Uniform Guidance for Federal Awards:

Direct Costs: Travel, Equipment Supplies

Internal Controls

Wed., Sept. 16, 2015, 12 noon to 1:30 pm
Curry Student Center, Room No. 318-320-322
## Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Room</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 16, 2015; 12 noon to 1:30 pm</td>
<td>Direct costs: Travel, Equipment and Supplies (including Computers); Internal Controls</td>
<td>Curry Student Center Room # 318-320-322</td>
</tr>
<tr>
<td>October 21, 2015; 2 pm to 3:30 pm</td>
<td>Budgets, Allowable Costs, Cost Share, F&amp;A</td>
<td>Curry Student Center Room # 442-444-448</td>
</tr>
<tr>
<td>November 18, 2015; 12 noon to 1:30 pm</td>
<td>Salary and Effort reporting; Participant Support; Closeout</td>
<td>Curry Student Center Room # 440</td>
</tr>
<tr>
<td>December 2, 2015; 12 noon to 1:30 pm</td>
<td>Contracting and Procurement</td>
<td>Curry Student Center Room # 348</td>
</tr>
</tbody>
</table>
Agenda

1. Overview
2. Compliance
3. Internal Controls
4. Allowable costs
5. Travel
6. Documentation
7. Equipment
8. Questions
The Federal government expects fund recipients to demonstrate a high commitment to create an environment that promotes responsible conduct by embracing standards of excellence, trustworthiness and lawfulness.
Compliance is everyone’s responsibility

Research Integrity
- Conflict of Interest
- Intellectual Property
- Export Controls
- Animal Welfare
- Biosafety

Misconduct
- Data Management
- Human Participants
- Technical Reporting
- Radiation Safety
- Chemical Safety

Financial Stewardship
- Cost sharing
- Effort Reporting
- Accepted Accounting Practices
- Financial Reporting

Business Stewardship
- Purchasing
- Property management
- Subcontracting
- Subrecipient
- Monitoring
- Socio-economic

Research Compliance
Non compliance can lead to:

- Disallowed costs
- Reduction in funding
- Award Termination
- Sanctions
- Debarment
- False Claims Act penalties
- Criminal Penalties
- Reputational Damage
- Additional compliance oversight
Internal Controls *(200.61 and 200.303)*

- Northeastern must establish and maintain effective internal controls over Federal awards that provide *reasonable assurance* that awards are being managed in compliance with Federal statutes, regulations and the terms and conditions of the Federal Award;

- Northeastern’s policies and processes help to ensure with a *reasonable assurance* that transactions are properly recorded and accounted for;

- Management is responsible, in both the central and decentralized operating units, for establishing, maintaining and promoting sound business practices and effective internal controls.

