

# Caltech

**Property Services**  
*Policies and Procedures*  
*July 2017*

# *Introduction*

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# *Chapter 1: Introduction*

# *Objectives and Overview*

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## **Objectives**

After reading this manual, the reader should be able to understand:

- The basic concepts of the capital equipment cycle
- Global concepts in managing capital equipment
- Acquisition of capital equipment
- Record keeping, reporting, and inventory requirements
- Use of capital equipment on campus
- Disposal procedures for capital equipment

## **Overview**

This manual focuses on capital equipment and is intended as a general policy reference for all California Institute of Technology (Caltech) personnel involved in the property management process. It frequently refers to other documents for more detailed procedures applicable to specific personnel or topics.

Property management of capital equipment is a key component in the efficient administration of the professional educational and research missions of the Institute. The benefits include:

- Enabling Caltech to issue timely and accurate property reports to Federal and non-Federal research sponsors
- Enabling Caltech to recover indirect costs for equipment depreciation
- Allowing Caltech to have an accurate record of its investment in equipment
- Complying with external regulations and laws
- Meeting Division management needs

- Facilitating the tracking and recording of maintenance and warranty information
- Enabling easy identification of available equipment
- Saving money by reducing waste, redundancy and equipment loss

The information in this manual contains eight chapters:

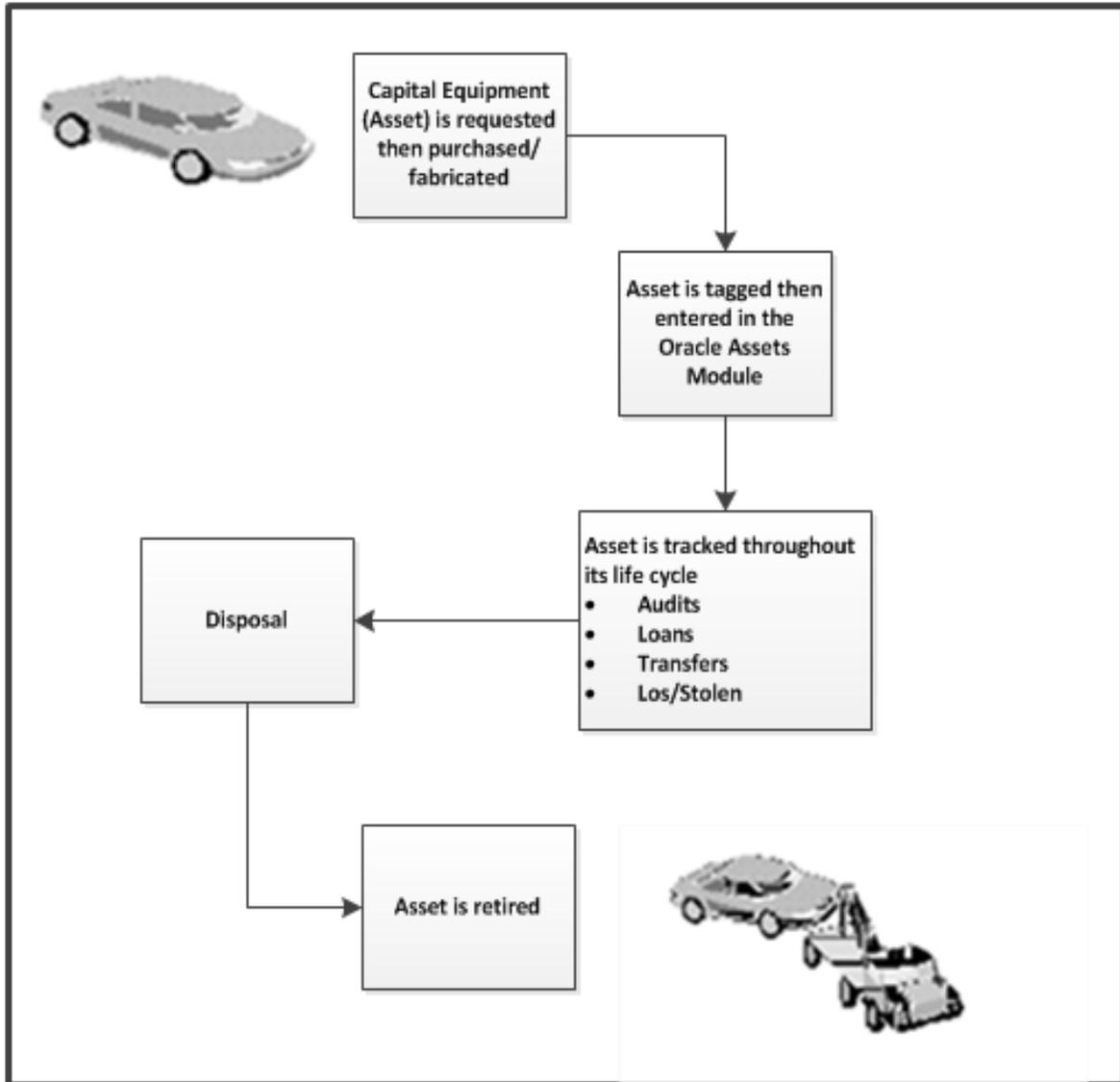
1. **Introduction** – provides an overview of this manual.
2. **Global Concepts** – addresses key concepts of property management as it relates to capital equipment, roles and responsibilities of parties involved in the process, and internal and external auditing.
3. **Acquisition** – covers the purchasing, acquiring, receiving, and recording of capital equipment. In addition, equipment loans to Caltech, transfers, and fabrications are discussed.
4. **Records, Reports, and Inventory** – deals with record keeping, required property reports, and inventory.
5. **Use** – addresses movement, utilization, loans, maintenance, and storage of equipment.
6. **Disposal** – covers the asset disposition process. In additions, it addresses contract and grant closures (or closeouts).
7. **Frequently Asked Questions** – includes questions that Property Services receives regularly in addition to the answers to the questions.
8. **Appendix** – includes forms and other supporting information not included within a specific chapter.

# *The Capital Equipment Cycle*

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## **Overview**

The Capital Equipment Cycle covers the time span from when an asset is requested to the end of its useful life. The following diagram illustrates the general process flow of that cycle.



# *Definitions*

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## **Overview**

This subchapter provides some common definitions of terms used throughout this manual.

## **Definitions**

### **Capital Equipment**

“Capital Equipment” is actually an accounting term. For explanation purposes, we define it as a moveable item which has a cost that meets or exceeds a specified cost threshold (such as a microscope or photocopier). Capital equipment, when compared with other equipment, has more record keeping requirements and compliance requirements associated with it. See “Managing Capital Equipment” in the Global Concepts chapter of this manual for more information. At Caltech, capital equipment is defined as meeting the following criteria:

1. An acquisition cost of \$5,000 or more

Acquisition cost includes the following: Invoice amount, sales tax, freight costs, installation costs, costs for the initial complement of supplies needed to place the asset into service, accessory and auxiliary apparatus necessary to make it usable for the purpose for which it was acquired; less trade or trade in discounts and/or educational allowances.

Acquisition cost excludes the following: Federal Excise tax, duty, insurance, maintenance and warranty costs

2. A useful life of more than one year.

If the item will not have a useful life of more than one year, or the upgrade does not extend the useful life of the asset being upgraded by more than one year, it is considered expendable material, even if it costs more than \$5,000.

3. A stand-alone movable item

The item is not permanently attached to or integrated into a building or structure.

In addition, Caltech legally assumes certain responsibilities for sponsor-owned and sponsor funded property under its control.

NOTE: Sponsors may impose property management provisions i.e. tracking of sensitive items, imposing lower threshold for equipment, etc. that deviate from Caltech's equipment capitalization policies. Property Services will work with OSR to make sure these requirements are communicated and are abided by.

## **Disposition**

Disposition is the process of determining if capital equipment is an excess or an unusable asset. See "Disposition of Equipment" in the Disposal chapter of this manual for more information.

## **External Audit**

An external audit is an examination of records by an organization other than Caltech. For example, the U.S. Government or a project sponsor would be considered an external entity. See "Internal and External Accounting Audits" in the Global Concepts chapter of this manual for more information.

## **Excess**

A term that describes the lack of use or benefit a piece of equipment can give to a project or person. Any excess equipment, whether Caltech funded or sponsor funded, should be considered eligible for disposition. See "Disposition of Equipment" in the Global Concepts chapter of this manual for more information.

## **Fabrication**

A fabrication is a one-of-a-kind creation. Fabrications are created by assembling a number of components (manufactured or custom made) to produce a piece of equipment that meets unique research specifications. Most fabrications are sponsor funded and therefore have a number of compliance requirements related to acquiring and tracking equipment in an assembled fabrication. See "Fabrications" in the Acquisition chapter of this manual for more information.

## **Oracle Asset Module**

A core component of efficient property management at Caltech is the Oracle Asset module. It is the Oracle application designed to electronically track property for capital or sponsor funded assets accountable to the Institute and to calculate depreciation for financial statement reporting and including in the Indirect Cost Rate proposal. It is the

official Institute record of property at Caltech. See “Managing Capital Equipment” in the Global Concepts chapter for more information.

### **Government Furnished Material (GFM)**

Government Furnished Material (GFM) is property that is given to the Institute by the Federal Government and for which ownership remains with the Federal Government. GFM may be incorporated or attached to an end item to be delivered under a contract or may be consumed or expended in the performance of an agreement. See “Property Loaned, transferred, or Furnished to Caltech” in the Acquisition chapter of this manual for more information.

### **Government Furnished Property (GFP)**

Government Furnished Property (GFP) belongs to the sponsor and is used pursuant to ongoing agreement identified by the sponsor. Acquisition of GFP is initiated by the PI, assisted by the Division Representative, and processed through the Office of Sponsored Research. See “Property Loaned, Transferred, or Furnished to Caltech” in the Acquisition chapter of this manual for more information.

### **Internal Audit**

An internal audit is an examination of records conducted by employees at Caltech. These audits may be conducted by such groups as Property Services or Internal Audit Department. See “Internal and External Accounting Audits” in the Global Concepts chapter of this manual for more information.

### **Obsolete**

A term that means an item can no longer meet its intended purpose. For example, a media storage format that is no longer employed such as a 5¼ floppy disk drive. See “Disposition of Equipment” in the Disposal chapter of this manual for more information.

### **POETA**

Caltech’s accounting system uses an account code often referred to as POETA (Project / Organization / Expenditure Type / Task / Award). A POETA is actually a set of five alpha-numeric characters, which combine to provide a detailed description of the type of equipment acquired and its source of funding. Correct and accurate use of this accounting structure ensures effective control, accurate classification and efficient reporting of assets. See “Managing Capital Equipment” in the Global Concepts chapter of this manual for more information.

### **Example of a POETA Code**

CONT.03210.PropertyService.Materials and Supplies.1.FIN.000320

**P O E T A**

<b>Project</b>	CONT.03210
<b>Organization</b>	Property Service
<b>Expenditure type</b>	Material and Supplies
<b>Task</b>	1
<b>Award</b>	FIN.000320

### **Trade-in Equipment**

The acquisition of a piece of capital equipment from a vendor for some specified amount of money and an existing piece of Caltech-owned capital equipment is considered a trade-in. Trade-ins are actually a two-part process: a disposition and an acquisition . See “Identification: Tagging and Recording Property in the Acquisition chapter of this manual for more information.

## *Acronyms*

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The following list includes acronyms used throughout this manual.

AP	Accounts Payable (Oracle Specific Module)
ASIC	Audit Services and Institute Compliance
CAP	Contractor Acquired Property
CIP	Construction in Progress
DCAA	Defense Contract Audit Agency (DCAA),
DOD	Department of Defense
EAR	Export Administration Regulations
ETS	Equipment Tracking System
F&A	Facilities and Administrative
FAIN	Federal Award Identification Number
FAR	Federal Acquisition Regulation
FDP	Federal Demonstration Partnership
FMV	Fair Market Value
GFM	Government Furnished Material
GFP	Government Furnished Property
GL	Oracle General Ledger
GPA	Government Property Administrator
GSA	General Services Administration
IDC	Indirect Cost
IRS	Internal Revenue Services
ITAR	International Traffic in Arms Regulations
LDDT	Loss, Damage, Destruction, or Theft

MA	Mass Additions (Oracle Specific Module)
NBV	Net Book Value
NSN	National Stock Number
OA	Oracle Asset (Oracle Specific Module)
OGM	Oracle Grant Management (Oracle Specific Module)
ONR	Office of Naval Research
OSR	Office of Sponsored Research
PAA	Post Award Administration
PCSA	Property Control System Analysis
PI	Principle Investigator
PO	Purchase order
POETA	Project / Organization / Expenditure Type / Task / Award
PR	Purchase requisition
SOS	Speedy Ordering System
WIP	Work in Process
YTD	Year-to-date

# *Chapter 2: Global Concepts*

# *Managing Capital Equipment*

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## **Overview**

Caltech acquires capital equipment in a variety of ways, such as a purchase, a loan or a donation. The way capital equipment is acquired determines how it will be recorded and managed throughout its lifecycle.

## **The Oracle Asset Module**

The core component to efficient property management at Caltech is the Oracle Asset (OA) module, or also referred to as the ORACLE Fixed Asset System (FAS). It is the Oracle application designed to electronically track property accountable to the Institute and to calculate equipment depreciation for the facilities and administrative (F&A) cost rate calculation and financial statements purposes. It is the official Institute record of property at Caltech. Only Financial Services staff has access to OA. See “Roles and Responsibilities” in this chapter and “Identification: Tagging and Recording Property” in the Acquisition chapter, or contact Property Services for more information.

Caltech’s campus administration is, by its nature, decentralized. The OA module provides a central information resource where administrative officers can locate a piece of equipment by searching for a tag number, serial number, custodian, purchase/requisition number, etc. The module provides crucial information for the Institute relative to Caltech, Government and sponsor funded assets. It also assists with tracking loaned equipment and other assets for which the Institute is accountable. These records are the basis for filing required reports for sponsor and Government funded projects as well as financial and management reporting. Information from the OA module can also be used to identify and report on the property purchasing trends of Caltech.

