and circumstances in order to confirm that expenditures are necessary and reasonable
- The PI is assigned responsibility for identifying necessary and reasonable award expenditures
  - PI best understands the intended use and allocation of equipment
  - Based on PI’s knowledge they are uniquely positioned to determine how equipment costs should be allocated

Equipment Case Studies

University of Florida by NSF OIG

Equipment ($27k) charged was not necessary or reasonable.

- $7k had no benefit to the award or were general purpose and did not solely benefit grant (UFL concurred with finding)
  - Included MacBook and iPADs
  - PI initially claimed that iPAD was used 90% for document storage for grant activities, but had not charged any effort to any NSF awards during audit period
- $4k Equipment purchased 14 days before grant end date
- $16k Vehicle repair – Post-Doc started repairing damaged vehicle while in Kenya before insurance company could assess damages incurred while trying to cross a river. This caused breach of the insurance contract, therefore insurance only covered $4k in damages
University of Florida by NSF OIG

**UFL's responses:**
- The $4k digital and video camera was in budget justification and was needed for dissemination of research results, which typically occurs at the end of the award, hence the timing of purchase
  - OIG pointed out that equipment was budgeted in year 1 of the award
- The $16k in vehicle repair was essential to meet research aims, and A-21 section 1.30 Maintenance and Repairs Costs states these costs are allowable under these circumstances

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UNC by NIH OIG

Equipment ($284k) had been transferred to grant from university funds without documenting:
- Allocation basis for amount transferred
  - They determined an amount had to be transferred to grant, but not the basis for this allocation
- Reason transfer was necessary
- Why transfers occurred 10 months after charges were initially incurred.
- **UNC concurred with OIG’s findings**
Puerto Rico Dept of Ed by US DOEd OIG

$3.5 Million of Computer Equipment (6,125 tablets) not used for intended purpose

- Required software that was needed for the project was not installed on the tablets more than 1 year after tablets were purchased
  - Some tablets had other software installed, but not the software specified in the work plan
  - Some tablets were not being used at all
  - Project team did not coordinate with Procurement Office to purchase and install the required software

**PRDE neither agreed nor disagreed with finding**

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Benefits of a Robust Fixed Asset System

- Can assist in determining if the purchase of a piece of equipment is necessary (200.318d)
- Makes it easier to confirm equipment ownership and location for equipment audits
- Serves other needs of the university beyond Uniform Guidance
- General Financial Reporting:
  - Makes identification of assets to be retired easier.
- Risk Management:
  - Helps in determining proper contents amount for insurance placement
  - Provides key information in a post loss situation
Equipment and Management Requirements 200.313(d)

• Procedures for managing equipment paid for in whole or part under a federal award must meet the following requirements:

  1. Property records must be maintained that include:
     • Description of the property
     • Serial number or other ID number
     • Source of funding for the property, including FAIN
     • Who holds title
     • Acquisition Date and cost of property
     • Percentage of Fed participation in project costs for the Fed award under which the property was acquired (same concept as A-110, just worded differently)
     • Location, use, and condition
       – Use is just referring to whether the equipment is active and linked with the appropriate Federal award (see OMB/COFAR FAQ)
     • Disposition data

  2. Take a physical inventory of the property once every two years

  3. Have a control system to ensure safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated

  4. Maintenance procedures to keep property in good condition

  5. If authorized or required to sell, sale procedures to ensure the highest possible return
Processes for Equipment Tagging

- Tag placement should be consistent and allow for easy verification
  - Typically on front or side of asset
  - Never on the back or bottom
- While not necessary, use of barcode tags highly recommended
- Best practice calls for tagging of equipment upon receipt.
  - Waiting until equipment has been delivered to user may cause delays in asset identification.
  - Relying on department heads to apply tags may not yield desired results

Best Practices for Completing Inventory

- The ideal is to complete the inventory in the shortest amount of time to minimize the effect of equipment movement
- Should use floor plans to make sure all rooms are accessed.
- All locational data should be recorded
  - Building, Floor, Department, Room
- Descriptions should be consistent
  - Noun first, then modifiers
  - Model, Manufacturer and Serial number should be captured whenever possible
- Good opportunity to compare actual room numbers with numbers in space reporting system.
Maintaining Equipment Inventory

• Processing of new additions on a regular and timely basis.
• Timely and consistent asset tag application
  o Tagging should be consistent with capitalization policy
• Good lines of communication needed between finance and university departments to process transfers / retirements
• If internal resources are used for equipment verifications, it is a good idea for independent confirmation from time to time.
  o Annual sign off by department heads, might not always be reliable

Equipment Use 200.313(c)

1. When no longer needed for the original purpose, equipment may be used for other activities in the following priority:
   i. Activities under a Federal award from the Federal awarding agency which funded the original program or project
   ii. Activities under other Federal awards from other Federal awarding agencies

2. During the time the equipment is being used on the project, the non-Federal entity must also make it available for use on other projects/programs currently or previously supported by the Federal government, provided the work will not interfere with the work of the project.
   – Must follow order of priorities from above (i and ii)
   – Use for non-federally-funded programs/projects also permissible, however user fees should be considered if appropriate
Equipment Use 200.313(c)

3. In spite of the encouragement to earn program income, the non-Federal entity must not use equipment acquired with the Federal award to provide services 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.