- A properly functioning system of controls improves the efficiency and effectiveness, identifies and discourages irregularities, such as questionable or illegal payments and practices, conflict of interest activities and other diversions of assets.
<table>
<thead>
<tr>
<th>University</th>
<th>Year of settlement</th>
<th>Dollar amount</th>
<th>Allegations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeastern (n.b., not False Claims Act)</td>
<td>2015</td>
<td>$2.7M</td>
<td>Lack of oversight; impermissible advance funding; lack of documentation for expenses and salary; commingling of funds</td>
</tr>
<tr>
<td>SUNY Research Foundation</td>
<td>2014</td>
<td>$3.75m</td>
<td>Interference with audits</td>
</tr>
<tr>
<td>Columbia</td>
<td>2014</td>
<td>$9M+</td>
<td>Misuse of PEPFAR grant funds – no adequate effort reporting system, so time charged to wrong grants</td>
</tr>
<tr>
<td>Northwestern</td>
<td>2013</td>
<td>$2.930M</td>
<td>Misuse of grant funds (NIH)</td>
</tr>
<tr>
<td>University System of GA</td>
<td>2010</td>
<td>$500k</td>
<td>False certifications (NSF)</td>
</tr>
<tr>
<td>U.Mass.</td>
<td>2009</td>
<td>$636k</td>
<td>Improper charging (DOE; NSF)</td>
</tr>
<tr>
<td>St. Louis</td>
<td>2008</td>
<td>$1M</td>
<td>Mischarging additive or supplemental pay for faculty</td>
</tr>
<tr>
<td>Institution</td>
<td>Year</td>
<td>Amount</td>
<td>Violations</td>
</tr>
<tr>
<td>-------------------</td>
<td>------</td>
<td>--------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Yale              | 2008 | $7.6M  | • Improper transfers (for charges not “allocable” to the grant, in order to “spend down” remaining grant funds)  
• Improper charges of 100% effort for summer salary |
| U.Conn.           | 2006 | $2.5M  | Overstated information in grant applications                                |
| Clark Atlanta     | 2006 | $5M    | Grant funds not spent for designated purpose                                |
| Florida International | 2005 | $11.5M | Mischarging on DOE contracts and grants                                     |
| George Washington | 2005 | $1.8M  | • Fictitious labor, equipment and consulting expenses  
• unauthorized stipends and scholarships |
| Cornell           | 2005 | $4.386M | False stmts in connection with NIH grants                                   |
| Johns Hopkins     | 2004 | $2.664M | Charging more time to grants than spent                                     |
| Harvard/BIDMC     | 2004 | $2.4M  | Overcharging to NIH grants                                                  |
| Northwestern      | 2003 | $5.5M  | Overstated effort                                                           |
The Uniform Guidance places strong emphasis on internal controls to reduce the risk of waste, fraud, and abuse in the stewardship of federal funding.

Internal control, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in:

- operational effectiveness and efficiency
- reliable internal and external reporting, and
- compliance with laws, regulations and policies.
Control Environment — Does the board of trustees understand the institution’s research portfolio and associated risk, and are they informed of how the institution is managing the numerous and at times complex reporting and compliance obligations?

Risk Assessment — Has the institution and key stakeholders evaluated operations, reporting and compliance objectives and understand how research risk could impact such objectives?

Control Activities — Has the institution developed control activities, including general control activities over research administration and the technology used to support those operations? Have the control activities been documented and disseminated through formalized policies and procedures?

Information and Communication — Has the institution identified information requirements to properly manage internal control over the research risks? How will the institution respond to, manage, and communicate research risk event?

Monitoring Activities — What is the institution doing to monitor their research risk profile? When deficiencies are identified how are these communicated and prioritized for corrective action?
Allowability of Costs (200.403 – 405)

(a) Necessary and Reasonable
   • Necessary for the performance
   • Reasonable: does not exceed that which would be incurred by a prudent person under the circumstances:
   • Allocable to the award

(b) Conforms to limitations or exclusions
(c) Consistent with policies and procedures
(d) Treated consistently
   • A cost cannot be assigned as a direct cost for the same purpose that it has been allocated as an indirect cost
(e) Determined in accordance with (GAAP)
(f) Not used to meet cost sharing requirements
(g) Adequately documented

Costs must conform to any limitations or exclusions set forth in Uniform Guidance, the award’s Terms and Conditions and University Policy
Generally Unallowable Costs (200.421 – 475)

- Advisory councils
- Alcohol
- Alumni/ae activities
- Bad debts
- Building Utilities and Maintenance
- Commencement and convocation costs
- Contributions and donations
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
- *Entertainment costs*
- Fines, penalties, damages and other settlements
- Food
- Fund raising and investment management costs
- Interest payments (ATM fees)
- Library (books)
- Proposal costs (requires prior approval)
- Selling and marking costs
- Student activity costs

*Items included in F&A as an indirect cost are generally unallowable; if they are unallowable on the award, they are unallowable for cost share*
Sometimes Allowable Costs

