

## **Equipment Policy**

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USC has adopted the Office of Management and Budget (OMB) costing regulations under Circular A-21 for equipment capitalization at \$5,000. The equipment definition is as follows:

- Equipment is an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or greater.

Purchases less than \$5,000 are classified as material and supplies (M&S) with the following exceptions:

- **Government Furnished Property (GFP)** is property in the possession of, or directly acquired by, the government and subsequently made available to the university for usage in the performance of a contract or grant. These items must be inventoried as mandated by the sponsoring agency. The items are tracked and recorded in the university's Capital Asset Management System (CAMS) under object code 17013.
- **Government/Sponsor Owned Contractor Acquired Equipment** is university acquired equipment with title vesting with the Government/Sponsor and an acquisition cost of less than \$5,000. This equipment must be inventoried as mandated by the sponsoring agency. These items are treated as an expense that is subject to indirect cost (F&A) burden under object code 17010 and are consider non-capital equipment.
- **University Owned/ Sponsor Funded Equipment** is university acquired non-capital equipment with title vesting with the university and an acquisition cost of less than \$5,000. This equipment must be inventoried and reported as mandated by the sponsoring agency. These items are treated as an expense that is subject to indirect cost (F&A) burden under object codes 17011, 17012.

The following policies and procedures apply to the acquisition of equipment regardless of the source of funding and are in compliance with:

- OMB Circulars A-21, A-110, and A-81,
- Federal Acquisition Regulations,
- California state and local government restrictions, and
- The university's negotiated indirect cost (facilities and administration costs - F&A) Rate Agreement with DHHS (Department of Health and Human Services).

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### **Purpose**

To establish procedures for the management and control of equipment owned by or in the possession and custody of USC. This includes the acquisition, identification, recording, use, care, maintenance, disposition, and reporting of U.S. government and contractor-owned equipment held by the university. These procedures are established to comply with federal regulations with respect to government equipment for which the university is responsible and accountable.

### **Equipment Title/Ownership**

Title or ownership of university equipment acquired with university funds is vested with the university at the time of acquisition. Title to equipment acquired or fabricated with sponsored project funds or with funds provided by a sponsor is determined by the type of agreement and the specific terms and conditions of the contract or grant. Title to equipment received as a donation or gift to USC will vest with the university; it does not vest with an individual.

### **Responsibilities**

The university is responsible and accountable for all equipment to which it holds title. Custodial responsibility for all other equipment rests with the university to the extent that it has explicitly agreed to accept responsibility (government/sponsor owned, loaned/leased, etc.). This includes equipment that is provided under a contract or grant, which may be in the possession or control of a subcontractor. This responsibility is shared by many university personnel and is specifically delegated as follows:

**Equipment Management Department** is responsible for establishing and maintaining a university "Capital Asset Management System" (hereafter referred to as CAMS). CAMS adheres to the screening and reporting requirements of sponsoring agencies, promotes control and accountability of equipment, assists in calculating depreciation for indirect cost recovery, provides data for adequate insurance coverage, and serves as the official equipment record at the university. In addition, the Equipment Management Department:

- (a) Maintains the official equipment records for all university-owned, government-owned, donated, and other sponsor-owned equipment;
- (b) Identifies the equipment to be tagged and affixes the appropriate tag;
- (c) Provides training and guidance to departments on all equipment related issues, from pre-purchases through retirement of equipment;
- (d) Processes the "DD1149 Form" for the shipping and receiving of government owned property to and from government entities;
- (e) Submits written requests to sponsor agency to obtain disposition on equipment owned by the sponsor/government that is no longer needed, or has become inoperable during the performance of the project;
- (f) Submits final property close-outs reports, as required by the sponsoring agency;

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- (g) Prepares and implements corrective action plans in response to audit findings;
- (h) Performs physical inventories in cooperation with the custodial departments;
- (i) Reconciles the physical inventories to the university records;
- (j) Exchanges identification tag number(s) when title is transferred from the government/sponsor to the university;
- (k) Verifies correct usage of equipment object codes and if necessary prepares and processes journal vouchers for object code corrections; and
- (l) Reconciles CAMS with the General Ledger to ensure the accuracy of the university's assets.

**Custodial Departments** are the departments or units at the university that have primary responsibility for the care, maintenance, physical inventory, and control of the equipment in their custody. In addition, custodial departments:

- (a) Initiate requisitions for the purchase of equipment and non-capital equipment on eMarket;
- (b) Assign proper object codes to requisitions;
- (c) Check for funds availability and verify that the purchase is allowable under the equipment terms of the sponsored agreement;
- (d) Screen for equipment availability within department on sponsor funds acquisitions less than \$10,000;
- (e) Participate in the performance of the physical inventory and system audits by identifying the equipment items;
- (f) Provide accurate, timely, and complete information regarding equipment status, and condition (e.g. acquisition, loss, movement to a new location, obsolescence) to the Equipment Management Department;
- (g) Participate in researching and resolving equipment issues; and
- (h) File a theft report to the Department of Public Safety immediately when a theft occurs.

