Principal Investigator Certification Program
Module 6: Property Management

Learning Objectives

- Understand the Definition of Equipment
- Understand the Definition of Capital Equipment
- Understand the Definition of Special Test Equipment
- Understand the Definition of General Purpose Equipment
- Understand When Equipment is Allowable
- Understand the Purpose of Property Standards
- Understand the Title, Use and Disposition of Property
- Understand the Use of Supplies and Expendable Property
- Understand Procurement Standards
Learning Objectives (cont.)

✓ Understand Howard Purchasing Policy
✓ Understand the Responsibilities of the PI and Department
Summary of the PI Certification Program

• Program that will ensure that principal investigators are aware of and follow the research policies and procedures of the University.
• Personnel from all units related to grants and contracts will be required to attend training, and;
• Principal Investigators will be made aware that failure to comply with regulations will result in the recommendation of sanctions by the Research Compliance Office.
• Research Education and Technical Assistance section within the Research Compliance Office, Sr. VP for Research and Compliance
Module 6: Property Management

Summary of the PI Certification Program

- There are 8 required modules with other supplementary modules to be developed.
  - Module 1: Overview of the University Environment
  - Module 2: Cost Principles
  - Module 3: Cost Sharing
  - Module 4: Administrative Costs
  - Module 5: Direct Costs
  - Module 6: Property Management
  - Module 7: Cost Transfers
  - Module 8: Project Monitoring
Howard Responsibilities…
• “…validate that **timely and appropriate corrective actions are implemented** to address all audit report recommendations.”

In order to avoid…
• “If such an evaluation discloses that Howard has not implemented actions to establish effective management control over NSF grant funds, **we recommended that NSF withhold additional funding until appropriate corrective actions are instituted.**”

NSF Responsibilities…
• “Resolution shall be made **within a maximum of six months** after issuance of a final report…”
Definition of Equipment

- Equipment generally falls into one of the following categories:
  - Capital Expenditures
  - Equipment
  - Special Test Equipment
  - General Purpose Equipment

Source: Office of Management and Budget, Circular No. A-21
http://www.whitehouse.gov/omb/rewrite/circulars/a21/a21.html
Definition of Equipment (cont.)

- "Capital Expenditures" - expenditures for the acquisition cost of capital assets (equipment, buildings, and land), or expenditures to make improvements to capital assets that materially increase their value or useful life.

- Acquisition cost means the cost of the asset including the cost to put it in place. (i.e., price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

- Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the institution's regular accounting practices.

Source: Office of Management and Budget, Circular No. A-21
http://www.whitehouse.gov/omb/rewrite/circulars/a21/a21.html
Definition of Equipment (cont.)

- "Equipment" - an article of **nonexpendable, tangible** personal property having a **useful life of more than one year** and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the institution for financial statement purposes, or **$5000**

- "Special purpose equipment" - equipment which is used only for research, medical, scientific, or other technical activities.

- Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers

*Source: Office of Management and Budget, Circular No. A-21*  
http://www.whitehouse.gov/omb/rewrite/circulars/a21/a21.html
Definition of Equipment (cont.)

- "General purpose equipment" - equipment, which is not limited to research, medical, scientific or other technical activities.
- Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles
Equipment Allowability

- The following rules of allowability shall apply to equipment and other capital expenditures:
- Capital expenditures for general purpose equipment, buildings, and land are **unallowable as direct charges**, **except** where **approved in advance** by the awarding agency.
- Capital expenditures for special purpose equipment are **allowable** as direct costs, **provided** that items with a unit cost of $5000 or more have the **prior approval** of the awarding agency.
- Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are **unallowable** as a direct cost **except** with the **prior approval** of the awarding agency.
- Equipment and other capital expenditures are **unallowable as indirect costs**

Source: Office of Management and Budget, Circular No. A-21
http://www.whitehouse.gov/omb/rewrite/circulars/a21/a21.html
Equipment Allowability (cont.)

- The **tests of allowability** of costs under these principles are:
  - they must be **reasonable**;
  - they must be **allocable** to sponsored agreements under the principles and methods provided herein;
  - they must be given **consistent** treatment through application of those generally accepted accounting principles appropriate to the circumstances; and
  - they must **conform to any limitations or exclusions** set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

Source: Office of Management and Budget, Circular No. A-21
http://www.whitehouse.gov/omb/rewrite/circulars/a21/a21.html
Property Standards

- Purpose of property standards - Set forth uniform standards governing management and disposition of property furnished by the Federal Government whose cost was charged to a project supported by a Federal award.
- Federal awarding agencies shall require recipients to observe these standards under awards and shall not impose additional requirements, unless specifically required by Federal statute. The recipient may use its own property management standards and procedures provided it observes the provisions of Sections ___ through ___.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Property Standards (cont.)

