

Purchase, Use and Disposition of Equipment Funded by University of Arkansas Sponsored Programs

Introduction

This document is intended to serve as formal guidance for University of Arkansas regarding the purchase, use and disposition of equipment costing \$5,000 or more acquired with funds from sponsored programs in like circumstances. The university is committed to ensuring costs incurred in support of sponsored programs are allowable, reasonable and allocable to a particular sponsored award as defined by U.S. Office of Management and Budget's Uniform Guidance ([2 CFR §200.403-405](#)); are in compliance with sponsor requirements; and are administered consistently across the campus for all sponsored programs. Procedural statements support University of Arkansas [Cost Principles Policy](#) by providing definitions and processes for meeting those standards in like circumstances.

Definitions

Equipment is defined in the U.S Office of Management and Budget's Uniform Guidance, [2 CFR 200.33](#), as:

Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000.

In the Uniform Guidance, two main categories of equipment are classified as General Purpose Equipment and Special Purpose Equipment, which are defined below.

General Purpose Equipment is defined in the U.S. Office of Management and Budget's Uniform Guidance, [2 CFR 200.48](#), as:

Equipment which is not limited to research, medical, scientific, or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

Special Purpose Equipment is defined in the U.S. Office of Management and Budget's Uniform Guidance, [2 CFR 200.89](#), as:

Equipment which is used only for research, medical, scientific or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments and spectrometers.

The university also uses the following definitions:

Capital (Permanent) Equipment is defined as a tangible item that is durable, non-expendable, meets the university capitalization rules, and is by itself functionally complete for its intended purpose. Permanent equipment can include both Standalone Equipment and Fabrications that have been placed into service. Permanent equipment may also be referred to as either Capital Equipment or Fixed Assets.

A **Fabrication** is the transformation of materials, supplies and hardware into a one-of-a-kind piece of equipment or scientific instrument that meets a unique research need and that cannot be commercially obtained. Fabrications are expected to be operational, have a useful life greater than one year and have a total value of \$5,000 or greater. A unique characteristic of a fabrication is that all the component parts are integral to the operation of the fabrication and removal of any of the components from the system diminishes its function and its ability to work as originally intended.

Capital Upgrades are improvements that add to the permanent value of equipment and must meet certain accounting standards in order to be capitalized. This means the total dollar value of the improvements are greater than \$5,000 and they increase the useful life, productivity and/or efficiency of the equipment.

Application

Federal Awards

Section [2 CFR 200.439\(1\)\(2\)](#) of the Uniform Guidance states that expenditures for **general purpose equipment are unallowable** as direct costs on Federal awards.

However, expenditures for **special purpose equipment are allowable**, provided they have prior sponsor approval when required. Please note that while Federal regulations allow these expenditures, it is important to review each award's terms and conditions, as specific written sponsor guidelines may be more restrictive.

University of Arkansas considers the following criteria key elements in determining when special purpose equipment charges are allowable:

- The equipment is necessary to fulfill the objective of the program, or
- The program will be negatively impacted by not purchasing the equipment and
- The cost for the equipment is reasonable and represents prudent use of the sponsor's funds.
- All equipment purchases should be ordered, received, and installed no later than 90 days before the end of the period of performance of the award.

Non-Federal Awards

Section [2 CFR 200.403\(c\)](#) of the Uniform Guidance requires that we apply our policies and procedures uniformly to both federally-funded and other activities of the university.

Therefore, University of Arkansas' [Cost Principles Policy](#) and related procedural statements are also applicable to non-Federal awards. The basic criteria for purchasing equipment are similar for non-Federal sponsored programs, but it is also important to be familiar with the particular requirements or restrictions of each non-Federal sponsor.

When allowed by the non-Federal sponsor, a written justification for the purchase of equipment should be provided in order to explain why these are necessary to fulfill the objective of the program, and to ensure that the cost directly benefits the program being charged, even when the non-Federal sponsor may follow more flexible spending guidelines.

Process

At Proposal

Equipment should be identified in the proposal budget justification and justified as to why it is necessary and allocable to the performance of the award. Inclusion in the budget justification is intended to enable the sponsor to review and concur with the need for the equipment purchases. Written justification and/or approval is meant to prevent questions regarding the allowability of costs in the event of an audit.

After an Award is Funded, if sponsor prior approval is **not required:**

In the event that unbudgeted equipment is required after an award is funded, and sponsor prior approval is not required for either the purchase of unbudgeted equipment or the deviation from the proposed budget, the department should follow the campus guidance for documenting budget revisions. Substantiating documentation retained by the department should fully describe the purpose and benefit of the equipment to the specific program in the justification and include the criteria listed above to explain how this purchase is necessary and allocable to the program. The department is responsible for keeping and providing this documentation if it is not stored in Razorgiant with other purchase documentation, in the event the costs are questioned in the future.

After an Award is Funded, if sponsor prior approval is **required:**

For Budgeted Items: On some awards, even equipment that has been listed in the budget must be approved specifically by the sponsor before it can be charged to the award. This is most often associated with contracts governed by [FAR 52.245-1](#) but can also occur with specialized industry contracts. Prior to creating a requisition, the department should contact RSSP with information on the equipment that the department would like to purchase on the sponsored award. The RSSP Grant Specialist will then contact the sponsor and request approval.

For Unbudgeted Items: In the event that unbudgeted equipment purchases require prior approval from the sponsor, the department will need to work with the RSSP Grant Specialist. The purpose and benefit for the equipment, a justification for the deviation from the budget, and an explanation of the other budgeted costs that will be reduced in order to compensate for the unbudgeted equipment purchase should be provided to the

RSSP Grant Specialist who will make a formal request for approval to the sponsor. If the sponsor approves of the unbudgeted equipment purchase, RSSP will notify the department, attach the approval to the requisition and upload the approval documentation into Razorgrant. Research Accounting approval of purchase requisitions can be considerably delayed when the necessary sponsor prior approval has not been obtained, or if adequate supporting documentation has not been provided. Therefore, contact RSSP as soon as possible to avoid unnecessary delays.

Special Requirements for Use, Management, and Disposal

[2 CFR 200.313](#) of the Uniform Guidance provides requirements associated with using, managing, and disposing of equipment purchased with Federal funds. University of Arkansas's [University Equipment](#) policy outlines general procedures and standards by which our campus adheres to these Federal regulations. These standards apply to all equipment purchased with sponsored program funding, whether the funding is Federal or non-Federal. Therefore, please refer to this document for specific campus processes and procedures for the use, maintenance and disposal of all sponsored programs equipment.

Equipment acquired with federal funds must be used on the program for which it was acquired and be made available on other federally sponsored programs on a non-interference basis. In addition to helping maintain adequate records for the equipment, the department is also required to perform regular maintenance in order to keep the equipment in good working order. When the equipment is no longer needed for the program or for other federally funded programs, and there are no other existing obligations to the sponsor, the department can request to dispose of the equipment by following the campus procedures for surplus property disposal. However, Research Accounting must always screen disposal requests for equipment that was purchased with federal funds