4. When acquiring replacement equipment, the non-Federal entity may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Equipment Disposition 200.313(e)

When equipment, other than federally-owned or exempt, is no longer needed for the original project or other activities currently or previously supported by a federal agency, if required by the terms of the award, the awardee must request disposition instructions from the awarding agency.

- Disposition will be made as follows, in accordance with awarding agency disposition instructions:
Equipment Disposition 200.313(e)

1. Items with a current per unit fair market value of $5,000 or less may be retained, sold, or disposed of with no further obligation to the Federal awarding agency.

2. If the agency fails to provide disposition instructions within 120 days, items of equipment with a current fair market value greater than $5,000 may be retained or sold. The agency is entitled to its percentage of participation on the sale.

3. Transfer title to the Federal government or to an eligible third party, reimbursing the awardee for its percentage of participation.

4. If non-Federal entity fails to take appropriate disposition actions, the Federal awarding agency may direct the awardee to take disposition actions.

F&A Rate and Equipment

• Equipment depreciation is an allowable expense in the F&A rate calculation
  o Depreciation for equipment purchased on Federal and other sponsored projects are excluded from the F&A calculation.
  o Depreciation on equipment purchased for Service Centers are also excluded from the F&A calculation if the depreciation is already included in the Service Center Rate.

• Allocation to direct bases usually done in 3 steps:
  o Room by room space allocation (best for OR F&A rate)
  o Departmental salaries and wages or FTEs
  o Building space allocation (usually worst for OR F&A rate)
F&A Rate and Equipment

• Example of equipment depreciation allocation by different methods:

• A piece of institutionally funded equipment has depreciation of $40,000 for the institution’s F&A base year.
  o The room where the equipment is located is functionalized as 100% OR. What’s the allocation to OR?
  o The salaries and wages of the owning department are 50% Instruction and 50% OR. What’s the allocation to OR?
  o The building where the equipment is located has overall functionalization of 50% Instruction, 25% OR, and 25% Departmental Admin. What’s the allocation to OR?

Closing Comments:

• Educate appropriate personnel (PIs, department admins, etc.) on the importance of equipment compliance

• Have policies and procedures for property management, which should include clear roles and responsibilities for all involved

• Communicate with property administration, either central or department level coordinators

• Document justifications and methodologies

• Internal Controls - Monitor for compliance

• Maintain an accurate inventory

• Have a way to segregate Federal and sponsored project purchased equipment and depreciation in financial system

• Take Post Webinar Survey – You will be able to download this PowerPoint from the survey.
Free useful resources:

• Previous MAXIMUS webinars: http://www.maximus.com/higher-education/webinars

• SRA Catalyst Articles http://sra-catalyst.srainternational.org/

• NSF OIG Reports http://www.nsf.gov/oig/reports/reviews.jsp
  • Note: scroll down to “EXTERNAL REPORTS - AUDITS INVOLVING NSF'S AWARDEES”

• NIH OIG Reports https://oig.hhs.gov/reports-and-publications/oas/nih.asp

• Dept of Education OIG Reports http://www2.ed.gov/about/offices/list/oig/areports.html

• Also see attached files in the Post Webinar Survey

Upcoming Webinar Schedule:


• August 2015 – Effect of UG on Procurement – Co-presented by E&I Consulting

• September 2015 – Auditor’s perspective on key areas of the Uniform Guidance – Co-presented by Wilfredo Corps

• More webinars being developed for October and November
Join us at our upcoming workshop

- July 28 and 29 in Chicago. Hosted by Roosevelt University
- 2 Tracks running simultaneously
  - Managing Federal Grants
  - Articulate Leader Workshop
- [https://highereducation.maximus.com/workshop/Dual-Track/](https://highereducation.maximus.com/workshop/Dual-Track/)

Join us at our MAXIMUS Annual Meeting

- September 16 – 19 in Miami, FL
  - Eden Roc Hotel
  - Now open to non-clients
  - Topics include CRIS™, F&A, effort reporting, Uniform Guidance, internal controls, and more
  - 5 F&A roundtables hosted by our MAXIMUS expert consultants
    - DHHS – all 4 regions
    - ONR
  - Visit link below for more info:
    [https://highereducation.maximus.com/usersmeeting](https://highereducation.maximus.com/usersmeeting)
Upcoming Conferences We Are Attending:

• NACUBO: July 18 – 21; Nashville, TN
• NCURA: August 2 – 5; Washington, DC
• FDP: September 2 – 5; Washington, DC

Thank you for attending!!

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