Caltech legally assumes certain responsibilities for sponsor-owned and sponsor funded property under its control. Caltech may therefore be liable in the event of loss or unreasonable use. Caltech’s responsibility commences from the moment the property is received and does not end until the Contracting Officer grants relief, the property (material) is used during completion of the contract, or title transfers to the Institute. It is imperative to capture the equipment information accurately in OA as soon as possible to mitigate potential loss and ensure regulatory compliance.

## **Three Key Questions Regarding Property**

Property control is a crucial component of property management and these questions help us determine how to control property.

### **1. How was the equipment acquired?**

- Purchase: Follow general Caltech internal policies described in this manual
- Donation: Refer to donation documentation for specific donor restrictions
- Loaned to Caltech: Refer to loan documentation for specific instructions
- Transferred from outside entity or sponsor: Refer to transfer documents or sponsor agreement for specific instructions

## **2. Who funded the acquisition?**

- Caltech funded: Follow general Caltech internal policies described in this manual
- Sponsor funded: Follow sponsor directions, as well as Caltech internal policies described in this manual. This also applies to either furnished, leased, rented, or transferred (including inter-contract) equipment.

## **3. Was the acquired equipment considered capital?**

- Capital equipment: Follow general Caltech internal policies described in this manual
- Non-capital equipment: Follow general Caltech internal policies described in this manual or as required by the loan or sponsor agreement

## **Managing Property at Caltech**

There are property management tasks that are common to managing all equipment. The following is a brief summary of those tasks. The chapters and/or subchapters referenced after each item will provide more detail on related policies and procedures.

### **When Equipment Arrives at Caltech**

Capital equipment should be properly received, including unpacking and inspecting equipment to insure that the proper equipment has been sent and is in good condition. See "Receiving Property" in the Global Concepts chapter of this manual.

Incoming capital equipment should be promptly tagged with a Caltech Identification Tag and any other appropriate identifying markings, and then recorded into the OA module as soon as possible. See "Identification: Tagging and Recording Property" in the Acquisition chapter of this manual.

- ☞ NOTE: The goal is to ensure that all capital or Government-owned property is received, tagged and promptly recorded in OA module upon arrival on campus.
- ☞ Equipment is not insured for damage or theft by Caltech until the equipment is recorded in Oracle Fixed Assets. If equipment is received but not tracked because PS is not notified, the end-user or the Division may be liable for replacing the damaged or stolen equipment.

## **While at Caltech**

When equipment is moved its new location must be recorded into the OA module. It is very important that Caltech properly track the location of capital equipment so that depreciation included in the IDC rate proposal is correctly calculated and allocated. It is also critical since all equipment will be physically inventoried at least once every two years (in compliance with Federal regulations).

If the equipment requires maintenance (for example, calibration for testing equipment) it should be done in accordance with the manufacturer's recommendations.

Caltech equipment, whether located on or off campus, should be used for work benefiting Caltech. No equipment purchased with Institute or sponsor funds should be used for personal use.

## **When Equipment is no Longer Needed**

An ongoing task in property management is assessing what equipment is excess and taking steps to reuse or dispose of that property. See "Disposition of Assets" in the Disposal chapter of this manual. In addition, sponsor funded equipment must be handled in accordance with specific sponsor regulations or procedures.

## **Federal Demonstration Partnership (FDP)**

Most of the Federal sponsored research grants performed at Caltech fall under the Federal Demonstration Partnership (FDP). FDP is an association of federal agencies, academic research institutions, and research policy organizations that work to streamline the administration of federal sponsored research projects. Government grants are either FDP or non-FDP grants. One major difference between a FDP and non-FDP Government grant is that title immediately vests in Caltech for property acquired under a FDP award, but may or may not for a non-FDP award. Since title does not vest in the sponsor, Caltech assumes more of the risk and liability, but has fewer management and reporting requirements. Caltech is not allowed to purchase real property (i.e. land or buildings) under a FDP grant.

This manual is written to ensure that Caltech meets the FDP requirements. However, non-FDP projects have additional administrative requirements that must also be met. If one is unsure whether his or her project falls under the FDP agreement, he or she should contact the Office of Sponsored Research (OSR) or Property Services.

# ***Roles and Responsibilities***

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## **Overview**

Property management is an important function at the Institute. Prudent business practices help to protect the Institute's multi-million dollar investment in capital equipment, meet Government and sponsor requirements, and support the indirect cost recovery associated with assets at Caltech. This subchapter describes how various groups at Caltech work together to ensure that efficient property management remains a high priority.

## **Role of Property Services**

Property Services has a critical role in developing and implementing campus property management policies in conjunction with Financial Services senior management. Property Services supports each Division in meeting administrative objectives. Specifically, it provides assistance in handling any property management and accounting issue, including a wide variety of property related issues that arise from the time of acquisition through disposal. For areas involved in sponsored research, Property Services provides assistance with equipment issues at the time of proposal development, project performance, and at the conclusion of projects or the retirement of equipment.

In addition, Property Services can provide assistance or direction in the following areas:

### Acquisitions

- Researching equipment documentation
- Validating and verifying if purchases are expendable or capital
- Identifying and tagging equipment

### Records and Documentation

- Documentation of equipment transfers to or from other organizations
- Documenting and recording all capital equipment
- Documenting equipment transfers to other departments within Caltech
- Documenting equipment donated to the Institute

- Transferring title to equipment
- Using Caltech's Oracle Assets module
- Reconciling physical inventories of department equipment
- Reporting on property issues to Financial Services, sponsors, and donors

#### Disposal

- Assistance regarding disposal restrictions
- Documentation of dispositions for sponsor-owned equipment
- Documentation of disposition instructions for scrap or unusable equipment

#### Sponsored Projects

- Reconciling equipment expenditures on sponsored projects at project closeout
- Monitoring capital projects for capital equipment

Property Services is also responsible for corresponding with Government property officers on property issues and developing and implementing any required corrective action plans related to property management.

Information updates are disseminated by Property Services through internal classes, property forums, research forums and/or electronic mail. Individualized instruction is available upon request. Division Representatives may also contact Property Services directly to discuss matters specific to their areas.

#### **Compiles Metrics on Property Management**

Property Services collects data from the Divisions and reviews it for completeness, then inputs and updates the OA module records. This information can be used to gauge how well the property management process works and where improvements are needed. Property Services assists the Division, the Division Representative, and Department Management by meeting with them to ensure proper resources are available to create a smooth and accurate property management processes. Property Services may periodically send feedback via email or reports to Division Administrators and Department Management. This feedback may include areas where the Division or department is doing well, as well as areas requiring improvement.

## Self-Assessment

Property Services is responsible for ensuring that a self-assessment is completed every two years and will use the self-assessment as an opportunity to review business processes associated with all the facets of fixed assets management. Results of the self-assessment will be made available to ONR upon completion of the assessment including management review and to sponsors upon request. As a result of the self-assessment, improvements may be made to the property control system and procedures. Any significant deficiencies will be documented and corrected. If needed, contact Property Services for more information or see the Self Assessment Policy Document at located at [http://finance.caltech.edu/documents/377-caltech\\_s\\_self\\_assessment\\_process\\_document.pdf](http://finance.caltech.edu/documents/377-caltech_s_self_assessment_process_document.pdf)

## Role of Financial Services

Financial Services is responsible for ensuring that financial policies and practices applicable to the work of the Institute, including instruction and research, are carried out and that standards, policies and regulations are consistent with sponsor and donor expenditure restrictions. Specific responsibilities include:

- Implementation of property management policies, processes, and personnel assignments within the department area(s), to enable the meeting of compliance and department business needs.
- Emphasizing the importance of appropriate and compliant property management within the Institute or business area.

## Role of Division Management

Caltech is involved in performing a significant amount of research. Institute property management has high visibility and may be subject to greater scrutiny and audits because funding for research is often sponsored by the Federal Government and other granting agencies. Also, there are additional rules and regulations that must be followed if a department receives donated equipment. See "Donations to Caltech" in the Acquisition chapter of this manual for information on how to handle donated equipment.

 NOTE: Accurate recording of all equipment, whether sponsor funded or not, directly impacts indirect cost recovery and other reporting requirements.

To support more effective and compliant property management at Caltech, the Institute continues to improve campus-wide property management processes. Property Services

will make every effort to ensure that Divisions are made aware of any issues that will affect their property management responsibilities.

Division management should involve Property Services whenever contacted by any internal or external auditor regarding equipment. Property Services will work closely with the Division and the auditing agency to ensure timely and adequate responses are provided while mitigating any Institute risk.

### **Tracking Incoming Property**

Division Administrators should be listed on a purchase requisition so they can be informed of any new capital equipment arriving in their area of responsibility. This allows the Division to supervise the request for inventory tags and operation of their receiving process.

 NOTE: The goal is to ensure that all capital and Government funded property is received, tagged and promptly recorded in OA upon arrival on campus.

### **Data and Metrics**

Divisions provide Property Services with data and or information which Property Services uses to input and update the OA module records. This information can be used to gauge how well the property management process works and where improvements are needed. The Division Representative and Department Management meet with Property Services to ensure proper resources are available to create smooth and accurate property management processes. Division Representatives and Department Management can utilize feedbacks and reports received from Property Services via electronic mail to identify areas where they are doing well as well as areas requiring improvement.

### **Biggest Division Challenges**

One of the greatest property challenges a Division has is to help maintain, complete, current, and accurate equipment records while juggling a myriad of projects in the regular workday.

This challenge is best met when a Division is able to develop and communicate proper procedures and relevant policies to department personnel. Some stumbling blocks that can hinder timely entry of the OA module records are:

- Lack of communication between end user and Division Representative
- Lack of documentation

- Transfer of equipment between departments or other research/educational institutions.
- High staff turnover
- Availability of time to perform property-related tasks
- Management support
- Time and priorities
- Time to attend training
- Need for increased involvement in property-related activities
- Need for increased communication
- Cooperation from users, custodians, Principal Investigators (PIs), etc.
- Inherited backlogs

## **Role of Division Representative**

Accountability for Caltech owned equipment, from acquisition to disposal, resides with the Divisions. Accountability for equipment on Sponsored Projects resides with the Principal Investigator (PI) or PIs.

Each Division should designate a responsible Representative (or Representatives) to facilitate the property process. The role of the Division Representative is crucial for the Division to accurately account for and control capital equipment. This individual will help ensure that capital equipment is accounted for consistently and records maintained appropriately. In addition, they can make sure closets and storage areas are organized and excess equipment disposed of as soon as it is no longer needed. Division Representatives accomplish this by updating and maintaining copies of supporting documentation and by staying in regular contact with people in their department who use the equipment.

Divisions are responsible for:

- Promptly receiving new equipment.
- Notifying Property Services immediately when Government-owned equipment is received.

- Notifying Property Services in a timely manner, preferably via the Equipment Tracking System (or an Asset Information Form) when equipment has been:
  - Disposed
  - Transferred
  - Loaned
  - Become obsolete
  - Become excess
  
- Assisting Property Services in performing equipment physical inventories.
  
- Reconciling equipment not found and equipment found to be not tagged during physical inventory (including providing support documentation).
  
- Using the correct expenditure type to identify title to equipment as Caltech, Government, or Other Owned.
  
- Assisting in internal and external audits as required.

The Division Representative may attend the following in order to assist them in understanding their role:

- Introductory Division Representative property process training classes and labs sponsored by Property Services
  
- Property forums conducted by Property Services on an “as needed” basis

📖 NOTE: Property forums should always be attended. They provide important updates and a venue for Division Representatives to give input on the property process.

### **Additional Skills for Division Representatives**

Some Division Representatives may require additional skills because of the added complexity of research or sponsor requirements for assets within their area. They need to know about external screening, cost sharing and fabrication requirements, among other topics. Additional training is available through Property Services and certification is also available from a national association for those Division Representatives seeking a higher level of expertise.

### **Benefits of Having a Division Representative**

Caltech must track each piece of capital equipment throughout its lifecycle— from the time it arrives at the Institute until it leaves. Division Representatives and Property Services are partners in tracking and managing property. This role is becoming increasingly important in ensuring that capital equipment is acquired and utilized in the most efficient manner possible.

The Institute as a whole benefits tremendously from efficient management of the thousands of pieces of equipment whose total value is quite significant.

# ***Internal and External Accounting Audits***

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## **Overview**

All property that Caltech owns or is accountable for is subject to internal, external, and Government audits. Therefore property must be accounted for accurately and on a timely basis. Accurate and effective management will benefit departments individually and Caltech as a whole.

The key to an approved property control system and a successful audit is timely and accurate record keeping throughout the year, as well as compliance with all established policies and procedures. This includes entering property into the OA module as soon as possible. The Division Representative is responsible for coordinating with the Property Services staff entering the records and maintaining physical copies of essential property and receiving documents.

Division staff should involve Property Services whenever contacted by any internal or external auditor regarding equipment audit. Property Services will work closely with the Post Award Administration and the Division to ensure timely and adequate responses is provided to the auditors.

## **Definition and Purpose of a Property Audit**

Auditing against property procedures is a standard business practice. Several organizations routinely audit property processes; these include the Office of Naval Research (ONR), Defense Contract Audit Agency (DCAA), Audit Services and Institute Compliance (ASIC), and sponsoring agencies that provided funding for the property. Additionally, audits may be performed for compliance with Federal regulations and specific award requirements. If an outside agency contacts a Division directly regarding an audit, refer the auditor to Property Services who will coordinate the audit process with Post Award Administration. No verbal or written information should be provided to the auditors without first notifying a person from the Property Services.

When audits are scheduled, Post Award Administration or Property Services will give as much advance notice to the Division as possible. The Division Representative will be actively involved and serve as an escort. He or she must be able to locate and identify property as requested by auditors and must be able to provide property-related documentation upon request.

## Government and External Audits

The Government auditing agencies and external auditing firms conduct broad, procedural and system audits at Caltech on a regular basis. The purposes of these audits are to determine whether the policies and procedures that reflect Government and Caltech requirements are documented and followed. Successful completion of these audits is critical to ensure continued approval of Caltech's property system and an efficient equipment acquisition process. Property audits examine many areas including:

- Property management
- Acquisition
- Receiving
- Identification
- Record retention
- Movement
- Storage
- Physical inventory
- Reports; availability and completeness of supporting documentation
- Consumption
- Utilization
- Maintenance
- Subcontractor control
- Disposition
- Contract property closeout

## **Impact of an Audit**

Sponsors want to ensure Caltech is managing and accounting for equipment in a reasonable manner, and complying with Government regulations as well as any specific award requirements. In addition, they want assurance their research dollars are used by Caltech for the purpose(s) they were intended. A satisfactory property audit, therefore, means new funding as well as on-going research can continue unimpeded. Caltech must also maintain approved property management systems in order to recover equipment depreciation through the F&A rate and purchase equipment using Federal sponsored funds.

