United States Government-Owned Equipment

Purpose

This procedure provides instructions to all Project Directors/Principal Investigators (PD/PI), department chairpersons, and all other UT El Paso (UTEP) employees on the procedures necessary for the control of U.S. Government-owned equipment in the possession of UTEP, operating in the capacity of a non-profit research and development contractor. It is based on procedures and policies of the various Government agencies as announced in their respective publications and guidance letters. This procedure details the identification, care, maintenance, utilization, disposition, records, and one's responsibilities with U.S. Government-owned equipment at the time of this revision and may not reflect the most current processes.

Policy

The Vice President of Business Affairs issues this process guideline in accordance with The University of Texas at El Paso’s Handbook of Operating Procedures (HOOP), section 7 Financial Services, chapter 3 University-Owned Property, and Equipment https://www.utep.edu/hoop/section-7/ch-3.html, and chapter 4 Transfer of Capital and Controlled Equipment https://www.utep.edu/hoop/section-7/ch-4.html, as applicable. The use of U.S. Government-owned equipment by UTEP employees and departments is governed by the policies and procedures of various government agencies as outlined in their respective publications and guidance letters. The instructions outlined in this procedure comply with the provisions of Federal Acquisition Regulation52.245-1 https://www.acquisition.gov/far/52.245-1 Government Property. The property system at UTEP is subject to audit review from numerous sources including the Office of Naval Research, State Auditor’s Office, and UT System Internal Audit. Proper care of government-owned equipment is essential because the University may be liable for any U.S. Government-owned items that are lost, damaged, destroyed, or unreasonably consumed.

Procedures

I. United States Government-Owned Equipment-Introduction

A. The following guidance outlines the responsibilities and procedures for acquisition, control, use, care, maintenance, disposition, and reporting of government-owned property.
B. The OSP Research Administrator (RA) is responsible for the implementation of the Government Property Program for UTEP as prescribed by the University’s Property Procedures and Federal guidelines. Subcontractors working for UTEP under U.S. Government contracts or grants and having Government property in their possession or control will comply with the provisions of Federal Acquisition Regulation (FAR), Part 52.245-1(f)(v). Subcontractor’s property systems will be subject to approval by the U.S. Government and UT El Paso.

C. The property system at UTEP is subject to audit review from numerous sources including the Office of Naval Research, State Auditors Office, and UTEP Internal Audit. Any corrective actions needed as a result of these audit activities are the responsibility of the OSP Manager and will be implemented as soon as possible. These procedures will be reviewed annually by the Inventory Department Office to ensure compliance with contractual obligations. Whenever procedures are revised and updated, a copy will be forwarded to the Government Property Administrator (RA).

II. Responsibilities

A. The Principal Investigator (PI) assumes responsibility for the control of Government property at the time it is physically received, and this responsibility continues until the property is officially transferred from their control. The PD/PI, in conjunction with Department/Unit support personnel, has the primary responsibility for the care, maintenance, record keeping, physical inventory, and control of equipment and other property. They must maintain up-to-date departmental records. Transfers typically occur when equipment is reassigned for continuing use under a different Government contract or grant, when equipment is moved to another location other than UTEP as determined by the sponsoring Government agency, or when the Government agency assigns title to UTEP.

B. The OSP Research Administrator (RA) is responsible for:
   1. At budget time – The (RA) must check guidelines for restrictions regarding purchase and ownership of capitalized equipment and advise Principal Investigators and note restrictions in proposal.
   2. At award time – RA must identify “Title vests with” for all capitalized equipment as stated above in the appropriate field on the NOA.
   3. If the title of equipment vests with UTEP conditionally, use note field on the NOA to describe the condition/disposition.

C. Subcontractor

   1. UT El Paso Grants Management (GM) will award subcontracts that identify items to be provided and the extent of any restrictions or limitations on their use. GM shall ensure an appropriate flow down of contract terms and conditions (e.g., the extent of liability for loss of Government property).
2. UT El Paso shall assure its subcontracts are properly administered and reviews are periodically performed to determine the adequacy of the subcontractor's property management system.

3. The information contained in III.C of this guideline will also be required of subcontractors in the event Government-owned property is damaged, lost, or destroyed while in their custody.

D. Authority to Purchase Government Property

1. Prior to the purchase of equipment, the PD/PI will screen available equipment to ascertain whether existing equipment will meet the requirements.

2. The authority to purchase equipment is determined by the contract or grant. PD/PIs and departmental purchasing personnel must be sufficiently familiar with the provisions of the contract or grant to ensure that purchases are not made until approval is obtained from the sponsoring Government agency.

