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Next Review:

TITLE: SURPLUS PROPERTY DISPOSAL POLICY

PURPOSE

This document establishes the procedures for the disposal of supplies and designated assets at University Enterprises Corporation. These requirements are used to provide accurate records for the disposition of property and reporting to the CSU Office of the Chancellor. The combination of accurate accounting records and strong internal controls must be in place to protect against theft and detect the unauthorized use of University Enterprises Corporation property.

STATEMENT

The recipient should be aware of the potential adverse impact of buying items in bulk or purchasing supplies toward the end of an award. It should be rare that a recipient purchases supplies which will not be wholly consumed by the project under which they were purchased.

Principal Investigators should use supplies timely to avoid accumulating excess supplies at the termination of the project. Replenishment or stocking up is unallowable. Supplies purchased during the last 120 days of an award will require a written justification explaining the need. These costs could be considered unallowable under the cost principle rules which stipulate that costs must be reasonable and necessary.

1.0 Guidelines and Procedures for the Disposition of Excess Supplies, including cost of computing devices, on Federal Awards.

1.1 Supplies Less Than \$1,000

If the unused supplies have an aggregate “Fair Market Value” (FMV) less than \$1,000 upon the termination of the award, the supplies may be disposed of without any further obligation to the awarding agency.

1.2 Supplies Greater Than \$1,000 and Less Than \$5,000

If the unused supplies have an aggregate FMV value between \$1,000 and \$5,000 upon termination of the award, the awarding agency may, at its discretion, direct the awardee to sell the unused supplies and compensate the awarding agency for its equity share in the current

market value or net sale proceeds. Regardless of whether the Awardee is directed to sell the supplies, it must compensate the awarding agency for its equity share of the current fair market value or net sale proceeds of the property.

1.3 Supplies Greater Than \$5,000 (2 Code of Federal Regulations 200.314)

Title to supplies will vest in the non-Federal entity upon acquisition. If the unused supplies have an aggregate FMV more than \$5,000 upon the termination of the award or completion of the project or program and are not needed for any other federal award, the awardee may retain the supplies or sell them. In either situation, the awarding agency must be compensated for its equity share in the FMV or net sale proceeds of the property.

The value is calculated in the same manner as for equipment (2 CFR 200.313). The awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

As long as the Federal Government retains an interest in the supplies, the non-Federal entity must not use supplies acquired under a Federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute.

1.4 Project Closeout Procedure

To determine if reporting is required, please contact your Sponsored Programs Administrator and provide the details for any unused supplies. Your Sponsored Programs Administrator will assist you in the reporting process.

1.5 Reporting Form Requirements

Requirements for final reporting are based on individual award provisions and the type of property. Generally, at the end of a Federally funded award, recipients are required to compensate the awarding agency for residual unused supplies with a total aggregate fair market value greater than \$5,000 that are not needed for any other Federally sponsored programs or projects.

SF-428, Tangible Personal Property Report

The form consists of the cover sheet (SF-428) and three attachments to be used as required: Annual Report, SF428-A; Final (Award Closeout) Report, SF-428-B; and a Disposition

Request/Report, SF-428-C. A Supplemental Sheet, SF-428S, may be used to provide details on individual items.

Note: If the Federal awarding agency has exercised statutory authority to vest title to acquired equipment in the recipient with no further obligation to the federal government, the recipient is not required to request disposition instructions or to report disposition (i.e., sale or retention for non-federal use) of those items of equipment

2.0 When purchasing capitalized equipment with federal funds, it is the responsibility of Sponsored Programs personnel to comply with institutional policies related fixed asset management and with federal regulations contained in Code of Federal Regulations (2 CFR 200 Section 313) and Property Standards.

Awardees purchasing equipment or equipment components with a purchase price of \$5,000 or greater under federally funded awards are required to comply with specific use, management, and disposition requirements.

Any property transferred to the university from an auxiliary organization shall remain subject to the original funding source requirements and tracked accordingly in the university's fixed asset system. For disposition of federally funded assets refer to Section 9.0 Dispositions of Campus Property and 9.2.3 Federally Funded Equipment).

Federally Funded Equipment—Use, Management, and Requirements:

1. **Title:** Subject to the obligations and conditions set forth in this section, title to equipment acquired under a Federal award will vest upon acquisition to the University. Unless a statute specifically authorized the Federal agency to vest title in the University without further obligation to the Federal government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest to the University subject to the following conditions:
 - a) Use the equipment for the authorized purposes of the project until funding for the project ceases, or until the property is no longer needed for the purposes of the project.
 - b) Not encumber the property without approval of the Federal awarding agency or pass through entity.
 - c) Use and dispose of the property in accordance with requirements outlined below and Section 9.2.3.
 - d) Equipment acquired under a Federal award that passes through

the State (Pass-Through Awards) must be used, managed, and disposed of, in accordance with state laws and procedures.

2. Use of the Equipment:

a) Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be funded by a federal award, and the university must not encumber the property without prior approval of

the Federal awarding agency. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority.

b) Activities under a federal award from the federal agency which funded the original project program or project then;

c) Activities under a federal award from other federal agencies, including consolidated equipment for information technology systems.

d) During the time that equipment is used on the project or program for which it was acquired, the university will also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment and second preference must be given to programs or projects under Federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible. User fees will be considered if appropriate.

e) The university will not use equipment acquired with the federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal statute for as long as the Federal government retains an interest in the equipment

f) When acquiring replacement equipment, the University may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

3. Management of the Equipment: Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part

under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- a) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participations in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- b) A physical inventory of the property must be taken and the results reconciled with the property records at least once every (2) two years as noted in Section 2.6.
- c) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft be must investigated.
- d) Adequate maintenance procedures must be developed to keep the property in good condition.
- e) If the university is authorized or required to sell the property, proper sales procedures will be established to ensure the highest possible return.

Refer to Sponsored Programs Administration ICSUAM 11003.13 Externally Funded Equipment

9.2.2 DISPOSITION OF FEDERALLY FUNDED EQUIPMENT

When original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency (see 3.2.1 Federally Funded Equipment & Property Management), the campus must request disposition instructions from the federal awarding agency if required by the terms and conditions of the federal award.

Disposition Instructions:

- a) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.
- b) If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a

current per-unit fair-market value in excess of \$5,000 may be retained by the university or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the university to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

- c) The university may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the university must be entitled to compensation for its attributable percentage of the current fair market value of the property.
- d) In cases where the university fails to take appropriate disposition actions, the Federal awarding agency may direct the university to take disposition actions.

Refer to 2 CFR 200.313(e). Refer to ICSUAM Policy 11003.13 Externally Funded Equipment and Property Management.
(<https://www.calstate.edu/icsuam/documents/Section11000.pdf>)

9.0 Approval of Dispositions

To ensure proper internal controls and segregation of duties, no item of property shall be sold, transferred, or disposed of outside the campus, without prior approval of the campus defined Property Survey Committee (PSC).

9.1 Types of Dispositions

For prohibited practices refer to Public Contract Code 10334(a) and ICSUAM 5210.00 Prohibited Practices - 300 Appropriation of State Property or Services.

Approval:

Approved by the UEC Board of Directors