If there are deficiencies discovered in the property management system, Property Services will notify Audit Services and Institute Compliance office, Office of Sponsored Research, and Post Award Administration office. The Institute must then set a corrective action plan and schedule to address the deficiencies within a reasonable period of time.

## **Internal Audit by Caltech**

Caltech Audit Services and Institute Compliance office (ASIC) may conduct periodic audits to ensure system wide database integrity as well as to confirm detailed transactions are accurate and reported on a timely manner. Post Award Administration office (PAA) should be informed in advance; however, ASIC may contact Division Administrators directly when an internal audit is scheduled. In addition, as a central office self-audit and as part of the Division Representative training, Property Services will conduct property audits throughout the year. These audits will be conducted in the same manner as external audits so Division Representatives who have never been in an audit situation will have an opportunity to experience one in an environment that will enable them to learn about how audits are conducted.

ASIC auditors should work through the Property Service Office when conducting an official audit. In addition, a Property Service staff should be present during all meetings between the ASIC auditors and the department that is being audited.

## **Audit Results**

Audit results are provided in written reports. Audit findings and recommendations may affect business processes and require changes in policies and procedures. Information on corrective actions will be communicated to the various stakeholders by Financial Services.

## **Corrective Action Plans for Property-related Reviews**

Post Award Administration and Property Services will work with appropriate Institute staff to devise a corrective action plan and provide it to the appropriate audit agency or other organization(s). A letter describing the actions that will be taken will be sent to the appropriate organization no later than 30 days after the audit finding(s) have been communicated to the Institute. Caltech will follow up with that organization as to its progress and aspects of the corrective action plan which have been completed.

Caltech will also send a copy of this manual to the Government Property Officer (GPO) when changes have been made. This allows for the GPO to review the changes and to correspond with Caltech as to why changes were made. The GPO should receive a copy of the revised manual promptly. Institute management and campus staff will work with the GPO to resolve any discrepancies that may have been discovered during the review.

# *Chapter 3: Acquisition*

# ***Purchasing***

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## **Overview**

The purchasing process is the most common means of acquisition for capital equipment at Caltech. Accuracy during this process is extremely important because when any purchasing form is filled out with inaccurate information, it has a ripple effect on the entire accounting system by providing inaccurate data in a variety of databases that extract information from the procurement system. Currently, the OA module automatically extracts information from the Purchasing Module in Oracle.

## **Completing the Purchase Order (PO)**

For current information on how to complete a purchase order, go to the Procurement Policies and Procedures website for the current version of the Purchasing Policies and Procurements Manual at [http://www.procurement.caltech.edu/policies\\_procedures](http://www.procurement.caltech.edu/policies_procedures). This document includes information on how to complete a purchase requisition or a purchase order. Please contact Caltech's Purchasing Services department for assistance with the proper completion of all purchase orders and purchase requisitions.

## **Purchases to Upgrade Existing Equipment**

An upgrade or rebuild is defined as a change in existing capital equipment that either extends the useful life of the equipment by more than one year, or significantly adds to the benefits the equipment can yield. In addition, the upgrade or rebuild must cost \$5000, or more.

Upgrades and rebuilds meeting the above requirements will be entered in OA. A new asset will be created and this asset line will be linked to the upgraded equipment, parent asset. The identification tag number of the piece of equipment, which will be upgraded, should be referenced on the purchase order and purchase requisition.

If an item is repaired and has no new equipment or utility added to it, the general ledger expenditure type for these services will be for “service” or “repair” and no record needs to be created or financially modified in the OA module. The value is not to be added to the "Current Cost" or "Cost" fields in the OA record. See "Identification: Tagging and Recording Property” in this chapter.

In general, all equipment received at Caltech is considered Plant Equipment - Personal property of a capital nature. There are exceptions for special test equipment or special tooling and the PI is required to clearly identify these purchases by including the wording “special test equipment” or “special tooling” where appropriate, in the purchase requisition for such equipment to ensure proper categorization of the asset. The Federal

Acquisition Regulation (FAR) Subpart 45.1 defines "special test equipment," as either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a contract. It consists of items or assemblies of equipment including standard or general purpose items or components that are interconnected and interdependent so as to become a new functional equipment item for special testing purposes. The FAR defines "special tooling" as jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, that are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or performing particular services

## **Some Common Problems with Purchase Transactions**

Some common problems with purchase transactions are discrepancies in receiving, POETA changes and discrepancies between dollar amounts. Discrepancies in receiving generally occur when the wrong, duplicate, or damaged equipment is received. POETA changes may occur because there was an error in the POETA used. For example, POETAs with restrictions on use such as when an equipment purchase is not allowed on the original POETA charged for the purchase. While the Accounts Payable (AP) system automatically feeds into the OA module, there may be a discrepancy between the dollar amount stated in the OA module, the purchase requisition and the purchase order. See "Financial Reconciliation" within the subchapter titled "Identification: Tagging and Recording Property in this chapter. All of these discrepancies should be resolved before an item is tagged.

For instructions on how to correct these problems or questions on the process, please consult with Purchasing Services.

# ***Subcontractor Control***

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## **Overview**

This subchapter deals with the administration of property, either Caltech owned or sponsor-owned (including Government) property, located at or accountable to a subordinate contractor of the Institute. Property control and management at a subcontractor's facility is a key component of an efficient, professionally administered business. The benefits of strong subcontractor property control and management include:

- Readily identifying the availability of equipment
- Complying with external regulations
- Allowing Caltech to issue timely and accurate property reports

## **Initiating a Subcontract**

The PI is responsible for initiating any subcontract that is in support of the contract or grant being managed. Purchasing Services is responsible for issuing the subcontract resulting from the agreement concerning the statement of work and the terms and conditions agreed upon by Caltech the subcontractor. If the subcontractor is authorized to purchase property, a copy of the subcontract must be forwarded to Property Services. This action is necessary so that other property activities associated with subcontract property administration can be accomplished in an orderly and timely fashion. The subcontract will contain the applicable terms and conditions per the prime agreement and Caltech policies.

It is recommended that Purchasing Services review the subcontractor agreement for completeness relative to property requirements. Purchasing Services is responsible for notifying the subcontractor of any such requirements. Purchasing Services should contact OSR if there are any questions regarding the terms and conditions of the prime agreement.

## **Verifying Subcontractor's Property Control System**

The Institute is obligated to ensure Government or sponsor-owned property in the possession of a subcontractor is used and cared for in accordance with the terms and conditions of the applicable agreement.

The principal method for accomplishing this is to request sufficient relevant information from the subcontractor during the subcontractor procurement process. The subcontractor

must provide a copy of their most recent Government Property Control System Analysis (PCSA) if they have had a PCSA, The PCSA is performed in accordance with FAR, OMB Circular A-110, §200.501 of OMB Uniform Guidance at 2 CFR, Part 200, and additional applicable agency/contractual requirements. The overall objective is to ascertain the ability of the subcontractor's Property System to project, preserve, account, and control sponsor-owned property in its custody. The PCSA includes various tests and analyses of the institutions' internal management controls from property management, inventory procedures, reports, disposition activities, and other areas as deemed necessary to perform the PCSA. In addition, the subcontractor must also complete a Subcontractor Self-Assessment Questionnaire. The purpose of this questionnaire is to help Caltech determine the status of the organization's compliance with the Federal requirement to maintain an approved Property system. Property Services will evaluate the results of the subcontractor's most recent PCSA and the Subcontractor Self-Assessment Questionnaire and will inform the PI, Purchasing Services and ASIC if the subcontractor's property control system is deemed to be unacceptable.

When the subcontractor response is insufficient to ensure adequate property control (for example, the subcontractor has never received a PCSA and the self-assessment is inconclusive), another method of confirmation should be used, if possible.

Loss, damage, destruction, or theft of property under subcontractor control is a liability Caltech should attempt to control both from a financial and a fiduciary perspective.

## **Prior Approvals for Acquisition**

In situations where sponsor approval is required prior to acquisition of equipment or material by the subcontractor, the subcontractor is required to send a request to the PI. The PI should work with the OSR in securing the approval from the sponsor and returning the approval to the subcontractor in a timely manner. Departments are strongly encouraged to validate the subcontractor invoices against the approved budget. For more information on prior approvals or pre-purchase issues, consult with Caltech's Purchasing Services.

# *Donations to Caltech*

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## **Overview**

Caltech is the recipient of property donations from many sources, such as corporations, companies and individual donors. In order to meet requirements established by the Internal Revenue Service (IRS) and Institute policies, it is important that the procedures and guidelines in this subchapter are followed. The appearance of donor documents varies considerably; however, the procedure for processing donations is consistent. It is important to remember that there should be a need or purpose for a donation of equipment and any equipment that may contain hazardous materials must be approved by the Division Administrator. Prompt recording is critical and untimely recording of donations could jeopardize the awarding of additional donations.

## **Roles Regarding Donations**

### **The Development & Institute Relations (DIR)'s role is to:**

- Record gift value (for Institute purposes) in donor's giving history
- Provide an official receipt to the donor
- Prepare memo regarding the receipt of equipment to all internal departments who will have a stake in the item.
- Sign off on the IRS Form 8283
- Maintain complete files on donated equipment

### **Business and Accounting Services' role is to:**

- Record donation in the Oracle General Ledger (GL). This is accomplished manually under the current process. Starting October 2015, this will be handled by a financial interface between the Development database and Oracle.

### **Property Service's role is to:**

- Create and maintain and the OA module record that reflects the gift value determined by Business and Accounting Services or the Development & Institute Relations (capital equipment only).

## Donation Compliance

In order for Caltech to comply with Federal regulations regarding capital equipment donations, DIR should receive all documentation.

In many cases the pre-donation paper work, including any type of proposal or letters related to a planned donation, will help determine if the donation is restricted or unrestricted. For example, the donation letter may specify that a donated microscope is restricted for use in biological/physical research.

## Policy Regarding Donations

All capital equipment donations to Caltech, without exception, are designated in the OA module as owned by Caltech. **Capital equipment donations are not the personal property of faculty, staff or students**, even though they may have been the primary contact, delivery recipient and/or the designated end user.

 NOTE: The dollar threshold for entering donated equipment into the OA module is \$5,000 and over. Also see the definition of capital equipment in “Managing Capital Equipment” in the Global Concepts chapter in this manual.

## Donation of Money for the Purpose of Purchasing Equipment

When money is donated to Caltech, the money is the gift, not the equipment subsequently purchased with the funds. Capital equipment purchased with donated funds is owned by Caltech. Equipment purchased with donated funds is not donated equipment, as such the gift funds are not subject to any of the procedures detailed in this chapter of the manual. Also, if Caltech purchases a piece of equipment, and a donor then offers to pay for that equipment, it is still considered a donation of funds, not a donation of equipment. Enter the OA records for equipment purchased with donated funds in accordance with the procedures outlined in the subchapter titled “Identification: Tagging and Recording Property” in the “Acquisitions” chapter of this manual. Contact Caltech’s Post Award Administration (PAA) department for procedures on recording the donation of cash gifts. Contact Caltech’s Development Office for more information regarding donations or gifts to the institute.

## Equipment Provided as Part of a Grant

Equipment provided in conjunction with, or as part of, a grant is not a donation. A grant has a set of expectations associated with it and will detail whether specific pieces of equipment will be furnished, loaned, or donated later. Specific handling of these instances may require assistance from the OSR.

## **Determination of Fair Market Value (FMV)**

Equipment will be valued in accordance with current IRS regulations and the Institute's Gifts-in-Kind procedures. The Division receiving the donation is responsible for obtaining and providing to the DIR all available documentation for donations of equipment when the donor is not the manufacturer, and there is no price listing available from the manufacturer. Caltech cannot provide or pay for appraisals for donors' tax purposes, nor will the Institute attempt to estimate the fair market value of any real or personal property gift.

Equipment will be counted at the appraised or documented fair market value. Gifts of tangible personal property whose value is not substantiated will be valued at \$1 for gift counting and recording purposes however, Caltech may choose to record the gift at an internal estimate of the fair market value. Those valued in excess of \$5,000 requires an independent appraisal of fair market value. Depending on the appraised value of the donated item, IRS Form 8283 may be submitted to the Institute. If the donor does not supply a value, someone in the receiving department who has knowledge of the general type of item should provide a value for internal purposes only. Internal values of donated items are not to be shared with donors. DIR must keep a copy of FMV documentation, along with all other donation documentation it receives from the donor and receiving department.

## **Retroactive Documentation of Donations Previously Unrecorded**

Occasionally, a donation of equipment will not be properly reported or recorded. These items are frequently identified during the equipment inventory or as the result of a follow up to a donor requesting documentation on their donation. Please contact the DIR immediately for further information and instructions if you have a donation that was not reported or recorded.

# ***Property Loaned, Transferred, or Furnished to Caltech***

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## **Overview**

This subchapter details how to process incoming property that has been provided to Caltech, on a temporary or permanent basis, by another organization, an individual, or sponsor. While the property is in Caltech's possession it should be cared for in the same manner as purchased or donated property. This includes tagging the property and entering the property record into the OA module.

## **Incoming Loans and Transfers**

Incoming property loans and transfers have similar procedures so they will be discussed together. Please keep in mind that Caltech is self-insured and responsible for loaned equipment while it is physically housed at Caltech.

 NOTE: The OSR should be notified when there are research agreements related to any transfers and loans of equipment.

