

**Vanderbilt University
Asset Capitalization Policy
And Guidelines for Acquisition, Management and Disposition**

Requirement

It is essential that Vanderbilt University follow a uniform policy with respect to the acquisition, capitalization, management and disposition of equipment and other capital assets for financial statement purposes and for compliance with federal requirements (Office of Management and Budget Circular A-110, Subpart C, Sections 30-37, "Property Standards", Circular A-21, Section J.18. "Equipment and other capital expenditures", and Section J.26. "Interest").

Applicability of Guidelines

The guidelines outlined in this manual are applicable to all Vanderbilt University colleges, schools and divisions in University Central and the Medical Center.

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CAPITALIZED MOVEABLE EQUIPMENT

I. ACQUISITION

A. Definitions

Capital equipment is equipment that is: 1) durable (economic useful life greater than one year); and 2) has a cost which equals or exceeds certain thresholds established by the University in accordance with federal guidelines. Refer to Section I. F. for detail on Vanderbilt University's capitalization threshold.

Expensed equipment is equipment that is not durable (economic useful life of one year or less) or has a cost below certain thresholds established by the University in accordance with federal guidelines.

B. Valuation

The valuation of equipment, whether purchased or fabricated, is based on unit cost. Only assets with a unit cost of \$3,000 or more and having a useful life of more than one year are capitalized. A group of assets that in total cost \$3,000 or more (e.g., 10 chairs costing \$300 each) is not capitalized except as noted in Section I. F. 2.

The total unit cost is determined by the sum of: 1) the cash disbursed (purchase price less applicable discounts plus applicable transportation and installation charges*) for each unit; 2) the net book value of any assets given in exchange; and 3) the present value of any liability incurred. If the equipment is acquired by gift, the valuation is the fair market value at the date of gift, if determinable. Otherwise, an appraised value is used. If acquired by loan (usually from a grant or contract sponsor), the value assigned to the equipment by the sponsor will be used.

*Note: If Ancillary charges such as transportation and installation costs are invoiced separately, the acquiring department is responsible for contacting Asset Management / Equipment Inventory Management to ensure capitalization of those costs if the total of all costs exceeds the capitalization threshold.

C. Procurement

The procurement process for capital and non-capital equipment is outlined in the Purchasing Policy and Procedure Manual. For copies of this document, contact the University Purchasing Office or visit their website.

D. Ownership

Generally, the University owns all equipment purchased with University funds (includes restricted, unrestricted, gift, grant, contract, etc.) Title to equipment purchased with federal funds (from federal contracts and grants) vests in the University upon acquisition unless exceptions are noted in the specific contract or grant agreement. Although title to equipment purchased with federal funds generally vests in Vanderbilt, the government reserves the right to transfer title for capital equipment within 120 days of the termination of the contract or grant. In

addition, capital equipment is usually subject to certain conditions on use and disposition. These rules can vary by federal agency. For further guidance on use and disposition of equipment purchased with federal funds, refer to Section IV. of this document.

E. Avoiding Unnecessary Purchases

Departments are responsible for taking appropriate and reasonable steps to avoid purchasing unnecessary items. This should be done with sensitivity to the need to be supportive of the scientific problems addressed in research activities, recognizing that many scientists must have dedicated equipment in order to carry out studies effectively.

F. Capitalization

Vanderbilt University's equipment capitalization threshold is \$3,000. The acquiring department is responsible for assigning the appropriate University account number to capital purchases. Section I. G. lists the account numbers.

1. **New Acquisitions** – New acquisitions of equipment are capitalized when the unit value (see “Valuation”, Section I. B.) is equal to or exceeds \$3,000 and the economic useful life is more than one year.
2. **Major New Construction / Renovations** – Effective January 1, 2002, for all capital projects in excess of \$2 million that require specific approval by the Vanderbilt University Board of Trust, the capitalization threshold is waived for the purchase of moveable equipment provided they meet the following requirements:
 - a. The equipment must be non-expendable, tangible personal property having an economic useful life of more than one year. During the normal course of business, these items would be expensed solely because they did not meet the University's \$3,000 capitalization threshold. This exception allows for the capitalization of an original complement of low cost equipment for the initial outfitting of a tangible capital asset or operational unit, or an expansion or renovation to either.
 - b. Equipment eligible for this treatment should be budgeted and charged on the capital project as moveable equipment. Expenditures for non-capital items that do not meet these requirements should be expensed.

Examples of circumstances where minor moveable equipment would be capitalized are as follows:

Example 1 – The University constructs a new central administration building with a budgeted project cost of \$30 million dollars. Moveable equipment is budgeted at \$1.5 million. Assets that individually meet the capitalization threshold of \$3,000 were purchased on the project totaling \$200,000. These items should be capitalized as individual assets. The remaining assets purchased from the moveable equipment budget line would be capitalized as a

group(s) of assets with a cost of \$1.3 million. These assets consisted primarily of furniture and office equipment that, when considered as individual assets, did not meet the \$3,000 threshold.

Example 2 – The University renovates existing office space to convert it to a medical research lab. The occupants of the new lab are relocating from an existing lab that will be subsequently renovated. Budgeted project cost is \$3 million and equipment/furnishings are budgeted at \$300,000. Assets that individually meet the capitalization threshold of \$3,000 were purchased on the project totaling \$210,000. These items should be capitalized as individual assets. The remaining assets purchased from the moveable equipment budget line would be capitalized as a group(s) of assets with a cost of \$90,000. These remaining assets consisted of office and scientific equipment. All of these remaining items were less than \$3,000, but all were of a durable nature with useful lives of more than one year.

Moveable equipment capitalized as part of a major new construction or renovation project shall be:

- a. Recorded on the fixed asset system as one asset for each major moveable equipment class with the appropriate useful life assigned.
 - b. All such assets must be assigned to a unique building. The department should be included in the record if the assets are related to a single department. The room number should be included in the record if the group of assets is located in a single room. The proper coding of these attributes is critical for the correct allocation of depreciation expense for the University's Facilities and Administrative Rate calculation.
3. **Accessory Equipment** - Accessory equipment should be considered as a portion of the cost of the capital item if part of the original order. Accessory equipment, which is acquired subsequent to the purchase of the parent item, will have the capitalization criteria applied to it separately.
 4. **Fabricated Equipment** - Fabricated equipment for which the total cost of component parts and materials/supplies is \$3,000 or more and which otherwise satisfies the University's capitalization criteria for equipment or accessory equipment will be capitalized. The fabricating department has final responsibility for documenting and tracking costs related to fabricated equipment.

Asset Management / Equipment Inventory Management will assist the department in tracking the total accumulated cost of a fabricated item of capitalized equipment, if, in advance of fabrication, the custodial department provides the follow information on a Notification of Fabricated Equipment form to Asset Management / Equipment Inventory Management, see page 33. This form is also available on the OCGA website. The form must include the following:

- a. General description of asset to be fabricated and reason for fabrication versus purchase, e.g., Can item be purchased “off the shelf”? If so, compare costs of outright purchase versus fabrication;
- b. Total estimated cost of parts;
- c. Estimated time to complete fabrication, including beginning date and projected completion date;
- d. Center number(s) funding the fabrication;
- e. Building and Room number where fabrication will take place; and
- f. Planned location of completed fabricated unit, if different from (e).

Upon receipt of the Notification of Fabricated Equipment form, Asset Management / Equipment Inventory Management will issue an asset tag number to the custodial department to track the cost of the fabrication. The custodial department should include the assigned tag number on all transactions relating to the fabricated item. Upon completion of the fabrication, the custodial department shall notify Asset Management / Equipment Inventory Management in writing that the project is complete. The department has ultimate responsibility for providing copies of all invoices related to the completed project. The total of these invoices should equal the total cost charged to account 74080. Departmental labor and other indirect costs are not included in the capitalized cost of a fabricated asset.

5. **Computers/Software** - When initially purchasing a computer system, the following items will be considered as one unit: System unit including disk-drive(s), modems, expanded memory, cables, keyboard, monitor, operating system software, and other peripheral devices purchased as an integral part of the system. The purchase of printers, text scanners, and other similar devices for office systems are typically not considered an integral part of the system. If such a system is assembled by the department by purchasing these components from more than one vendor (and thus more than one purchase order) the department should consider setting up a fabricated project to assure that all costs are captured and capitalized.

Software acquisitions costing \$3,000 or more per unit and having a useful life of more than one year will be capitalized.

6. **Enhancements** - Acquisition and installation of component parts to enhance the life and capabilities of an existing item of equipment are capitalized in cases where the cost and useful life of the enhancement equals or exceeds the capitalization standards. In these cases, the department should indicate the tag number of the equipment being enhanced on the purchase requisition and indicate the purchase is an enhancement to that asset.
7. **Repairs and Maintenance** - Parts and labor used to repair or maintain existing equipment should be expensed.
8. **Leased Equipment** - The University generally does not enter into capital lease agreements except in special circumstances. In the event the University entered into a capital lease, the asset should be capitalized at the net present value of the

lease payments and recorded in the fixed asset system in the same manner as other purchased assets. Payments related to operating leases should be expensed.

9. **Transferring Equipment to Vanderbilt from Outside Entities** – When equipment is transferred to Vanderbilt the custodial departments should work closely with the appropriate asset management, grant accounting, and sponsored research office. Equipment is generally transferred to Vanderbilt when a principal investigator transfers to Vanderbilt from another institution and brings their sponsored projects with them. In most cases, these are projects sponsored by the federal government, and regulations and title to property can vary amongst those agencies.