- Administration and Clerical salaries are allowable if work is necessary for the project and sponsor specifically approves the cost
- Advertising
- Disposal of equipment/scrap/surplus materials
- Equipment (requires prior approval)
- Exchange rates (requires prior approval)
- IP costs (if required by the federal award)
- Procurement of goods and services
- Program outreach
- Public relations (if specifically required by the award)
- Recruitment
- Rental cost
- Student aid, scholarship
- Termination costs for a subcontract
- Tuition remission

If a cost cannot meet the factors affecting allowability, it is unallowable, not matter what it is for!
Generally Allowable Costs

- Conferences
- Maintenance and repair costs
- Material & Supply cost
- Participant support cost
- Preaward cost (p to 90 days with approval)
- Professional services (consultants)
- Publication and printing
- Recruiting costs
- Specialized service facilities (computing, reactors, wind tunnels, etc.)
- Training and education
- Transportation cost
- Compensation
- Equipment Threshold is now $5,000. Items <$5,000 should be categorized as supplies.
- Computing devices, if needed for the project, now no longer needs to be used exclusively for the project.
- 10% OH allowed for entities without an established rate/foreign entities (NIH – 8%).
- Human subject participation costs: Allowable, needs a justification. (Subject to institutional IRB rules)
Unacceptable practices

• End of award: purchasing items to exhaust unobligated balances
• Rotating charges around projects
• Assigning charges on the basis of the remaining balance to resolve availability of funding issues or to avoid loss of carry-forward balances
• Assign charges to an award before the cost is incurred
• Charge an expense exclusively to a single award when the expense clearly has supported other activities
• Rotate charges among sponsored projects without establishing the direct benefit to each project
• Assign charges to the sponsored projects with the largest remaining balance
• Assign charges to the sponsored project on the basis of ability to pay (i.e. largest budget)
• Charge the budgeted amount rater than the amount based on actual usage
• Describe a cost as something other than what it is (e.g. describing office supplies as lab supplies)
• Transfer an overdraft from one project to another
• Sell equipment funded by the government and transfer the proceeds to a banner index.
Travel [200.474 (b)(1)] – travel must be necessary to the federal award

Application of this change:

- If travel expenses are charged to a federal award, the documentation for such charges must justify that travel by the individual is necessary to the federal award.

- Proposals that anticipate travel on a federal award should include a budget justification clarifying who is traveling and why that person’s travel is necessary. Travelers and/or administrators must document, and retain the documentation, as to why the trip was necessary and how it benefited the project. A best practice is to use the Business Purpose field in Concur to document how the trip specifically benefits the project.
# Travel checklist

<table>
<thead>
<tr>
<th>Travel cost</th>
<th>Documentation details</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dates</td>
<td>The dates must be within the POP of the grant</td>
<td>n/a</td>
</tr>
<tr>
<td>Description</td>
<td>Travel to [name] conference in [location] to present a paper entitled [title]</td>
<td>Copy of agenda; conference badge</td>
</tr>
<tr>
<td>NU suppliers</td>
<td>Use travel agency, airlines and hotels on website</td>
<td>Sponsor requires NU traveler to use best pricing available</td>
</tr>
<tr>
<td>Hotel</td>
<td>Name and location of accommodation</td>
<td>Actual receipt showing $0 balance; if prepaid explain why NU preferred supplier not used and ask hotel for a folio showing that the traveler stayed</td>
</tr>
<tr>
<td>Meals on a hotel bill</td>
<td>if details are not available, add “no alcohol was purchased”; provide guest information and reason for charging to the grant</td>
<td>Provide hotel meal receipt</td>
</tr>
</tbody>
</table>
# Travel checklist – air travel – refundable economy