• ____.31 Insurance coverage
• ____.32 Real property
• ____.33 Federally-owned and exempt property
• ____.34 Equipment
• ____.35 Supplies and other expendable property
• ____.36 Intangible property.
• ____.37 Property trust relationship.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Title, Use and Disposition

• ___.34 Equipment

• (a) **Title to equipment** acquired by a recipient with Federal funds **shall vest in the recipient**, subject to conditions of this section

• (b) 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.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Title, Use and Disposition (cont.)

• ____34 Equipment (cont.)
(c) 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**:
  – (i) Activities sponsored by the Federal awarding agency which funded the original project, then
  – (ii) activities sponsored by other Federal awarding agencies.
Title, Use and Disposition (cont.)

• ___ .34 Equipment (cont.)
• (d) 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 the work on the project or program for which the equipment was originally acquired.

• First preference for such other use shall be given to other projects or programs sponsored by the Federal awarding agency that financed the equipment;

• Second preference shall be given to projects or programs sponsored by other Federal awarding agencies

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Title, Use and Disposition (cont.)

• ___34 Equipment (cont.)
• 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
• A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented;
• Adequate maintenance procedures shall be implemented to keep the equipment in good condition
Title, Use and Disposition (cont.)

• _____.34 Equipment (cont.)
• If the recipient has no need for the equipment the recipient shall request disposition instructions from the Federal awarding agency.
• The Federal awarding agency shall issue instructions to the recipient no later than 120 calendar days after the recipient's request.
• Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Title, Use and Disposition (cont.)

• ___.35 Supplies and other expendable property.

• (a) Title to supplies and other expendable property shall vest in the recipient upon acquisition

• If there is a residual inventory of unused supplies exceeding $5000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federally-sponsored project or program,

• the recipient shall retain the supplies for use on non-Federal sponsored activities or sell them, but shall, in either case, compensate the Federal Government for its share
Title, Use and Disposition (cont.)

- _____.35 Supplies and other expendable property (cont.)
- (b) The recipient **shall not** use supplies 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.

**Source:** Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement

• ____ 44 Procurement procedures.
• All recipients shall establish written procurement procedures. These procedures shall provide for, at a minimum, that (1), (2) and (3) apply.
  – (1) Recipients avoid purchasing unnecessary items.
  – (2) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal Government.
  – (3) Solicitations for goods and services provide for all of the following:

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Case Study Example

- “The **objective of this audit** was to determine whether the practices in place provide for economic and efficient procurement of federally funded equipment.
- Specifically, our audit **focused on:**
  - (1) the University’s selection process for the vendor;
  - (2) justification for the basis of the award; and
  - (3) the rationale for any purchases not made directly from the equipment manufacturer.”
Case Study Example

• To accomplish our objective, we:
  – reviewed policies and procedures pertaining to the University’s procurement practices;
  – reviewed the University’s FY 1998 audit report issued in accordance with the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Institutions;
  – obtained a listing of all transactions involving purchases of federally funded equipment in FY 1998 and reconciled the listing to the general ledger and property management system;
Case Study Example

• To accomplish our objective, we: (cont.)
  – sorted and analyzed the universe of FY 1998 equipment procurement transactions to segregate purchases by dollar value, account charged, federal funding agency, and vendor;
  – judgmentally selected a sample of 30 purchase orders for review based on factors such as dollar value of the asset and federal amount charged, the funding agency, the vendor name, and the type of equipment; and
  – reviewed documentation for the 30 purchase orders to determine the basis for the award and the justification for any sole source procurements; and obtained the rationale for any purchases not made directly from the equipment manufacturer.
Procurement (cont.)

- ____44 Procurement procedures (cont.)
- (3) Solicitations for goods and services provide for all of the following: (cont.)
  - (i) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.
  - (ii) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
  - (iii) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

• ___.44 Procurement procedures (cont.)
• (3) Solicitations for goods and services provide for all of the following: (cont.)
  – (iv) The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.
  – (v) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
  – (vi) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

- ___.44 Procurement procedures (cont.)
- Positive **efforts shall be made** by recipients **to utilize** small businesses, minority-owned firms, and women's business enterprises, whenever possible
- The **type of procuring instruments** used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the recipient but **shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved**. The "cost-plus-a-percentage-of-cost" or "percentage of construction cost" methods of contracting **shall not be used**

Procurement (cont.)