The Department should attempt to obtain copies of documents from the previous institution that show cost and date of purchase of the equipment. A completed Property Transmittal Form along with supporting documentation should be submitted to the Asset Management / Equipment Inventory Management Office for the recording of the asset on the central inventory system and the general ledger.

10. **Gifts** - Gifts of capital equipment (value of \$3,000 or more) should be added to the central inventory system. The custodial department notifies the Gift Records Department upon receipt of the gift. Gift Records will process the gift through normal channels in conjunction with the Treasurer's Office, Department of Finance, and the Office of Accounting, thereby providing the appropriate inventory office with information needed to add the equipment to the appropriate central inventory.
11. **Government-Owned Equipment on Loan to Vanderbilt** - All government owned equipment loaned to Vanderbilt must be tracked on central inventories regardless of the value. The custodial department should notify Asset Management / Equipment Inventory Management upon receipt of government-owned equipment.

G. Account Coding

The appropriate account usage for equipment, whether purchased or leased, is listed below.

Capitalized

Life : more than one year

AND

Value : \$3,000 or More

74010 cap equip cmpr>3000

74020 cap equip office>3000

74030 cap equip lab >3000

74040 cap equip instr>3000

74045	cap eq tel cbl>3000
74050	cap equip other>3000
74090	cap equip art>3000
74070	cap equip sftwr>3000
74080	cap equip fab>3000
74085	cap internal software
74250	cap equip house>3000
74300	cap cost shared

H. Off-Campus Use

The off-campus use of equipment is exclusively for business-related purposes contributing to the University's mission. Use of university owned equipment off-campus is subject to the approval of the responsible department. It is the responsibility of the department to maintain a current record of University property located off-campus in the form of description, inventory identification number, period of time and location of property off-campus, and the person(s) in charge of the property.

When equipment is being used at an off-campus site rented or leased by Vanderbilt, a building or location number should be assigned to the site and to the asset record on the central inventory system. A subsidiary record system maintained by the department should only be necessary when Vanderbilt property is in the personal possession of employees or other affiliated persons.

II. DISPOSITION

- A. **Sold or Surplus Capital Equipment** – The Purchasing Department is the only department at Vanderbilt University that is authorized to sell capital equipment. All departments must contact Purchasing and work with the appropriate personnel to negotiate sales of capital equipment. Please reference the Surplus Property procedures manual (Appendix E). Submission of a Property Transmittal Form to Asset Management / Equipment Inventory Management is required for these transactions.
- B. **Trade-in** – When capital equipment is traded in to defray cost of a new item, the originating department needs to clearly identify the capital equipment item planned for trade-in on the Capital Equipment Requisition. Information on the trade-in should include tag number, description, model and serial number and the value to be received. All departments must contact Purchasing and work with the appropriate personnel to negotiate the trade of capital equipment. Please reference the Surplus Property procedures manual (Appendix E). Submission of a Property Transmittal Form to Asset Management / Equipment Inventory Management is required for each capital equipment trade-in.
- C. **Transferred Out of Vanderbilt** – When faculty members leave Vanderbilt University and continue work at another not-for-profit university, equipment

associated with their sponsored research or other activities may be transferred to the other university subject to School or Departmental policy and with the approval of the appropriate Chair, Dean and federal agency (if equipment has been acquired with federal grant or contract funds). Submission of a Property Transmittal Form to Asset Management / Equipment Inventory Management is required for these transactions. In addition, a letter from the custodial department describing and authorizing the transfer is required. The receiving university should also confirm in writing to Asset Management / Equipment Inventory Management the receipt of the assets.

- D. **Lost/Stolen** – Upon discovery that capital equipment has been lost or stolen, immediately report the facts to Campus Police and Security and the Office of Risk and Insurance Management. Immediate notification should be followed up by submission of a Property Transmittal Form to Asset Management / Equipment Inventory Management. Include tag number of capital item, description, model, serial number, location, copy of the police report, and indicate whether it was lost or stolen.
- E. **Inter-Department/School Transfers** - A common practice is the internal sharing, trading, or selling of capital equipment. If an item of equipment is being transferred to another department or school either for a “loan” period of more than 6 months, or permanently, the originating custodial department must document the transfer using a Property Transmittal Form and forwarding it to Asset Management / Equipment Inventory Management.

In the event of an inter-departmental sale, the selling department must initiate a transfer of funds from the purchasing department to the selling department. The transaction to record the sale is for the “selling” department to credit 81230 (Allocated Credit) in their center and to debit 81210 (Allocated Charges) in the center of the department receiving the asset. The submission of the Property Transmittal Form is to ensure that central inventory records are updated. If the original purchase was funded by a Federal grant or contract, the rules in “Use and Disposition of Federally-funded Equipment” and “Uniform Administrative Requirements for Equipment” must be followed, see Section IV.

III. MANAGEMENT RESPONSIBILITIES

A. Custodial Departments

Vanderbilt University colleges, schools and divisions that **acquire** equipment either through purchase, donation, or loan are hereafter referred to as “custodial departments” and are responsible for having mechanisms in place (consistent with other University-wide guidelines and policies) to ensure the following:

- a. Use of appropriate University forms and account numbers to record purchases, sales, and other activity.
- b. Appropriate care to avoid purchase of unnecessary items.

- c. Compliance with sponsor requirements when acquiring equipment from contract and grant funds or receiving equipment on loan from the government.
- d. Prompt resolution of invoice/purchase order discrepancies to facilitate timely payment to vendors.
- e. Appropriate processes are followed for trade-ins.
- f. Equipment purchased is received and in good condition.
- g. Asset tags are affixed to capital equipment as provided by the University Central or Medical Center equipment management offices.

Custodial departments are also responsible for the proper **use and protection** of all capital equipment in their custody and includes:

- 1. Developing guidelines and implementing procedures (consistent with University-wide and college/school/division guidelines) on acceptable acquisition, use, disposal, transfer and recording of capital equipment location, inventory counts, and physical security measures;
- 2. Appointing individuals to be responsible for inventory, disposals, transfers, and physical security;
- 3. Reviewing periodic reports of capital equipment inventory for accuracy and completeness;
- 4. Immediate reporting of theft to Campus Security, and timely notification of theft, loss, or disappearance to Risk and Insurance Management. (In those instances where equipment was purchased with federal and state contract or grant funds, notifying the sponsor may be required. Check with Division of Sponsored Research for University Central or with Department of Finance for Medical Center to ascertain the appropriate course of action for the sponsored programs); and
- 5. Completing Property Transmittal Forms and submitting to the central inventory office for the following capital equipment transactions:
 - a) Change of Location
 - b) Trade-in
 - c) Sale
 - d) Surplus
 - e) Scrap
 - f) Theft
 - g) Loss
 - h) Transfer

B. Asset Management / Equipment Inventory Management

Vanderbilt University maintains two central inventory offices: 1) within the Office of Contract and Grant Accounting, Asset Management Section (maintains capitalized equipment inventories for University Central custodial departments); and 2) within the Department of Finance, Office of Equipment Inventory Management (maintains capitalized equipment inventories for the Medical Center custodial departments). The duties and responsibilities of Asset Management / Equipment Inventory Management are as follows:

1. Maintain Vanderbilt University's official capitalized equipment records to reflect custodial department-initiated actions concerning the addition of new equipment, modifications to equipment, changes in location, changes in condition, custodianship, and disposal;
2. Coordinate equipment management activities of custodial departments, including recording and reviewing for correctness the results of periodic physical inventories, modifying equipment records, and deleting and retiring equipment as directed by custodial departments;
3. Provide reports of inventoried equipment to custodial departments and other institutional offices as requested to facilitate equipment screening or proper maintenance of equipment inventory;
4. In conjunction with the Office of Contract and Grant Accounting (University Central Grants and Contracts) and Department of Finance (Medical Center Grants and Contracts), review and monitor general federal property management regulations of applicable Office of Management and Budget circulars and other regulations, incorporating changes to Vanderbilt procedures as necessary;
5. Provide overall guidance to custodial departments to facilitate the effective management and accounting of capitalized equipment;
6. Prepare institution-wide reconciliation's and schedules as required to meet financial statement reporting standards;
7. Initiate and coordinate an inventory of capital equipment no less frequently than every two years;
8. Conduct reviews and/or audits of the capital equipment inventory as considered necessary by Medical Center Department of Finance and the Office of Contract and Grant Accounting.

C. Moveable Equipment Inventory

1. **Requirements** – Federal regulations state “A physical inventory of [capitalized] equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between

quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The [University] shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.” (Office of Management and Budget Circular A-110, Subpart C, Section .34 (f)(3))

2. **Physical Inventory** – The University’s physical inventory of capital equipment is coordinated by the Offices of Asset Management / Equipment Inventory Management. Instructions for completing the biennial inventory are provided in detail as part of each physical inventory cycle. All changes to asset status or location should be reported to these offices on an on-going basis so that central equipment inventory records are perpetually updated. The periodic physical inventory is designed to ensure that the perpetual records are accurate. It should not be used to communicate all changes since the last periodic physical inventory.
3. **Perpetual Updates** – All changes to information pertaining to assets already recorded on the central inventory must be communicated in writing, on an on-going basis, to Asset Management / Equipment Inventory Management using the Property Transmittal Form. The only exception is a location change that does not involve a change in departmental ownership (i.e. – moving equipment from one lab or office to another lab or office within the same department). This change can be communicated to the appropriate property management office via e-mail.