<table>
<thead>
<tr>
<th>Travel cost</th>
<th>Documentation details</th>
<th>Documentation / other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance purchase</td>
<td>Reimbursement for prepaid air travel or hotel against a grant or contract is not allowed; charge to a 2 or 3-ledger and then transfer the amount after the trip</td>
<td>Booking receipt&lt;br&gt;Proof of payment&lt;br&gt;If not using Egencia, reason</td>
</tr>
<tr>
<td>Post travel</td>
<td>Airline name; class of service, dates of travel</td>
<td>E-ticket, proof of payment, boarding pass</td>
</tr>
<tr>
<td>US Carriers</td>
<td>The Fly America act applies to all federally funded travel</td>
<td>A summary of the act is available on the ORAF website</td>
</tr>
<tr>
<td>Upgrades</td>
<td>Seat upgrades are unallowable</td>
<td>Provide a non research account for costs incurred to upgrade; provide comparison details (economy vs class selected)</td>
</tr>
<tr>
<td>Additional luggage charge</td>
<td>Allowable - Provide reason</td>
<td>Receipt and proof of payment</td>
</tr>
</tbody>
</table>
## Travel checklist

<table>
<thead>
<tr>
<th>Travel cost</th>
<th>Documentation details</th>
<th>Documentation / other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals (73028)</td>
<td>Receipts should indicate the food/drinks purchased</td>
<td>if the receipt is not included, please state “no alcohol was purchased”; credit card receipt is insufficient;</td>
</tr>
<tr>
<td>Food (74320)</td>
<td>Food for meetings is unallowable unless part of the SOW and approved</td>
<td></td>
</tr>
<tr>
<td>Conference registration</td>
<td>Include the details of the conference (name, date, location, purpose)</td>
<td>Conference receipt</td>
</tr>
<tr>
<td>Conference costs</td>
<td>Define the conference, date, location</td>
<td>Include a copy of the program, the badge with your name and, if presenting, the portion of the program listing the paper and the individual presenting</td>
</tr>
<tr>
<td>Cell Phone</td>
<td>Unallowable unless specific to the project and/or included in the project budget</td>
<td></td>
</tr>
<tr>
<td>Car rental</td>
<td>Book under NU’s national account. Decline insurance. Justify renting a car vs. taxi</td>
<td>Detailed receipt.</td>
</tr>
</tbody>
</table>
## Travel checklist

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<thead>
<tr>
<th>Travel cost</th>
<th>Documentation details</th>
<th>Documentation / other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase items – sale tax</td>
<td>Not allowable</td>
<td>n/a</td>
</tr>
<tr>
<td>Entertainment</td>
<td>Unallowable unless there is a project related justification; cannot pay for the sponsor’s meal</td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td>Define the conversion rate used</td>
<td>Attached conversion calculation or credit card statement showing the conversion</td>
</tr>
<tr>
<td>Flight change or cancellation fee</td>
<td>Allowable with an explanation as to why the project benefitted from the change</td>
<td></td>
</tr>
<tr>
<td>ATM fees</td>
<td>Unallowable</td>
<td>ATM fees</td>
</tr>
<tr>
<td>Cash/ATM</td>
<td>Use of Funds defined</td>
<td>Receipt for use of Cash if available</td>
</tr>
<tr>
<td>Travel approval</td>
<td>International travel Defined by award; not in budget</td>
<td>NU international travel form Sponsor documented approval</td>
</tr>
</tbody>
</table>
- In general, additional documentation is needed
- Advance booking must be within the POP
- Sales tax must be excluded
- Receipts > $75 required
- Check for duplicate charges and calculation errors
- Flight itinerary should be accompanied by boarding pass
- Hotel folio should reflect payment
- Foreign travel approval form needs to be completed
- Use NU provided resources: Amex card for payment; Agency for booking; preferred suppliers
- Mileage charge needs to include explanation
- Use correct account codes
  - Travel – Miscellaneous needs to be identified
- Flight change fee is unallowable unless there is sponsor approval for the change
- Visa fees – travel visas are allowable; F1 visas are generally not allowable
Documentation

• Document ALL charges
  – Special emphasis on those “exceptional charges”
• Receipts should have enough detail to support expense
• Written explanation of how expense benefitted the project
• Amounts charged should match the receipts submitted

Test: is there sufficient detail that the document speaks for itself
Title section