**Principal Investigator** (hereafter referred to as "PI") is the person authorized to initiate requests for the purchase of equipment for his/her project. The PI should ensure that all award terms and conditions for acquisitions are followed and should coordinate all required approvals for equipment purchases with the appropriate departments. In addition, the PI is responsible for:

- (a) The care and maintenance of all purchased equipment;
- (b) Assisting in the completion of sponsored final property reports and physical inventories;
- (c) Ensuring routine maintenance and security of all equipment;

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- (d) Ensuring that the appropriate forms are completed before relocating equipment;
- (e) Checking equipment for utilization or disposal; and
- (f) Notifying the Equipment Management Department of any changes with respect to condition, location, loss, or damages to the equipment as soon as it occurs.

**Vesting Title** - title to equipment is determined at the time of the award of the contract or grant. As stated in FAR 52.245-2 Alternate II (for fixed-price contracts) and FAR 52.245-5 Alternate I (for cost-reimbursement contracts), if purchased equipment costs \$5,000 or greater, title may:

- (a) Vest with the university upon acquisition without further obligation to the government if specified in the contract or grant;
- (b) Vest with the university after the completion or termination of the contract or grant, but may still be subject to the government's right to direct transfer of the title to the government or to a third party within a specified time period as defined by the governmental agency. Transfer of title to the government or a third party shall not be the basis for any claim by the university.

**Acquisition**

All acquisitions of equipment must follow Purchasing Services policies and procedures.

Departments purchasing computer equipment through the USC Computer Store, or nodes through ITS, using sponsor funded ('5') accounts require additional care. General requirements for these transactions include:

- a. Prior approval from Department of Contract and Grants to ensure that the equipment is allowable and authorized by the funding agency.
- b. Purchases within 30 days before the period of performance end date require a written justification and Sponsored Projects Accounting (SPA) approval.

Departments acquiring a *bundled system*, such as multimedia personal computers or workstations, using multiple vendors must fill in the "Capital Asset Management" tab in eMarket and reference the requisition or purchase order number on all orders. If there are accessories listed in the purchase order that do not meet the university's capital equipment definition and their cost is less than \$5,000, a comment/explanation detailing how these separate components will be bundled into a distinctly identifiable equipment unit must be provided on the requisition at the time of acquisition to ensure that all items are related to the bundled system being purchased. This directive is the key for determining whether each unit is defined as equipment, non-capital equipment, or supplies.

Departments acquiring software packages cannot use the equipment object code unless the following criteria are met:

- (a) Software is purchased at the time of computer acquisition.
- (b) Software that is purchased is specialized to the operation of the computer and is valued at \$5,000 or greater.

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(c) Software is purchased for use in a Fabrication/Cluster.

Departments acquiring *accessory* items with a value of less than \$5,000 per unit, for any existing equipment other than a Fabrication/Cluster, must use the material and supplies object code (15XXX).

Departments acquiring accessories or upgrades for a Fabrication/Cluster must note on the "Capital Asset Management" tab on eMarket the name or identification tag number of the equipment item. This will enable the department to purchase the items under the equipment object code.

- **Fabricated Equipment** is equipment that is *constructed and developed* at the university by combining discrete components and/or materials into one identifiable unit. In order for equipment to be considered a fabrication, *all* components must work as one unit. Parts alone are not considered a fabrication. The finished fabrication must have a unit cost of \$5,000 or greater and a useful life of one year or more.
- **Computer Clusters** are acquired in place of larger supercomputers to perform a task usually assigned to a supercomputer. A cluster consists of multiple computers individually having an acquisition cost of less than \$5,000, but with an aggregated cost for the cluster purchase of \$5,000 or greater. In order for an item to qualify as a Cluster, all of the components must work together as parallel computing units for a minimum of 3 years, the computer cluster must be intended to serve a specific purpose, and the need for a computer cluster must be clearly justified and documented.

Departments acquiring equipment for fabrication that will be *consumed* (e.g., wafers, circuit boards, photo masks) must use the "Pass Through" object code (07402) for this type of acquisition.

Equipment that is being fabricated at the university is recorded into CAMS and the assigned barcode label is kept in a folder until the PI or PI designee notifies the Equipment Management Department that the fabrication is complete.

Departments acquiring equipment as a deliverable (delivered to another entity), as directed specifically in the contract, must use the "Pass Through" object code (07490). Deliverable items are purchases that are delivered directly to another entity and will never be in the possession of the university. The university is not accountable for this type of equipment nor is it required to tag deliverable equipment.