IV. **FEDERAL REQUIREMENTS**

A. Use and Disposition of Federally-owned Equipment

Federally owned equipment is equipment to which the Federal government has retained title. It can be equipment loaned to the University by the government or it can be equipment purchased with federal grant and/or contract funds where the grant or contract agreement specifies that title to purchased equipment vests in the Federal government.

Requirements for Federally owned equipment are as follows:

1. When it is required, the University shall submit annually an inventory listing of federally owned property in their custody to the Federal awarding agency. Upon completion of the award or when the property is no longer needed, the University shall report the property to the Federal awarding agency for further Federal agency utilization.
2. If the Federal awarding agency has no further need for the property, it shall be declared excess and reported to the General Services Administration, unless the Federal awarding agency has statutory authority to dispose of the property by alternative methods (e.g., the authority provided by the Federal

Technology Transfer Act (15 U.S.C.3710 (1)) to donate research equipment to educational and non-profit organizations in accordance with E.O. 12821, “improving mathematics and Science Education in Support of the national Education Goals.”). Appropriate instruction shall be issued to the University by the Federal awarding agency.

B. Use and Disposition of Federally-funded Equipment

Equipment items purchased with federal funds are subject to certain federal controls on usage and disposition except when specifically stated to be “exempt” by the federal funding agency.

“Exempt Property” is defined on OMB Circular A-110, Subpart C, Section 33. (b) as follows: “When statutory authority exists, the Federal awarding agency has the option to vest title to property acquired with Federal funds in the [university] without further obligation to the Federal Government and under conditions the Federal awarding agency considers appropriate.” Currently, statutory authority provides the Federal agencies can “exempt” equipment purchased on research grants. However, each Federal agency has the option to either exercise this authority or not. The Public Health Service and the National Science Foundation have exercised authority in this area as follows:

1. Public Health Service grants an exemption from further use and disposition regulations in 45 CFR Part 74, Section 33 (b) for equipment purchased with research grant funds. (Note: exemption does not apply to PHS training and other non-research grants)
2. The National Science Foundation (NSF) grants this exemption in Section 7.b. of the NSF Grant General Conditions except for usage control regulations #2 and #5.d. below.

For all other agencies and for all contracts, custodial departments should refer to the specific rules and regulations of the agency awarding the grant or contract. The overall usage and disposition requirements listed below are applicable if no exemption exists.

C. Uniform Administrative Requirements for Equipment - (OMB Circular A-110, Subpart C, Section 34)

1. Equipment acquired with federal funds shall not be used 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.
2. Equipment shall be used 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.

3. Equipment shall be made 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. If the federal government owns the equipment, 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.
4. When acquiring replacement equipment, the University may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the Federal awarding agency.
5. The University's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:
 - a. Equipment records shall be maintained accurately and shall include the following information:
 1. a description of the equipment;
 2. the manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number;
 3. source of the equipment, including the award number;
 4. whether title vests in the University or the Federal Government;
 5. acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost;
 6. information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government);
 7. location and condition of the equipment and the date the information was reported;
 8. unit acquisition cost;
 9. ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where the University compensates the Federal awarding agency for its share.
 - b. Equipment owned by the Federal government shall be identified to indicate Federal ownership.
 - c. A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The

University shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

- d. 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; if the Federal Government owned the equipment, the recipient shall promptly notify the Federal awarding agency.
 - e. Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
 - f. Where the University 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.
6. When the University no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5,000 [\$3,000 for Vanderbilt] or more, the University may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the University has no need for the equipment, the University shall request disposition instructions from the Federal awarding agency. The Federal awarding agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within the agency, the availability of the equipment shall be reported to the General Services Administration by the Federal awarding agency to determine whether a requirement for the equipment exists in other Federal agencies. The Federal awarding agency shall issue instructions to the University no later than 120 calendar days after the University's request and the following procedures shall govern:
- a. If so instructed, or if disposition instructions are not issued within 120 calendar days after the University's request, the University shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the University shall be permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for the University's selling and handling expenses.
 - b. If the University is instructed to ship the equipment elsewhere, the University shall be reimbursed by the Federal Government an

amount which is computed by applying the percentage of the University's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

- c. If the University is instructed to otherwise dispose of the equipment, the University shall be reimbursed by the Federal awarding agency for such costs incurred in its disposition.
- d. The Federal awarding agency may reserve the right to transfer the title to the Federal Government or to a third party named by the federal Government when such third party is otherwise eligible under existing statutes. Such transfer shall be subject to the following standards:
 - 1) The equipment shall be appropriately identified in the award or otherwise made known to the University in writing.
 - 2) The Federal awarding agency shall issue disposition instructions within 120 calendar days after receipt of a final inventory. The final inventory shall list all equipment acquired with grant funds and federally owned equipment. If the Federal awarding agency fails to issue disposition instruction within the 120 calendar day period, the University shall apply the standards of this section, as appropriate.
 - 3) When the Federal awarding agency exercises its right to take title, the equipment shall be subject to the provision for federally owned equipment.

OTHER CAPITAL ASSETS – EXCLUDING MOVEABLE EQUIPMENT

V. CAPITAL PROJECTS COSTING IN EXCESS OF \$20,000

- A. Buildings** are defined as permanent structures to house persons, animals, plants, or personal property. An **Addition** is the adding of space to the asset structurally, such as a wing or floor that did not previously exist. The addition of a wing or floors to an existing building should be treated as a separately identifiable asset if the addition has a primary function that is substantially different from the existing space or cost recovery would be impacted in a manner that would result in a material over- or under-recovery of cost.

Valuation – When buildings are constructed, all identifiable direct costs are included in the valuation. Direct costs include all labor, material, and professional services to construct the building, together with insurance, interest, and other costs incurred during the period of construction to ready the building for its intended use. Buildings acquired by purchase or gift are valued at fair market value at the time of acquisition. The fair market value is the amount paid in the case of purchase, or, in the case of gifts, by appraisals performed by outside experts, by University employees with expert knowledge about the assets, or by values established by courts for assets received from the estate of a donor.

Examples of specific cost elements of buildings, whether constructed or purchased, include:

1. Original contract price or cost of construction.
2. Interest paid to an external entity on funds used to finance construction during the construction period.
3. Expenses incurred in remodeling, reconditioning, or altering a building to make it available for the purpose for which it was acquired.
4. Cost of excavation or grading or filling of land for the specific building.
5. Expenses incurred for the preparation of plans, specifications, and blueprints.
6. Cost of building permits.
7. Architects' and engineers' fees for design and supervision.
8. Temporary buildings used during the construction period.
9. Unanticipated expenditures such as rock blasting, piling, or relocation of the channel of an underground stream.
10. See "Cost of demolished buildings" on page 19 for when the cost of razing an old building is included.

The cost of the building should NOT include extraordinary costs incidental to the construction of the building, such as those due to a strike, flood, fire, or other casualty. The accumulated cost of projects on-hold should be treated as construction-in-progress if: (1) it is probable that the project will be completed; and (2) construction will start or resume within a reasonable period of time. The cost of abandoned construction should be expensed.

- B. Fixed equipment** consists of equipment, components, machinery, and other furnishings that are attached to a building. Fixed equipment generally cannot be removed without detaching the item from the building itself. Initially, fixed equipment is generally included in the total cost of a building. Fixed equipment acquired after original construction of a building may be capitalized and depreciated separately from the original building. Assets that can be removed from the building without the need for costly or extensive repairs or alterations are generally considered moveable equipment and are subject to the capitalization standards for moveable equipment.

Valuation: Fixed equipment is valued at acquisition cost. This includes all costs necessary for acquisition and installation, including equipment cost, transportation charges, installation costs, and inspection fees.

- C. Renovations and Improvements.** Renovations and improvements are upgrades to existing facilities that change or enhance the functionality of the space. Examples include, but are not limited to, projects such as interior or exterior reconditioning, adding new or significantly improved air-conditioning, heating, or ventilation equipment, fire alarm systems, emergency lighting, or a complete roof replacement.

Valuation - The valuation method for renovations and improvements is the same as that for buildings.

- D. Land Improvements** are costs to prepare land for its intended use. These include roads, bridges, drainage systems, tunnels, power lines, sanitation systems, sidewalks, paving, fences, curbs, approaches, landscaping, and similar items. Improvements are an integral part of the land and are necessary to prepare the land for its use. Land improvements do not include the cost of buildings or other structures that are built on the land.

Valuation - Land Improvements are valued at cost, at fair market value, or at an appraised value as the situation may require.

- E. Leasehold Improvements.** Improvements to buildings and other structures, walkways, and permanently installed equipment items located on property leased to the University are capitalized if they meet capitalization standards applicable to such improvements on University-owned property. Refer to the section of this policy discussing the particular type of asset.

Valuation - Improvements located on leased property are subject to the same valuation guidelines as similar improvements on owned property.

VI. CAPITALIZATION OF LAND

Land is non-expendable, real property. It is ground to which the University holds the title.

Valuation – Land acquired by gift is valued at the fair market value at the time of acquisition. Other costs incurred necessary to prepare the land for its intended use are treated the same as for purchased land. (See following.)

