

Research Administration Practices (RAP) Sessions

Capital & Fabricated Equipment at Award

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Agenda

RAP Sessions: Targeted skills based educational offerings open to the Research Administration community at MIT. Information gathered and shared with attendees can be taken back to their desks and applied immediately.

- Proposal Stage
- Definitions: Major, Minor, Fabricated Equipment
- Equipment Terms
- Title to Equipment
- Closeout and Disposition
- Property Audits and Inventory Cycle

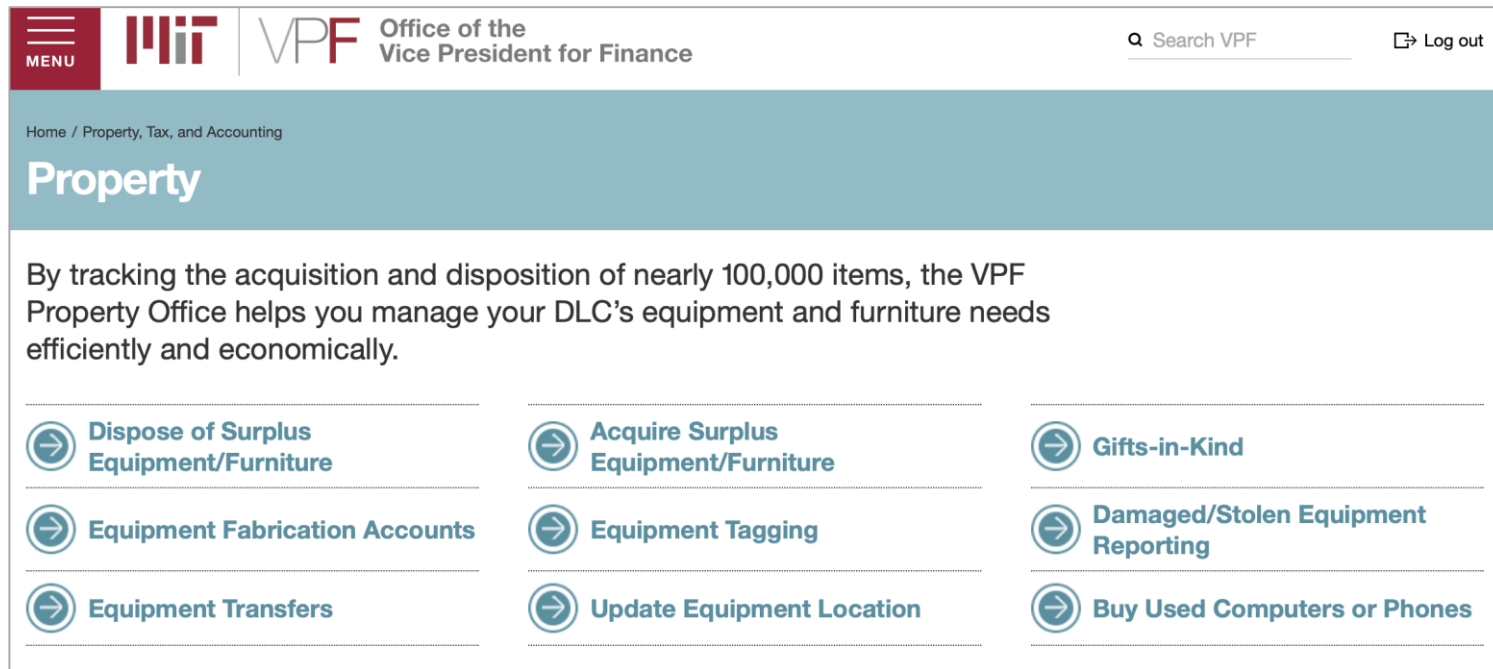
Introductions

Michael McCarthy

Property Manager, VPF - Property Office

MIT Property Office

MIT's [Property Office](#) is responsible for the accounting and asset management of both MIT-owned and equipment purchased for a sponsored project.



The screenshot shows the MIT Property Office website. At the top left is the MIT logo and 'MENU'. To the right is the VPF logo and 'Office of the Vice President for Finance'. Further right is a search bar labeled 'Search VPF' and a 'Log out' link. Below the header is a breadcrumb trail: 'Home / Property, Tax, and Accounting'. The main heading is 'Property'. A paragraph states: 'By tracking the acquisition and disposition of nearly 100,000 items, the VPF Property Office helps you manage your DLC's equipment and furniture needs efficiently and economically.' Below this are nine icons with arrows pointing right, each representing a function: 'Dispose of Surplus Equipment/Furniture', 'Acquire Surplus Equipment/Furniture', 'Gifts-in-Kind', 'Equipment Fabrication Accounts', 'Equipment Tagging', 'Damaged/Stolen Equipment Reporting', 'Equipment Transfers', 'Update Equipment Location', and 'Buy Used Computers or Phones'.

