

# SECTION 4: EQUIPMENT

## 1. GENERAL

Duke defines capital equipment as any item costing \$5,000 or more with a life expectancy of two years or more (software is capitalized if the cost is \$5,000 or more for one package). Some Sponsors define capital equipment differently. If a Sponsor defines equipment as having a different dollar threshold (e.g., \$1,000), the Duke definition is used for internal purposes. The Sponsor's definition of equipment is used for reporting purposes. Equipment purchases on 3XX Cost Objects (except 36X and 39X) must be approved by the Office of Sponsored Programs (OSP) and may require a Screening and Shared Use form (refer to Part 4 Screening and Shared Use in this Section). Equipment purchased during the last 60 days of a sponsored project could be questioned or declared unallowable by a Sponsor. Therefore, the Principal Investigator or Departmental Administrator should be prepared to explain and/or justify how an equipment item purchased during the last 60 days of a project benefits the sponsored project.

Duke encumbers (R/3 commitment) expenditures that are authorized on a purchase order and that meet Procurement Services criteria. In R/3 there are no commitment transactions, just a commitment balance. For more information on commitments, refer to *GAP 200.036 Commitments*. Any unpaid commitments at June 30th are automatically carried forward to July 1st. For more information regarding equipment, refer to the following sections of the *General Accounting Procedures*:

200.040	<i>Plant and Equipment Definitions, General Principles and Controls</i>
200.050	<i>Plant and Equipment Capitalization Policy</i>
200.070	<i>Plant and Equipment Lease Agreements Purchase and Rental</i>
200.075	<i>Computer Software Developed or Obtained for Internal Use</i>
200.080	<i>Equipment Screening and Shared Use on Federal Grants &amp; Contracts</i>
200.090	<i>Plant and Equipment Depreciation</i>
200.100	<i>Capital Equipment Purchases on Sponsored Projects</i>
200.110	<i>Excess Federal Government Property - Use by Sponsored Projects</i>
200.120	<i>Surplus Federal Government Property (Donated Through State Agencies)</i>
200.260	<i>Building Identification Numbers</i>

## 2. EQUIPMENT PRIOR APPROVAL

Award documents may include clauses that specify both the authorization required for purchasing equipment and with whom the title vests. A Federal contract may require the Contracting Officer's approval for all equipment purchases even though the items are listed in the approved budget; or require special forms (e.g. Department of Defense DD Form 1419) be submitted and approved before purchasing equipment. If a Federal contract contains Federal Acquisition Regulations (**FAR**) **Clause 52.244-2 Subcontracts**, all purchases of equipment are required to have prior Contracting Officer's approval unless the contract specifically states that "all items listed in the proposed budget are hereby considered approved", or an equivalent of that phrase. The FAR defines "Subcontracts" to included Purchase Orders for equipment.

If Sponsor approval is required, the request should provide such information as reason why equipment is needed, reason why funds are available, and anticipated dollar amounts (refer to Part 10 Prior Approval in Section 2 GETTING STARTED). If Sponsor approval is not required and the item of equipment was not requested in the proposed budget, a "Request for Prior Approval of Rebudgeting of Grant Funds" form needs to be submitted to the pre-award office (refer to Part 6 Rebudgeting of Funds in Section 5 DURING THE LIFE OF THE PROJECT for more information).

Excess Federal Government property may not be obtained for use on a Federally sponsored project without the prior written approval of the Sponsor. A request to obtain excess Federal Government property must be submitted by the Principal Investigator to the Pre-award office (Office of Research Support or the Office of Grants and Contracts). The Pre-award office will forward the request to the Sponsor. The Federal Government may approve a request to transfer excess Government personal property to a Federal project at Duke University as a means of providing additional Federal support and conserving equipment funds. For more information, refer to *GAP 200.110, Excess Federal Government Property – Use by Sponsored Projects*.

## 3. FABRICATION (WORK-IN-PROGRESS)

Items purchased to be used for **fabrication** or **work-in-progress** should indicate G/L Account **668300** on the Purchase Requisition. The Purchase Requisition should also state the name of the System the item is being purchased for. When the fabricated item is completed, the Departmental Administrator must notify Plant Accounting so that the System can be properly tagged (Duke-owned or Government-owned). Items being fabricated do not require a Screening and Shared Use form. If you are having a piece of equipment fabricated in the Physics Department Instrumentation Shop, refer to Part 7 Interdepartmental Request, Section 3 TRANSACTION FORMS.

#### 4. SCREENING AND SHARED USE

The OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations" requires that educational institutions implement a system designed to promote the shared use of previously acquired equipment or to document that similar equipment is not available for shared use. *GAP 200.080 -Equipment Screening and Shared Use on Federal Grants and Contracts* provides a detailed explanation and the forms that must be used to meet this requirement when purchasing equipment from **Federal funds** (30X through 34X Cost Objects, and 35X through 38X Cost Objects with a Federal Prime Sponsor). Neither items being fabricated nor purchases of software require a Screening and Shared Use form.