Land acquired by purchase is valued at the price of the land, costs incurred in its acquisition, and costs necessary to prepare the land for its intended use. Some of the specific elements of land cost include:

1. Original contract price.
2. Brokers' commissions.
3. Legal fees for examining and recording ownership.
4. Cost of ownership guarantee insurance policies.
5. Cost of real estate surveys.
6. Cost of an option when it is exercised.
7. Special paving assessments.
8. Cost of razing an old building (net of any salvage).
9. Cost of cancellation of a lease.
10. Payment of non-current taxes accrued on the land at the date of purchase if payable by the purchaser.
11. Costs incurred subsequent to acquisition to permanently improve the land for the purpose acquired, such as draining, clearing, grading, and subdividing.

Conversely, the cost of land does NOT include:

1. Fees for surveying, ownership searches, geological opinions, legal and other expert services on land not purchased.
2. Costs of easements or rights of way that are limited as to time.
3. Assessments for the repairs to roads and sidewalks.

A Note About Special Land Issues:

Assets acquired together -- When land and buildings are acquired together, the total cost is allocated among the individual assets on the basis of fair market value or appraisal.

Cost of demolished buildings - The decision to demolish a building at the time of site acquisition results in an assignment of the building's value and demolition cost to the cost of the land. This decision is based on the intended use of the acquired building. Any decision to demolish a building after site acquisition results in the cost of demolition being assigned to the cost of new construction and the building being written off. If no new construction is intended, the demolition cost involved should be expensed.

VII. CAPITALIZATION OF CONSTRUCTION-IN-PROGRESS

Construction-in-Progress is the cost of buildings or other capital projects that are under construction at a balance sheet date. Construction-in progress represents a temporary capitalization of labor, materials, and equipment of a construction project. When the constructed asset is substantially complete, costs in the construction-in progress account are classified to one or more of the major asset categories and corresponding reductions must be made to the construction-in-progress account.

An asset is substantially complete is when the structure or project is ready for the purpose for which it was constructed (i.e. – a health care facility is ready to service patients, an academic facility is ready for instruction or research, or a mechanical system is ready for operation). All construction activity does not have to be complete and accepted for final payment, but the project should be complete enough to commence the activities for which it was constructed. The Medical Center Space and Facilities Office or the University Office of Campus Planning should make the determination as to when a project is substantially complete.

Valuation - The costs included in construction-in-progress are the total project-to-date expenditures including accounts payable, insurance premiums, interest, and other related costs.

VIII. CAPITALIZATION OF FIXED EQUIPMENT

Fixed equipment consists of equipment, components, machinery, and other furnishings that are attached to a building. In some cases, equipment is acquired subsequent to the original construction of a building that must also be attached to the building. In this instance, the same definition and threshold for moveable equipment is applied to fixed equipment, see Section I. A. and Section I. G. in determining whether the asset is a capital asset.

Such fixed equipment might include, but is not limited to, network cabling, card reader systems, or lab benches.

Valuation: Fixed equipment is valued at acquisition cost. This includes all costs necessary for acquisition and installation, including equipment cost, transportation charges, installation costs, and inspection fees.

IX. ASSETS NOT CAPITALIZED

- A. Buildings and additions, renovations and improvements, land improvements, and leasehold improvements costing less than \$20,000 are not capitalized.

- B. Repairs and maintenance are activities performed to obtain the expected service life of an asset. Repairs put an asset back into normal or expected operating condition. Maintenance keeps an asset in normal or expected operating condition. Examples include repair to an existing HVAC system, paint, and roof repair. The total replacement of a fixture or component part due to *premature* failure shall be considered a repair cost and expensed.

X. FEDERAL REQUIREMENTS – OMB CIRCULAR A-21

A. Allowable Interest Expense – J.26.a.

The cost of interest paid to an external party is allowable where associated with the following assets, provided the assets are used in support of sponsored agreements, and the total cost (including depreciation, operation and maintenance costs, interest, etc.) does not exceed the rental cost of comparable assets in the same locality:

1. Buildings acquired or completed on or after July 1, 1982;
2. Major reconstruction and remodeling of existing buildings completed on or after July 1, 1982;
3. Acquisition or fabrication of capital equipment (as defined in OMB Circular A-21, Section J.18, Equipment and other capital expenditures) completed on or after July 1, 1982, costing \$10,000 or more, if agreed by the Federal Government.

B. Lease/Purchase Analysis – J.26.b.

Interest on debt incurred after May 8, 1996 to acquire or replace capital assets (including construction, renovations, alterations, equipment, land, and capital assets acquired through capital leases), acquired after that date and used in support of sponsored agreements is subject to the following conditions:

1. For facilities costing over \$500,000, the institution shall prepare, prior to the acquisition or replacement of the facility, a lease-purchase analysis in accordance with the provisions of Sec __.30 through __.37 of OMB Circular !-110, which shows that a financed purchase, including a capital lease is less costly to the institution than other operating lease alternatives, on a net present value basis. Discount rates used shall be equal to the institution's anticipated interest rates and shall be no higher than the fair market rate available to the institution from an unrelated ("arm's length") third-party. The lease-purchase analysis shall include a comparison of the net present value of the projected total cost comparisons of both alternatives over the period the asset is expected to be used by the institution. The cost comparisons associated with purchasing the facility shall include the estimated purchase price, anticipated operating and maintenance costs (including property taxes, if applicable) not included in the debt financing, less any estimated asset salvage value at the end of the defined period. The cost comparison for a capital lease shall include the estimated total lease

payments, any estimated bargain purchase option, operating and maintenance costs, and taxes not included in the capital leasing arrangement, less any estimated credits due under the lease at the end of the defined period.

Projected operating lease costs shall be based on the anticipated cost of leasing comparable facilities at fair market rates under rental agreements that would be renewed or reestablished over the period defined above, and any expected maintenance costs and allowable property taxes to be borne by the institution directly or as part of the lease arrangement.

2. The actual interest cost claimed is predicated upon interest rates that are no higher than the fair market rate available to the educational institution from an unrelated (arm's length) third party.
3. Investment earnings, including interest income on bond or loan principal, pending payment of the construction or acquisition costs, are used to offset allowable interest cost. Arbitrage earnings reportable to the Internal Revenue Service are not required to be offset against allowable interest costs.
4. Reimbursements are limited to the least costly alternative based on the total cost analysis required under subsection (1). For example, if an operating lease is determined to be less costly than purchasing through debt financing, then reimbursement is limited to the amount determined if leasing had been used. In all cases where a lease-purchase analysis is required to be performed, Federal reimbursement shall be based upon the least expensive alternative.
5. Educational institutions are also subject to the following conditions:
 - a. For debt arrangements over \$1 million, unless the institution makes an initial equity contribution to the asset purchase of 25 percent or more, the institution shall reduce claims for interest expense by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month.

APPENDIX A

Help

Contact persons for various questions you may have regarding the acquisition, management and disposition of equipment are provided below.

Renee Tomlin, Office of Contract and Grant Accounting, Asset Management Section.
Information and assistance concerning University Central capital equipment.

Phone: 343-6739
Address: Box 1591, Station B
Fax: 343-6680
E-mail: renee.tomlin@vanderbilt.edu

Dolores Lester, Medical Center Office of Equipment Inventory Management.
Information and assistance about Medical Center capital equipment.

Phone: 322-4882
Address: Suite 800, Crystal Terrace
Fax: 322-4957
E-mail: dolores.lester@vanderbilt.edu

Michelle Vazin, Office of Contract and Grant Accounting. Information about rules and restrictions applying to capital equipment purchased from University Central restricted funds.

Phone: 343-6655
Address: Box 1591, Station B
Fax: 343-6680
E-mail: michelle.vazin@vanderbilt.edu

Melissa Smith, Medical Center Department of Finance. Information about rules and restrictions applying to capital equipment purchased from Medical Center restricted funds.

Phone: 343-5350
Address: Suite 800, Crystal Terrace
Fax: 343-2622
E-mail: melissa.smith@vanderbilt.edu

Jim McCarthy, Purchasing. Information about their role in the acquisition and disposal of capital equipment for the Medical Center and University Central.

Phone: 343-0995
Address: B-706 TVC
Fax: 343-4405
E-mail: jim.mccarthy@vanderbilt.edu

APPENDIX B

FORMS

Property Transmittal:	
Property Transmittal Form	25
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Capital Equipment Requisition:	
Capital Equipment Requisition Form	29
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Fabricated Equipment Form and Instructions	33
Federal Form: Equipment Transfer Out of Vanderbilt	34

VANDERBILT UNIVERSITY PROPERTY TRANSMITTAL FORM

MC 3552 (1/1999)

A

Dept: _____ Campus Address: _____ Prepared By: _____ Phone Ext.: _____ Date: _____

Please Check as Appropriate: Add to Inventory (includes gift-in-kinds) Remove from Inventory Change in Inventory

B	DESCRIPTION (INCLUDE MANF/MODEL)	SERIAL NUMBER	VU ASSET # (TAG #)	DISPOSITION CODE	COST	CENTER NUMBER	CURRENT LOCATION	NEW LOCATION / HOME DEPT. #	DATE OF TRANSFER
1									
2									
3									
4									
5									
6									
7									
8									

C TRANSFER OF PROPERTY
(location and department changes only)

INTERDEPARTMENTAL INTRADEPARTMENTAL _____
(Receiving Department Acceptance) (Date)

D DISPOSITION CODES

Z - To be Traded-In S - To be sold C - Loss/Given
E - Surplus to Warehouse A - Transferred Out F - Scrapped

Condition
Line #

(Purchasing Use Only)

RECEIVED BY: _____ (Date)

E PROCEED FROM SALE / TRADE-IN

SALE
NET PROCEEDS: \$ _____
CREDIT: _____ (Cost Center)
LINE No.: _____

TRADE-IN
PROCEEDS: \$ _____
CREDIT: _____ (Capital Equip. Req. No.)
LINE No.: _____

F SURPLUS WAREHOUSE MANAGEMENT FINAL DISPOSITION (Official Use Only)

SCRAPPED _____ (Date)
Line #

SOLD _____
Line #

DATE _____
(Account Center Income Distribution Sheet Attached)

TRANSFERRED WITHIN VU
Line #

F PRINCIPAL INVESTIGATOR / FACULTY MEMBER LEAVING VANDERBILT

I request a transfer of property from Vanderbilt University. This transfer will not adversely affect the programs in effect now at Vanderbilt. These items WERE in part or whole purchased with Federal restricted funds.

