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Central
Administration
University of
Puerto Rico

Finance Circular 12-18

ADMINISTRATION DEANS AND FINANCE DIRECTORS

Nazeerah Elmadah
Acting Director

GUIDELINES FOR THE MANAGEMENT OF PROPERTY ACQUIRED WITH FEDERAL FUNDS



The Central Finance Office together with the Vice Presidency for Research and Technology assessed Article XV of the Regulations for the Control of Property of the University of Puerto Rico (University), Certification Number 62, 1994-1995, issued by the Board of Trustees. This article establishes management standards for equipment acquired with Federal funds and ensures compliance with this article and with the federal regulations.

Finance Office

I. Definitions

- a. University – University of Puerto Rico with all its units and dependencies.
- b. Property financed with federal funds – is University property that has been acquired total or partially with federal funds and whose title belongs to the University.
- c. Property with federal title – property that is in the custody of the University, but whose title and rights belong to the sponsor federal agency. The sponsor Agency of the project or program sets this condition.
- d. Exempt property – is the property that had federal title but the sponsor agency decided to transfer the title to the University and does not impose any further obligation on it with the federal Government under the conditions considered appropriate by the sponsor federal agency. If the sponsoring agency does not set any condition the University may have or use this property according its convenience and does not have to submit any report to the federal agency.
- e. Common or shared use – when two or more projects, programs or activities share the same equipment with the condition that it does not affect the work of the project or activity for which the equipment was purchased.
- f. Program income – are revenues generated by projects or programs financed total or in part by a federal agency.

Jardín Botánico Sur
1187 Calle Flamboyán
San Juan, Puerto Rico
00926-1117

Tel. (787) 250-0000
Fax (787) 764-1971

II. Guidelines and procedures

A. Custody and control of the federal property

1. The directors of the inventory offices/departments shall designate the liaison between their office and the Property Officer Department. The liaison and the Principal Investigator will be responsible for all federal property.
 - a. They will inform the Property Officer the following information:
 1. The receipt of federal property that needs to be assigned a property number.
 2. Location – Building and room. Description of the building and room must correspond to the directory of buildings and spaces that the Planning Office maintains.
 3. Name of the federal agency that granted the equipment or that granted funds for its purchase, total or partially.
 4. The Award number.
 5. CFDA number.
 6. If the title or rights over the property belongs to the federal agency or to the University.
 7. If the property is exempt property with or without conditions. They must provide copy of the document of the federal agency which stated that the property is exempt.
 8. Any damage, loss, or theft of property.
 - b. They will ensure proper maintenance to keep the equipment in good condition. To accomplish this, the equipment manual and instructions shall be verified and they may call the supplier.
 - c. In the case of proximity of storm, fire, flood or other disaster, they should give instructions to avoid, as much as possible the loss of property in their custody and they must request from the corresponding authorities the necessary means to safeguard property. Immediately after the disaster they shall take the appropriate steps to safeguard property not damaged or partially damaged from further damage, and is repaired as soon as possible if necessary.

B. Use and disposal of federal property

1. The University holds the title of property acquired with federal funds unless the federal agency retains the same. However, the use of the property must comply with the following:
 - a. University must use the equipment for the project or program for which it was acquired and by the time necessary regardless if the project or program continues being subsidized (financially supported) with federal funds.
 - b. When the property is no longer needed for the original project or program, the University must use the equipment for other activities supported with federal funds in the following order of priority:
 - (1) Projects or programs sponsored by the federal agency that provided funds to acquire the property.
 - (2) Projects or programs sponsored by other federal agencies.
 - c. The common use of property will be allowed if it does not interfere with the normal course of activities carried out by the project or federal program for which the equipment was acquired.
 - d. The common or shared use of equipment in different projects or programs will be guided by the following order of priorities:
 - (1) Projects or programs sponsored by the federal agency that provided funds to acquire the property.
 - (2) Projects or programs sponsored by other federal agencies.
 - (3) Projects or programs in the same institutional unit which conducted the federal project and that is related to the original project.
 - e. The University should not compromise the property without the approval of the federal agency that awarded the funds.
 - h. The University should not use equipment purchased with federal funds to provide services to non-federal organizations for a lower rate at which private firms billed for equivalent services, unless it is specifically authorized by a federal statute; this is for the period in which the Federal Government retains interest in the equipment.
 - g. When the university no longer needs an item of equipment with a value greater than \$5,000 for federal activities, this equipment can be used for other non-federal activities according to the following rule and provided that the sponsor agency or its successor is compensated. The amount of compensation will be

according to the percent of participation of the federal agency on the cost of the equipment.

