Research Administration Practices (RAP) Sessions

Capital & Fabricated Equipment at Award

April 7, 2020

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David Barnett, Fiscal Officer, Research Laboratory of Electronics HQ
Agenda

• DLC Best Practices
• Definitions and Background
• Title to Equipment
• Sponsors
• Property Audits and Inventory Cycle
• Fabricated Equipment
• Closeout
• Resources
Introductions

Michael McCarthy, *Property Manager, VPF - Property Office*

David Barnett, *Fiscal Officer, Research Laboratory of Electronics HQ*
Tips for working with faculty

• Get to know them/their science.
• Try to build trust and rapport prior to sticky situations.
• Coach and explain “why”
Suggestions - proposal stage

• If possible, discuss in person with Faculty, Postdoc or Student working on proposal.
• Budget justification – include detailed description of equipment needs.
• Be as specific as possible!
Bad justification

The account was about to end in the next 45 days and we had $200,000 to spend and could use a laser in the lab.
**Good Justification**

This research project aims to look at defects in diamonds. In order to study the defects in diamonds, the group needs a Solstis laser system to study the defects generated under different light sources. This laser system was included in the original proposed budget/budget justification and satisfies the aims and goals described under Thrust 2 in the Project Narrative from the proposal.
Equipment definitions and parameters

• Equipment is an article of nonexpendable tangible personal property
• 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
Capital Equipment Threshold

• Capital Threshold is $5000
• Tagging of equipment remains at $3000 ($1000 for computers, laptops and servers)
• While we do allow bundling of computer equipment-i.e. a $3000 computer with two $1200 Displays-the system is $5400 and can be considered Capital Equipment but there are consequences to this.
# Major vs. Minor equipment

<table>
<thead>
<tr>
<th>Capital (Major) Equipment</th>
<th>Minor Equipment</th>
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<tbody>
<tr>
<td>• Acquisition cost of $5000 or greater</td>
<td>• Acquisition cost between $500 and $4999</td>
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<tr>
<td>• Not included in MTDC base</td>
<td>• Included in MTDC base</td>
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<td>• F&amp;A is not applied</td>
<td>• F&amp;A is applied</td>
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<tr>
<td>• GL 421818</td>
<td>• GL 421827</td>
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Suggestions - award stage

Prior to purchasing any equipment for a sponsored project the following questions should be asked:

• Is the equipment necessary for the performance of the project?
• Is this equipment allowable? (according to sponsors terms and conditions)
• Is equipment purchase reasonable?
• Is this equipment purchase allocable to the project?
• Is the timing of the purchase consistent with the period of performance? (i.e. not purchased at the end of the project)
**KC Award Terms**

The agreement defines terms and conditions

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<tr>
<th>Terms</th>
<th>Code</th>
<th>Actions</th>
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<td>Equipment Approval Terms</td>
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<tr>
<td>Code</td>
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<td>1</td>
<td>24: General purpose equipment unallowable unless primarily used in conduct of research.</td>
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<tr>
<td>2</td>
<td>31: Title to MIT</td>
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<td>Invention Terms</td>
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<td>Property Terms</td>
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<td>6: Title to MIT</td>
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Notice of Award (NOA)

The agreement defines terms and conditions

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

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

• PI bought two servers for a total cost of $17,000.
• When the Final Property Report was submitted to the Sponsor, they asked if the PI had Prior Approval.
• Terms stated that any equipment not in the Budget needed Prior Approval.
• While the PI thought he had a verbal okay from his Technical Representative there was nothing formalized or documented.
• PI had to reimburse the Sponsor for $17,000.
Project Sponsors: How do they differ?

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

• Private Sponsors are non-US Government entities and can include for-profit businesses, non-profits, foundations, foreign governments.

• RAS makes the determination

• 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-i.e Harvard subawards work from the Bill Gates Foundation, then the Award remains Private.
Inventory

• Biennial Inventory
• 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, MGHPCMC (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 in 2019
• An approved Property Control System Analysis is needed in order 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 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.
Property Audit Timeline

1-2 months pre-audit
Property Office notified of upcoming audit

2-3 weeks pre-audit
Audit agency makes 20-30 item audit sample available to Property Office
• Property Office informs DLC

1-2 weeks pre-audit
Property Office conducts dry run

Day of Audit
Auditors are escorted by Property Office to check listed items
Property Audit Do’s and Don’ts

DO:
• Maintain good communication between DLC and Property Office
  • Property Office relies on department for audit dry run
• Keep good documentation
• Tell the auditors if you need a few days to get answers or documentation requested

DON’T:
• Try to deceive, mislead, or obstruct the audit
• Make unnecessary “small talk” with auditors
  • Some agency auditors are required to have findings for certain % of audits conducted

Bottom line: Give auditors exactly what they want; nothing more, nothing less.
Characteristics of fabricated Equipment

• 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
Fabricated Equipment – DLC tips

• Meet with Postdoc/Student in person before first fabricated equipment proposal.
• Share previously approved fab proposal with Postdoc/Student.
• Mention one year useful life and $5,000 capital equipment threshold.
• I always change start date to the beginning of the project and end date to the end of the project.
• Proactively talk to student about 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.).
Fabricated Equipment Approval Process

http://vpf.mit.edu/request-an-equipment-fabrication-account

What you need to submit:

• 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
Fabricated Equipment Approval Process

• Once all requested information has been submitted and approved, an approval memo is sent to RAS.
• RAS establishes the child fabricated equipment account and assigns it an account number.
• DLC is notified by RAS.
Closeout: Equipment may have a life after project

"Useful life" is a factor in determining disposition

Equipment may be:
- Reused
- Returned to sponsor
- Transferred to another institution
- Sold
- Disposed of
Fabrication Disposal Issue

• We had an award that was long term and the end date of the Fabrications being built under the Award kept getting changed to the Award End Date.

• When Property went to close the Fabrication in 2018, it was noted that the last spend had been in 2009! While we confirmed that the item had been built and was used for over a year, it had been subsequently dismantled and no longer in use.

• We allowed the Fabrication, entered it into our records and disposed it.

• During our A133, the auditor questioned why we built an item and disposed it on the same day! We had to explain the item had actually had been finished in 2009. Lesson-Please keep the End Date accurate!
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 otherwise pay for the servers with another Cost Object

• PI decided to use a fund account instead of the Lincoln Lab Award.
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
Resources

VPF Property Office (contacts) - https://vpf.mit.edu/staff/133 (property@mit.edu)

VPF Property Policies https://vpf.mit.edu/property

Equipment tagging https://vpf.mit.edu/equipment-tagging

Update Equipment Location https://vpf.mit.edu/update-equipment-location