#### 5. EQUIPMENT OWNERSHIP

Carefully review the award document and Sponsor's guidelines to determine who retains title to equipment purchased with sponsored funds. This review will determine the **G/L Account** that is entered on the Purchase Requisition. If you are unsure as to where the title vests, call OSP or leave the G/L Account blank and OSP will fill it in if the title vests with the Sponsor. If Duke retains title to the equipment being purchased, you do not have to write in an G/L Account just make sure not to use the G/L Account 664700 or 664800. G/L Accounts 664700 and 664800 are used exclusively for Sponsor-owned equipment as described in the following Part.

#### 6. SPONSOR-OWNED EQUIPMENT

If Duke does **not** retain title to the equipment being purchased, the **G/L Account** used on the Purchase Requisition is either **664700** - Government-Owned or **664800** - Sponsor-Owned. If you are replacing a part in a Government-owned item, be aware that Government regulations state "Title to Government property shall not be affected by its incorporation into or attachment to any property not owned by the Government nor shall Government property become a fixture or lose its identity as personal property by being attached to any real property." (FAR 52.245-5, c, 4). In addition, if Duke funds are used to partially pay for an item of equipment that is owned by the Federal Government, Duke will have no claim to the item when the project terminates.

Occasionally, the Federal Government will loan equipment to Duke to be used on a specific Federal project. Unless specifically stated otherwise in the transfer document, the Federal Government retains title (ownership) of Government-Furnished equipment. Since **Government-Furnished** equipment is not purchased by the project, both Plant Accounting and OSP may be unaware that the Government-owned equipment was received by a project. **Therefore, it is of the utmost importance that the Departmental Administrator immediately notify OSP or Plant Accounting when Government-Furnished Equipment is received so that it can be properly accounted for and reported to the Government.** In addition, in accordance with FAR 45.502-2 Discrepancies Incident to Shipment, Plant Accounting and OSP must be informed if any

overages, shortages, or damages are discovered upon receipt of the Government-furnished property and the condition of the property and apparent causes. This information is critical for the proper reporting of Government-owned property. Failure to notify these offices may jeopardize Duke's approval by the Government of its Property System.

Sponsor-owned equipment must be carefully monitored and in many cases reported annually. Therefore, it is critical that both Plant Accounting and OSP be notified of any changes associated with the Sponsor-owned equipment. "Changes" include, but are not limited to, items being moved from their original location, lost, stolen, or no longer being used by the project. If an item has been lost, damaged, or destroyed, Appendix 8 must be completed by the custodian of the equipment and forwarded to OSP for notification of Sponsor. **Sponsor-owned equipment may not be disposed of without Sponsor's written approval.** When the project terminates, disposition of the Sponsor-owned equipment must be established. Please refer to Section 6 CLOSE OF PROJECT, Part c Final Property Report for more information.

## **7. MANAGEMENT OF EQUIPMENT**

Duke has many systems in place that assist in all aspects of property management: OSP reviews Purchase Requisitions for allowability and title; Procurement Services' purchasing system conforms with government and Duke regulations and maintains records that verify compliance; and Plant Accounting maintains inventory records and performs physical inventories for all equipment regardless of ownership. However, since the Principal Investigator (P.I.) and Departmental Administrator are the most knowledgeable persons when it comes to the equipment being used or needed in a sponsored project, the day-to-day responsibility of property management for property acquired with sponsored funds remains with the P.I./Departmental Administrator. Since most Sponsors require that a property inventory be submitted either on an annual basis or at the termination of the project, it is of the utmost importance that Plant Accounting be kept informed on the current condition and location of equipment. In addition, if the equipment is owned by the Sponsor, any changes regarding its use or condition should be reported to OSP and Plant Accounting so that proper notification to the Sponsor may be initiated.

**APPENDIX 8: LOSS, DAMAGE, OR DESTRUCTION (LDD) REPORT**

**LOSS, DAMAGE, OR DESTRUCTION (LDD) REPORT**

**SPONSOR-OWNED PROPERTY**

1. Date of incident: \_\_\_\_\_
2. Description of Property  
Asset Number: \_\_\_\_\_ Government Tag No.: \_\_\_\_\_  
Name of Item: \_\_\_\_\_ Model No./Serial Number: \_\_\_\_\_
3. Contract/Grant No.: \_\_\_\_\_ Duke Cost Object: \_\_\_\_\_
4. Acquisition Cost: \_\_\_\_\_
5. Full narrative of the incident location, etc.: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Cause and corrective action taken or to be taken to prevent recurrence: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Estimated Scrap proceeds: \_\_\_\_\_
8. Repair direct labor and material costs: \_\_\_\_\_
9. Estimated cost to replace: \_\_\_\_\_
10. Copies of supporting documentation are attached (if none, explain): \_\_\_\_\_  
\_\_\_\_\_
11. Equipment clause stipulated in Contract: \_\_\_\_\_

I hereby certify to the best of my knowledge that no insurance costs or other means of covering the LDD of Sponsor-owned property were charged to the contract/grant and that in the event Duke University is reimbursed or compensated for LDD of Sponsor-owned property, the Sponsor shall received equitable reimbursement. (12,13,14)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date of Report

Name: \_\_\_\_\_

Title: \_\_\_\_\_