• ___44 Procurement procedures (cont.)
• Contracts shall be made only with **responsible contractors who possess the potential ability to perform** successfully under the terms and conditions of the proposed procurement.
• **Consideration shall be given** to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.
• In certain circumstances, contracts with **certain parties are restricted** by agencies' implementation of E.O.s 12549 and 12689, "Debarment and Suspension."

**Source:** Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

• ___ Procurement procedures (cont.)
• Recipients shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply:
  – (1) A recipient's procurement procedures or operation fails to comply with the procurement standards in the Federal awarding agency's implementation of this Circular.
  – (2) The procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403 (11) (currently $25,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

- 44 Procurement procedures (cont.)
- Recipients shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply:
  - (3) The procurement, which is expected to exceed the small purchase threshold, specifies a "brand name" product
  - (4) The proposed award over the small purchase threshold is to be awarded to other than the apparent low bidder under a sealed bid procurement.
  - (5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase threshold.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

• ___ .45 Cost and price analysis. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

• Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts.

• Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

• ___ 06 Procurement records. Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum:
  – (a) basis for contractor selection,
  – (b) justification for lack of competition when competitive bids or offers are not obtained, and
  – (c) basis for award cost or price.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Procurement (cont.)

• 47 Contract administration. A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases.

• Recipients shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.
Case Study Example

- “Our audit objectives were to determine whether the Virgin Islands Department of Education (VIDE) had adequate policies and procedures in place to account for property purchased with U.S. Department of Education (Department) funds; properly accounted for the property purchased; and delivered the property purchased to the appropriate locations. The scope of the audit was Fiscal Year (FY) 2005 grants.”

- In 1998, the Department designated the Virgin Islands (VI) a “high-risk” grantee under 34 Code of Federal Regulations (C.F.R.) § 80.12 because of a history of unsatisfactory performance. As a result, on September 23, 2002, the Department entered into a 3-year comprehensive Compliance Agreement with the VI.
Case Study Example

• “Under the Property Management and Procurement component of the Compliance Agreement, the VIDE was required to implement an inventory system that complied with Federal regulations. The system was to include steps for tagging, tracking, and delivering to the appropriate location all property purchased with Federal funds within 3 days.”

• VIDE did not comply with the terms of the Compliance Agreement. As a result, the Department required the VI to hire a third-party fiduciary to manage all grant funds awarded to VIDE. In August 2006, VIDE signed a 32 month, $7.8 million contract with Alvarez & Marsal Public Sector Services (A&M) to provide the required third-party fiduciary services, starting with the FY 2004 grants.
Case Study Example

- VIDE did not have adequate policies and procedures in place and an effective property management system to properly account for property purchased with Department funds. As a result, it did not properly account for property purchased with a total value of $298,636.

- We located 319 of 345 items reviewed at the respective locations. As such, VIDE delivered those items to the appropriate locations, however, we could not determine whether the property was delivered in a timely manner and we were unable to locate 4 items valued at $4,304.2
Case Study Example

- In addition, A&M did not manage the property purchased by VIDE with Department funds in accordance with contract requirements; and the Government of the Virgin Islands (GVI) did not provide proper oversight of A&M’s contract to ensure that it complied with all the contract deliverables.

- We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE) require VIDE to:
  - 1.1 Account for all the missing items, or return to the Department $4,304 for the value of the property;
  - 1.2 Implement adequate controls to ensure that property purchased with Department funds is properly and accurately recorded;
Case Study Example

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE) require VIDE to:

– 1.3 Conduct a full physical inventory, establishing the total cost of lost property and reconciling the results with property records to ensure that all property is accounted for;
– 1.4 Return to the Department funds equal to the value of all property unaccounted for after the completion of a full physical inventory;
– 1.5 Develop and implement policies and procedures for promptly processing shipments received in the warehouse;
– 1.6 Implement a policy for reporting stolen equipment to the appropriate authorities;
Case Study Example

- We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE) require VIDE to:
  - 1.7 Implement a warehouse tracking system; and
  - 1.8 Implement internal controls to safeguard and secure property in a suitable environment.
Howard Sponsored Programs Purchasing Policy

• All purchasing and procurement at Howard University is managed in accordance with the Materials Management Department’s (MMD) Property and Equipment Management Policy.

• However, it is recognized that purchases related to sponsored programs may have additional requirements imposed by the sponsor. Howard University must ensure compliance with sponsored program requirements relative to purchase for sponsored programs.