<table>
<thead>
<tr>
<th>Activities</th>
<th>Purpose</th>
<th>Comment</th>
<th>Total Amount of Proposed Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Conference attendance</td>
<td>Attend [name] conference on [date] in [city, state] to [activity]</td>
<td>$500</td>
</tr>
</tbody>
</table>

Expense section

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Reason</th>
<th>Guest</th>
<th>Amount</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurant</td>
<td>Meeting with the Co-PI to review research results</td>
<td>Name, organization, role</td>
<td>$65.21</td>
<td>Detailed receipt missing. No alcohol was purchased</td>
</tr>
</tbody>
</table>
### Title section

<table>
<thead>
<tr>
<th>Activities</th>
<th>Purpose</th>
<th>Comment</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Office Supplies</td>
<td>Training material supplies were included in the proposal budget</td>
<td>$500</td>
</tr>
</tbody>
</table>

### Expense section

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Reason</th>
<th>Amount</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier name</td>
<td>100 White Binders</td>
<td>$70</td>
<td>Binders are necessary to complete the didactic courses for trainees as outlined in the SOW. These binders are 100% allocable to this project</td>
</tr>
</tbody>
</table>
The Federal definition of equipment is: tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000.

The Northeastern NICRA threshold is grandfathered at $1,500 for indirect cost exclusion until new rate agreement has been approved.

For reporting & budgeting purposes on Federal grants, equipment that doesn’t meet the criteria above is considered a supply and will not be tracked in Northeastern University’s equipment inventory.

- Capital expenditures for **special purpose** equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.

- Capital expenditures for **general purpose** equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.
Costs related to equipment purchase:

Types of costs that **may be capitalized as equipment:**
The following costs are applied towards the $5,000 acquisition cost and should be capitalized with the equipment:

- Any initial modifications, attachments, accessories, or auxiliary apparatus that are necessary to make an item of capital equipment useable for its acquired purpose
- Shipping charges, protective in-transit insurance, freight, and installation costs
- Upgrades, modifications, or enhancement parts that increase the useful life of the equipment by one year or more or add additional functionality

**Types of costs that **may not** be capitalized as equipment:**

- Equipment repair costs
- Separate warranty costs or maintenance contracts
- Demolishing or dismantling costs
- Spare or replacement parts
## Equipment Purchase Accounting

<table>
<thead>
<tr>
<th>Unit Cost</th>
<th>Description</th>
<th>Account Code</th>
<th>Indirect?</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $5,000</td>
<td>Capital Equipment</td>
<td>73001-73012</td>
<td>N</td>
</tr>
<tr>
<td>$1,500 - $4,999</td>
<td>Equipment &gt; $1500</td>
<td>78312</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>Computer Supplies</td>
<td>73303</td>
<td>Y</td>
</tr>
<tr>
<td>&lt; $1,500</td>
<td>Equipment</td>
<td>78307</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Supplies</td>
<td>73XXX</td>
<td>Y</td>
</tr>
</tbody>
</table>
Computing Devices (200.453)

- Computing Devices are considered “supplies” if acquisition cost is < $5,000
- Computing devices costing more than $5,000 must be treated as capital equipment
- Can be directly charged to a federal project if they are essential and allocable to the project (not required to be dedicated solely to a specific award)
- Such costs must be explicitly included in the budget or have the prior written approval from the federal sponsor
CAPITAL EQUIPMENT
POLICIES & PROCEDURES
III. Federal Award Findings and Questioned Costs
2014-001 Equipment Management – Research and Development Cluster
Award Title Federal Agency CFDA # Questioned Cost
Various Various Various None

Criteria
OMB Circular A-21, Cost Principles for Educational Institutions, Subpart J.14.g, states “charges for use allowances or depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories.”

Condition
From a sample of 25 federal equipment selections selected for physical inspection, we were unable to locate one piece of equipment on campus. Management informed us that the equipment was moved by the principal investigator (PI) to another institution where the PI is now employed and is continuing the research with this award. In addition, it came to our attention that the University has been applying a sampling methodology of 200 equipment items to satisfy its biennial inventory requirement. However, there is no documentation to support the statistical validity of the sample.