## **Title Vesting For an Incoming Transfer**

For equipment loaned to Caltech, title will stay with the loaning institution. For equipment transferred to Caltech, the PIs and/or the OSR should determine, from the grant or contract document, where the title vests. For equipment funded by Federal awards, the following guidelines will apply:

- Federal Grant: Title will be with Caltech if title to the equipment originally vested to the granting university or other non-profit institution
- Federal Grant: Title will remain with Government if title to the equipment originally vested with the Government
- Federal Agreements/Grants: Caltech may request title or continued loan at completion of ongoing contract if the equipment was originally Government-owned

## **Equipment transfers of donated equipment**

When equipment transferring to Caltech was originally donated to the prior organization, please contact the Gift Accounting Department to resolve any possible IRS issues.

## **Incoming Loan and Transfer Procedure**

Please follow the guidelines outlined in the subchapters titled “Receiving Property” and “Identification: Tagging and Recording Property” in this chapter which provide the procedures for receiving and recording incoming loans and transfers into the OA module.

## **Government Furnished Property (GFP)**

Government Furnished Property (GFP) is Government-owned property which is provided directly from the Government to Caltech or its subcontractors and is used on an ongoing agreement identified by the sponsor. It also includes any Government-owned property transferred from one agreement to another by the Government, at the request of Caltech.

Caltech receives relatively low amounts of GFP, but should properly manage and track this property for its Federal research sponsors. Acquisition of GFP is initiated by the PI assisted by the Division Representative, and processed through the OSR. The contracting officer will direct the transfer in accordance with authority stated in the originating and benefiting agreement.

In order to process transferred or loaned GFP, the Division should work with the OSR and PS to make sure all contractual terms and conditions are understood and plans are in place to ensure compliance.

## **Responsibilities**

It is the Division Representative’s responsibility to receive, control, and coordinate with the OSR and Property Services to account for GFP. It is critical that the OA module record contains the following basic information:

- Name, description, and National Stock Number (NSN), if furnished by the Government, or, if available in the property control system
- Quantity received (or fabricated), issued, and on hand
- Unit price (and unit of measure)
- Agreement number or the applicable fund number
- Location
- Disposition

- Posting reference and date of transaction

## Government Furnished Material (GFM)

Government Furnished Material (GFM) is material and supplies that are furnished to the Institute by the Federal Government and for which ownership remains with the Federal Government. The material may be incorporated into or attached to an end item to be delivered under a contract or may be consumed or expended in the performance of an agreement. The institute is contractually required to document and account for all GFM from acquisition through disposition. GFM should only be used according to the terms of the agreement and only for the purpose for which they were furnished. GFM should never be commingled with any other material, regardless of ownership, without a formal approval from the Government.

## Recording

GFM is normally provided to the Institute in support of a fabrication and used within a specific sponsored project. As such, and because the title may vest with the sponsor, the Institute is required to record the same basic information listed for GFP. The Division Representative should develop a system to provide accurate and timely tracking of deductions from or additions to the material used in a fabrication. See the Disposal chapter in this manual for information on disposition requirements.

The title to supplies and other expendable property furnished by the Government may vest in Caltech upon acquisition for most Government agreements. However, upon completion of the project, if there is a residual supplies inventory exceeding \$5,000 in total aggregate value that is not needed for any other Federal sponsored project or program then the residual supplies will be retained by Caltech for use on non-Federal sponsored activities or sold. The Federal Government will be compensated for its share of any residual inventories exceeding \$5,000.

## Government Regulation References

The following are some of the Federal regulations relating to Government property, GFP, GFM, and Contractor Acquired Property (CAP). Remember that the terms and conditions of a specific agreement will dictate which regulations are applicable (i.e., FDP). Contact Property Services or the OSR if assistance is needed obtaining or interpreting regulations.

### Contract or Grant Procedures:

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	2 CFR, Part 200
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**Contract or Grant Procedures:**

Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations	2 CFR, Part 215 Known as OMB Circular A-110
Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions	2 CFR, Part 220 Known as OMB Circular A-21
Audits of States, Local Governments, and Non Profit Organizations	OMB Circular A-133
Government Property Management	FAR 45
Reporting, Reutilization, and Disposal of Government Property	FAR 46
Transportation of Government Property	FAR 47
Termination of Government Contract	FAR 48

**Contract Clauses:**

Government Property	FAR 52.245
Contractor Inspection Requirements	FAR 52.246

# ***Fabrications***

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## **Overview**

A “fabrication” is usually a one-of-a-kind creation and not something routinely configured at a store or assembly facility. Fabrications are created by assembling a number of components (manufactured or custom made) to produce a piece of equipment that meets unique research specifications. Most fabrications are sponsor funded and therefore have a number of compliance requirements related to acquiring and tracking equipment in an assembled fabrication. Contact the OSR or PAA for questions concerning the tracking requirements particular to sponsor funded research.

 NOTE: To be considered capital equipment, fabrications must have an aggregate acquisition cost of \$5,000 or more, have a useful life of more than one year, must be free standing (not permanently attached to a building, structure, or another equipment), and owned by Caltech when completed.

A “deliverable” is an item of equipment or scientific instrument created by Caltech personnel in connection with grant or contract funding but to which Caltech will not hold title when the item has been completed. A deliverable is not a “fabrication.” The costs incurred to create a deliverable will be burdened with F&A costs, unless either of the following conditions exists:

- The deliverable is space hardware (major spacecraft subsystems and scientific instruments carried on space missions), whether purchased or fabricated, that otherwise meets Caltech’s definition of equipment.
- The deliverable meets Caltech’s definition of “equipment” and is installed in a facility to which Caltech faculty will have continued access to the instrument for research purposes after the award end date.

In such circumstances the cost of the acquisition or building of the deliverable item will not be burdened with F&A costs.

A “component” is considered to be any piece or part of the fabrication permanently attached or integrally related to the lifelong operation of the fabrication.

## **Tagging and Recording Fabrications**

### **Fabrication as Construction-In-Process**

In order to accurately track fabrications in the OA module, an asset tag will be assigned by Property Services and applied to either the first major component or to the first major assembly of the fabrication. When a fabrication is tagged the tag is placed on a fabrication's component that is most likely to stay with the fabrication throughout the fabrication's useful life, if possible. This tag will provide a useful aid to PAA, Property Services and the Division in accurately tracking and accounting for the fabrication and its associated component costs.

The tag will be used as the "parent" component and the cost of all future components added to the fabrication will be added to the parent's total cost.

### **Associated Fabrication Equipment**

When a fabrication has associated equipment not permanently attached to the fabrication or integral to the lifelong operation of the fabrication, this equipment is to be treated as normal equipment to which the definition of capital equipment is applied. See the subchapter titled "Identification: Tagging and Recording Property" in this chapter.

### **Recording the Fabrication in the Fixed Asset System**

A fabrication deemed to be capital equipment, when placed in service, must be tracked in the OA module. A deliverable installed in a Caltech facility must also be tracked in the OA module. The initial record is entered per the instructions in the subchapter titled "Identification: Tagging and Recording Property" in this chapter, with the differences listed below.

 NOTE: Property Services must be notified when a capital equipment fabrication is placed into service even if it is not closed in OGM.

### **Recording Process for Completed Fabrication**

Many times it may be difficult for a Division Representative to know when a fabrication is due for completion. The Division Representative should send a periodic confirmation request to the PI to monitor the fabrication's status. Property Services also encourages the Division Representative to save a copy of the initial Fabricated Equipment Request Form and use the estimated completion date as a reminder to verify with the PI if the fabrication is complete. The Division Representative may also request that researchers in your department(s) promptly notify you when a fabrication is completed.

Most large fabrications will include many small dollar items, the cost of these small dollar items are rolled into the main component cost. Examples of these are the nuts, bolts, wiring, etc. that go into the cost of the project, but whose costs are difficult to identify to one specific component. The main item cost will then be comprised of the main component and materials, along with the direct labor associated with the fabrication construction.

☞ NOTE: Property Services must be notified when excess materials (e.g., scrap materials, sheet metal, screws, etc.) are being disposed of. In addition, excess materials from Federal funded fabrications or deliverables should never be disposed of without prior approval from the sponsor.

## **Joint Ownership Issues and Funding**

### **Commingling of Funds**

It is not uncommon when building a large fabrication to have funding from several different sources. Ownership and accountability can become important issues if authorization to commingle funds is not approved by the sponsor(s) at the inception of the award. Contact the OSR if funding for an acquisition is to be derived from by several different agencies.

Funding from Government sponsored fabrications should not be commingled with other sources of funds that may be contributing to the fabrication project. In addition, parts and other materials purchased with Federal funding under a fabrication project should be stored separately and not be commingled with parts and other materials purchased with other funding under the same or different fabrication project.

### **Incorporation of Donated Equipment in Fabrications**

Occasionally it may be necessary to incorporate equipment that is donated to Caltech into a fabrication. There may be restrictions imposed either by the sponsored agreement or donation agreement so it is important to contact Gift Processing or the OSR prior to taking this action.

### **Disposal of Fabrications**

See the subchapter titled "Disposition of Equipment" in the Disposal chapter of this manual for information on disposal of fabrications.

## **Material and Supplies**

All material and supplies purchased under Federal contracts/subcontracts should be tracked. Excess materials will need to be reported at the completion of the fabrication if the aggregate costs exceed \$5,000, therefore, it is recommended that the Division Representative develop a process to accurately record additions and deletions from their material and supplies inventory for fabricated equipment. See “Definitions” in the chapter titled “Introduction” and the subchapter titled “Property Loaned, Transferred, or Furnished to Caltech” in this chapter for more information on GFM.

Under grants and cooperative agreements, title to supplies and other expendable property purchased under the award will vest in Caltech upon acquisition. Upon completion of the project, any remaining unused supplies inventory exceeding \$5,000 in total aggregate value and not needed for any other Federal sponsored project or program, will be retained by Caltech for use on non-Federal sponsored activities or sold. The Federal Government will be compensated for its share of any residual inventories exceeding \$5,000.

# ***Receiving Property***

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## **Overview**

The receiving process establishes physical accountability for capital equipment at Caltech. The process ensures the correct equipment is received and in good working order. Receiving and acceptance of equipment in a timely manner directly impacts warranty periods for assets. In the case of damaged goods, it also affects the period during which any liability claims may be processed.

Division Representatives will be referenced in the purchase requisition (PR). If the Division Representative delegates equipment receiving to a staff member, they should be in regular contact with the staff person who will perform these tasks. The staff member or Division Representative will need to work with the end users and department management to establish receiving locations within the Division. This may be one location for the entire Division or various receiving locations in different buildings and/or rooms. When capital equipment arrives, the Division Representative or staff member should receive, inspect, and notify Property Services as soon as possible.

## **Procedure for Receiving Property**

For each shipment, the following items should be checked when receiving:

- Was the shipment delivered to the correct destination?
- Is there external package damage?
- All documentation associated with the delivery of the equipment, including the packing slip, PO, invoices, or other supporting documentation should be submitted to the Accounts Payable office along with the payment request. These documents will be electronically filed by Records Retention and will be made available upon request to support audits or for other purposes.
- Is this the exact item described on the PO?
- Was the correct quantity of items shipped?
- If the invoice is included, is the correct dollar amount indicated? The invoice must be submitted to the Accounts Payable office along other supporting documents and the payment request. See the subchapter titled "Record Keeping" in the Records, Reports, and Inventory chapter of this manual.

- Are all components included?
- Are all items and components in good condition?
- Were any items received that were not ordered?

All capital equipment items must undergo the receiving process. This is a process that is required not only by the Accounts Payable office prior to invoice payment, but also by the Federal Government. If the equipment ordered meets the requirements of the purchase order or agreement, notify Property Services and mark the item as received in Oracle Receiving module, which is Caltech's program for receiving equipment purchased on a PO or via the Speedy Operating System (SOS). Once formally received, Accounts Payable will pay the vendor. If there is a reason why a payment should not occur, contact the Accounts Payable office immediately.

 NOTE:

1. The Account Payable office will not pay vendors for capital equipment until the delivery has been recorded in Oracle. If an invoice is received and Receiving has not been performed, Accounts Payable will issue a notice to the originator, approvers, and the Division Representative. The Division Representative should contact the originator of the purchase order and determine the status of the equipment.
2. Receiving principles and instructions (unless otherwise noted) apply to all property (incoming loans and transfers, donated property, Federal property, etc.), not just items procured through Caltech's on line purchasing system (Oracle Purchasing).
3. Please keep in mind that signing for equipment is acknowledgment of the receiving process. Receiving and shipping documents signed at the time of delivery serve as proof that equipment was delivered on the designated date. It is important not to provide written acknowledgment without physical receipt of property.
4. Significant delays in unpacking shipments may result in the Division waiving their right to return damaged or incorrect shipments.

## **Some Common Issues at Time of Delivery**

In some cases, the Division Representative merely signs for a package, and then forwards it to the end user or PI, who checks the shipment against the PO. This is done for many reasons including to protect sensitive equipment (for example, items that must be opened in a clean room). In such cases, a receiver is responsible for documenting and forwarding the receipt and collection of data required for tagging and recording the item in the OA module. The Division Representative should work with the purchaser to resolve any

problems with the vendor, sponsor, donor, or shipper, as appropriate. For Government-owned items, contact Property Services for guidance on filling out a notification to the sponsor. The following are two common problems encountered at the time of receipt:

- Damaged goods - if it is obvious the equipment is damaged, you may want to refuse it and have the shipper return it to the vendor for replacement. If the item is received and damage is discovered later, coordinate efforts with the originator and Purchasing Services, if necessary to contact the vendor and correct the situation.
- Discrepancies as to what was shipped - if the wrong item was shipped and received, coordinate efforts with the purchaser, end user, and work with the vendor, sponsor or donor to correct the situation.

If the equipment or items received were shipped from a foreign country, and items need to be shipped back to the vender, there could potentially be export control issues that may need to be addressed, Divisions should work with Caltech's Export Control Office to ensure that export control issues are properly addressed before sending items back to the vender facility in the foreign country.

Ⓜ Division/PI should not receive loaned equipment/property from a sponsor technical contact on a sponsored research award without notifying OSR or Property Services.

# ***Identification: Tagging and Recording Property***

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## **Overview**

One of the most important tasks assigned to the Division Representative is identifying newly acquired capital or sponsor funded equipment and notifying Property Services. The Oracle Assets (OA) module is the official Federal property record of the Institute. It is the Institute's subsidiary ledger for equipment.