• Moreover, in instances where Howard University policies differ from sponsor requirements, sponsor requirements prevail if they are more restrictive.

Source: HU Policy 600-021 Sponsored Programs Purchasing Policy – 7/2008
http://ovprc.howard.edu/resources/policies.html
Howard Sponsored Programs Purchasing Policy (cont.)

• All Purchase Orders are issued by Howard University’s Materials Management/Purchasing Department
• There are several primary mechanisms for making purchases for sponsored programs: Procurement cards (P-cards), Online Purchasing (using the Howard University PeopleSoft System), and Petty Cash

Procurement cards (P-Cards)
• The maximum monthly limit and the single transaction dollar limit for P-Cards are established by the Howard University Controller
• Capital equipment may not be purchased with a P-card without prior approval from MMD
• Only Howard University full-time employees are authorized to have P-Cards
Howard Sponsored Programs Purchasing Policy (cont.)

Procurement cards (P-Cards) (cont.)

- All recipients of Howard University P-Cards must attend a P-Card workshop before receiving their cards.
- No employee is issued a P-Card without first executing the receipt agreement.
- Only approved users are authorized to make purchases.
- All P-Card purchases are for Howard University business only, not for personal use.
- Purchasing cardholders are required to retain original receipts.

Source: HU Policy 600-021 Sponsored Programs Purchasing Policy – 7/2008
http://ovprc.howard.edu/resources/policies.html
Howard Sponsored Programs Purchasing Policy (cont.)

**Online Purchasing (using PeopleSoft):**

- All procurement of supplies and materials **must be requested online** in PeopleSoft.
- Sponsored programs may have **specific requirements or restrictions**.
- For example, equipment for sponsored program activity generally should not be purchased in the last six months of the project. If the Principal Investigator/Program Director (PI/PD) determines that new equipment is necessary for **the last six months** of a sponsored program, the Office of Sponsored Program/Research Administration (OSP/RA) is contacted for approval.
- When contacted, OSP/RA reviews the terms and conditions of the award and may contact the sponsor for approval.

**Source:** HU Policy 600-021 Sponsored Programs Purchasing Policy – 7/2008
http://ovprc.howard.edu/resources/policies.html
Howard Sponsored Programs Purchasing Policy (cont.)

Request for Purchase Form:
• Any purchases of radioactive materials/chemicals must be made using the Request for Purchase.
• The Principal Investigator/Program Director (PI/PD) is responsible for completing the Request for Purchase Form in its entirety and obtaining all required levels of approval.

Petty cash:
• Small expenditures, such as supplies, materials, local travel, and stamps can be requested/purchased through the use of petty cash. The maximum disbursement of petty cash for individual persons is established by the Controller.
Howard Sponsored Programs Purchasing Policy (cont.)

**Petty cash: (cont.)**

- The Petty Cash fund is the direct responsibility of the fund custodian to whom cash is issued. The custodian is the administrator, dean, department chair, or faculty member in charge of an office, project or department.
Responsibilities of PI and Department

• **P-Card holder:** The P-Card holder is responsible for the protection, use, and reporting of transactions related to a specific P-Card on a sponsored program. The P-card holder retains original receipts for all purchases made with the P-card. In addition, the P-Card holder must identify any equipment purchases using a P-card so that the equipment can be tagged and properly accounted for.

• The P-Card holder is the **only individual allowed** to use the assigned P-Card.

• **Principal Investigator (PI/PD):** PI/PD’s are responsible for submitting the online purchase requests using PeopleSoft, except for purchases of radioactive material/chemicals, which should be requested by completing the *Request for Purchases Form*. 

*Source: HU Policy 600-021 Sponsored Programs Purchasing Policy – 7/2008*

http://ovprc.howard.edu/resources/policies.html
Module 6: Property Management

Helpful Links, Materials and Other Resources

- HU Policy 600-021 Sponsored Programs Purchasing Policy – 7/2008
  http://ovprc.howard.edu/resources/policies.html

- Office of Management and Budget, Circular No. A-21
  http://www.whitehouse.gov/omb/rewrite/circulars/a21/a21.html

- Office of Management and Budget, Circular No. A-110
  http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html

  http://oig.hhs.gov/oas/reports/region1/19904001.pdf

- Control No. ED-OIG/A04I0042, Virgin Islands Dept of Ed – 8/2009
  http://www2.ed.gov/about/offices/list/oig/auditreports/fy2009/a04i0042.pdf