Departments may be provided *Government Furnished Property* (GFP) which is equipment directly acquired by the government and subsequently furnished to the university for performance of a contract. The department is responsible for forwarding the DD1149 Form or any other shipping document to the Equipment Management Department immediately upon receipt of the equipment. GFP may not be commingled with university equipment unless prior approval is obtained from the Administrative Contracting Officer. Title to GFP vests with the government.

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GFP is recorded in CAMS at the time of receipt: Equipment Management scans and retains all documentation.

Custodial departments are responsible for storing all records related to sponsor-owned equipment by scanning and uploading the documents to CAMS using the “Notes and Attachments” tab of the asset eDoc. These records are referred to as “supporting documents” and are used for audit purposes. A typical file should include the following:

- (a) Approval to purchase, if required by the sponsor;
- (b) Any maintenance or warranty agreements;
- (c) Shipping records;
- (d) Off-campus Equipment Verification Listing;
- (e) Shipping documentation for Government Furnished Property ("DD 1149 Form" or Letter of Transfer); and
- (f) Repair, maintenance, and calibration records if the equipment is government-owned.

Equipment may be acquired through *transfer of equipment* to the university from other institutions. Departments must notify Equipment Management of equipment transfers from another institution or agency to the university. Unless otherwise stated, title of equipment vests with the university at the time of the transfer.

Equipment may be acquired through *donations* (gifts) from outside sources. Departments receiving donated equipment must notify University Advancement and provide the gift documents for the recording and capitalization of the donated equipment.

Equipment may be acquired by exercising the *lease with an option to buy* installment agreement. When equipment is leased with the intent to purchase, the requestor must assign the equipment object code (17xxx) to the requisition if the equipment meets the university capital equipment criteria. If the department is doing a straightforward lease and not exercising the option to buy, the requestor must assign the material and supplies object code (15xxx). All leases must be pre-approved by the Treasurer’s Office.

Used equipment may be acquired by *interdepartmental acquisition* from another department or from Surplus Sales. Surplus Sales or the department selling the equipment must notify Equipment Management electronically by logging in to CAMS and making adjustments to the equipment record.

*Incoming loans* are comprised of equipment which has been provided to the university free of charge, for a specific period of time by an institution or individual. Loans originate primarily for manufacture evaluation, clinical trial support, and other sponsored research support. Ownership during the loan period resides with the lender. Equipment Management does not track or record any loaned equipment. The accountability for this type of loans rests with the department receiving the equipment.

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Equipment that is being used as a *trade-in* for a new piece of equipment must be identified on the new requisition. The tag number of the old piece of equipment must be noted on eMarket by filling in the “Capital Asset Management” tab to ensure that the equipment being traded in is retired from CAMS.

A department must notify Equipment Management via email at [equipmgm@usc.edu](mailto:equipmgm@usc.edu) regarding any equipment that has been tagged and is now being *exchanged or returned* to the vendor (without cost) for a new piece of equipment.

### **Object Code Usage**

Special care should be taken to ensure the proper assignment of object codes. The responsibility begins with the department that initiates a requisition for the purchase of equipment and non-capital equipment. The department and Purchasing Services will ensure that the appropriate object code is used based on the following criteria:

- Equipment purchases of \$5,000 or greater use the applicable object codes within object code 17xxx, and
- Non-capital equipment purchases use object code 170xx if units must be inventoried as mandated by the sponsoring agency and if acquisition is less than \$5,000. The object code 170xx should only be used on sponsored (‘5’) accounts.

The following is a list of equipment object codes:

- 17010 for the purpose of *non-capital equipment* with a dollar value of \$500 or greater *but* less than \$5,000 that must be inventoried as mandated by the sponsoring agency
- 17011 for the purpose of *non-capital equipment* with a dollar value of \$500 or greater *but* less than \$5,000 that is agency awarded to be budgeted/purchased as equipment and must be inventoried, (Equipment Management is required to submit a Final Equipment Report)
- 17012 for the purpose of *non-capital equipment* with a dollar value of \$500 or greater *but* less than \$5,000 that is agency awarded to be budgeted/purchased as equipment, (Equipment Management not required to submit a Final Equipment Report)
- 17100 for the purchase of *general equipment*
- 17200 for the purchase of *computer* or computerized equipment only
- 17300 for the purchase of *photocopy* equipment only
- 17500 for *vehicles* charged against non-CIP (‘69’) accounts
- 17900 for the purchase of *scientific equipment* and
- 07490 for *equipment bought and passed through* to non-university locations

The following is a list of equipment object codes for use acquiring equipment with Construction In-Progress (‘69’ CIP) Accounts

- 44810 for furnishing > \$5,000

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- 44820 for equipment
- 44821 for moveable equipment - general
- 44822 for moveable equipment - computers
- 44823 for moveable equipment - photocopiers
- 44830 for fixed equipment
- 44840 for purchases of auto/vans
- 44850 for scientific equipment

### **Receipt of Equipment**

Upon receipt, the department will thoroughly inspect all equipment to ensure that it is as ordered and undamaged. If the shipment is complete and is in good order, the receiving department should log in to eMarket and complete a receiving document which will authorize payment. When the quantity or description of the equipment received differs from the shipping document, only that quantity or description of equipment actually received is recorded on the official receiving document, and the department must rectify any discrepancy with the supplier.