I request permission from Vanderbilt University to transfer property. This transfer will not adversely affect the programs in effect at Vanderbilt. These items in part or whole purchased with Federal Restricted funds.

G

REQUESTED BY: _____ APPROVED BY: _____ APPROVED BY: _____
PRINCIPAL INVESTIGATOR / FACULTY MEMBER / OTHER CHAIRPERSON / DIRECTOR SCHOOL / HOSPITAL ADMINISTRATION / OTHER

CLEARED BY: _____ ACKNOWLEDGED BY: _____ PROCESSED BY: _____
DEPT. OF FINANCE / CONTRACT & GRANT ACCOUNTING BIOMED SCIENCES / SPONSORED RSCH. EQUIPMENT INVENTORY / ASSET MGMT.

**INSTRUCTIONS FOR COMPLETING
THE VANDERBILT UNIVERSITY PROPERTY TRANSMITTAL FORM**

Please complete this form with as much information as possible to avoid delays in processing. For further information, contact the Equipment Inventory Office (2-2301) /Asset Management (3-6601) for assistance.

A. Departmental Contact Information

Department – Department name
Campus Address – Departmental Campus Mailing address
Prepared By – Individual Preparing Form
Phone Ext. – Phone number
Date – The date the form was prepared.
Add to Inventory – Indicates request is to add property to the inventory
Remove from Inventory – Indicates request is to remove property from inventory
Change in Inventory – Indicates request is to change location and/or departmental assignment.

B. Asset Information

Description – Asset description, manufacturer's name, and model number
Serial Number – Serial number
VU Asset Number (tag#) – VU property tag number
Disposition Code – Refer to Section D. for appropriate code.
Cost – Acquisition cost of the item (reference departmental inventory listing)
Center Number – enter the center number(s) from which the item was purchased
Current Location – building, floor, and room number
New Location / Home Dept. # – New location (building, floor, and room) if the asset is being transferred or relocated
Date of Transfer – Date property is added, transferred, or removed.

C. Transfer of Property

Inter-departmental Transfer – Property transferred to another department. Be sure to include the new location, home department name, date of transfer, and a signature from receiving department.
Intra-departmental Transfer – Property is moved to a new location within the department. Be sure to include the new location and date of transfer.

D. Disposition Codes – to be complete by the Vanderbilt Purchasing Department

Z – To be Traded-In
S – To be sold
C – Lost/Stolen
E – Surplus to Warehouse
A – Transferred Out
T – Scrapped

E. Proceeds from Sale/Trade-In

1. Sale

Proceeds – Net dollar amount received from sale of property.

Credit – Cost center to be credited with proceeds from sale of property.

Line No. – Line number of item(s) to be traded-in from Section B.

2. Trade-In

Proceeds – Dollar value to be received from the trade-in of property.

Credit – Capital equipment requisition number on which trade-in allowance will appear toward purchase of new item.

Line No. – Line number of item(s) to be traded-in from Section B.

F. Principal Investigator/Faculty Member leaving Vanderbilt

Place a check mark in the appropriate box to indicate a request is being made to transfer property from Vanderbilt to another institution.

G. Authorized Signatures

Transmittal form routing instructions are listed on the back of the departmental copy.

**ROUTING INSTRUCTIONS
THE VANDERBILT UNIVERSITY PROPERTY TRANSMITTAL FORM**

Please complete in detail in order to expedite this process.

Add to Inventory

1. Chairperson/Director
2. Equipment Inventory/Asset Management

Remove from Inventory - Surplus, Sell, Trade-In

1. Chairperson/Director
2. Equipment Inventory/Asset Management
3. Purchasing
4. Warehouse (if surplus property)
5. Equipment Inventory/Asset Management

Remove from Inventory – Lost or Stolen

1. Chairperson/Director
2. School/Hospital Administration/Other
3. Equipment Inventory/Asset Management

Transfer of Property – Department Change

1. Chairperson/Director
2. School/Hospital Administration/Other
3. Equipment Inventory/Asset Management

Principal Investigator / Faculty Member Leaving Vanderbilt

1. Principal Investigator/Faculty Member
2. Chairperson/Director
3. Equipment Inventory/Asset Management
4. Department of Finance/Contract & Grant Accounting
5. Biomedical Sciences/Sponsored Research
6. Equipment Inventory/Asset Management

SOLE SOURCE REQUEST AND JUSTIFICATION

The procurement of material, equipment and supplies should be by competitive bidding. Should circumstances exist where competitive bidding is not feasible or cost effective, this request must be used to justify single source procurement for a specific product or from a specific vendor when total cost exceeds \$10,000 regardless of the source of funding. Purchasing, at its discretion, may require justification for lesser amounts.

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Sole source justification must show that an equitable evaluation of comparable products has been made and that rejection of unsuitable products is based on technical deficiencies or a combination of other reasons. In cases where no other comparable source is known, whether at the manufacturer or distributor level, technical description of the product must be provided which is adequate to allow Purchasing to make a thorough search and evaluation. It is important to remember that sole source justification cannot be based solely on price. Price consideration must be evaluated via competitive bidding.

SECTION I : The following questions are meant to provide appropriate justification for sole source procurement. Please answer all applicable questions:

1. Is the equipment specifically named by model number and/or manufacturer, in an awarded grant as essential to the completion of the project? Yes _____ No _____ If yes, what is the grant number?
2. Does the product have special design and/or performance features which are essential to your needs, such as unique capabilities, size constraints, portability, instrument response time, etc? Yes _____ No _____
(If "yes", please explain in your response in Section II.)
3. Has comparable equipment/supplies been evaluated? Yes _____ No _____ (If "yes", please list other equipment in Section II. If "no", explain in your response why evaluation was not done.)
4. Is the item requested a repair or replacement item uniquely compatible with existing equipment and/or available from the requested source exclusively? Yes _____ No _____
5. Is the requested item(s) essential to maintaining experimental continuity? Yes _____ No _____

SECTION II. Please consider sole source approval for the following reasons (e.g., trade-in allowance; availability of service, parts, and maintenance; item is a prototype; other equipment evaluated and specific deficiencies; special features, etc.)

Signature of Principle Investigator

Department Name

Signature of Department Head or Hospital Administrator

Date _____

Signature of Director of Purchasing

Date _____

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EQUIPMENT PURCHASE SCREENING POLICY (ACADEMIC COLLEGES AND SCHOOLS ONLY)

"I have reviewed the appropriate equipment inventory listing and certify that, to the best of my knowledge, no such item or substantially similar item is available for shared use within the appropriate area*."

*(1) Equipment item cost \$5,000 through \$24,999: Department Head certifies to availability within department.

*(2) Equipment item cost \$25,000 through 99,999; Dean certifies to availability within colleges/schools.

*(3) Equipment item cost \$100,000 or more: Dean certifies to availability within University.

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TRADE-IN

Attach a completed VU EQUIPMENT TRANSMITTAL FORM if equipment is being traded in as part of this procurement.

**INSTRUCTIONS FOR COMPLETING
THE VANDERBILT UNIVERSITY CAPITAL EQUIPMENT REQUISITION FORM
(#60-002-411)**

A sample Vanderbilt University Capital Equipment Requisition Form has been provided with various numbered areas. These numbered areas correspond to the instructions below which contain a brief description of what should be written in that area of the form.

PLEASE COMPLETE ALL INFORMATION REQUESTED TO AVOID PROCESSING DELAYS

1. **DATE PREPARED** – The date the requisition was prepared by the requesting department.
2. **PREPARED BY** – The individual who completed the requisition.
3. **TELEPHONE** – The phone number of the person who completed the requisition.
4. **REQUISITIONING DEPARTMENT** – The department requesting the purchase order. Only one department may be placed in this box. If more than one department is involved with the requisition, list the department that will be receiving the equipment or supplies when they are delivered.
5. **NEED BY** – The delivery date the item(s) should be received by.
6. **DELIVER TO** – This section should contain the ROOM NUMBER, BUILDING and ZIP CODE where the items should be delivered by the vendor. This address is important to ensure that the items are delivered to the correct location by the vendor or freight carrier. Accounts Payable will mail the invoice copy to this address when appropriate in the payment process. If a departmental code is used in block (25) the invoice will be mailed to a special pre-determined address.
7. **REQUISITIONED FOR** – The individual for whom the item(s) is being purchased (i.e. principal investigator, professor, department head, physician, etc.).
8. **TELEPHONE** – The phone number of the individual for whom the item(s) is being requisitioned.
9. **VENDOR NAME, ADDRESS AND PHONE NUMBER** – This section should contain the complete name and business address of the vendor you are recommending this item be purchased from. Please include a contact telephone number if one is known. This is very helpful in the event the buyer needs to contact the vendor for further information in processing your order.
10. **EXTERNAL/INTERNAL** – If an item is being purchased from a vendor outside the University, the external block should be checked. If an item is being purchased from a department internal to the University, the internal block should be checked.