3. An OSP Research Administrator monitors each federal contract and grant account. One of the administrator's specific duties is to ensure that approval has been obtained from the Government agency before the purchase of equipment.

III. Care, Maintenance, and Utilization

A. Responsibility: From the time of receipt until relieved of responsibility by the appropriate Contracting Officer or property administrator, UTEP is responsible for the security, maintenance, and proper utilization of Government-owned property in its custody. This responsibility requires that the PD/PI, as custodian, apply sound business practices in controlling equipment and follow the applicable provisions of the FAR, the related property control procedures of the funding agency, the provisions of the grant or contract and University policies and procedures.

B. Discrepancies Incident to Shipment

a. Government-Furnished Property: When overages, shortages, or damages are discovered upon receipt of Government-furnished property, the PD/PI shall provide a written report to the OSP and the Inventory Department within ten days. This report must contain sufficient facts and pertinent data to enable the ORSP Manager to comply with the required reporting procedures to the sponsoring Government agency.

b. Contractor-Acquired Property: The PD/PI is responsible to take all actions necessary in the adjustment of shortage, overages, or damages in shipment of contractor-acquired property from a vendor or supplier in accordance with local purchasing procedures and sound business practices so as to ensure the proper allocability and allowability of associated costs. This action must be taken in conjunction with UTEP’s Property Management facility and as prescribed by their procedures.
C. Liability of The University of Texas at El Paso: Subject to the terms of the contract and other conditions, UTEP may be liable when shortages of Government property occur; when such property is lost, damaged, or destroyed; or when there is evidence of unreasonable use or consumption as measured by the allowance provided for by the terms of the contract, the bill of materials, or other appropriate criteria. The PD/PI is responsible for expeditiously reporting to the OSP Research Administrator any instances of loss, damage, or destruction of Government property as soon as it is known. The OSP RA will submit a report to the Vice President for Business Affairs and Controller and work with Grant Administration Services to notify the federal Property Administrator. The PD/PI is responsible for providing complete details of the circumstances. The following format should be followed and submitted to the Property Manager within 15 days of discovery:

1. Description of items lost, damaged, destroyed, or unreasonably consumed, including UTEP inventory number.
2. Quantity
3. Incident date, time (if known), and cause of the origin of the loss, damage, destruction, or consumption
4. Accountable federal contract number
5. A statement indicating a current or future need
6. Unit acquisition cost or estimated repair or replacement costs
7. Known interests in any commingled property of which the Government property lost, damaged, destroyed, or unreasonably consumed is (or was) a part.
8. Insurance, if any, covering the Government property or any part of interest in any commingled property.
9. Actions taken by the PD/PI/Department Chairman to prevent further loss, damage, destruction, or unreasonable consumption and to prevent the repetition of similar incidents.
10. Copies of all supporting documentation.
11. Last known location
12. A statement that the property did or did not contain sensitive, export-controlled, hazardous, or toxic material and that the appropriate agencies and authorities were notified.
13. Other facts or circumstances relevant to the determination of liability and responsibility for repair or replacement

D. Preventive Maintenance: The preventive maintenance measures are designed to preserve and prolong the useful life of the property, minimize the incidence of failure
through breakage of its component parts, and promote its full utility through maintenance of high standards of condition and performance. The preventive maintenance program will include the following:

1. Provision of a proper environment for the preservation of the property, compatible with its use in the performance of authorized research.

2. Cleaning and painting, or application of suitable preservative coatings to equipment, as required for surface protection and good appearance as well as proper storage and preservation of accessories and special tools furnished with an item of equipment but not regularly used with it.

3. Routine daily cleaning and lubrication of metalworking machines. A thorough cleaning and lubrication will be scheduled weekly. Removal of sludge, chips, and cutting oils from metalworking machines that will not be used for an extended period of time.

4. A constant surveillance by cognizant persons of all property, especially machine shop equipment and vehicles, for evidence of improper maintenance, malfunction, or wear, and the reporting of equipment shortcomings to their supervisors.

5. A periodic inspection and servicing of equipment to assure detection of maladjustment, wear, or impending breakdown.

E. Storage of Government-owned Property: Only authorized personnel will be allowed in storage areas. The storage areas will be kept clean and have ample fire protection. Outside storage areas will have lights and a fence. Chemicals, hazardous substances, and flammable materials will have separate storage areas in compliance with Federal, State, and Local regulations. Separate storage areas will be provided for:

1. Items temporarily removed from end item
2. Repairable items
3. Serviceable items
4. Generated scrap by metal content

F. Removal of Government Equipment from UTEP: Government equipment is not to be removed permanently without written permission from an OSP Officer. Equipment may be checked out for short periods of time if the following conditions are met:

1. The removal is essential to the research being conducted
2. Repair or testing of the equipment
3. Return to the U.S. Government
4. A written receipt is signed by the person removing the equipment and retained on file by the PD/PI.