## **Official Property Record**

Caltech needs a single campus-wide, official property record in order to track capital equipment for the following reasons:

- Compliant financial reporting to the sponsor
- Accurate accounting and budgeting for equipment at the Institute
- Record of the movement, utilization, status and disposition of equipment
- Compliance with the requirements of contractual agreements
- Accurate depreciation records
- Tracking of donations

## **Mass Additions, Tagging and Recording Process**

The Oracle Mass Addition (MA) module is a staging area that links Oracle modules (AP, OGM, etc.) to OA. The mass additions process lets Property Services add new assets or cost adjustments from AP and OGM to the MA module automatically without reentering the data. For example, you can add new assets from invoice lines brought over to OA from AP, or from construction in progress (CIP) asset lines sent from OGM. Property Services uses MA to process the data from these other modules before “posting” them the OA module.

Tagging and recording of property is the responsibility of Property Services. There are three basic parts to recording property at Caltech:

1. A simple rule applies for recording the property in the OA module and identifying the equipment using an ID tag number: Each asset should have one tag, and each tag has one OA module record.
2. Applying the appropriate type of tags: “U.S. Government” or “Caltech”
3. Occasionally a sponsor will ask Caltech to affix their specific tag on equipment. This is in addition to using the Caltech ID barcode tag. Their tag number should be referenced in the Sponsor Tag # Field of the Asset Category section in the OA module. If title transfers to Caltech, Property Services will remove the sponsor tag. When equipment title has transferred to Caltech from another institute, Property Services will remove the transferring institute’s tags and place a Caltech ID tag on the equipment. Please do not confuse "loaned" property with "transferred" property. A loan will eventually be returned to the owning institute; a transfer becomes the property of Caltech. See the subchapter titled "Property Loaned or Transferred to Caltech" in the Acquisition chapter of this manual for details. In addition to re-tagging the equipment, an update to the OA module is necessary to reflect any title changes.

Federal regulations including OMB Circular A-110 and/or FAR 52.242-1 and/or §200.313(d) (1) of 2 CFR, Part 200 states that equipment records shall include the following information:

1. A description of the equipment.
2. Manufacturer’s serial number, model number, Federal stock number, national stock number, or other identification number.
3. Source of funding for the equipment, including the Federal Award Identification Number (FAIN).
4. Whether title vests in the recipient or the Federal Government.
5. Acquisition Date (or date received, if the equipment was furnished by the Federal Government).
6. Unit acquisition cost.
7. 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).

8. Location, use, and condition of the equipment. Caltech also requires that the record contain the date the information was reported.
9. Ultimate disposition data, including date of disposal and sales price. At Caltech, we also require that the method used to determine current fair market value and sales price be documented in the property record where a recipient compensated the Federal awarding agency for its share.

## **Benefits of Proper Tagging in the Physical Inventory Process**

The Caltech ID barcode tag placed on each piece of equipment allows Property Services to scan the bar code tag quickly and efficiently, with minimal disruption to the workplace and equipment users during the inventory process. The time spent by Property Services and the Division is significantly decreased when they do not have to investigate whether an equipment item is capital or not. This is facilitated by ensuring all assets in your Division are identified with the appropriate tags prior to a scheduled equipment inventory. It is additionally helpful if the tags are placed in a visible and easily accessible location. Proper tagging is beneficial to the Division as it reduces the amount of time spent assisting with the reconciliation that Property Services has to perform. A few minutes spent identifying equipment properly can save hours of effort in the future.

## **Where to Physically Tag the Property**

The recommended placement for the Caltech ID barcode tag is in the front, upper right hand corner of the asset. If this area is not available, put it in another easily visible and accessible location. It is suggested never to tag equipment on the bottom. Remember, the more accessible the Caltech ID barcode tag, the easier and more efficiently an inventory or verification of an asset can be executed and the less likely a duplicate Caltech ID barcode tag may be assigned during an inventory (i.e., more than one Caltech ID barcode tag associated with a single piece of equipment).

## **Information to obtain when inspecting/tagging equipment**

When tagging new equipment, you must obtain some key information from the equipment or from the requestor before Property Services can enter it into the OA module. Refer to the Asset Information Form in the Appendix chapter of this manual for details on the information that is required.

## **Identification of the Equipment**

Depending on the intended use of the equipment and how the vendor invoices it, one of the follow two methods of tagging and entering data into the OA module will be followed:

<b>Method Description</b>	<b>Itemized Invoice</b>	<b>Invoice with Charges in One Grand Total</b>
<b>Components used together – “Bundle”</b>	Method One	Ask vendor <b>not to</b> itemize the invoice.
<b>Components used separately</b>	Method Two	Ask vendor <b>to</b> itemize the invoice

### **Method One: "The Bundle" or “System”**

The entire invoice price is bundled, with a total cost but no line item breakout. A capital expenditure type is used for the entire purchase, assuming the invoice amount meets the capitalization threshold. The capitalization threshold is not used at an individual item level so individual items below the threshold are included in the total cost of the equipment system.

#### *Method One, "The Bundle" example*

<b>Unit Description</b>	<b>Quantity</b>	<b>Cost</b>	<b>Total Cost</b>	<b>Expenditure Type</b>
Microscope	1 each	Included	Included	Equipment – Caltech
Lens	1 each	Included	Included	
Microscope Mount	1 each	Included	Included	
		<b>Total</b>	<b>\$8,000.00</b>	<b>Capital Asset Total Cost</b>

Note: This example is simplified for illustration only. Normally the costs will include everything that should be capitalized. See “Definitions” subchapter in the Introduction chapter of this manual.

- Microscopes: Caltech ID Barcode #1
- The OA module record reflects the total invoice cost.
- A single OA module record will contain all costs (including tax).

## Method Two: Mixed Purchase

In this scenario, these items are being purchased as individual items, not necessarily to be used together.

### *Method Two, Mixed Purchase example*

Unit Description	Quantity	Cost	Total Cost	Expenditure Type
Microscope	2 each	\$5,800.00	\$11,600.00	Equipment – Caltech
Lab Tables	3 each	\$6,100.00	\$18,300.00	Equipment – Caltech
		<b>Total</b>	<b>\$29,900.00</b>	

Note: This example is simplified for illustration only. Normally the costs will include everything that should be capitalized. See “Definitions” subchapter in the Introduction chapter of this manual.

- Microscopes: Caltech ID Barcode Tags #1 & #2
- The OA module record reflects acquisition cost of individual Microscopes (including tax).
- Lab Tables: Caltech ID Barcode Tags #3, #4 & #5
- The OA module record reflects acquisition cost of individual Lab Tables (including tax).
- Total Capital Equipment Expenditure = \$29,900.00

## Software Capitalization

The institute uses the following characteristics in making decisions regarding capital and non-capital software:

### Capital Software

- Capitalizable costs greater than \$250,000
- Software is acquired, internally developed, or modified solely to meet Caltech’s internal needs.

- Software provides long-term economic benefit for Caltech.
- The project includes either new application or upgrades and enhancements to existing internal use software that results in “additional functionality” (such as modifications to enable the software to perform tasks it was previously incapable of performing), and/or improvements in existing functionality, and/or increased useful life for the base system.
- Software that is part of an operating system of a computer, where its cost is captured as part of the computer’s capitalized cost. The computer including the software that must meet the capitalization criteria in order for the computer to be capitalized. For example, software that is necessary to run an instrument is capitalized as part of the instrument.

### **Non-Capital Software**

Capitalizable costs less than \$250,000. Costs of computer software developed or obtained for internal use when incurred for Research and Development is expensed.

### **Personally Owned Property**

Risk Management will not insure personal property of faculty, staff, or students, even if it is being used on the Caltech campus in support of Caltech business. **Caltech discourages the use of personal property for Caltech activities and is not responsible for these items.**

### **What to do When Property is Untaggable**

Some capital equipment is too small or otherwise impossible to tag. This does not eliminate the need to create an OA module record. In cases where items cannot be physically tagged but qualify for recording in the OA module, Property Services will create a record for the item, print a copy of the record and place the tag on that document or the corresponding PO. It is recommended that Property Services set up and maintain a file for untaggable equipment. This will facilitate the physical inventory because the Caltech ID barcode can be scanned off of the document to which it is affixed; the Division will also need to verify the equipment’s existence for Property Services.

## **Trade-in Equipment**

### **Definition**

The acquisition of a piece of capital equipment from a vendor for some specified amount of money and an existing piece of Caltech owned capital equipment is considered a trade-in. Trade-ins are actually a two-part process, a disposition and an acquisition. See the subchapter titled "Disposition of Equipment" in the Disposal chapter of this manual for more information.

## **Equipment in the Oracle Assets Module**

All capital equipment belonging to Caltech or equipment for which Caltech is accountable must be entered into the OA module. Some sponsor funded or donated equipment may need to be entered into the OA module for tracking purposes.

## **Criteria for Capital Equipment**

Remember, to be considered capital equipment, ALL three of the following criteria should be met:

- Acquisition or upgrade cost of \$5,000 or more.
- Have, or extend, a useful life of more than one year.
- Stand alone or upgrade to a stand-alone equipment.

See "Definitions" subchapter of the Introduction chapter of this manual for additional information on each of the criteria listed above.

## **Tagging and Recording Accessories**

Follow either Method One or Two of the subchapter titled "Where to Physically Tag the Property" of this chapter of this manual when deciding whether to tag and record separately the accessories of particular capital equipment. Accessories are broken out only when they are not part of a system or bundle of equipment.

If accessories do not meet the capital equipment criteria, tag the main component and include the entire acquisition cost (including accessories) in the OA module record.

## Financial Reconciliation

While the AP module automatically feeds into the OA module, there may sometimes be a discrepancy between the dollar amount stated in the OA module, the PR and the PO. This may be due to several reasons, including:

- The dollar amount in the OA module did not reflect the total cost of acquiring the piece of equipment. There may have been more than one PO, or there may have been additional purchases (auxiliary items), which should be included in the total purchase price.

📖 EXAMPLE: A \$4,600 microscope and an auxiliary purchase of a \$400 lens from a different manufacturer. The lens which is not a consumable supply (in this example) is necessary in order for the microscope to operate as intended. The actual purchase price for the microscope should be \$5,000 instead of \$4,600.

- There may be an unexpected change to the equipment that results in a cost adjustment to the OA module record.

📖 EXAMPLE: If it is later determined that the equipment is used for and benefits more than once sponsor.

# *Chapter 4: Records, Reports, and Inventory*

# ***Record Keeping***

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## **Overview**

This subchapter deals with the physical retention of non-electronic documents. For information regarding the creation of the OA module records, see the subchapter titled "Identification: Tagging and Recording Property "in the Acquisition chapter of this manual.

The OA module is the official property record for the Institute. The OA module is the primary source of information used by Property Services to create the numerous reports provided to sponsors. The property records also provide depreciation information for IDC rate development process and other financial reports to central administration units. The information in the OA module allows Property Services to manage capital property for the Institute.

Caltech needs a single official property record because it is the most efficient way to:

- Ensure consistent, complete record keeping
- Comply with research sponsors and IRS for financial reporting
- Allow for accurate accounting and budgeting for the Institute
- Track movement, utilization, status and disposition of equipment
- Provide information to support the equipment component of the IDC rate for audits and negotiations
- Provide depreciation reports
- Conduct accurate physical inventories

## **What Records Should be Retained**

It is recommended that Divisions organize and store paper records related to capital equipment and sponsor-owned property in their area. One method of organization is to establish an individual file for each piece of capital equipment, sorted by Caltech ID tag number, requisition number, purchase order/invoice number or type of equipment. A typical file may include the following:

- Acquisition documents, including invoice for payment
- Approval to purchase, if sponsor required
- Repair, maintenance and calibration records related to any maintenance or warranty agreements
- External screening documentation (if sponsor required)
- Shipping records (for example, vendor packing lists, or any copies of Government forms required for the transfer of GFP i.e. DD1149, DD250, NF 1018, etc.)
- Shipping document including bill of lading or letter of transfer
- Disposal documentation, including approval letters from the sponsor

Except for disposal documentation, Divisions must keep equipment records, documents and information for as long as the equipment is held for all GOE and other equipment. Disposal documentation should be kept for two years after the equipment is disposed.

# ***Required Property Reports***

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## **Overview**

The following chart outlines the property reports required for sponsor funded projects. Property Services is responsible for timely preparing and filing of these reports. Property Services will also provide information from the OA module to the department responsible for preparing the Indirect Cost Rate Proposals so that Caltech can correctly report depreciation for indirect cost rate development and recovery.

Property Services provides internal reports including:

- Ad hoc reports for Division/management use
- Inventory adjustment reports Year-end disposal and title transfer reports to the Controller's Office
- Loss, Damage and Destruction reports as needed (See subchapter titled “Disposition of Equipment” in the Disposal chapter of this manual)
- Other reports as needed

Property Services provides the following reports related to property:

<b>Report</b>	<b>Gov't Form</b>	<b>Title</b>	<b>Purpose</b>	<b>When Due</b>
DD Form 120	YES	Inventory Schedule “B” Report of Excess Personal Property	Reporting of excess Government-owned property	As soon as property becomes excess to Institute needs
DD1149	YES	Requisition and Invoice/Shipping Document	Reporting of shipping/receiving Government-owned property	Upon shipment or receipt of Government-owned property
DOE Form 4220.49	YES	Property certificate	Contract closure agreement certification	Upon contract completion

<b>Report</b>	<b>Gov't Form</b>	<b>Title</b>	<b>Purpose</b>	<b>When Due</b>
DOE Form 4300.3	YES	Semi-annual summary report of DOE-Owned plant and capital equipment	Financial report	As of Mar. 31 and Sept. 30 of each year to be reported no later than 45 days of reporting period, or upon contract completion
Grant/Contract Closure Report (Cert. Of Completion)	NO	Final property report	To request title transfer of purchased and furnished equipment	Per grant / contract / agreement
Letter/Report of LDDT (Loss, Damage, Destruction, or Theft)	NO	N/A	List of LDDT equipment	As necessary
Listing of Government Property (all Federal agencies)	NO	Listing of Government-Owned or Furnished Property	Financial report	Annually, as of Sept. 30 to be reported no later than Oct. 31 or upon contract completion
NASA Form 1018	YES	NASA & JPL contracts Only	Accounts for NASA owned property	As per contract
Physical Inventory	NO	Physical inventory report	Contract/Agreement, 2 CFR, Part 200.313, OMB Circular A-110, FAR, Institute Policy Requirements	At least once every two years, upon contract termination, or upon request from sponsor
Asset Activity Reports	NO	Asset activity report	Monitor asset activity	First week of October (for YTD) / monthly / as needed
Work in Process (WIP) Annual Financial Report	NO	Work in Process (WIP) Annual Report	To comply with Agency specific contract/agreement requirement to provide WIP financial Report	As required by terms of award

## **Subcontractor Property Reports**

Property procured by the subcontractor is recorded in the subcontractor's system of record and is not recorded in the OA module.