11. **CONFIRMED WITH AND DATE** – When placing an order or requesting pricing by phone, always request the name of the individual with whom you placed the order or received pricing information from. Confirming orders are orders that have been placed with the vendor prior to sending a hard copy purchase order. Confirming orders should only be placed after contacting the Purchasing Department explaining the need for a confirming order and obtaining an authorized purchase order number to give the vendor.
12. **CHARGE ACCOUNT CENTER AND AMOUNT** – Account, center and amount that will be charged for the items being purchased. The requisition allows for four different account/centers. Should you require distribution among more than four account/centers, please attach a memo to the requisition with that distribution listing. The amounts to be charged to each account/center should be completed in the amount column. The total dollar amount of all account/center amounts should equal the total of the purchase requisition.
13. **CREDIT ACCOUNT CENTER AND AMOUNT** – Account/center that will be credited for the items being purchased. This section should be used when purchasing equipment from internal University departments.
14. **AUTHORIZED BY** – This signature block serves a dual purpose. First, it denotes funds required to support the purchase are currently budgeted and available. Second, it confirms the equipment screening requirements detailed on the back of this requisition for Academic Colleges and Schools have been met by appropriate review.
15. **ITEM** – This section should contain the number of the line item on your requisition.
16. **QUANTITY** – The quantity of items you are requesting on each individual line.
17. **UNIT** – The unit of measure that the item(s) you are requesting will be shipped in, i.e. case, box, pack, each.
18. **MODEL/CAT#** - The vendor model, catalog number or lot number of the item(s) to be purchased. Please verify this number and any unique description requirements with the vendor before placing your order.
19. **DESCRIPTION** – This section should contain a complete description of the item, including the correct identifying name and any unique specifications you may require, i.e. size, color, and function.
20. **PRICE** – This section should contain the cost of the item being requested. The number in this block will be multiplied by the quantity to determine the amount. It is important to use the correct price that applies to the specified unit of measure. Please confirm the price with the vendor prior to placing the order.
21. **DISC** – This discount, if any, is to be placed in this block. It should be written with a percent sign, i.e. 10%.

22. **EXTENDED AMOUNT** – The amount should reflect “quantity” times “price” less “discount”.
23. **ACCOUNTING CLEARANCE/NOTATIONS** – Accounting approval stamp, when necessary, should be placed in this section.
24. **RECEIVED BY** – For internal orders only, this section can be used to sign when orders are received.
25. **DEPARTMENT CODE** (optional) – This section is for those departments with a special three-digit code that controls that invoice label address. The code represents a pre-determined address to which Accounts Payable will send the invoice.

BACK OF CAPITAL EQUIPMENT REQUISITION FORM

26. **SOLE SOURCE REQUEST AND JUSTIFICATION** – Section I and II should be completed and signed when the requesting department wishes the item(s) described on the front of the requisition to be purchased without competitive bidding when that item exceeds \$5,000 in cost.
27. **EQUIPMENT PURCHASING SCREENING POLICY** – Academic Colleges and Schools utilizing grant funding covered by the scope of OMB Circular A-110 are required to show documentation that a review of existing available equipment of similar capability and capacity was made prior to the purchase of new equipment. The guidelines relative to organizational review and dollar range are University policy.
28. **TRADE-IN** – If you are proposing to trade-in an existing equipment item to offset the cost of your new purchase, a Property Transmittal form (Exhibit H) must be completed and attached to this requisition when forwarded for approval and processing. Once completed, the form should be separated and distributed in accordance with the marginal wording on the bottom of the requisition. Upon receipt of the Requisition Form, Purchasing will promptly review and determine the processing step necessary to effect a purchase order for your requested items(s).

Notification of Fabricated Equipment -- “We’re Building a Capital Asset!”

Complete this form and send to Asset Management before the purchase of items that will be used in the fabrication of equipment that will have a combined cost of \$3,000 or more and have a useful life of more than one year. Asset Management will assign you a V-tag number to be used for tracking the fabricated item. All purchase requisitions for parts used in the fabrication of this asset should be copied to Asset Management with the V-tag number clearly indicated. If you are purchasing parts with a Pcard, send a copy of the invoice and indicate the tag number on the invoice. When the asset is complete, notify Asset Management and we will send the assigned V-tag.

Description and Ultimate Location of Item to be Fabricated	Estimated Date of Completion

“Always charge fabricated capital assets to Account 74080.”

Cost Center(s) to be Charged	Approx. Charge to Each Center
1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

Form Completed By (name): Department: Date:

<i>This section to be completed by Asset Management/Equipment Inventory Management.</i>
Tag Number Assigned: Assigned by: Date Assigned:

“Put this Tag Number on every requisition, purchase order, and invoice pertaining to this fabricated asset.”

Department of Health and Human Services, Public Health Service

Official Statement Relinquishing Interests and Rights in a Public Health Service Research Grant

(Return original to awarding unit)

The PHS estimates that it will take 30 minutes to complete this form. This includes time for reviewing the instructions, gathering needed information and completing and reviewing the form. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. If you have comments regarding this burden estimate or any other aspects of this collection of information, including suggestions for reducing this burden, send comments to: NIH, Project Clearance Office, 6705 Rockledge Drive MSC 7974, Bethesda, MD 20892-7974, ATTN: PRA (0925-0001). **Do not return the completed form to this address.** _____ (date)

Name of Institution _____

Address (city and state) _____

Principal Investigator _____ on Public Health Service grant number _____, will resign position at this Institution on or about _____ (date) and has expressed a desire to continue his/her research project at the

In view of the fact that we do not wish to nominate another principal investigator or continue the research project at this Institution, this is to signify our willingness to terminate this grant as of _____ (date) and to relinquish all claims to any unexpended and uncommitted funds remaining in the grant as of that date, as well as to all recommended future support of this project.

Equipment Costing \$5,000 or More Transferring with the Project <i>(itemize)</i>	Unexpended Balance—Estimated
1.	The unexpended balance on termination date of calculated on basis of total amount awarded for the grant year, will be approximately \$ direct cost \$ indirect cost.
2.	
3.	
4.	
5.	
6.	
<i>Use separate page for additional items.</i>	

That portion of the estimated unexpended balance which has been received will be returned to the Public Health Service, upon request, with a final adjustment, if required, to be made after the grant account has been audited.

Financial Officer	Official Authorized to Sign Application
Signature	Signature
Name and Title <i>(print or type)</i>	Name and Title <i>(print or type)</i>

Privacy Act Statement

PHS 3734 (Rev. 5/2001) Back

The PHS maintains application and grant records as part of a system of records as defined by the Privacy Act: 09-25-0112, Grants and Cooperative Agreements: Research, Research Training, Fellowship, and Construction Applications and Related Awards. The Privacy Act of 1974 (5 USC 522a) allows disclosures for routine uses and permissible disclosures.

Some routine uses may be:

1. To the cognizant audit agency for auditing.
2. To a Congressional office from a record of an individual in response to an inquiry from the Congressional office made at the request of that individual.
3. To qualified experts, not within the definition of DHHS employees as prescribed in DHHS regulations (45 CFR 5b.2) for opinions as part of the application review process.
4. To a Federal agency, in response to its request, in connection with the letting of a contract or the issuance of a license, grant, or other benefit by the requesting agency, to the extent that the record is relevant and necessary to the requesting agency decision on the matter;
5. To organizations in the private sector with whom PHS has contracted for the purpose of collating, analyzing, aggregating, or otherwise refining records in a system. Relevant records will be disclosed to such a contractor, who will be required to maintain Privacy Act safeguards with respect to such records.
6. To the sponsoring organization in connection with the review of an application or performance or administration under the terms and conditions of the award, or in connection with problems that might arise in performance or administration if an award is made.
7. To the Department of Justice, to a court or other tribunal, or to another party before such tribunal, when one of the following is a party to litigation or has any interest in such litigation, and the DHHS determines that the use of such records by the Department of Justice, the tribunal, or the other party is relevant and necessary to the litigation and would help in the effective representation of the governmental party.
 - a. the DHHS, or any component thereof;
 - b. any DHHS employee in his or her official capacity;
 - c. any DHHS employee in his or her individual capacity where the Department of Justice (or the DHHS, where it is authorized to do so) has agreed to represent the employee; or
 - d. the United States or any agency thereof; where the DHHS determines that the litigation is likely to affect the DHHS or any of its components.

8. A record may also be disclosed for a research purpose, when the DHHS:
- a. has determined that the use or disclosure does not violate legal or policy limitations under which the record was provided, collected, or obtained;
 - b. has determined that the research purpose (1) can-not be reasonably accomplished unless the record is provided in individually identifiable form, and (2) warrants the risk to the privacy of the individual that additional exposure of the record might bring;
 - c. has secured a written statement attesting to the recipient understanding of; and willingness to abide by, these provisions; and
 - d. has required the recipient to:
 - (1) establish reasonable administrative, technical, and physical safeguards to prevent unauthorized use or disclosure of the record;
 - (2) destroy the information that identifies the individual at the earliest time at which removal or destruction can be accomplished consistent with the purpose of the research project, unless the recipient has presented adequate justification of a research or health nature for retaining such information; and
 - (3) make no further use or disclosure of the record, except (a) in emergency circumstances affecting the health or safety of any individual, (b) for use in another research project, under these same conditions, and with written authorization of the DHHS, (c) for disclosure to a properly identified person for the purpose of an audit related to the research project, if information that would enable research subjects to be identified is removed or destroyed at the earliest opportunity consistent with the purpose of the audit, or (d) when required by law.