In the case of GFP, the receiving department becomes responsible for such equipment upon delivery and must immediately notify the Equipment Management Department so the equipment can be properly tagged and recorded.

If a damaged shipment of GFP is received, the receiving department must complete the section "Report of Loss, Damage, Shrinkage" on the bill of lading and forward to the Equipment Management Department which will report the incident to the appropriate agency.

### **Identification of Purchased Equipment (Tagging)**

The Equipment Management Department must identify all newly-acquired capital or sponsor-funded equipment with the appropriate identification tags and enter all pertinent information regarding the equipment into CAMS.

Equipment Management staff is responsible for identifying and affixing an identification tag to equipment. Once staff has located and identified the equipment, they will attach either a university or a government tag in a position which is visible and will not interfere with the operation of the equipment. A government tag ("G" tag) will be assigned to equipment when the Sponsoring Agency retains title or if the equipment is government furnished. If a tag cannot be applied to the equipment, Equipment Management staff will identify the equipment as untaggable ("X" tag) and all pertinent information will be entered into CAMS. For untaggable equipment, the actual identification tag will be affixed to the tag log and maintained in the file.

Equipment Management staff will scan the assigned tag, location, room, manufacture, model, and serial number. This information will be transferred to CAMS through an upload process once the staff has returned to the office.

GFP is identified with the "G" tag and entered into CAMS under the account number assigned to the particular project. The university has also established a unique object code for the

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identification of GFP. The property is recorded at the original acquisition cost, as indicated on the transfer or receiving documentation. If the value is not indicated on the documents, the Equipment Management Department must obtain the value.

Auxiliary and accessories items that are easily separated from the main item and have a value of \$5,000 or greater will be tagged and recorded, including their individual cost. If the components are attached to a parent item, the components will be entered in CAMS as a child of the parent identification tag number (e.g., 123456.1) and their price will be entered as an individual cost.

During the fabrication process, an identification tag number is assigned and entered into CAMS with the tag type as "Fabrication". Upon completion of the fabrication, the tag is physically affixed to the main unit.

Equipment that is leased with an option to buy is tagged and added to CAMS as soon as an installment payment is made against the purchase order. Additional installment payments are added to the asset record as they occur.

If the equipment is received outside the Los Angeles area, the responsibility of affixing the identification tag to the equipment will be delegated to the receiving department. The Equipment Management Department will provide the department with a copy of the purchase order and the appropriate tags to be affixed to the equipment. Once all required information is completed (such as model, serial number, manufacture, room, and locations), the information is returned to the Equipment Management Department for review and update into CAMS.

**Types of Identification Tags** – the university uses two types of barcode identification tags to identify equipment ownership. Figure one (below) is an example of a "*University*" identification tag that is affixed to any equipment where title vests with the university. Figure two (below) is an example of a "*Government/Sponsor*" identification tag that is affixed to any equipment where title vests with the government or the sponsor.



Figure 1



Figure 2

These are the only official identification tags used by the university. However, other sponsoring agencies, such as the National Institute of Health ("NIH") or Jet Propulsion Labs ("JPL"), may provide their specific tag to be affixed to their equipment along with the university's tag.

**Reassignment of Identification Tags** - capital equipment is identified as university-owned or sponsor/government-owned equipment as long as it is in the custody, possession, or control of the university. The barcode tag is only removed or obliterated from the equipment when the equipment is scrapped, disposed of, or when the title is transferred from the sponsor/government

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to the university. In the case of a transfer, the identification tag will be changed from a "Sponsor/Government" tag to a "University" tag.

Should an identification tag accidentally or mistakenly be removed, obliterated, or defaced, the equipment is retagged using a new identification tag number. The old tag number will be deleted and changed in CAMS. This practice is also applied when an item is returned to the vendor for a no cost exchange. The new equipment received will be retagged and all applicable information changed in CAMS.

**Maintenance of Records**

The Equipment Management Department maintains CAMS, which is the official record of all capital and non-capital equipment as mandated by the university and sponsoring agencies. Any other department shadow system will not be recognized as an official means of documenting or reporting equipment for the university.

CAMS is the primary source the university uses to provide mandatory reports to sponsors, depreciation information for indirect cost recovery, equipment information to university departments, and for the university to manage and track capital equipment. It provides the following information:

Field Name	Description
Identification Tag Number	A unique identification number issued by the university and physically affixed to the asset unless the asset cannot accommodate a tag. Child assets do not have physical identification tag numbers and are assigned virtual tag numbers, consisting of the parent asset's physical tag number followed by a decimal point and a one-to three-digit extension.
Asset Number	A system-generated unique identification number that is assigned when the asset is created in the system.
Title Of Equipment	Title or ownership of equipment.
Parent Asset Number	This is the system-generated Asset Number assigned to the parent asset when assets are associated in a parent-child relationship.
Organization Owner Chart of Accounts Code	The default value of 'SC' in this field should not be changed.