Equipment acquired by Caltech on an award from the Department of Defense and subsequently furnished to the subcontractor is recorded in the OA module. Subcontractors are encouraged to keep a separate system of record. Contact the OSR for proper shipping documentation procedures. The terms and conditions of a subcontract will reflect the specific property reporting requirements for a subcontractor.

# ***Physical Inventory***

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## **Overview**

The purpose of a physical inventory is to verify the existence, current utilization, condition, continued need for, and location of capital equipment owned by, donated, furnished to or otherwise accountable to Caltech, as well as Government-owned property.

Caltech is required to conduct a complete physical inventory of its capital equipment and Federal property at least once every two years. Additional, inventories are conducted as needed to either fulfill property administration responsibilities or specific agency requirements.

The physical inventory process requires a team effort involving Property Services, the Division Representative and other Division personnel. In addition, the Institute's Audit Services and Institute Compliance group may review and audit the physical inventory process.

Prior to the inventory, Property Services, in coordination with the Division Representative, tags all capital equipment, adds or updates any OA module records that are still outstanding, or processes disposals in order to ensure an efficient inventory process. Divisions will receive advance notice from Property Services at the Division or Institute level regarding the planned date and scope of the inventory. Divisions will also typically receive several weeks' notice to prepare for their inventory prior to its start.

## **Preparation for Inventory**

The following describes the inventory process including the pre-inventory interview, how the inventory is scheduled, and advice on how to prepare for this event.

### **Pre-Inventory Interview**

Before the physical inventory commences the Division will be contacted by Property Services to establish the following:

1. A time to conduct the kick-off meeting for the physical inventory.
2. The procedures and schedule that will be followed during the inventory.
3. The Division personnel who will be assisting in the inventory.

At the kick-off meeting, the Division should invite those staff members who will be assisting Property Services personnel during this process. Attendees at the meeting may vary by Division. It is not unusual to have this meeting attended by the Division Administrator.

The discussion will focus on some of the tasks that will be performed during a routine physical inventory by Property Services and the Divisions, such as:

Property Services:

- Prepare a list of all Caltech-owned capital equipment and equipment being tracked for sponsor funded and donated equipment recorded in the OA module for the Division.
- Identify any untagged equipment that is believed to meet the capital equipment requirements. The Division will assist by providing any available information about the equipment and/or purchase records.
- Identify the locations of Division's equipment (including offices, storage areas, labs, off-campus sites, etc.) based on what is recorded in the OA module.
- Initiate the disposal procedures for any equipment that is not being used and which will be disposed of after the physical inventory.
- Report results of inventory to Federal Government and Institute auditors.

Divisions:

- Notify colleagues, associates, fellow staff and faculty members of planned inventory dates
- Arrange for guides with the necessary keys, door codes, etc. to accompany the Property Services personnel completing the inventory on pre-scheduled inventory day(s)
- Assist in identifying equipment that belongs to other Divisions and their transfer status.
- Identify selected areas within the Division that need special attention or precautions, such as:
  - Lab areas
  - Clean rooms

- Confined spaces
  - Radiation zones
  - Biohazard areas
- Advise colleagues, associates, fellow staff and faculty members to clearly and prominently label all personal items as “personal” or remove them from the premises.
  - Assist Property Services’ efforts to find and verify equipment at off campus locations.

## **What Happens on Inventory Day?**

The following is an example of a typical physical inventory:

- Property Services personnel arrive at the pre-arranged time and location
- Property Services personnel and Division guides will visit the first scheduled location
- The equipment’s ID barcode tag will be scanned by handheld barcode readers by the Property Services personnel
- The following key information is verified for each asset:
  - Location
  - Status
  - Condition
  - Whether the equipment is “in use.”

The following things can be done by the Division to assist Property Services in their efforts in order to make the inventory process efficient and helpful:

- Provide knowledgeable guides/escorts
- Ask equipment users to expect/and be tolerant of minor interruptions while equipment is being scanned
- Have equipment users expect/and be tolerant as equipment is shifted or moved in order to see tags, model numbers, etc. Property Services will make sure not to move any equipment without clearing it with the end-users.
- Provide ready access to all areas

## Off Campus Inventory

Property Services will inventory off campus equipment through certification from the end user that the equipment is at its reported location and is currently utilized for the research award for which it was purchased. Property Services will accept a signed certification or electronic mail sent directly from the end user.

## Reporting Inventory Results

Property Services is responsible for performing the physical inventory. To ensure proper segregation of duties in the physical inventory process, Property Services personnel may be rotated among the Divisions to ensure a proper separation of duties.

 NOTE: Property Services will notify the Government Property Administrator (GPA) of the results of the physical inventory in accordance with FAR 52.245-1.

### Reporting Results of Inventories (FAR 52.245-1)

The contractor shall, as a minimum, submit the following to the GPA promptly after completing the physical inventory:

- (a) A listing that identifies all discrepancies disclosed by a physical inventory.*
- (b) A signed statement that physical inventory of all or certain classes of government property was completed on a given date and that the official property records were found to be in agreement except for discrepancies reported*

Property Services will inventory all capital equipment found on campus and will verify off-campus capital equipment and report the results to the GPA, as follows:

- **Inventory Discrepancy Reports:** These reports require a quick response by the Division Representative in order to resolve discrepancies. The Division Representative should validate the accuracy of the reports and verify the findings.
- **Unrecorded Transfer Report:** Equipment found but transferred, equipment recorded in the OA module but not located in the OA module reported location.
- **The Division Representative** must provide an explanation as to why this occurred for each asset on their report.

- **Equipment Not Found Report:** Capital equipment recorded in the OA module but not accounted for during the physical inventory. The Division Representative must provide an explanation as to why this occurred for each asset on their report.

## **Physical Inventory Reconciliation Procedure and Discrepancy Resolution**

### **Unrecorded Transfer Report**

The Division Representatives from both departments and/or projects must work together to determine whether this is a change in location and/or equipment accountability. If the equipment's location or accountability should be changed, the change should be recorded in the OA module as an internal equipment transfer. See "Movement" in the Use chapter of this manual.

### **Equipment Not Found Report**

Each department will be provided a specified period of time during which they must make every effort to locate those items not found by the physical inventory group. When item(s) are found:

- The Division Representative must contact Property Services
- Arrangements will be made to record and inventory the newly located assets
- If equipment needs to be disposed of, refer to the subchapter titled "Disposition of Equipment" in the Disposal chapter of this manual
- If at any point in the future, previously not found equipment is located, the Division Representative will notify Property Services and arrangements will be made to reactivate the record. An asset can be reactivated only before the fiscal year has not been closed (September 30 of every year).

# *Chapter 5: Use*

# ***Movement***

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## **Overview**

Proper care, handling, and storage of property are required to ensure maximum use and availability. Equipment that is cared for and maintained properly can result in considerable savings to Caltech. When equipment is no longer needed by one Division, you may wish to **transfer** it to another Division, **transfer** it to a storage location or process it for **disposal**. For further information, please refer to the subchapter titled “Disposition of Equipment” in the Disposal chapter of this manual.

## **Physical Location Transfer**

When property is physically relocated from one area to another, such as a building, room, or site, the action is defined as a "Physical Location Transfer". For all physical movement of capital equipment, the Division Representative should notify Property Services by filling out an Asset Information Form and sending it to Property Services. Alternatively, the Division Representative may use the Equipment Tracking System to report the movement. Property Services can assist the Division Representative in completing the necessary documents. The OSR can help determine if there are any donor or sponsor restrictions on the equipment that would prevent the movement from occurring. It is recommended that the Division Representative retain a copy of the documentation for movement transactions. Electronic versions of all requests made via the Equipment Tracking System (ETS) will be maintained within the system. No additional documentations will need to be maintained outside of this system for movement transactions completed within ETS.

## **Off-Campus Location Transfers**

When equipment is used off-campus; the use of equipment must benefit Caltech or the sponsored project for which the property was acquired. When equipment is moved off-campus, the Division Representative must notify Property Services. By notifying Property Services of equipment at a non-Caltech location, the Division will ensure that the equipment will be entered into the OA module and that it will be physically verified by the custodian when it is time for re-inventory.

It is absolutely necessary that the appropriate Caltech administrative offices (the OSR and Property Services) be notified before moving any equipment off-campus. Moving equipment without properly notifying the appropriate administrative offices could result in non-compliance with Federal regulations and specific award or agreement's terms and conditions, especially in cases involving Government-owned equipment. The administrative offices will verify whether Caltech needs to obtain prior approval from a funding agency before the equipment can be moved. In addition, moving equipment

without properly notifying Property Services will result in discrepancies in the equipment location information captured in the Fixed Asset System, and this can result in audit findings.

### **Shipping Overseas**

If equipment needs to be shipped overseas, the Division should contact the OSR to see if any shipping restrictions apply. In addition, the Division should contact the Export Control office to make sure no International Traffic in Arms Regulations (ITAR) or Export Administration Regulations (EAR) restrictions will be violated by the shipment. Property Services will need to be notified to ensure that updated room information is properly documented and reflected in the Fixed Asset System as required under Federal regulations.

### **Accountability Transfer**

If the accountability of equipment changes between two Divisions or projects, whether the equipment physically moves or not, the Division Representative should contact Property Services to assist in completing an Asset Information Form or updating the information in the Equipment Tracking System in order to ensure that the change is made in the OA module.

# *Utilization*

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## **Overview**

At some point, all equipment will no longer be used or will not be expected to be used again. At that time the Division should process it for disposal. For further information, please refer to “Disposition of Equipment” in the Disposal chapter of this manual. If there are plans to use it for a purpose other than the one it was purchased for then the Division must follow a specific process to ensure approval is received before the item’s use is changed.

## **Utilization**

If equipment is not used or not expected to be used again due to its condition (i.e., spare parts donor, obsolete, broken, excess, etc.), please see the subchapter titled “Disposition of Equipment” in the Disposal chapter of this manual for additional information on re-utilization.

Notify Property Services or the OSR if there are plans to use equipment for a purpose or research award other than the purpose or research award for which the equipment was originally purchased. Equipment purchased under a Federal research grant will require formal approval from the funding agency for use on a purpose outside of the purpose described in the original funding award agreement while work on the original funding award is still active.

Equipment acquired with Federal funding will require formal approval from the funding agency for use in a service center if the initial work (research award) for which the equipment was purchased for is still in progress. If the Federal funding agency grants approval for use of the equipment in a service center capacity while the initial work (research award) for which the equipment was purchased for is still in progress, then any income generated from the use of that equipment will be considered “program income” and there will be Federal restrictions placed on how that income can be used. Generally the Federal guidelines expect the program income to be applied toward as additional funding to the original research award unless the specific research award agreement for which the equipment was purchased provides language for how program income is to be applied.

 **NOTE:** Government-owned equipment should only be used for Federal authorized work

# ***Maintenance***

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## **Overview**

Proper care, handling, and storage of property are required to ensure maximum use and availability. Equipment that is cared for and maintained properly can result in considerable savings to Caltech.

## **Maintenance**

It is essential to follow vendor recommended preventive maintenance for all Caltech equipment. Please note that there are usually specific maintenance requirements when the equipment is sponsor-owned. See "Maintenance Compliance" below. As noted in "Record Keeping" in the Records, Reports, and Inventory chapter of this manual, the Division Representative should keep service, repair and maintenance records in a file for that piece of equipment. In addition, the Division Representative may want to use a calendar reminder system for performing regularly scheduled maintenance and distribute copies to other staff who may be directly involved, such as the custodian or a lab technician. For ongoing maintenance agreements, the Division Representative can coordinate with the PI to validate that the maintenance has actually been performed. Documentation of the validation should be included in the department file.

## **Maintenance Compliance**

If the equipment was purchased with sponsor funds, the funding agency may outline general maintenance requirements in each agreement. For example, test equipment such as oscilloscopes must be calibrated on a regular basis to ensure that their measurements are highly accurate. In the event that sponsor funded equipment needs unusual and / or substantive maintenance (for example, the equipment is significantly damaged during an earthquake), the sponsor should be immediately notified.

# *Storage*

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## **Overview**

Proper care, handling, and storage of property are required to ensure maximum use and availability.

## **Storage**

When Government-owned equipment is found to be excess please contact Property Services immediately. Government-owned equipment must be utilized for the research for which it was procured and Federal Government approval is necessary prior to storing Government-owned equipment or using the Government-owned equipment for a purpose other than the purpose for which the equipment was originally purchased. Using Government-owned equipment for a purpose other than the purpose for which the equipment was originally purchased without obtaining proper formal approval from the funding agency is considered unauthorized use of Federal property and is an illegal activity.

It is absolutely critical that when the work for which Government-owned equipment was purchased is completed, that the OSR and Property Services is notified so that proper disposition instructions can be obtained from the funding agency regarding what Caltech is to do with the equipment. The funding agency may provide instructions to ship the equipment to another facility; therefore, it cannot be assumed that the Government-owned equipment can be used to support other research projects.

# ***Property Loaned by Caltech to an Outside Organization***

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## **Overview**

Property loaned by Caltech to a non-Caltech entity for non-Caltech research must be formally initiated by the Division Representative through the Property Loan Document and recorded in the OA module. See forms in “Appendix” chapter of this manual.

Keep in mind the difference between movement and a loan when determining to process to follow. If property is moved off-campus, it is a physical transfer of property, not a loan. However, as an example, if property is given to UCLA for research unrelated to research at Caltech and Caltech retains the title for the property it is a loan to UCLA.