The Property Office [team](#) and [website](#) are excellent resources for information on specific procedures, policies, and instructions for acquiring, controlling, shipping, moving, and disposing of property.

Proposal Budget Development

- If possible, discuss equipment to be budgeted with PI.
- Equipment costs may be determined by catalog or quotes from vendors.
- Budget justification – include detailed description of equipment needs (meet sponsor/solicitation requirements; specific products and potential vendors should be identified whenever possible).
- ***Be as specific as possible!***

Equipment definitions and parameters

All criteria below must be met to be considered equipment.

- an article of nonexpendable tangible personal property. **Nonexpendable** means that the equipment cannot be depleted (unlike lab supplies).
- must have a useful life of more than one year.
- must be moveable, i.e., not be affixed to the building or structure.
- MIT distinguishes between capital (major) and minor equipment.

Major vs. Minor equipment

Capital (Major) Equipment

- Acquisition cost of \$5000 or greater
- Not included in MTDC base
- F&A is ***not*** applied
- GL 421818

Minor Equipment

- Acquisition cost between \$500 and \$4999
- Included in MTDC base
- F&A is **applied**
- GL 421827

Capital (Major) Equipment Threshold

- Capital Threshold is **\$5000. All Capital Equipment is tagged.**
- Tagging of computer equipment is from \$1000 - \$4999 (computers, laptops and servers)
- While we do allow bundling of computer equipment-e.g., a \$3000 computer with two \$1200 Displays-the system is \$5400 and can be considered Capital Equipment 421818 but there are consequences to this.

Fabricated Equipment Characteristics

- Unique, specialized equipment built by the research team
- Not commercially available
- Controlled by MIT or the PI on the project
- **Useful life** of more than 1 year
- Aggregate cost of materials and services is \$5,000 or more (**excluding labor costs**)
- Approved by sponsor, if required

Equipment and Allowability

Capital/Minor

- Subject to contract/grant terms and conditions on acquisition, ownership, and disposition of capital equipment
- Common clauses:
 - All equipment purchases require prior approval
 - Budgeted equipment may be purchased
 - “No Clause”

Fabricated Equipment

- Integral components of fab are allowable
- Some third-party costs (e.g., machine shop) are allowable if 100% dedicated to fab
- Unallowable: Salaries, food, travel, lab supplies, anything not directly related to the fab

Best Practices

Capital/Minor

- Familiarize yourself with equipment terms and conditions on sponsored research awards
- Help facilitate tagging of new acquisitions
- Notify Property Office of any equipment moves, equipment trade-ins, disposal plans, etc.
- **ASK QUESTIONS**

Fabricated Equipment

- Check parent WBS terms and conditions
- Confirm the item isn't a deliverable!
- Monitor spending/progress on fabs during construction
- Double check fab accounts just prior to closeout
- **ASK QUESTIONS**

Project Sponsors: How do they differ?

- NIH and NSF
- DOD, DOE and NASA
- National Labs
- Private Sponsors-can be Private or can be Government

Learn more: [Equipment and Property Terms by Sponsor](#)

Private Sponsors

- Private Sponsors are non-US Government entities and can include for-profit businesses, non-profits, foundations, foreign governments.
- If the Sponsor is sub-awarding work to MIT, this is indicated in the Prime Award field in KC.
- If the Prime is a Government Sponsor, then the Award is considered a Government Award and the terms flow down from the Prime.
- If the Prime is a Private also- e.g., Harvard subawards work from the Bill Gates Foundation, then the Award remains Private.

Check Terms, Title

KC Award: Payment, Reports & Terms

Award Contacts Commitments Budget Versions **Payment, Reports & Terms** Special Review Custom Data Comments, Notes & Attachments Award Actions Medusa

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[time & money](#) [Award Budget](#) [expand all](#) [collapse all](#) [↻](#) [?](#)

Payment & Invoices [▶ show](#)

Contract And Grants Billing [▶ show](#)

Reports [▶ show](#)

Terms [▼ hide](#)

Terms [?](#)

[▼ hide](#) **Equipment Approval Terms (2)**

| | Code | Actions |
|---|---|---------|
| 1 | 24: General purpose equipment unallowable unless primarily used in conduct of research. | |
| 2 | 31: Title to MIT | |

[▶ show](#) **Invention Terms (2)**

[▶ show](#) **Prior Approval Terms (12)**

[▼ hide](#) **Property Terms (1)**

| | Code | Actions |
|---|-----------------|---------|
| 1 | 6: Title to MIT | |

Check Terms

Notice of Award (NOA)

The appropriate terms and conditions appear in the Notice of Award; they can also be found in the Kualu Coeus Award.