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Organization Owner Organization Code	The Organization Code associated with the asset's owner account.
Organization Owner Account Number	The account number of the owner account.
Campus	The code identifying the campus where the asset is physically located.
Building Code	The code identifying the building where the asset is physically located.
Room Number	The room number of the room in the building where the asset is physically located.
Asset Type Code	A code that classifies types of assets into categories and determines the anticipated life of an asset.
Asset Status Code	A code indicating the current status of the asset.
Asset Condition	A code representing the last recorded condition of the asset.
Vendor Name	The company or person who sold the asset to the university and to whom the first payment was made.
Manufacturer	The name of the company or person that manufactured the asset.
Model Number	The manufacturer-assigned model number of the asset.
Serial Number	A unique identification number assigned to the asset by the manufacturer.
Asset Description	Free-form text that describes the asset. For assets coming into CAMS from the USC eMarket, this is the catalog (or user-entered) description on the eMarket requisition. Equipment Management may add notes to the end of the description, but a user can search for assets based on the asset description from their catalog orders.
Agency ID Number	The ID number assigned to an asset by the external agency that has furnished the asset.

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Old Identification Tag Number	When identification tag numbers are defaced or missing, a new tag number is assigned to the asset. When new tags are assigned to assets, the previous tag number is moved into the Old Tag Number field on the Global Location Document. Note that when ownership of the asset is changed, a new identification tag may be assigned. The university maintains a separate list of tag numbers for government and sponsor-owned assets versus university-owned assets. The Identification Tag Numbers of sponsor and government-owned assets start with a “G” prefix.
Secondary Organization Code	This data field is used to internally identify the school, department, or organization for which the asset accountability is being transferred to. This number is independent of the university’s tagging system.
Total Cost	The recorded total cost of the asset.
Payment Sequence Number	A system-assigned number identifying the order in which payments were processed.
Payment Purchase Order Number	The number assigned to the Purchase Order for which the payment is posted.
Payment Document Number	The transaction document number that generated the capital expense.
Requisition Number	The requisition number of the USC eMarket requisition associated with payments for the asset. For assets that were imported into CAMS from the legacy EQP system, this number will come from EQP data; going forward, it will come from the USC eMarket requisition associated with the asset’s purchase.
Document Type	The document number identifying the eDoc that generated the capital expense associated with an asset payment. For assets that were imported into CAMS from the legacy EQP system, the document number will have an EQP prefix.
Chart Code	The code for the owner account that is responsible for an asset payment. By default, this is always ‘SC’.

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Organization Code	The code associated with the school or division account that is responsible for an asset payment.
Account Number	The account that is responsible for an asset payment.
Object Code	A code used to classify the transaction, identify asset categories and type of funding.
Fiscal Year	The fiscal year in which an asset payment was posted to the General Ledger.
Fiscal Period	The accounting period during which an asset payment was posted to the General Ledger.
Posting Date	A time period during which an asset payment was posted to the General Ledger.
In-Service Date	A time period during which the asset was first placed in service and became eligible for depreciation.
Amount	The portion of the cost of the asset paid by a specific account for a given payment.
Total Cost	The recorded total cost of the asset.
Asset Status Code	A code indicating the current status of the asset.
Asset Type Code	A code that classifies types of assets into categories. The anticipated life of an asset is based on its asset type.

**Storage and Movement**

When equipment is temporarily idle, but is required for authorized future use, the PI or PI designee must ensure the equipment is stored with adequate security and protection and that controls and inspection continue to be provided.

If equipment needs to be stored on a temporary basis (such as during room or lab renovations), Equipment Management must be notified of the current status and location of the equipment. The status of items should be reviewed every six months for possible use or to request disposal. If equipment has been stored for a considerable period of time and there are no future plans for use, the equipment is then considered excess. All excess or surplus equipment must be reported

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to the Equipment Management Department so it may determine disposition. The university can only take depreciation or indirect cost recovery on items that are “usable” and in “use.”

The relocation of equipment from one area to another is defined as “movement.” Government or sponsor-owned equipment may not be moved or loaned to an off-campus site unless the PI is granted permission from the sponsoring agency. The PI or PI designee should contact Equipment Management and work with them to prepare a movement request or a loan agreement. Once a response is received, the PI will be contacted and notified of the agency’s decision. If the request is approved, Equipment Management adjusts the asset records to reflect the movement.