5. The inventory record will be updated as to the new location by the PD/PI or by Inventory personnel.

6. All government property being shipped for repair, testing, to another research location, or returned to the U.S. Government will be shipped either on a Government Bill of Lading or paid by contract/grant funds. Equipment will be insured if paid for by contract/grant funds for full value. All shipping documents will be annotated as "Government-owned Property."

7. Proper care shall be taken to ensure that all Government-owned property being moved from one location to another is protected from damage through the use of proper packing, special crates or coverings, and adequate use of handling equipment (forklifts, etc.). Standard safety procedures will be utilized in all instances.

G. Remedial Maintenance: The remedial maintenance measures are designed to correct deficiencies in equipment, as they become known. Remedial maintenance of property will include prompt replacement or repair of worn or broken component parts except in cases where it is not economically advantageous.

H. Capital Rehabilitation: In the event, a piece of Government-owned equipment needs major repairs to bring the item back to its original condition, the PD/PI shall get permission from the Contracting Officer before doing the needed work.

I. Maintenance Records: A maintenance record system will reflect the nature and cost of repair and replacement of component parts of metalworking machines and motor vehicles per the Defense Supply Agency Manual 4215.1 (DSAM 4215.1), and the Defense Industrial Plant Equipment Center (DIPEC) guidelines. Maintenance records will be kept on file in appropriate shops, showing the nature of remedial repairs, the parts replaced, and their cost. Any deficiencies found during routine inspections shall be brought to the attention of the Contracting Officer.

J. Physical inventory. UT El Paso Inventory Department shall periodically perform, record, and disclose physical inventory results. Unless waived by the federal government, a final physical inventory shall be performed upon contract completion or termination. Annual physical inventory results may be submitted by the OSP Research Administrator) to any cognizant federal agency upon request.

K. Utilization of Government Property:

1. Government-owned equipment shall be used only for those purposes related to the assigned contract unless otherwise provided for in this contract or approved by the Contracting Officer.
2. Modifications or alterations of Government property are prohibited unless they are: a. Reasonable and necessary due to the scope of work under this contract or its terms and conditions; b. Required for normal maintenance, or c. Otherwise authorized by the Contracting Officer.

3. The PD/PI, in conjunction with the Department/Unit and OSP, is responsible for determining minimum usage levels of Government-owned property. If actual use drops below this level, an analysis of need shall be made, and retention justified. If there is no longer a need for the item, the PD/PI shall make it known to the ORSP office. The OSP Office, in conjunction with the Grants Administration Office, will request disposition from the federal agency.

L. Transfer of Equipment: UT El Paso is sometimes requested to send Government equipment to other locations. This is normally initiated by the cognizant Federal agency, but sometimes a prospective receiving organization will contact UTEP directly and request the property be sent to them. However, it must be emphasized that no Government-owned equipment may be transferred to another organization without the concurrence of the appropriate Contracting Officer. This is essential to preclude any question of accountability or subsequent liability. The equipment custodian must ensure there has been coordination with the Contracting Officer and should contact the receiving organization to advise them of the shipping arrangements. The PD/PI is responsible for making the actual shipment in accordance with instructions, fund citations, etc., as provided by the OSP Office.

M. Cannibalization of Government Equipment: Cannibalization is the removal or exchange of parts or assemblies from an item of equipment to replace a damaged or worn-out part or assembly of another item of equipment. In keeping with sound maintenance practices, cannibalization of a government property item must not be undertaken until approval is obtained from the appropriate Contracting Officer. If necessary, assistance in gaining this approval may be obtained from the OSP Office.

N. Upon completion of a contract or grant, the OSP Office is required to submit a final inventory or final listing of Government-owned property to the Inventory Department, even for equipment that was entitled to UT El Paso. These inventories or final listings are verified by the PD/PI. It is sometimes possible for UT El Paso to obtain title to the Government property, but the circumstances vary by agency rules and Federal statutes. There are times when the equipment must be crated and shipped to another location. The OSP Administrator will direct this type of transfer and will provide the PD/PI with shipping instructions. In other instances, continued use of the equipment may be arranged under a new contract or grant.

IV. Identification

A. Items to be Tagged: To facilitate inventory control and enhance security, all equipment items, whether University or U.S. Government-owned will have inventory
tags attached. All U.S. Government-owned property will be tagged in accordance with provisions of this section.