Terms:

Equipment Approval Terms:

- Unbudgeted equipment over \$5,000 requires sponsor approval
- Budgeted equipment may be purchased
- Title to equipment costing \$5000 or more that is purchased or fabricated with research funds or cost sharing funds, as direct costs of the program, shall vest in MIT.

Property Terms:

- Title to equipment costing \$ 5000 or more that is purchased or fabricated with research funds or MIT cost sharing funds, as direct costs of the project or program, shall unconditionally vest in MIT

Title to Equipment

Title defines ownership of the equipment

- Types (Title to MIT, Title to Sponsor, Restricted Title)
- Special Clauses that affect Title
 - Approval required
- When does MIT receive Title?

Fabricated Equipment

Request Fabricated Equipment Child Account

Is It a Fab or a Deliverable?

- Fabricated equipment is a new piece of equipment constructed by a department for use in the performance of its research contract or grant.
- Fabricated items delivered to sponsors or sponsor directed third parties before it has been used in place at MIT for at least one year will not be considered Capital Equipment. Instead, the items will be coded as Deliverable End Items and will incur F&A.

Fabricated Equipment Approval Process

What you need to submit (contact [Property Office](#)):

- Diagram/schematic
- Itemized budget estimate of allowable costs including description, quantity, unit cost, and vendor (if known)
- Parent WBS element (Cost Object/Account)
- Start and End date
- Estimated completion date
- Estimate of useful life of finished equipment
- Location of the equipment both during and after assembly
- Contact information of person responsible for the equipment

Learn more about MIT [Equipment Fabrication Accounts](#)

Fabricated Equipment Child Account

- Once all requested information has been submitted and approved, an approval memo is emailed to RAS.
- A ***New Child - Fab Equip*** ticket is created in [OST Service Tracker](#). The Property approval package from the Property Office is included.
- RAS establishes the KC fabricated equipment child award and assigns it an account number.

Fabricated Equipment – DLCI Best Practices

- Check parent WBS terms and conditions
- Confirm one-year useful life and \$5,000 capital equipment threshold.
- Proactively instruct team on allowable G/L codes for fabs in B2P (prevents after the fact JV's)
- Review fab parent account for possible fab charges that need to be transferred to fab child (i.e. McMaster Carr, Thorlabs, Digi-Key, etc.).
- Monitor spending/progress on fabs during construction

Closeout, Disposition, Audit

Closeout: Equipment Disposition

- “Useful life” is a factor in determining disposition
- Equipment may be:
 - Reused
 - Returned to sponsor
 - Transferred to another institution
 - Sold
 - Disposed of

Closeout: Fabricated equipment

- VPF Sponsored Accounting identifies fabricated equipment accounts and notifies Property at closeout
- To be reported to sponsor, equipment must be tagged
 - Challenge: Need a responsible person to identify the equipment
 - **How you can help:** Facilitate the visit by Property
- Value of equipment must tie to SAP/approved budget
 - This will represent fabrication's value in the property database

Government Title Issue

- PI wanted to buy three (3) Servers for her research at a cost of \$10,000 each (total \$30,000)
- PI wanted to use 6 different Cost Objects some Private, some Discretionary and a Lincoln Lab Cost Object
- The problem is that Lincoln Lab would claim title to an item that they paid for-regardless of how much was paid.
- PI was advised that it would be best to either pay \$10,000 for one server using Lincoln funds (but item would have to be returned to them) or other wise pay for the servers with another Cost Object
- PI decided to use a fund account instead of the Lincoln Lab Award.

Inventory

- Biennial Inventory (resumed March 2022, results to ONR)
- Wall to Wall Inventory of all MIT Buildings except dorms
- Negotiated with ONR in order to have approved Property Control System
- Off site areas done as well-Bates, Haystack, IS&T Server farms (Boston, Cambridge), Endicott House, MGHPPCC (Holyoke)

Property Audits

- Performed post-closeout
- Can happen any time
- Different from financial audits
 - Field audits, as opposed to desk audits
- No major findings from audits conducted since 2022
- An approved Property Control System Analysis is needed for MIT to be allowed to purchase equipment. This is done by an ONR Audit.