Cause
The University has equipment and property management policies and procedures in place to maintain and safeguard equipment purchased with federal funds. In the event of a transfer or disposal of federal equipment, the University has procedures in place to ensure those are properly communicated, documented and updated in the inventory system. The PI properly followed those procedures and communicated the transfer of the equipment to another institution; however, the department failed to complete the required asset disposal form or notify accounting to ensure the equipment was properly removed from the inventory. Additionally, while an inventory was performed, the University does not have the appropriate documentation to support the statistical validity of the inventory sample methodology and the required approval from the Department of Health and Human Services (DHHS).

Effect
The University’s accounting records for its federally purchased fixed assets could be inaccurate because it has not followed its property management policy to properly document disposal of federal equipment no longer held at the University. In addition, if the inventory sample used to verify the existence, current utilization, location and condition of the equipment is not sufficient for a good representation of the overall population it can result in inaccurate inventory records and noncompliance.

Recommendation
We recommend the University to enhance its training programs to ensure full adherence with established property management policies and procedures. In addition, the required documentation to support the statistical validity of the inventory sample methodology should be established and approved by DHHS.
EQUIPMENT POLICY

Policy on Asset Disposition
(http://www.northeastern.edu/policies/pdfs/Policy_on_Asset_Disposition.pdf)

EQUIPMENT PROCEDURE

• Northeastern University is responsible for and has procedures to ensure proper classification, safeguarding, and depreciation of capital equipment
• Certain sponsors may have specific equipment requirements in the terms and conditions of the award
• Capital equipment is recorded on the University’s general ledger as a capital asset and expensed to the appropriate capital object code
• Each College is will be responsible for College-specific procedures to manage and track equipment inventory
EQUIPMENT CLASSIFICATIONS

SPONSORED PURCHASED/UNIVERSITY-TITLED
- Equipment purchased in whole or in part with sponsored funds with title vested to the University. Title to equipment is conditional and is subject to federal use and disposition restrictions. Equipment purchased with non-federal funds may also be subject to conditions of the sponsoring agency.

GOVERNMENT-TITLED EQUIPMENT
- Equipment purchased with federal funds with title vested to the federal government. “Government-titled equipment” may not be disposed or removed from service without approval from the sponsoring agency. Sponsors other than the federal government may also reserve title to equipment according to the terms and conditions of the award.

GOVERNMENT-FURNISHED PROPERTY
- Equipment acquired directly by the federal government and made available to the University under a grant or agreement. Title to “Government-furnished” equipment is vested with the government (regardless of equipment value). GFP must be identified for special reporting requirements.

UNIVERSITY-FUNDED EQUIPMENT
- Equipment purchased with non-sponsored funds with title vested with the University. University equipment is tested as part of the A-133 audit and is subject to the same guidelines as sponsored equipment.
SPONSORED PURCHASED/UNIVERSITY-TITLED EQUIPMENT

• Title is “conditional” subject to 2 CFR 200.313

1. Use the equipment for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project.

2. Not encumber the property without approval of the Federal awarding agency or pass-through entity.

3. Use and dispose of the property in accordance with paragraphs (b), (c) and (e) of this section.
USE OF EQUIPMENT

• (c) Use.

1. Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:
   (i) Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
   (ii) Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

2. During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate.

3. Notwithstanding the encouragement in § 200.307 Program income 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.
(e) Disposition.

- When equipment acquired under a Federal award is no longer needed for the original project or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal regulations or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:
  
  - (1) Items of equipment with a current per unit fair market value of $5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.
  
  - (2) Except as provided in §200.312, or if the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair-market value in excess of $5,000 may be retained by the non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share $500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.
  
  - (3) The non-Federal entity may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the non-Federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the property.
  