## **Determine Ownership of Property**

If the equipment is Caltech owned:

- Fill out the Property Loan Document
- Property Services will record the loan information in the OA module

If Sponsor Funded/Owned:

- Coordinate with the OSR to obtain written permission from the sponsor
- Leave all Caltech Property Tags on loaned property
- Submit completed Property Loan Document to ensure the location information is updated with the new off-campus location

# *Chapter 6: Disposal*

# ***Disposition of Equipment***

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## **Overview**

Disposition is the process that occurs when equipment is in excess or unusable. As part of this process, it is important that research be completed to identify any disposition restrictions. The source of funding for equipment also has a direct impact on how it can be disposed. For example, sponsor funded purchases and donations may have specific disposal restrictions. The key to determining disposal restrictions is to read the sponsor agreement or donation documentation. Contact the OSR for help in determining if there is a restriction on a type of disposal (for example, a donation that cannot be sold). Once any restrictions have been addressed, the Division Representative should coordinate with Property Services to complete an Asset Information Form.

 NOTE: Government-owned equipment CANNOT be disposed of without approval from the Government Contracting Officer. Contact Property Services before processing government-owned equipment for disposition.

## **Determine When Equipment is in Excess**

“Excess” is a term that describes a lack of use or benefit a piece of equipment can give to a project. Any excess equipment, whether Caltech funded or sponsor funded, should immediately be considered eligible for disposition. If it is sponsor funded, it may have to be made available to another award, Division, or Institute. The goal is to provide an opportunity for maximum utilization of equipment internally or externally.

Re-utilizing equipment can save both Caltech and sponsors a great deal of money. If re-utilization is not possible, continue to process the disposal using the Asset Information Form.

## **Disposals Should Not be Thrown Away**

Do not dispose of capital equipment without Property Services approval. Caltech is liable for all equipment for the life of the asset (including hazardous, Government-owned, donated, etc.) If additional sign-off is required, such as for hazardous or radioactive items, the Division Representative should contact the appropriate individuals.

 NOTE: Property Services must be notified when property bearing a Government tag is no longer needed. Such property should not be discarded. Periodic physical inventories will help to ensure that Government property is not disposed of inappropriately.

Do not dispose of any materials or supplies without first contacting the Caltech Safety Office for restricted items. These items may present health and safety concerns.

## **Disposition of Computers**

In addition to the traditional disposal requirements, the Institute has to address situations that may compromise Government or Caltech database access and security, or licensed software agreements and sensitive and proprietary information that may be stored on computer hard disks or other media.

When the Division Representative completes an Asset Information Form for computer equipment, it is suggested that they remember to check and make sure the listed computer equipment has no Institute confidential or sensitive data on its storage media. Simply erasing data is not sufficient because many programs are available that can retrieve erased data. The Division Representative should also be sure that all licensed software has either been removed or properly transferred. Licensing agreements will determine whether or not software can be transferred. When in doubt, assume that the software may not be transferred and must be permanently removed from any storage media being disposed of. Contact the appropriate information technology area for further clarification regarding software licensing.

 NOTE: All Government data and programs must be permanently removed from the computer's data storage media before it can be disposed. Please contact IMSS for assistance with this task.

## **Disposition of Fabrications**

Fabrications, by their nature, are usually comprised of numerous items, some of which are usable after cannibalization or reconfiguration of the fabrication. Prior to disposition of a fabrication, the Division Representative should contact the OSR (for sponsor funded fabrications) to discuss plans to reuse fabrication components. The OSR can then ensure the disposition meets any sponsor requirements. Property Services will ensure that proper OA module records are created or modified.

If the fabrication is on an active agreement, please contact the OSR before cannibalizing any equipment. The OSR will determine if approval from the sponsor is necessary. If there are donated items that were integrated into the fabrication, disposition requirements can be very different for donated items than for the balance of the fabrication. Donations of equipment may have restrictions on use, retention period, etc. The Development Office will be able to review the donation document to determine appropriate steps to be taken to assure the disposition will not result in any breach of the donation agreement and make sure appropriate parties i.e., the donor, IRS, etc. are notified as needed. Contact the Development Office for more information on donated items.

## **Fabrications using Government Furnished Material (GFM)**

Any residual GFM resulting from the completion of the fabrication must be reported to the OSR and Property Services. The Division, Property services, and the OSR should coordinate with the sponsor for proper disposal instructions.

## **Disposition of Loaned or Transferred items**

### **Returning Loaned Items to the Lending Institution**

When Caltech has finished using a loaned item and is ready to return it to the lending institution, prepare and process an Asset Information Form. It is suggested that an appropriate disposal method be used (See disposal method matrix below within this chapter).

If the item was loaned through a sponsored agreement and the item is no longer needed for the agreement, the sponsor may request that the item be shipped to another institution or back to the sponsor. For these requests, use the appropriate method of disposal and clearly identify where the equipment is being shipped.

## **Disposition of Donated items**

All donations must be retained by Caltech for at least two years from date of acquisition unless the donor authorizes otherwise in writing. If the item is disposed of prior to the two-year limit, both the donor and IRS must be notified. In general, you cannot sell any donated items before satisfying the two year IRS retention rule. There are a few exceptions to the rule with the main one being material that has a useful life of less than two years and you should call the Development Office for guidance. Once all of these guidelines have been met, the donated capital equipment should be disposed and an Asset Information Form should be prepared and sent to Property Services.

## **Other Considerations**

### **Disposing "Obsolete" Equipment**

“Functional Obsolete” is a term that means an item is no longer effective for its intended purpose. An example would be a media storage format that is no longer employed (i.e. 5 ¼ floppy disk drive). If an item is considered obsolete to your department, you should dispose of the item using the regular disposal methods outlined in this subchapter, with the following additional guidelines to identify the equipment as obsolete:

- The Division Representative should fill out an Asset Information Form indicating that the property is obsolete
- The condition of the equipment should reflect the true working order (i.e. good, requires minor repair, etc.)

## **Documenting Disposals After the Fact**

If equipment is disposed of without the Division Representative's knowledge, this could result in potential non-compliance with Federal regulations or the research award agreement. If this situation is discovered after-the-fact, then the appropriate Caltech administrative offices (the OSR and Property Services) should be notified immediately. An Asset Information Form or Equipment Tracking System update should be processed as soon as this disposal is discovered. It is recommended that Division Representatives use the following procedure to document this type of disposal:

- Verify the asset is definitely gone
- Research the circumstance
- Establish the date of occurrence (estimate if necessary)
- Document findings:
  1. Obtain a written statement from the person who is certifying the condition of the disposal.
  2. Keep this document on file with other paperwork on this equipment, and send a copy to Property Service.
  3. Write a brief statement on why the equipment is being disposed of on the Asset Information Form (example: "Item scrapped last month").
- Route Asset Information Form for approval signature as you would any other form
- Route the approved form to Property Services
- The Division should coordinate with the OSR to ensure that all compliance issues have been met for sponsor funded equipment. The OSR may need to notify the sponsoring agency about the circumstances and provide an action plan to prevent future occurrences of unapproved disposals from happening.

## **Procedure for Processing Capital Equipment Disposal Requests**

### **The Procedure Overview:**

- Identify items which are to be disposed of.
- Work with the OSR and/or the Property Services Office to determine if there are any restrictions to disposal based on sponsor agreements.
- Determine from the equipment user or custodian sponsor the desired method of disposal and current condition of the equipment.
- Submit completed Asset Information Form to Property Services for each capital equipment item to be disposed of.

## ***Disposal Methods and When to Use Them***

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The Division Representative should use one of the following method types on the Asset Information Form to describe how capital equipment is being disposed of:

<b>Use this method...</b>	<b>If the item...</b>
ABANDONMENT	Asset cannot be disposed of in a cost-effective manner.
DESTROYED	Property is broken or beyond repair with no reasonable value other than recovery value of the basic raw materials. Periodically scrap vendors will pick the items up and the Institute will receive some reimbursement. <b><u>Never scrap Government-owned or other sponsor-owned equipment.</u></b>
DISMANTLED	Asset is not functioning properly and will be used for replacement parts or spare parts. Contact Property Services prior to using this method.
DONATION	There are many restrictions in this category. Call Property Services for clarification. In addition, the Division Administrator must be listed as an approver on the Asset Information Form.
INVENTORY ADJUSTMENT	<i>(This disposal method is for Property Services use only.)</i>
LOST	<i>(This disposal method is for Property Services use only.)</i>
SHIP TO SPONSOR	Property is to be returned to the sponsor when a contract or grant has expired.
RETURN TO VENDOR	Asset is being returned to the manufacturer for credit.
SOLD	Property has been sold by the Division.
STOLEN	Asset has been reported stolen, and a police report has been filed.
TRADE-IN	Property is being returned to the manufacturer for trade-in value toward new equipment.

Also, the Division Representative may use the following codes to identify why capital equipment was being disposed of:

Code	Code Description
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EXCESS	Asset has been used for its intended purpose and is no longer needed for a specific project. The property still has potential use for other projects.
OBSOLETE	Property has been used for its intended purpose and is no longer needed for a specific project. The property has <b><u>NO</u></b> potential use for other projects.

### **Benefits: Reuse and Recycle**

Two of the benefits of Caltech's property disposal system are the reuse and recycle of excess equipment and the reduction of costs for equipment at the Institute and its sponsors.

### **Selling Capital Equipment**

The Division Administrator is the only person who may authorize the sale of any Caltech owned capital equipment under their Division supervision. Upon sale, Caltech Property Tags should be removed. Also, the Division Representative must notify Property Services of the disposal of equipment.

The timely sale of property will provide the following benefits:

- Recovery of a higher sale price (equipment is not outdated)
- Removal of excess equipment from storage
- Reduction of the number of items to inventory and reconcile
- Successful property audits

### **Selling Government Funded Equipment**

Before a sale can be consummated, disposition restrictions must be researched and resolved by the Division Representative and/or the OSR. Sponsor approval may be required prior to sale. The sponsor may, instead, request that the property be transferred to another award, Division or institution for reutilization.

Generally, most sponsor funded equipment titled to Caltech has future use and disposition restrictions, unless the sponsor gave it to Caltech without further obligation. Check with the OSR to ensure a sale is allowed. If the agreement is ongoing, sale funds must be credited back into the project that purchased the equipment. If the agreement is not ongoing, the next order of preference is to credit another agreement with the same

sponsor who originally funded the equipment. If that is not an available option, then credit the funds back to other similar Federal sponsored research. For sponsor and Government funded equipment, Caltech must use a competitive bidding process that allows for the highest possible return.

## **Disposition of Assets through a Transfer to Another Organization**

### **Transfers to Departing Faculty's New Institution**

Caltech will transfer title of equipment to a departing faculty member's new institution upon the faculty member's request, if;

- Caltech holds title,
- If the equipment was acquired primarily for that faculty member's use under their grant or contract, and
- There are no competing demands for that equipment within the department

### **Four Common Situations and How to Handle Them**

The following list includes four common situations that arise when transferring assets to another organization and how to handle them:

1. **Government-owned equipment:** The Division Representative should obtain the approval to transfer capital equipment from the sponsor through the OSR. The Division Representative should notify Property Services of the disposal before the physical disposition of the equipment.
2. **Equipment purchase on active agreements:** Sponsor and the OSR approval are required. The Division must follow the same process as outlined in #1 above.
3. **Caltech funded and owned equipment:** This equipment can be sold, with the Division Administrator's approval, to another institute at fair market value. Any exceptions require written approval by the Division Administrator. Notify Property Services of the disposal including the Division Administrator's approval.
4. **Restricted donated equipment:** Please call the Development Office regarding donation related issues. Notify Property Services when equipment is disposed of.

## **Disposition of Capital Equipment due to Contract/Grant Expiration**

Both the Division and the OSR are responsible, according to either the grant or contract requirements, for the resolution of any disposition issues. Partial guidance on this matter can usually be found in the property terms and conditions section of the agreements.

There may be more than one disposition method per agreement depending on the future use requirements and/or use restrictions. Regardless, notify Property Services of the disposal of capital equipment related to contracts or grants that have expired. The following are guidelines to follow regarding equipment associated with closed contracts or grants. These are consistent with OMB Circular A-110 and 2 CFR, Part 200 §200.313.

1. At the close of a contract or grant, equipment may be used for other activities **if**:

The property is used on other Federal funded activities and no payment is required or the original or successor Federal awarding agency is compensated for equipment with a current per unit cost greater than or equal to \$5,000. Fair market value (FMV) must be used as cost for Federal funded equipment. Compensation is determined as follows:

**FMV**

**Multiplied by % of Federal award funding**

**= Compensated Amount**

The FMV is the price that typical buyers actually pay for assets of this age, condition, style, and use. Some of the acceptable methods of ascertaining the FMV are:

- The cost or selling price of the item,
- Sales of comparable properties,
- Replacement cost, and
- Opinions of experts.

If none of the methods above is available or applicable, the Net Book Value (NBV) can be used as a substitute for FMV.

2. If the equipment is not needed at Caltech:
  - a. Property Services will request disposition instructions from the Federal awarding agency.
  - b. After 120 days, if no instructions are issued, the equipment may be sold. The Federal agency will then be compensated based on the percentage of award funds involved the original purchase of the equipment, such as:

## **Sales Cost**

Multiplied by **% of Federal award funds**

Minus the lower of **10% of sales price or \$500**

**(for selling and handling costs)**

**= Reimbursement to Federal award agency**

**For example, if an item was sold for \$10,000 and the Federal Government paid 80% of the original cost of the item, then the calculation would be as follows:**

$$\mathbf{\$10,000 \times 80\% = \$8,000 - \$500 = \$7,500}$$

- c. If instructed to ship equipment, the Federal awarding agency will reimburse Caltech for its percentage share in the original purchase cost of the equipment as applied to the fair market cost (FMV) of the item.

## **FMV**

Multiplied by **% of Caltech Funds**

**= Federal award agency compensation due Caltech**

**For example, if an item's FMV is \$10,000 and Caltech paid 20% of the original cost of the equipment, then the calculation would be as follows:**

$$\mathbf{\$10,000 \times 20\% = \$2,000}$$

- d. If instructed to dispose of equipment, the Federal awarding agency will reimburse Caltech for the costs incurred for disposal.
- e. The Federal awarding agency can transfer title to the Federal Government (General Services Administration (GSA)) or other third party and the following applies:
  - 1) Equipment must be identified in the award and made known to Caltech in writing.