The Privacy Act also authorizes discretionary disclosures where determined appropriate by the PHS, including to law enforcement agencies, to the Congress acting within its legislative authority, to the Bureau of the Census, to the National Archives, to the General Accounting Office, pursuant to a court order, or as required to be disclosed by the Freedom of Information Act of 1974(5 USC 552) and the associated DHHS regulations (45 CFR Part 5).

APPENDIX C

Additional Federal Guidance

Commonly Asked Questions About Equipment Under Grants National Institutes of Health Guide, Volume 24, Number 15, April 28, 1995.

The National Institutes of Health (NIH) Grants Policy Office and awarding institutes and centers frequently receive questions from research administrators and investigators regarding equipment purchased with Public Health Service (PHS) research grant funds. To assist recipients of PHS research grants, NIH staff have developed the following questions and answers regarding equipment. The information below does not represent new policy or a revision to policy. Rather, it is a summary of current regulations and policies pertaining to grant equipment. The answers provided are based on the assumption that there are no special requirements in the program legislation or regulations or special terms and conditions of award that would supersede the regulations and policies cited below.

WHAT IS THE DEFINITION OF EQUIPMENT?

The definition for equipment, as stated in 45 CFR Parts 74 and 92, is an article of tangible nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit [Vanderbilt established a level of \$3,000]. However, consistent with recipient organizational policy, lower limits may be established. Grantees may implement the new definition (provided they do so consistently on an organization-wide basis) even though the definition in the cost principles may not yet correspond. (45 CFR Part 74.2 and 74.34)

DOES THE \$5,000 [\$3,000 FOR VANDERBILT] THRESHOLD (UNDER THE REVISED 45 CFR PART 74) ONLY APPLY TO EQUIPMENT PURCHASED AFTER THE EFFECTIVE DATE OF THE REVISION?

No. If grantees elect to implement the revised definition, it should be applied to all grantee equipment. Grantees are not required to track equipment under two different definitions.

DOES EQUIPMENT PURCHASED UNDER A GRANT BELONG TO THE PRINCIPAL INVESTIGATOR/PROGRAM DIRECTOR?

PHS research grants are made to an organization on behalf of the Principal Investigator (PI) or Program Director. Title to equipment acquired with HHS funds vests in the organization receiving financial assistance directly from an HHS awarding agency to carry out a project or program, subject to certain restrictions described at 45 CFR Part 74.34 (see next question).

Whereas in the past, title to equipment, property, and supplies purchased under a research grant to a for-profit organization vested in the Federal Government, the revised HHS regulations now permit for-profit grantees to retain title. (45 CFR Part 74.34)

CAN HHS REQUIRE THE TRANSFER OF EQUIPMENT FROM THE GRANTEE TO ANOTHER PARTY?

Yes, HHS has the right to require equipment (including title) purchased with grant funds to be transferred to the Federal Government or to an eligible third party named by the HHS awarding office, under the conditions specified in 45 CFR Part 74.34(h). Although it is seldom necessary to do so, this right may be invoked in cases where a grant is transferring to a new organization and the equipment purchased with grant funds is needed to continue the research at the new grantee organization. (45 CFR Part 74.34; GPS, p. 8-13)

DOES THE GRANTEE ORGANIZATION HAVE AN OBLIGATION TO THE GOVERNMENT FOR EQUIPMENT AFTER A GRANT HAS ENDED?

Non-profit institutions of higher education and nonprofit organizations whose primary purpose is the conduct of scientific research (hereinafter referred to as exempt grantees) hold title and are exempted from further obligation to the Federal Government for equipment acquired under a PHS grant for support of basic or applied scientific research (except for the HHS right to require transfer as described above). Nonexempt grantees (hospitals, for-profit organizations, and nonprofit organizations whose primary purpose is other than scientific research) hold title and must follow the requirements described in 45 CFR Part 74.34 and the PHS Grants Policy Statement, pp. 8-10 through 8-14.

WHEN IS PHS PRIOR APPROVAL REQUIRED TO PURCHASE EQUIPMENT?

Prior approval for the purchase of equipment is required if it will represent a change of scope for the project. If the purchase will require significant re-budgeting (see GPS p. 8-1), the grantee organization is required to consult with the grants management office for a decision as to whether the re-budgeting constitutes a change of scope. In addition, the purchase of equipment exceeding \$25,000 (per unit), when not included in the originally approved budget, requires prior approval from PHS, unless the grant was awarded under the Federal Demonstration Project or Expanded Authority terms and conditions. (GPS, p. 8-4) (Note: equipment costing in excess of \$25,000 requires prior approval regardless of the amount of PHS funds to be applied toward the purchase, e.g., even if only \$5,000 [\$3,000 for Vanderbilt] of grants funds will be used toward the purchase of equipment costing \$25,001).

IS PHS PRIOR APPROVAL REQUIRED IN ORDER TO REBUDGET FUNDS FOR THE PURCHASE OF GENERAL PURPOSE EQUIPMENT?

PHS no longer differentiates between general purpose and special purpose equipment. Thus, other than as described above for equipment in excess of \$25,000 or a change of scope, PHS prior approval is not required. However, the expenditure must be reasonable and necessary for the conduct of the grant activities, as well as allowable and allocable as a direct cost to the grant.

IS PHS PRIOR APPROVAL REQUIRED TO PURCHASE EQUIPMENT IN THE FINAL SIX MONTHS OF THE PROJECT PERIOD?

No. PHS eliminated this prior approval requirement with the revised PHS Grants Policy Statement effective October 1, 1990. Nonetheless, all charges to a grant project, particularly in the final months of the project period, must be allowable and allocable as a direct cost to the grant, and be reasonable and necessary for the conduct of grant activities. Equipment may not be purchased simply to use an unobligated balance remaining at the end of the project.

WHAT HAPPENS TO EQUIPMENT WHEN THE PI MOVES TO ANOTHER ORGANIZATION?

The grantee organization is the legal entity to which a grant is awarded. When the PI moves to another organization, the following options apply in the order listed. (45 CFR Part 74.34 and GPS, p. 8-13)

(1) The grantee organization may request continuation of the project under the direction of an alternate PI. If the alternate PI is approved by PHS, the grant will continue and thus title to the equipment purchased under the grant will remain with the original grantee organization.

(2) The organization may relinquish its interests and rights in the grant to the PI's new organization. If the new organization is approved by the PHS awarding component to continue the grant activity, then the grant will be awarded and any equipment purchased with grant funds and still needed for the grant project would be expected to transfer to the new grantee organization, which would assume title. If the original grantee does not voluntarily agree to relinquish equipment with the grant, HHS may require transfer of the equipment as specified in 45 CFR Part 74.34(h).

(3) If an alternate PI is not accepted by the PHS awarding component (or no alternate is nominated), and the original grantee refuses to relinquish its rights in the grant to the new organization (or if the new organization is not accepted by the PHS awarding component to continue the research), then the grant will be terminated. Title to equipment will remain with the original grantee organization, subject to disposition or use as described below.

The PI's new organization may submit a new application through the regular NIH peer review process to request support for the research.

It is important to reiterate that a change of grantee may not take place where it will involve the transfer of a grant to or between foreign institutions or international organizations. (GPS, p. 8-3)

WHAT EQUIPMENT MAY BE CHARGED AS AN ALTERATION AND RENOVATION (A&R) EXPENSE?

Fixed equipment, such as casework, a fume hood, a large autoclave, or biological safety cabinet, is an allowable A&R charge. Furnishings and movable equipment are not allowable as A&R costs. Additional information on alteration and renovation costs can be found in the PHS Grants Policy Statement on pp. 7-2 and 7-3.

UNDER CONFERENCE GRANTS (R13 OR U13), MAY GRANT FUNDS BE USED FOR THE RENTAL OF EQUIPMENT?

Grant funds may be used for the rental of necessary equipment under a conference grant. Funds may not be used for the purchase of equipment. (GPS, p. A7-2)

MAY GRANTEES USE EQUIPMENT ACQUIRED WITH HHS FUNDS TO PROVIDE SERVICES TO NON-FEDERAL ORGANIZATIONS?

Yes. However, nonexempt grantees are specifically prohibited from doing so for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute, for so long as the Federal Government retains an interest in the equipment. For both exempt and nonexempt grantees, user charges will accrue as program income and must be reported on the Financial Status Report (SF 269). (45 CFR Part 74.34(b)(1) and 74.24)

ARE DEPRECIATION OR USE CHARGES ON EQUIPMENT AN ALLOWABLE COST ON A GRANT?

Depreciation or use charges on equipment are an allowable cost, but not normally allocable as a direct cost to a grant. Such charges are usually included in the organization's indirect cost base for determination of its indirect cost rate. Depreciation or use charges on equipment acquired under a federally supported project are unallowable. (GPS, p. 7-6)

ARE COSTS OF INSURING EQUIPMENT PURCHASED WITH PROJECT FUNDS AN ALLOWABLE EXPENSE?