- h. If the University does not have need for equipment, it shall request instructions from the sponsor federal agency about how to dispose of it. The federal agency shall issue instructions no later than 120 days of being requested and the University will follow these procedures according to instructions:
 - (1) If the federal agency does not issue instructions within 120 days, the University will sell the equipment and reimburse the federal sponsor agency according to its percentage of participation in the purchase of the equipment.
 - (2) The University shall deduct \$500 or 10% of the sale, whichever is less to cover the cost of sales and management.
 - (3) If the sponsor-federal agency so instructs, the University must send the equipment to another location. The Federal Government must reimburse the University an amount according to the percent of participation in the purchase of equipment.
 - (4) If the sponsor federal agency instructs the University to dispose of the equipment, the sponsor federal agency must reimburse the University for the cost of disposal. The University will keep record of all costs such as: expenses of transportation, payroll, etc.
 - 5) The sponsor agency may exercise its right to acquire the property title.
 - (6) All these actions related to the management and disposal of the equipment should be informed by the liaison and Principal Investigator to the Property Officer at each unit in order to maintain inventory records updated.

C. Requirements for the property management with federal title

- 1. The University shall submit annually to the federal agency that supplied the equipment or funds to acquire it, an inventory of the property with federal title in its custody.
- 2. Each unit shall provide to the Central Finance Office this inventory, according to the format that will be required.
- 3. When the University wants to give "common use" to property with federal title in any activity that is not sponsored by the federal Government, it must request authorization from the sponsor federal agency. If the University generates income by such activity, such income will be given the treatment of program income. The

Principal investigator will coordinate with the sponsor federal agency the treatment that will be given to this income.

4. When the University ends the project or program for which the property was acquired or when it is no longer necessary, the liaison and/or Principal Investigator must report it to the federal agency that granted the property so that the agency can assign another use for it.
5. The liaison and/or Principal Investigator will wait for instructions from the federal agency on what to do with that property. Once the University receives instructions, it shall inform the Property Officer of the corresponding action in order to update inventory records.
6. The University shall have no obligation with the Federal Government in terms of from program income generated once the project period ends unless the terms and conditions of the sponsor agency indicate otherwise.
7. If the sponsor agency regulations or the conditions of the project or program allow so, the incidental costs to generate program income can be deducted from gross income to determine net program income, provided these incidental costs have not been charged to the project or program.
8. In case of loss, damage or theft, the liaison or Principal Investigator must immediately notify the Property Officer and the sponsor agency.

D. Insurance for federal property

1. The University, through the efforts of the Insurance Office shall provide equipment acquired with federal funds the same coverage of insurance that provides to equipment purchased with institutional or other funds.
2. However, property with federal title does not require insurance coverage unless it is required by the terms and conditions of the proposal or federal contract. The liaison and/or Principal Investigator will contact the Insurance Office at the Central Administration so that such equipment should be included in the insurance policy; they must provide evidence of the federal requirement.

E. Equipment replacement

1. The University may replace equipment using a "trade-in" or sell the equipment and use the money recovered for the purchase of new equipment. However, the University should request and obtain prior approval from the sponsor agency.
2. In the case of a "trade-in", the transaction must comply with the article 14.B.1 of the Regulation on Acquisition of Equipment, Materials and Services from the University of Puerto Rico (Certification Number 20, 2008-2009, issued by the Board of Trustees). It indicates: The petitioner and the Purchasing Office shall ensure that the property to be "traded-in" was previously appraised by recognized reference sources to determine its value (for example, the Blue Book in the case of motor vehicles) or by an expert opinion.
3. In the event of a sale it should comply with article XIII-C of the Regulations for the Control of Property which establishes that "the sale should be carried out through public auctions, through the Auction Board of the unit"... To make sales the University will try to get the property's estimated market value.