When a movement request is for a loan of equipment, the PI or PI designee initiates a loan document for the asset using CAMS and entering all required information. Loan documents are routed to Equipment Management for approval. When a loan is terminated or extended, the property custodian logs in to CAMS and updates the loan document as a return, or renews the asset loan by changing the expected return date.

Permanent movement of equipment assets from the university to another entity is called a transfer. (See **Transfer** section below).

CAMS must contain current location for all equipment. Equipment Management must be notified of any change in condition or location of equipment, including equipment that is idle. In the case of portable equipment (e.g., laptop computers, cameras, etc.) assigned to an individual, the department must inform Equipment Management of the name and address of the individual who will be listed under the secondary location.

Procedures for the following situations are available at:

<http://fbs.usc.edu/depts/eqp/page/8990/pol-and-proc-home/>

- Government-owned equipment needs to be moved off-campus temporarily
- A loan is terminated, or will be extended for a longer period of time
- University-owned equipment is loaned to another department within the university for a period of time, or returned back to the lending department
- Equipment is loaned to faculty, staff, or students for off-campus use for a university program

### **Physical Inventory**

The physical inventory is performed on a biennial basis to verify the condition, location and usage of capital equipment owned by the university, as well as government-owned property. The departmental custodian and the PI, or their designee, in conjunction with Equipment Management, conducts the physical inventory. In addition, inventories may be required to be performed at the close of a sponsored agreement or when warranted. Procedures for this inventory are available at <http://fbs.usc.edu/depts/eqp/page/8990/pol-and-proc-home/>.

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## **Reports**

Final close-outs/annual reports mandated by the government or sponsoring agencies may require PI assistance in order to meet reporting requirements.

Federal Acquisition Regulation (FAR) Subpart 45.505-14 and OMB Circular A-110 Subpart C.33 require contractor and grantees to submit annual inventory reports of government property held under DoD and NASA agreements. The reports for DoD and NASA contracts or grants in effect as of September 30 are due no later than October 15 of the same year.

Government equipment held under NASA contracts must be reported on "NASA 1018 Form" in accordance with NASA FAR Supplement 18.45.7101-1. Negative reports are also required.

Equipment Management submits the NASA 1018 Forms and a detailed list of all equipment for each contract/grant of government-owned/contractor-held property. The reports are submitted to the deputy chief financial officer of NASA no later than October 15 of each year. Jet Propulsion Laboratory (JPL) subcontracts are submitted directly to JPL in September of each year. NASA awards administered by the Office of Naval Research (ONR) are submitted to the administrative contracting officer at ONR San Diego.

Government equipment held under DoD contracts must be reported on "DD 1662 Forms" in accordance with the Defense Federal Acquisition Regulation Supplement (DFARS) Clause 252.245-7001. Negative reports are not required.

Equipment Management submits the DD 1662 Forms and a detailed list of all equipment for each DoD contract in the custody of the university to the ONR (when administered by ONR) or to the agency specified on the award no later than October 15 of the same year.

Subcontractors are not required to submit NASA 1018 Forms, but must submit all necessary data to the university. The university as the Prime Contractor is responsible for incorporating the subcontractor's data into the NASA 1018 Form.

## **Equipment Usage**

The PI should restrict usage of equipment acquired under a specific contract or grant to the purposes of that contract or grant unless otherwise noted on the award agreement. Unless a contract provides authorization to use government equipment on other contracts or grants, the PI must obtain written approval for use from the Administrative Contracting Officer.

In accordance with OMB Circular A-110: "The recipient shall not use equipment acquired with Federal funds to provide services to non-Federal outside organizations 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."

## **Care and Maintenance**

The custodian must provide the care necessary to maintain all equipment in the condition received, to ensure equipment's maximum useful life.

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In addition, for government-owned property, the PI or PI designee must provide a preventive maintenance program (e.g., lubrication, cleaning, calibration, and inspection on a regular schedule). Maintenance records must provide description and date of maintenance actions performed, and details of inspection and deficiencies discovered or corrected, as well as the condition of the equipment. The PI must indicate this condition during the physical inventory. Prior to performing any major repair or rehabilitation at cost to the government, the PI must obtain written approval from the Administrative Contracting Officer or Property Administrator.

### **Subcontractor Control**

OMB Circular A-110 and Federal Acquisition Regulations 45.510 apply to each agreement entered into by the university whereby government equipment may come under the control of a subcontractor. Whenever a subcontractor is in possession of government equipment, the university will ensure that subcontractor has a federally approved property system that is in compliance with the requirements of FAR 45.510, OMB Circular A-110, and other applicable federal regulations. Each subcontractor must submit equipment reports to the university in such a manner and frequency as to allow the university to properly complete all required reporting. The subcontractor will assume responsibility and obligations of the equipment, including university-imposed reporting requirements, title transfers and final property closeouts.

### **Disposal**

Excess university-owned equipment in working condition but no longer required by a department should be sold through Surplus Sales in accordance with the university policy.