B. Tagging: The Inventory Department Office will assign an asset tag to U.S. Government-owned equipment within 7 days after notification that item has been uncrated. Equipment that is contractor acquired and determined to belong to the U.S. Government will be tagged using the University of Texas at El Paso property tag process. The tag will be produced with Property of the U.S. Government and will be placed on each piece of equipment. This information will then be entered into the inventory records as U.S. Government-owned property. U.S. Government-furnished equipment will be tagged in the same manner then entered into the inventory system as U.S. Government Property. If the equipment cannot be tagged because of size, configuration, use, etc., the number may be etched or painted on the item. If this is not practical, a number will be assigned to the item and then entered into the inventory system as U.S. Government property. The record will contain a notation that the number is assigned and not on the item.

V. Records

A. General: Contractors are required to establish and maintain adequate property control records. Unless the Contracting Officer directs otherwise, records of Government property maintained by UT El Paso under the terms of a particular contract are utilized as the official records for that contract. In this regard, the official property records at UTEP are established by OSP and maintained therein. In addition, each PD/PI is responsible for keeping sufficient records to correct and validate all required inventories and reports and to ensure proper control of Government property in their possession. If the PD/PI has more than one contract with a particular Government agency, separate property records for each shall be maintained.

B. These records shall show:

1. Item description to include serial number and model number when available.
2. Quantity received (or fabricated), issued, and balance on hand
3. The UTEP inventory tag number
4. Accountable contract or grant number or equivalent code designation
5. Unit acquisition cost
6. Unit of measure
7. Location (building and room number)
8. Record of internal inventories
9. Disposition
11. Date placed in service (if required following the terms and conditions of the contract).

12. Other pertinent information that will help identify the piece of equipment. In addition to the required information noted above, it is recommended that written justification for keeping equipment for use while equipment is being repaired, recalibrated or upgraded, be maintained.

VI. Disposition of Government-Owned Equipment

The Department shall not dispose of government owned inventory until authorized to do so by the OSP Officer or authorizing official upon notification of disposition by the federal agency.

A. Excess U.S. Government-owned Property: The PD/PI shall identify any excess U.S. Government-owned property. A list of the excess property will be sent to OSP within 14 calendar days of identification of the item(s) as excess. OSP will forward the list to the appropriate contracting officer declaring the equipment as excess and requesting disposition instructions.

B. Predisposal requirements

1. If the PD/PI, OSP, or Grants Administration determines that the property has the potential to fulfill requirements under other contracts, OSP shall request that the Contracting Officer transfer the property to the contract in question, or provide authorization for use, as appropriate.

2. For any remaining Contractor-acquired property, the Contractor may purchase the property at the unit acquisition cost if desired or make reasonable efforts to return the unused property to the appropriate supplier at fair market value (less a reasonable restocking fee that is consistent with the supplier’s customary practices, if applicable.)

C. Inventory disposal schedules

1. Absent separate contract terms and conditions for property disposition, and provided the property was not reutilized, transferred, or otherwise disposed of, the PD/PI in conjunction with OSP staff shall complete the asset workflow, to identify and report:

   a. Government-furnished property that is no longer required for the performance of this contract.

   b. Contractor-acquired property, to which the Government has obtained title under paragraph (e) of this clause, which is no longer required for the performance of that contract.

D. Submission requirements
1. The OSP Office in conjunction with the PD/PI shall submit inventory disposal schedules to the federal agency no later than:

    a. 30 days following the PD/PI's determination that a property item is no longer required for the performance of this contract.

    b. 60 days, or such longer period as may be approved by the federal agency, following completion of contract deliveries or performance; or

    c. 120 days, or such longer period as may be approved by the Termination Contracting Officer, following contract termination,

    d. Subcontractor inventory disposal schedules. UTEP shall require its Subcontractors to submit inventory disposal schedules to the Contractor in accordance with the requirements of section II.C.

E. Tag Removal: The Inventory Office will remove the U.S. Government-owned property tags from the equipment upon notification from OSP and the PD/PI when:

    1. Title to this equipment has been transferred to UTEP

    2. Equipment has been sold or disposed of as scrap

    3. The equipment is transferred back to the federal agency with the title remaining with the federal agency.

    4. The equipment is transferred to another non-federal agency (i.e. another university) with title remaining with the federal agency.

F. Disposition Records: The OSP Administrator will update the disposition records for Government-owned property that is disposed of or have a transfer of title to UTEP.

OTHER RESPONSIBILITIES

Principal Investigators (PD/PI)

- Provides a written report to OSP with a copy to the Inventory Department within ten days when overages, shortages, or damages are discovered upon receipt of Government-furnished property.
- Takes all actions necessary in the adjustment of shortage, overages, or damages in shipment of contractor-acquired property in accordance with local purchasing procedures and sound business practices.
- Reports to ORSP and the Inventory Department any instance of loss, damage, or destruction of Government property as soon as it is positively known.