F. Property Officer Responsibilities

1. The Property Officer will keep record of all equipment purchased with federal funds and federal title. Records should indicate at least the following:
 - Property number.
 - Equipment description.
 - Purchase date.
 - Serial number of the manufacturer, model number, or other identification number.
 - The name of the federal agency that awarded the funds.
 - Award number
 - CFDA number.
 - Identify if the equipment title belongs to the University or the Federal Government.
 - Acquisition date and cost (includes freight, delivery, installation, transportation, insurance costs, and the value assigned to any unit in "trade-in", among others).

- Amount provided by the University and the amount contributed by the federal agency to acquire the equipment or the percentages of the cost of the equipment provided by the University and by the sponsor federal agency (does not apply to the equipment provided by the federal agency).
 - Location. It includes the building and room number, according to the directory of buildings and inventory of spaces that the Planning Office or equivalent office in each unit provides.
 - Condition of the equipment and date in which there was a change in its condition.
 - Date of disposition of the equipment and method used (destruction, sale, etc.). In case of sale the selling price will be indicated when the University has to compensate to the sponsor agency in proportion to their contribution.
 - If the title belongs to the University or to the sponsor federal agency.
 - If the property is exempt and if it is with conditions or without conditions.
 - Years of useful life.
 - Annual depreciation.
 - Value in books
 - Purchase Order number or Disbursement Document number.
2. The Property Officer will be responsible for taking action with regard to any damage or loss caused to property due to negligence or lack of care by the employee with custody of the equipment. The value of damage or loss shall be determined by the Director or Finance Officer or equivalent official in the corresponding institutional unit. It shall be based on the acquisition cost of equipment damaged or lost, unless the employee replaces it with a similar or substitute in equal or better operating conditions.

G. Physical Inventories

1. There will be annual physical inventories according to article IX-A of the Regulation of Property.
2. During the physical inventory, the liaison or Principal Investigator will verify the existence of the equipment, for what it is used, and if they still use it. They should inform the Property Officer.

3. The liaison will perform the inventory to comply with article IX-C of the Regulations for the Control of the Property that sets: "the taking of inventory will be performed by persons other than the Property Division or Section. This person will be the link between your office and the Property Officer. The inventory will be subject to sampling verification by other person(s) or other mechanism that facilitates or confirms the accuracy of the data contained in the inventory, prior to the final certification by the Property Officer.
4. Any difference between the physical inventory performed and the inventory that the Property Officer keeps on record should be investigated to determine the cause.

H. Institutional unit Director

1. The liaison or Principal investigator will inform the Property Officer of any damage, loss or theft of property.
2. When it is determined loss or theft of property, the director of the unit's inventory or the officer designated by him will conduct an investigation in order to determine the causes and circumstances that occurred in the loss or disappearance of the same. This investigation must be made promptly, at the earliest possible date to the discovery of the irregularity. The collaboration of the Office of Internal Auditors may be requested for this purpose.
3. The unit Director should authorize the transfer of equipment.

I. Materials and consumable property

1. The University will keep the title (the rights) on materials and property that is consumed (wears away) with the use.
2. If there is unused consumable property whose value exceeds \$5,000 when the project or program ends, the liaison and/or Principal Investigator shall inform the sponsor federal agency to determine if they are necessary for other projects or federal programs. If they are not needed for another project or federal program, the University can sell or use them in activities that are not federally funded. In these cases the University must compensate the Federal Government according to their percentage of participation.
3. As a general rule, the University will not use materials or consumable property acquired with federal funds to provide services to non-federal organizations charging a lower rate than other private companies charge for equivalent services. This requirement is valid during the time the Federal Government maintains interest in this

Finance Circular 12-18
March 12, 2012
Page 9

material or consumable property. The University can do otherwise if it is specifically authorized by a federal statute.

Please make this information available to all personnel who manage or are in charge of University property, administration, and finance.

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