MIT Asset Sheet

- Prior to 2014, any Capital Equipment item purchase with MIT funds was reported as a MIT Asset
- In FY2014, Capital Equipment items acquired on Government Awards where MIT has Title upon purchase, were added to MIT's Asset Sheet. This was done at the request of PWC to be consistent with other universities.
- In FY2019, a decision was made to include Private Sponsor Capital Equipment to MIT's Asset Sheet. This was also requested by PWC.
- From an Audit perspective, this increases Audit risk. Regardless of Title, any item with remaining book value is subject to Audit.
- If an item is Capital Equipment, Property must be notified before any disposition can be made.



Knowledge check 1:

Senior Research Scientist Frank
Burns, PhD.

Knowledge Check 1



Senior Research Scientist Frank Burns has DOE grant. At proposal stage, he budgeted a \$41,000 for fabricated equipment. Once finished the cost of the fabrication was only \$17,500.

- A. Frank Burns may spend the remaining \$23,500 in the fabricated equipment child account on lab supplies.
- B. \$23,500 was moved to the parent award/account. After closeout, DOE contacted MIT Property Office questioning why actual cost was less than budgeted cost.


```
8 * @link https://dev
9 *
10 * @package _s
11 */
12 if ( ! function_exists( 'incode_starter_setup' ) ) :
13     /**
14      * Sets up theme defaults and registers support for
15      * Note that this function is hooked into the after_setup
16      * runs before the init hook. The init hook is too late for
17      * as indicating support for post thumbnails.
18      */
19     function incode_starter_setup() {
20         /*
21          * Make theme available for translation.
22          * Translations can be filed in the /languages/ directory.
23          * If you're building a theme based on _s, you can also use
24          * to change the language of the theme.
25          */
26     }
27 }
28
```

Knowledge check 2:

Professor Alice Nelson



Knowledge Check 2



Prof. Nelson has a research grant funded by DOE. She contacted the Technical Representative at DOE and explained plans to purchase two servers for a total cost of \$17,000. Terms stated that any equipment not in the Budget requires Prior Approval. When the Final Property Report was submitted to the Sponsor, they asked if the PI had Prior Approval.

- A. DOE accepted verbal okay from the Technical Representative as prior approval.
- B. PI Prof. Nelson had to reimburse the Sponsor for \$17,000



Knowledge check 3:

Professor Jonas Grumby



Knowledge Check 3



Prof. Grumby has a NASA research grant that includes building a robot arm that will be used on a Mars Space Explorer vehicle. Costs are estimated at \$15,000. It may or may not return to MIT. The researcher will be able to remotely control the arm from MIT and will be responsible for collecting and analyzing data for NASA.

- A. The robot arm is fabricated equipment as Prof. Grumby will have control over the equipment even though it is in space.
- B. The robot arm is not fabricated equipment as robot arm may not return to MIT.



Knowledge check 4:

Senior Research Scientist Otis Campbell



Knowledge Check 4



Otis Campbell has an NSF research grant and began building a probe to analyze soil near swamp areas. Estimated budget is \$7,000. After spending \$4,700 on , the PostDoc in charge of the fabrication leaves MIT. No one else is available to do the work and the grant expires.

- A. No item was completed and/or the cost is less than \$5000. \$4,700 costs are moved to the parent and F&A applied to those costs.
- B. Fabricated equipment child account is closed and the Property Office reports the purchased items to NSF.

Resources

[VPF Property Office \(contacts\) \(property@mit.edu \)](#)

[VPF Property Policies and Process](#)

[Equipment tagging](#)

[Update Equipment Location](#)

[Equipment and Property Terms by Sponsor](#)

[RAS Uniform Guidance Cost Principles \(Allowable/Unallowable\)](#)

[RAS: Budget Development > Equipment](#)

We Appreciate Your Feedback

Please use one of the following methods to share your feedback:

- **QR code** below to access the survey using your phone or mobile device



- Click this link (copied to the chat)
https://mit.co1.qualtrics.com/jfe/form/SV_4ZakOZ5Dt0AngjQ
- The link will also be provided in a follow up email

Resources - Questions – Help

Your RAS Contract Administrator

- [By DLC](#)
- [By Sponsor/Agency](#)

RA Support Team – ra-help@mit.edu

Community Drop In Sessions

- Held every Monday (non holiday), 1pm-2pm
- Zoom mtg link: <https://mit.zoom.us/j/91518116791>