Procedures for dealing with university-owned equipment that has been damaged beyond repair, lost, or stolen are available at <http://fbs.usc.edu/depts/eqp/page/8990/pol-and-proc-home/>.

When government-owned property becomes excess to the contract or grant for which it was provided, it is screened against the need of other contracts and grants prior to being declared excess to the university. If there is need for the equipment within the university, the Administrative Contracting Officer is asked for authority to transfer the equipment to another contract or grant for continual use (see **Transfer** section). If there is no need for the equipment, a letter and a complete list of the excess equipment is submitted to the Administrative Contracting Officer requesting disposition instructions.

When government-owned property becomes excess to the contract or grant, the PI or PI designee must contact Equipment Management for disposition instructions. The equipment cannot be disposed of until the sponsoring agency has provided approval.

### **Transfer**

#### *Relief of Responsibility*

The PI is responsible for notifying Equipment Management of all cases involving loss, damage, or destruction of government/sponsor-owned property as soon as the facts become known. Equipment Management will immediately notify the Administrative Contracting Officer by mail

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and report all factual data as to circumstances surrounding the loss, damage or destruction, in accordance with FAR 45.504 and the DOD Property Manual 4161.2-M.

The PI must investigate and provide to Equipment Management a complete statement including:

- (a) Date of incident;
- (b) Description of equipment and identification tag number(s);
- (c) Full narrative of the incident, including location, etc.;
- (d) Corrective action to be taken to prevent recurrence; and
- (e) Copies of supporting documentation (e.g., DPS or police report).

*Transfer of Title to the University (relief of stewardship)*

Equipment Management is responsible for requesting the transfer of title from the sponsoring agency to the university, which is done at the time of the terminated Award Property Close-out. A letter, along with the final property list, will be submitted to the sponsoring agency requesting transfer of title or disposition instructions.

Once title transfer has been granted, CAMS will be updated to reflect changes in ownership from "Government" or "Sponsor" to "University." The government barcoded "G" identification tag will be removed from the equipment and replaced with a new university barcoded identification tag.

*Transfer of Government Equipment*

Transfers of equipment where title vests with the government require that the PI must contact Equipment Management to process the transfer and work with Equipment Management to prepare the "DD1149 Form" which must be approved by the sponsor project manager before the asset may be permanently transferred to another entity. Upon approval, CAMS will be updated to reflect changes.

*Transfer to another Institution*

Prior to transferring any equipment to another institution, regardless of equipment ownership, the PI must obtain, fill out, and submit a "Relinquishing Form" on all *active* accounts to the Department of Contracts and Grants, which will then forward the form to the appropriate departments to gather all required signatures. Once signatures have been completed, the Relinquishing Form is forwarded to Equipment Management and any equipment under the award will be removed (retired as transfer in CAMS).

If equipment ownership vests with the university and the award is *terminated*, the PI must submit a list of the equipment to the appropriate dean for approval to transfer the equipment. Once dean approval is granted, the PI or custodial department must forward the list of equipment to Equipment Management for removal (retired as transfer in CAMS).

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### *Transfer between Departments*

When university-owned equipment is transferred between departments, the department transferring the equipment must notify Equipment Management so a change of custody and responsibility can be made in CAMS. No change will be made to the recorded value of the equipment.

When contractor-acquired equipment is transferred within the university from one contract to another and the title vests with the sponsor, it becomes GFP. Equipment Management must document all transfers to ensure accuracy of equipment records and completion of all reporting requirements.

### **Property Closeouts**

If a property closeout is required immediately upon termination or completion of a contract or grant, Equipment Management, in coordination with the PI or PI designee, will perform a physical inventory of all applicable equipment to ensure it reconciles to the university general ledger.

Equipment Management will submit a Final Property Report to the Property Administrator or the Administrative Contracting Officer within 60-90 days upon termination or completion of a contract or grant. This report will include a complete equipment list and certification as to the quality and quantity of all items in the final inventory. All items which have already been directed or authorized for disposition by the Administrative Contracting Officer will be excluded from the equipment list. The university will request disposition instructions or relief of accountability via the following:

- (a) Reasonable and proper consumption of property in the performance of the contract or grant;
- (b) Retention of the equipment for which the government received consideration with approval of the Administrative Contracting Officer;
- (c) Shipment from the university premises;
- (d) Transfer of title to the university;
- (e) Abandonment in place by the government; or
- (f) Loss, damage, or destruction of allocated equipment.

The Administrative Contracting Officer may waive the closeout requirements if the equipment applicable to the completed contract or grant is authorized for use on a follow-on contract or grant. In those instances, Equipment Management will provide a complete inventory list of all equipment to the Administrative Contracting Officer along with a letter indicating that record balances have been transferred and that the university accepts responsibility and accountability for the equipment under the terms of the follow-on contract or grant.