- 2) Final inventory must list all equipment acquired with grant funds and all GFP.
- 3) Equipment transferred to other Federal awarding agencies will be considered GFM from that point forward.

## **Loss, Damage, or Destruction, or Theft of Equipment**

In cases of theft, the Division must immediately notify the Caltech Security Office and request a theft report. Caltech Security will decide if assistance is needed from outside agencies, such as the local police department. Equipment records will be updated by Property Services after the sponsoring agency or Government Property Administrator grants a “relief of accountability”.

When equipment is lost, damaged, destroyed or stolen, regardless of ownership, notify Property Services immediately. The Division should contact Risk Management to obtain an account number to use to purchase replacement items. In addition, the Institute should monitor loss and theft incidents to ensure that the proper policies are in place to minimize future loss, damage or destruction of property.

## **Property Services Internal Procedure for Dealing with Loss, Damage, Destruction, or Theft**

The following procedure frequently refers to "sponsor" property. All capital equipment lost, damaged, destroyed, or stolen must be reported to Property Services regardless of ownership or funding source.

Incidents of loss, damage, destruction, or theft of sponsor-owned equipment must be reported to the sponsoring agency or Property Administrator. A formal letter to the Sponsor or Property Administrator notifying them of the Loss, Damage, Destruction, or Theft (LDDT) of equipment must be sent after determination or discovery. The notification should outline the date of the incident, the description of the incident (police report on stolen equipment), the description of the equipment and the amount of effort expended to locate the equipment.

A determination of when a physical inventory was done of the area or where the equipment was last used is made and included in a formal notification letter. The date when the Division tried to locate the equipment will be used in cases where the loss was not immediately evident. In cases where loss was clearly evident, such as in a break-in, the term “discovery” should be used in a sponsor notification letter.

Property Services should be notified if recovery of capital equipment previously reported missing occurs. They will send a preliminary report or letter to the sponsoring agency or

Property Administrator requesting a formal determination of resolution. Equipment records will be adjusted by Property Services as soon as determination of resolution occurs.

## *Contract and Grant Closure*

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### **Overview**

A report which includes the expiration date of all awards at Caltech will be distributed monthly as part of the routine Oracle system reports. This report will allow Property Services to identify expiring awards and enable them to prepare for closeout. Contract, grant and other sponsored agreement closures are activities associated with both the Division Representatives responsible for research equipment and Property Services.

Final reconciliation, final report, and request for disposition instructions are elements of closure and may require information from the Division and sponsors. If a Division has sponsored research, it is advisable and strongly encouraged that they acquaint themselves with the terms and conditions of their sponsor requirements and agreements. Contact the OSR if you need further assistance or additional information.

### **Closure Process**

A final report to a sponsor is a process of a final reconciliation of OA module, the GL, and the respective agreement. The purpose of the final report is to provide closure to the agreement. Disposition of Government property must also be requested from the sponsoring agency by a letter from Property Services for "Relief of Accountability." After a final report and disposition of all sponsor-owned equipment has concluded, a **Certificate of Completion Letter** is issued to the sponsor by Property Services. The timely completion of these steps will lead to speedier final payment.

### **Contract and Grant Closure Procedures**

Grant closures and reconciliation procedures are the same as contract closure procedures. However, grants, by their nature, usually give title to the grantee. Title in this sense means the grantee is able to use the equipment for like research (in the case of Federal sponsors), preferably within same sponsor's research. If that is not possible, then any federal sponsored research project may use it.

If the equipment is considered excess to any Federal sponsored research, the equipment is a candidate for reutilization or sale. At times a **Certificate of Completion Letter** can be issued without a final report, since many grants do not require a final report. Contact the OSR for more detailed instructions, if necessary.

### **Close Outs of Subcontractor Agreements**

Contract/Subcontract closure is an activity associated with Property Services. A final report or certification to the sponsor may be the result of a physical inventory to final reconciliation of the property when necessary. Property Services will request a copy of the physical inventory from the subcontractor for all remaining property in the subcontractor's custody. Upon receipt of the final physical inventory, the Division will determine the appropriate disposition instructions for the equipment based on the disposal process in this subchapter. In addition, the Division will provide disposal instructions to any subcontractor under its supervision. Sponsor reports will be updated in accordance with final disposition. Examples of this include transfers of title to the subcontractor or requests for return of property. After the subcontractor has validated that there is no more property accountable under the subcontract, they should issue a final property certificate of closure to Property Services.

# *Chapter 7: Frequently Asked Questions (FAQs)*

## ***Frequently Asked Questions (FAQs)***

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### **What is capital equipment?**

To be considered capital equipment, **ALL** three of the following criteria must be met:

1. The acquisition cost must be \$5,000 or more
2. The asset must have a useful life of more than one year.
3. The asset must be stand alone and not permanently attached to or integrated into a building, structure, or another equipment.

### **What does the Oracle Assets (OA) Module provide?**

The OA module provides a central information resource where administrative offices can locate a given piece of equipment by searching by tag number, serial number, custodian, purchase/requisition number, etc. OA module is the central, auditable property record for Caltech. This database provides crucial information for the Institute relative to Caltech capital equipment and Government or sponsor funded equipment. It also assists with tracking loaned equipment or other equipment for which the Institute is accountable.

### **Does Government property need to be recorded in Oracle Assets if it's under \$5,000?**

Yes. For questions regarding this process, please contact Property Services.

### **What is the Role the Division Representative?**

It is recommended that each Division have a Division Representative designated for property control. The Division Representative role is one of the most important in the property process. When everything is done correctly, equipment is consistently accounted for and equipment records are maintained in an appropriate manner. The Division Representative is able to accomplish this by maintaining copies of supporting documentation and staying in regular contact with people in their department who use the equipment and by updating departmental records in a timely manner.

## **What Sort of Training is Needed to Become a Division Representative?**

Attend an introductory Division Representative Property Process Class and Lab sponsored by Property Services.

## **What is Screening?**

Screening is the process of ensuring, either prior to purchase or concurrently with a purchase that the same or equivalent piece of equipment is not excess or otherwise available to share. Each Sponsor or Agreement may have different screening requirements.

## **Does Property Services need to know about equipment that is donated to Caltech?**

Yes. In order for Caltech to comply with Federal regulations regarding donations, Property Services must receive copies of all documentation. In many cases the pre-donation paper work, including any type of proposal or letters related to a planned donation, will help determine if the donation is restricted or unrestricted.

## **Is equipment purchased with gift funds considered a donation?**

No. When money is donated to Caltech, the money is the gift, not the equipment subsequently purchased with the funds.

## **If a donation is received with the intent to sell for fund-raising, how long do we have to sell it?**

When a donation is given for immediate fund-raising (for example a used car) then it must be sold within sixty days. If the donation is retained by Caltech longer than 60 days, it must be recorded into the OA module in the same manner as all donated equipment.

## **How do I determine if donated equipment is new or used?**

New equipment is defined as not used prior to receipt by Caltech, and manufactured in the last two years; the donor must also be the manufacturer of the equipment. If purchased by a third party as an equipment donation to Caltech, it must have been invoiced less than 90 days prior to arrival at Caltech. Equipment is considered “used” if it is over two years old, even if it is in the original unopened box and donated by the original manufacturer.

**Do we need to notify Property Services on equipment that is loaned to Caltech?**

Yes. All equipment loans, regardless of value should be recorded in the OA module. It is recommended you contact Property Services for assistance.

**How long do we need to maintain records?**

Financial and property records, supporting data, statistical records or any document pertinent to an agreement should be retained for a period of three years after submission of the final payment, or three years after disposition of the property, whichever is later. This also applies to subcontractors.

 Note: There are exceptions to the above guideline. If any litigation, claim or audit is started before the 3-year expiration period, the records must be retained until all litigation, claims or audit findings have been resolved. You must keep all supporting documentation, including approvals to purchase and screening documents. Contact Property Services if you have any questions.

**Do we need to notify Property Services if equipment is going to be moved for more than 90 Days?**

Yes. When equipment is moved for longer than 90 days, its new location should be recorded into the OA module. Contact Property Services for assistance.

# *Chapter 8. Appendix*

# Sample Asset Information Form

## Asset Information Form Property Record Management

For Property Tag Control Use Only: Number	<ol style="list-style-type: none"> <li>1. Please fill out all the applicable boxes.</li> <li>2. Please fill out the current allocation, building and room for the asset.</li> <li>3. Please fill out the Asset Description as clearly as possible.</li> <li>4. For transfers, please record all information requested in that section.</li> <li>5. For disposals, please indicate to date, tag number and location.</li> <li>6. For trade-ins, please indicate date of trade, tag and trade-in value. For others, please indicate the sale/auction amount.</li> <li>7. Authorized Individual must sign for any disposal of assets.</li> <li>8. Mail completed form to: <b>Property Services, Mail Code 211-15.</b></li> </ol>
PI/Caretaker's Name:	
Requisition or PO #:	
Prepared By:	
Current Site/Location:	
Current Building:	
Current Room :	

### NEW ADDITIONS

Note: Please fill out these four boxes (shaded in gray) for all applicable transactions.

Date Placed In Service	POETA	Ownership (CIT, Gov't, Other)	Asset Description	Manufacturer	Model Number	Serial Number

### TRANSFER

Date of Transfer	Tag Number	New Site/Location	New Building	New Room	New Department	New PICaretaker

### DISPOSAL / TRADE-IN / RETIREMENT / DONATION

Date of Disposal	Tag Number	Proceeds or Trade-In Value	Sales Cost	Where is the item? (Storage, Traded-in, Dismantled, Auctioned)	Authorized Signature for Disposal

<p align="center"><b>CRITERIA FOR CAPITAL EQUIPMENT</b> (to be considered capital equipment ALL three of the following criteria should be met)</p> <p>&gt;&gt;&gt;ACQUISITION COST OF \$5,000 OR MORE Includes: Invoice amount, sales, tax, freight costs, installation costs, costs for the initial complement of supplies needed to place the asset into service, accessory and auxiliary apparatus necessary to make it usable for the purpose for which it is acquired; less trade or trade-in discounts and/or educational discounts.</p> <p>&gt;&gt;&gt;HAVE A USEFUL LIFE OF TWO OR MORE YEARS If the item will not have a useful life of more than 2 years, it is considered expendable material, even if it costs more than \$5,000. Please use appropriate expenditure types.</p> <p>&gt;&gt;&gt;STAND ALONE The Property is not permanently attached to or integrated into a building or structure.</p>
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Reviewed and Revised: 01/2015

Form Owner: Property Services

# *Sample Property Loan (Borrower) Form*

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**INCOMING PROPERTY LOAN DOCUMENT**  
California Institute of Technology (Borrower)

1. CIT Tag Number:	2. Loan Period: From _____ to _____	3. Inventory Report Date:	4. Page: _____ of _____
5. Lender Name: Address  Phone Number Contact Name		6. Borrower Name: CIT Department  Phone Number Contact Name	
7. Purpose of loan and location where property will be used:			
8. Additional Information: a. Reference/contractual: b. If loaned for use on a current agreement, enter agreement number. c. Sponsor's or approver's name: d. Restrictions (if any) on use:			
9. Item Description:	10. Manufacturer:	11. Year Mfg.	
12. Serial Number:	13. Acquisition Cost if Federal Loan:	14. Value if Non Federal Loan:	
15. Model Number:	16. Condition	17. If more than one item is loaned, check here and attach listing: <input type="checkbox"/>	

Approved by:

Signature of Caltech Department Administrator	Name	Title (Print or Type)	Date
Signature of Caltech Property Services Representative	Name	Title (Print or Type)	Date

# Sample Property Loan (Lender) Form

OUTGOING PROPERTY LOAN DOCUMENT  
California Institute of Technology (Lender)

1. CIT Tag Number:	2. Loan Period: From _____ to _____	3. Inventory Report Date:	4. Page: _____ or _____
5. Lender Name: CIT Department  Phone Number Contact Name		6. Borrower Name: Address  Phone Number Contact Name	
7. Purpose of loan and location where property will be used:			
8. Additional Information: a. Sponsor's or approver's name: b. Restrictions (if any) on use:			
9. Item Description:	10. Manufacturer:	11. Year Mfg.	
12. Serial Number:	13. Acquisition Cost if Federal Loan:	14. Value if Non Federal Loan:	
15. Model Number:	16. Condition	17. If more than one item is loaned, check here and attach listing: <input type="checkbox"/>	

Terms and conditions of loan:

1. Borrower will:
  - a. Assume all costs involved in preparation, handling, loading, disconnecting, transportation, and shipping insurance from and to Lender (Caltech);
  - b. Use the loaned property only for the purposes specified in this loan agreement;
  - c. Maintain and calibrate equipment in accordance with the manufacturing specifications;
  - d. Return the loaned item(s) in like condition as received from Lender, normal wear and tear excepted, and free of contamination, on or before the expiration date, unless the loan period is formally extended on or the loan is terminated before the due date;
  - e. In case of loss or damage of the property loaned, report such loss immediately to Caltech Property Services and reimburse Lender (Caltech) at the current price or replacement or repair (including cost of loss of use); and
  - f. Agree to defend, indemnify and hold harmless Lender (Caltech) and its officers, employees and agents against any and all liability, loss, damages, and claims arising from Borrower's use or possession of the loaned property.
2. The above property shall not be modified, loaned, or transferred to a third party without the written permission of the Caltech Property Services department.
3. Borrower will verify in writing to Caltech Property Services custody, use and condition of equipment annually and permit periodic inspection of loaned property by Lender or its designee upon request.
4. Caltech will pass on all FLOW DOWN responsibility to Borrower. Title to the property will rest with Caltech or its Sponsor in accordance with the prime agreement. Lender (Caltech) restores the right to cancel the loan and to recall the loaned property upon a ten (10) day notice.

Approved, agreed to and accepted by:

Signature of Borrower's Authorized Representative	Name	Title (Print or Type)	Date
Signature of Caltech Initiator	Name	Title (Print or Type)	Date
Signature of Caltech Property Services Representative	Name	Title (Print or Type)	Date

Reviewed and Revised: 01/2015

Form Owner: Property Services