Normally these costs are included in the organization's indirect cost base, but may be allocable as a direct cost if this manner of charging is the normal organizational policy, consistently applied regardless of the source of funds. (GPS, p. 7-8)

WHAT SHOULD A GRANTEE DO IF A PIECE OF EQUIPMENT IS LOST, DAMAGED, OR STOLEN?

The grantee is responsible for maintaining an internal control system to insure adequate safeguards to prevent loss, damage, or theft of equipment purchased with PHS grant funds. If such a system does not exist or is lacking in any way, the grantee must implement any necessary corrective actions. For non-exempt grantees, if damage, loss, or theft occurs despite the fact that the recipient has the required control system in place, there will be no obligation to PHS for the equipment, unless the recipient receives compensation for the damage, loss, or theft from insurance or some other source. If the grantee is compensated for the damage, loss, or theft, but

does not replace the equipment for use on the grant, the rules regarding sale of equipment apply (45 CFR Part 74.34(g)).

HOW MAY EQUIPMENT BE USED AFTER THE END OF A GRANT?

Exempt grantees hold title and are exempted from further obligation to the Federal Government for equipment acquired under a PHS grant for support of basic or applied scientific research, except for the HHS right to require transfer as described above.

Nonexempt grantees hold title and 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 HHS 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, if any, in the following order of priority:

- (1) Program, projects or activities sponsored by the HHS awarding agency;
- (2) Program projects or activities sponsored by other HHS awarding agencies;
- (3) Program, projects or activities sponsored by other Federal agencies.

If the grantee no longer needs the equipment for the above purposes, the grantee may retain the equipment for other uses, provided that compensation is made to the original HHS awarding agency or its successor. If the recipient has no further need for the equipment, it shall request disposition instructions from the HHS awarding agency. See 45 CFR Part 74.34(g) for additional information.

APPENDIX D

Additional Federal Guidance

**NATIONAL SCIENCE FOUNDATION (NSF)
GRANT GENERAL CONDITIONS (GC-1)
July 01, 2002**

Equipment – Article 6

- a. *Title to Equipment - Non-profit Organizations.* Unless otherwise specified in the grant, title to equipment purchased or fabricated with NSF grant funds shall vest in the awardee upon acquisition. Such equipment is considered exempt property and subject to the conditions established in paragraph c. below.
- b. *Title to Equipment - Commercial Organizations.* Unless otherwise specified in the grant, title to equipment purchased or fabricated with NSF grant funds by a small business or other commercial firm shall vest in the Government. Such equipment shall be acquired and used in accordance with paragraph c. below and managed in accordance with GPM Section 545. In accordance with OMB Circular A-110, Subpart C, .33(a)(1), awardees shall submit annually to the NSF Property Administrator, an inventory listing of Federally owned property in their custody. Immediately following the expiration of the award, or when the property is no longer needed for the project, the awardee shall report the property to the NSF for further agency utilization.
- c. *Conditions for Acquisition and Use of Equipment*
 1. Awardee Assurance. The awardee will assure that each purchase of equipment is:
 - (a) necessary for the research or activity supported by the grant;
 - (b) not otherwise reasonably available and accessible;
 - (c) of the type normally charged as a direct cost to sponsored agreements; and
 - (d) acquired in accordance with organizational practice.
 2. General Purpose Equipment. Expenditures for general purpose equipment (see GPM Section 612.2c) are unallowable unless the equipment is primarily or exclusively used in the actual conduct of the research.
 3. Equipment Usage. The equipment will remain in use for the specific project for which it was obtained in accordance with OMB Circular A-110 Section .34(c)., unless the provision in Section .34e. applies.
 4. Equipment Sharing. The equipment must be shared on other projects or programs in accordance with OMB Circular A-110 Section .34(d).

5. Property Management Standards. The awardee shall maintain a property management system which, at a minimum, meets the requirements of OMB Circular A-110 Section .34(f).

6. Competition. The grantee 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 statute in accordance with OMB Circular A-110 Section .34(b).

7. Right to Transfer Title.
 - (a) NSF may identify items of equipment having an acquisition cost of \$5,000 [\$3,000 for Vanderbilt] or more where NSF reserves the right to transfer the title to the Federal Government or a third party named by the Federal Government at any time during the grant period.

 - (b) In cases where NSF elects to transfer the title, disposition instructions will be issued no later than 120 calendar days after the expiration date of the NSF-supported project for which it was acquired.

APPENDIX E

**Vanderbilt University
PURCHASING POLICY AND PROCEDURES MANUAL
Section 8**

8.1 SURPLUS PROPERTY POLICY Effective Date: July 1, 1997

For items purchased with University funds or funds from any external source, the management and control of the utilization of such equipment extends to its final disposition. For those property items that are no longer needed by the initial procuring department, it is University policy to manage the recirculation or disposition of the surplus items centrally through the University's Purchasing department.

The first option for items in this category will always be recirculation within or among the other departments of the University. If recirculation is not an option due to the physical condition of the item, lack of technological capability or inefficiency in operation, additional options will be investigated by Purchasing. These include, but are not limited to; return to the original funding agency or entity, sale or donation of the items to individuals or entities, or immediate disposal. All surplus property is covered by this policy whether acquired by purchase or donation.

Purchasing will work closely with departmental and Asset Control personnel to assure that, with any transfer or disposition, asset records are updated, a fair transaction price is established for any item(s) sold, and equipment purchased with government funds is not sold or transferred without the proper authorization being previously obtained.

Unauthorized removal, disposal or expropriation of University or government owned, loaned or donated property, regardless of value, constitutes a serious breach of University policy. The University encourages investigation of potential shared use equipment prior to the purchase of new equipment.

If a question arises as to the proper disposal of property items, regardless of funding source, it is the responsibility of the department having ownership and/or custody to contact Purchasing for advice or instructions on disposition. When items are declared surplus, the net proceeds resulting from their disposition will be credited to the department having ownership. Instructions relative to the revenue distribution are contained in the Surplus Property procedures in the Purchasing Policy and Procedure manual.

Departments with surplus property should notify Purchasing by processing a Property Transmittal Form. This form, a sample copy of which is attached as Exhibit G details the item(s), condition, location, controlling department, and

proposed disposition. On the basis of previous need patterns, historical usage or departmental specific requests, Purchasing will attempt to recirculate the surplus item(s) before choosing any other disposition method.

Should disposition require movement or storage of items, Purchasing will assist in the logistics.

8.2 SURPLUS PROPERTY PROCEDURES Effective Date: July 1, 1993

A. All property, for transfer or disposition, requires prior institutional review and approval initiated with the completion of the Property Transmittal form. This form must be reviewed by (Inventory Control/Asset Management) prior to any action by Purchasing to remove property from the inventory.

B. All internal transfers of property must be initiated by completion and approval of the Property Transmittal Form. Property transferred between departments will not generally enter the surplus property program. The Property Transmittal Form for transferred property will be sent directly to Inventory Control.

C. The initiating department, in conjunction with Inventory Control Asset Management, will determine if the University has title to the property proposed for disposal. If the property was originally funded with Federal contracts or grants, Contract and Grant Accounting, Sponsored Research and/or Department of Finance should be involved in receiving permission to dispose of the property or instructions regarding its return to that Agency.

D. Recirculation within the University remains our first option for utilization. If no immediate need/opportunity for re-use can be identified or if the property is not a candidate for re-use due to condition, function or technology, Purchasing will make a determination regarding the need for its relocation to the surplus staging area in the Chestnut Street warehouse.

1. If the item is deemed to have no value for re-use or resale, Purchasing will authorize immediate disposal at the department's expense (if any).

2. If the item is deemed to have little value for re-use, the property will be sold "as-is, where-is", with removal being the responsibility of the ultimate buyer. Any proceeds will be credited to the Surplus Property Account, except for certain Federally funded equipment where the proceeds are greater than \$100.00 as determined by the granting Agency.

3. If the item has value for re-use or re-sale, the property will be transported to the surplus staging area. It will be held for inspection for 120 days by any department that might have a need for its re-use, at the conclusion of which, it will become eligible for sale to individuals inside or outside of the University.

If any University department inspects the surplus property and wishes to take title for purpose of re-use, that department will pay a pre-established surplus price for the item. Relocation from the surplus area will be at the purchaser's expense.

4. For all items disposed of and subject to the constraints detailed in Number Two above, the Surplus Property account will be credited for the first \$500 of the sales price, with any remaining balance being returned to the surplus department. For surplus transactions originating from the Hospital, the remaining funds will be credited to a center specified by Hospital Administration.

E. If a department is desirous of using old equipment as a trade-in to offset the cost of new equipment, the Property Transmittal form must be completed so indicating and forwarded to Purchasing. Purchasing will review within five (5) working days and determine if a need exists in any other department on campus for similar equipment and if the University has title to the item before authorizing the trade-in. Once the trade-in has been approved and returned to the department, the department should attach a copy of the Property Transmittal form to their purchase requisition and forward to Purchasing. The department should also forward the original Property Transmittal form to Inventory Control. If another department needs the equipment, the exchange price must be at minimum the same dollar amount that would have been paid to the originating department by the vendor for the trade-in.

F. Surplus items remaining in the surplus staging area for four months or longer may be donated or disposed of at the discretion and under the control of Purchasing. Periodic lists of items in the surplus inventory will be made available for inspection by departments to aid in the recirculation/disposal process. Completion of the Property Transmittal form by Purchasing will show final disposition and removal from the surplus inventory.

G. Any sale of surplus equipment to individuals, for-profit groups or businesses will require the collection of and accounting for sales tax at the current rates.