  - (4) In cases where a non-Federal entity fails to take appropriate disposition actions, the Federal awarding agency may direct the non-Federal entity to take disposition actions.
**ACQUISITION**

**Principal Investigator/Department**
- Submits Requisition/Purchase Order via Banner Procurement

**ORAF**
- Reviews all equipment requisitions against sponsored research funds for allowability, budget

**Procurement**
- Purchases equipment
- Manages warranty

**Property Management**
- Identifies Capital Equipment purchases and adds items to the University inventory
- Responsible for updating information (including location, serial number, etc.) in the University inventory system
- Issues physical tag and places it on the equipment
ACQUISITION: FABRICATED EQUIPMENT

FABRICATION: Work in Progress

• Equipment that is constructed or developed by combining parts or materials into one unit
• Component pieces that individually cost less than the capitalization threshold but, when, combined exceed the threshold, should be capitalized when purchased for one unit
• Component pieces can be purchased from separate vendors or separate invoices
• The aggregate cost of all parts in the unit meet the $5,000 threshold
• The completed fabrication has a useful life of one year or more

Once the item is complete, notify the Property Management Office (Adam Kneeland) and the details will be recorded as Capital Equipment.

Account code: 73012
RECORDS

• All federally purchased or owned capital equipment must be physically inventoried at least every 2 years

• Equipment is physically checked to verify the existence, current utilization, location and tag numbers

• Inventory results are reconciled to the equipment management system

• Uniform Guidance mandates the following equipment information is recorded and verified during inventory:
  – A description of the equipment
  – Manufacturers serial number or similar
  – Location and condition
  – Indication of federal ownership, if applicable
  – Funding source
  – Acquisition date
  – Acquisition cost
• Adam Kneeland (x8179) manages all capital assets for Northeastern
• Adam is responsible for ensuring all asset information is entered into system and kept current
• Property Management will issue and affix uniquely numbered identification tags to equipment
• In accordance with Federal guidelines, University will conduct a full physical inventory of all (sponsored and non-sponsored) equipment every two years
• It is the responsibility of the College/Department to prepare for this inventory by keeping records of disposal and item use & condition up to date.
DISPOSAL

• Disposition is the process of removing equipment from the university inventory

• Capital equipment must follow the disposal process if it is:
  – No longer in use or expected to have a future use
  – No longer the responsibility of the university (transferred or sold)

• Equipment purchased with federal or other sponsored funds is often subject to sponsor-specific disposition restrictions and CANNOT be disposed without prior approval

• Prior to disposal, ORAF Research Finance is consulted to determine whether the university has title to the property and if there are any grant specific regulations and procedures required
DISPOSAL

• If an equipment item is on the floor, it must remain in the inventory (regardless of whether it is currently in use)
• Fully depreciated assets that are still being used must remain on the inventory records
• Disposition records must be maintained by the department and College, including date and disposal method (sale, transfer, etc.)

PI/Department
- Complete Disposition Form
- Send completed and signed form to property office

Property Management
- Update Fixed Asset record and remove asset from inventory

University (Financial Accounting & Reporting)
- Refund sponsor if necessary
- Reconcile financials
## RESPONSIBILITIES

- **Colleges, ORAF and University are responsible for adherence to federal and other sponsor requirements**

<table>
<thead>
<tr>
<th>Principal Investigators/Departments/Colleges</th>
<th>Colleges</th>
<th>Office of the Controller</th>
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</thead>
<tbody>
<tr>
<td>- Compliance with university policy and terms and conditions of sponsored award</td>
<td>- Assist with asset inventory</td>
<td>- Maintains University-funded capital equipment policies to ensure adherence to regulatory requirements</td>
</tr>
<tr>
<td>- Management and safeguarding of all capital equipment under their direction</td>
<td>Ensures proper maintenance, safeguarding, and disposal of capital equipment in accordance with the terms and conditions of sponsored awards and university policy</td>
<td>- Covers University equipment with master insurance policy</td>
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<td>- Assisting in completion of reports and physical inventories</td>
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<td>- Notifying the department of any changes in condition, location, loss or damage</td>
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