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### **Capitalization**

Any piece of movable or tangible equipment which has a value of \$5,000 or greater and a life expectancy greater than a year is recorded on the university's general ledger as a capital asset. The recorded cost is the net invoiced price of the equipment, modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for its intended purpose. In addition, acquisition cost may include ancillary charges, such as taxes, duty, freight, installation and protective in-transit insurance.

*Donations* to the university by an outside party other than the federal government are recorded as follows:

- Donations from corporations (e.g., Hewlett Packard, IBM) are recorded at a fair market value that is indicated on either the official letter from the corporation, the invoice, or the price list.
- Donations by private individuals are recorded at the fair market value indicated by the appraisal company or a private appraiser.

The recorded cost of equipment that has been *fabricated by a department for use in connection with a grant or contract* is the total sum of its component parts, including the cost of materials, supplies, and fabrication cost.

The recorded cost of *fabricated system equipment*, such as computer systems (e.g., payroll system, student registration, and financial aid system), includes hardware and software development costs, as well as all labor costs.

### **Depreciation of Equipment**

For indirect cost purposes, equipment is classified into six categories with depreciation as indicated:

- Computers – 4 years
- Photocopiers – 10 years
- Scientific equipment – 7 years
- General equipment – 10 years
- Vehicles – 9 years
- Fixed equipment – 10 years

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## **Definitions**

**Accessory Items** are items which facilitate or enhance the operation of plant equipment, but are not essential for its purpose.

**Administrative Contracting Officer** is the duly authorized individual delegated by the appropriate authority to enter into a contract, and thereafter administer the contract, on behalf of the federal government or sponsoring agency.

**Agency** is an entity (e.g., organization, corporation, foundation, or person) from which the university derives external support through contracts or grants.

**Auxiliary Items** are items without which the basic plant equipment cannot operate.

**Award** is a legal document providing external support. Awards include grants and/or contracts with external sponsors.

**Capital Equipment** is equipment that is an article of non-expendable (tangible) personal property having a useful life of more than one year and an acquisition cost of \$5,000 or greater per unit. Items that cost less than \$5,000 or have a useful life of less than one year are considered materials and supplies.

**Consumption** is equipment that is consumed as authorized, in appropriate amounts, and with reasonable spoilage and/or scrap.

**Contract** is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriate funds that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards, job orders or task letters issued under basic ordering agreements, letter contracts, orders (such as purchase orders), under which the contract becomes effective by written acceptance or performance, and bilateral contract modifications. Contracts do not include grants and cooperative agreements.

**Contractor** is the organization, or a separate entity of it (such as an affiliate, division, or plant) that performs its own purchasing. For purposes of this document, the university is the contractor.

**Contractor-Acquired Property** is property acquired or otherwise provided to the contractor for performing a contract and to which the government has title (FAR 45.101).

**Custodial Department** is the department at the university that is responsible for the physical control of the equipment assigned to its unit.

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**Custodian** is the person within the department that is responsible for the physical control of the equipment assigned to the unit.

**Equipment (Asset)** is an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or greater.

**Fabricated Equipment** is equipment that is constructed and developed at the university by combining discrete components and/or materials into one identifiable unit. The finished fabrication must have a unit cost of \$5,000 or greater and a useful life of one year or more.

**Excess Government Property** is the property no longer required in the performance of the contract for which it was acquired.

**Government–Furnished Property** is property in the possession of, or directly acquired by, the government and subsequently delivered or made available to the university (FAR 45.101).

**Government Property** is all the property owned by, or leased to, the government or acquired by the government under the terms of the contract. It includes government-furnished property and contractor-acquired property (FAR 45.101).

**Loaned Equipment** is equipment that is either borrowed by the university from an external agency such as Jet Propulsion Laboratory, or loaned by the university to an external agency or individual.

**Material** means property to be consumed or expended to perform a service.

**Non-Capital Equipment** is equipment with an acquisition cost of less than \$5,000, where title vests with the government/sponsor/university, where the item must be inventoried as mandated by the sponsoring agency.

**Principal Investigator (PI)** is the academic research member responsible for initiating and conducting extramurally funded research, training or a public service project. The individual may also be known as Project Director or Project Administrator.

**Property** means all tangible equipment, both real and personal.

**Property Administrator** is the authorized representative of the Administrative Contracting Officer assigned to administer the contract requirements and obligations relating to the government property (FAR 45.501).

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**Subcontract** is any contract entered into by a subcontractor to furnish supplies or services for the performance of a prime contract or subcontract. It includes but is not limited to purchase orders, and changes and modifications to purchase orders.

**Subcontractor** is any supplier, distributor, vendor, or firm that furnishes supplies or services to or for a prime contractor or another subcontractor.

**Responsible Office**

**Equipment Management**

<http://fbs.usc.edu/depts/eqp/>

[equipmgm@usc.edu](mailto:equipmgm@usc.edu)

(213) 821-2880

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