Grants Management Accounting

- Monitors each federal contract and grant account.
• Assists and facilitates reporting and communication with the federal agency.

Inventory Department

• Conducts a yearly physical inventory of all assets on campus, and with the assistance of the PD/PIs, reconciles any differences against the university records.
• Submits a final inventory or final listing of Government-owned property to OSP.

Applicability

This procedure applies to all UTEP employees and departments that have U.S. Government-owned equipment in their possession.

Definitions

Agency-peculiar property: Government-owned personal property that is peculiar to the mission of one agency (e.g., military or space property). It excludes Government material, special test equipment, special tooling, and facilities.

Cannibalize: Remove parts from Government property for use or installation on other Government property.

Capital equipment: A term used by some Government agencies to identify equipment having an acquisition cost over a certain dollar amount and an expected service life of a certain number of years.

Contracting Officer: Person at the federal agency who approves the contract or grant.

Contractor-acquired property: Property acquired, fabricated, or otherwise provided by the contractor for the performance of a contract and for the cost of which the contractor is entitled to be reimbursed as a direct item of cost under such contract. Title to the contractor-acquired property is vested in either the Government or the contractor as determined by the terms of the contract. If the Government retains title to property that was contractor-acquired under a contract or grant and subsequently transfers accountability to another contract or grant, the property will be classified under the gaining instrument as contractor-acquired property.

Contractor inventory:

A. Any property acquired by and in the possession of a Contractor or subcontractor under a contract for which title is vested in the Government and which exceeds the amounts needed to complete full performance under the entire contract.

B. Any property that the Government is obligated or has the option to take over under any type of contract, e.g., as a result of either of any changes in the specifications
or plans thereunder or the termination of the contract (or subcontract thereunder), before completion of the work, for the convenience or at the option of the Government; and

C. Government-furnished property that exceeds the amounts needed to complete full performance under the entire contract.

**Equipment**: means a tangible item that is functionally complete for its intended purpose, durable, nonexpendable, and needed for the performance of a contract. Equipment is not intended for sale and does not ordinarily lose its identity or become a component part of another article when put into use. Equipment does not include material, real property, special test equipment, or special tooling.

**Expendable property**: Property that is expended or consumed in use. It includes raw and processed materials, supplies, small tools, etc.

**Fabricated Equipment**: Equipment made or constructed from raw or processed materials, supplies, parts, small tools, components, etc. in accordance with the terms of a contract or grant to accomplish specific research purposes or goals.

**Federal Acquisition Regulation (FAR)**: The FAR is the single regulation for use by most federal agencies in their acquisition of supplies and services with appropriated funds. It should be administered in conjunction with agency-specific supplemental regulations.

**Government-furnished property**: Property in the possession of, or directly acquired by, the Government and subsequently furnished to the Contractor for performance of a contract. Government-furnished property includes, but is not limited to, spares and property furnished for repair, maintenance, overhaul, or modification. Government-furnished property also includes contractor-acquired property if the contractor-acquired property is a deliverable under a cost contract when accepted by the Government for continued use under the contract.

**Government Property**: All property owned by or leased to the Government or acquired by the Government under the terms of the contract. Government property includes both Government-furnished and Contractor-acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software.

**Project Director/Principal Investigator (PD/PI)**: A term generically herein to refer to the individual with primary responsibility for a contract or grant. The terms Project Director and Principal Investigator are synonymous in this publication and will be indicated by PD/PI.

**Property Administrator**: means an authorized representative of the Contracting Officer appointed in accordance with agency procedures, responsible for administering the
contract requirements and obligations relating to Government property in the possession of a Contractor.

**Real Property:** Land or rights in land, ground improvements, buildings, etc.

**Sensitive items:** Items of property for which theft, loss, or misplacement could be potentially dangerous to the public safety or community security, and which must be subject to exceptional physical security, protection, control, and accountability. The following types of property should be designated as "sensitive" in the University's property management system. Weapons, ammunition, explosives, narcotics and drugs, radioactive material, hazardous material, hazardous waste, precious metals, and any other item designated by a Defense Agency to be sensitive.

The Code of Federal Regulations section CFR 200.1 contains additional definitions that may be applicable to this guideline, and can be consulted in the following link [https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#page-top](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#page-top)

**Responsible Party**

Office of the VPBA, Comptroller's Office, General Accounting Department, and the Office of Sponsored Projects (OSP)

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