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

II. DEFINITIONS
*Equipment* is defined in the U.S Office of Management and Budget’s Uniform Guidance, 2 CFR 200.33, as:

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

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

*General Purpose Equipment* is defined in the U.S. Office of Management and Budget’s Uniform Guidance, 2 CFR 200.48, as:

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

*Special Purpose Equipment* is defined in the U.S. Office of Management and Budget’s Uniform Guidance, 2 CFR 200.89, as:
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Equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

The university also uses the following definitions:

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

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

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

III. PROCEDURES

A. Federal Awards

Section 2 CFR 200.439(1)(2) of the Uniform Guidance states that expenditures for general purpose equipment are unallowable as direct costs on Federal awards. However, expenditures for special purpose equipment are allowable, provided they have prior sponsor approval when required. Please note that while Federal regulations allow these expenditures, it is important to review each award’s terms and conditions, as specific written sponsor guidelines may be more restrictive.

CU Boulder considers the following criteria key elements in determining when special purpose equipment charges are allowable

- The equipment is necessary to fulfill the research objective of the project, or
- The project will be negatively impacted by not purchasing the equipment, and
- The cost for the equipment is reasonable and represents prudent use of the sponsor’s funds.

B. Non-Federal Awards

Section 2 CFR 200.403(c) of the Uniform Guidance requires that we apply our policies and procedures uniformly to both federally-financed and other activities of the university. Therefore, CU Boulder’s Cost Principles Policy and related procedural statements are also applicable to non-Federal awards. The basic criteria for purchasing equipment are similar for non-Federal sponsored projects, but it is also important to be familiar with the particular requirements or restrictions of each non-Federal sponsor. When allowed by the non-Federal sponsor, a written justification for the purchase of equipment should be provided in order to explain why these are necessary to fulfill the research objective of the project, and to ensure that the cost directly benefits the project being charged, even when the non-Federal sponsor may follow more flexible spending guidelines.
C. Process

At Proposal

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

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

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

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

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

For Unbudgeted Items: In the event that unbudgeted equipment purchases require prior approval from the sponsor, the department will need to work with the OCG Property Officer. The purpose and benefit for the equipment, a justification for the deviation from the budget, and an explanation of the other budgeted costs that will be reduced in order to compensate for the unbudgeted equipment purchase should be provided to the OCG Property Officer who will make a formal request for approval to the sponsor. If the sponsor approves of the unbudgeted equipment purchase, the OCG Property Officer will notify the department, attach the approval to the CU Marketplace requisition, and upload the approval documentation into the Approvals folder in Boulder eRA (BeRA).

OCG approval of purchase requisitions can be considerably delayed when the necessary sponsor prior approval has not been obtained, or if adequate supporting documentation has not been provided. Therefore, contact the OCG Property Officer as soon as possible to avoid unnecessary delays.

D. Special Requirements for Use, Management, and Disposal

2 CFR 200.313 of the Uniform Guidance provides requirements associated with using, managing, and disposing of equipment purchased with Federal funds. CU Boulder’s Sponsored Projects Property Control Manual outlines specific procedures and standards by which our campus adheres to these Federal regulations. The standards within this Manual apply to all equipment purchased with sponsored project funding, whether the funding is Federal or non-Federal. Therefore, please refer to this document for specific campus processes and procedures for the use, maintenance, and disposal of all sponsored projects equipment.
Equipment acquired with federal funds must be used on the project for which it was acquired and be made available on other federally sponsored projects on a non-interference basis. In addition to helping maintain adequate records for the equipment, the department is also required to perform regular maintenance in order to keep the equipment in good working order. When the equipment is no longer needed for the project or for other federally funded research, and there are no other existing obligations to the sponsor, the department can request to dispose of the equipment by following the campus procedures for surplus property disposal. However, OCG must always screen disposal requests for equipment that was purchased with federal funds.

**E. Special Requirements for Equipment Transferring with a PI to or from CU**

It is CU Boulder’s practice to allow PIs to take equipment with them when they transfer to a new educational institution. Requirements, restrictions, and procedures for this practice are outlined in the PI Transfer Procedural Statement (in development).

**F. Frequently Asked Questions**

**Question:** Is prior approval for equipment purchases required even if I list specific equipment in my budget?

**Answer:** It depends on the terms and conditions of the award. Some sponsors still require prior approval for equipment specifically listed in the award budget, while others do not. Refer to the award documents to determine the prior approval requirements, the award Terms and Conditions page in the Boulder eRA system, or contact ocgproperty@colorado.edu for assistance. For more information, see FAQs on OCG’s website.

**Question:** The Graduate Assistant working on my project needs a new office chair to use while analyzing the data collected for the project. I want to charge my project for the cost of a used chair I can get from Property Services. Can I do that?

**Answer:** No. Office furniture is considered general purpose equipment and is not allowable as a direct cost on an award.

**Question:** If we are required to provide maintenance for equipment purchased on sponsored projects, can I budget for this maintenance in my proposal?

**Answer:** Yes. In order for maintenance costs to be budgeted for on an award, the budget justification should include how the costs provide a direct and demonstrable benefit to the sponsored project.

**Question:** I completed a fabrication with my NSF award last year and I want to modify it now for use on my new DARPA award. Will the new components become part of this same fabricated item?

**Answer:** It depends. If the total value of the new components is $5K or greater and they add enhancements and functionality with a useful life greater than one year that improves the functionality of the original equipment, the cost of the modifications can be added to the fabrication. However, if their total value is less than $5K or they only keep the equipment operational at its original performance level, the components are charged as supplies and not added to the fabrication. See the Sponsored Projects Property Control Manual for more details.

**Question:** I purchased a piece of equipment a few years ago that needs an upgraded operating system costing $4,100. Is the upgrade considered part of this permanent equipment?
**Answer:** No. In order for this to be a capital upgrade, it must add to the permanent value of the original equipment by providing significant improvement to the functionality of that item, have an acquisition cost of at least $5K, and extend the useful life of the original equipment by at least one year. Since this upgrade is less than $5K, its cost could not be capitalized, it is not considered permanent equipment, and it would be charged as an operational expense.