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# Federal Grant Purchased Property Transfers Between Universities:

## *Does the Process Require Reform?*

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### **Abstract**

Normally, when a principal investigator transfers an active federal grant, universities are usually required to transfer any property acquired through those grant funds. Sometimes a sponsored research department authorizes and documents the property transfer for their respective institution, more often they do not. Unfortunately, the current practice at most universities doesn't provide the university property manager at the receiving university with sufficient information to record these newly acquired assets with adequate detail. Future financial reporting requirements may require a more proactive process. This article describes the current practice and recommends procedural and policy changes.

### **Current Process**

In the current process of transferring ownership from one university to another of property acquired through grant funding, the university property administrator may or may not be involved in the process. Many federal grants commonly state that property acquired through the grant can be transferred with its principal investigator. Other federal grants require the equipment or property acquired remain at the original university. In the absence of specific stipulations, some universities allow the transfer of property as a professional courtesy while others do not. The principal investigator is the individual that is named in the grant as the researcher conducting the grant study. At most universities this process is administered through a department handling sponsored research or a grant accounting office. If the institution's property administrator is involved in the process, they usually secure state approvals, if necessary. In addition, they detail the items that can be transferred and those that cannot be transferred with the principal investigator. The property administrator determines the origin of the funding used to purchase the property in question and through this process determines the validity of the transaction. It is often during this process that the property administrator "discovers" that items the principal investigator wishes to transfer were not purchased with grant funding and therefore not eligible to be transferred.

The university may have several levels of internal approvals that the principal investigator must secure before the property can "officially" be transferred to the new institution. Most often these approvals must come from department chairs and college deans. Federal grant transfer approvals are usually secured before the internal approval process begins and this approval must be obtained before the work detailed above can be conducted.

The property administrator of the transferring institution often completes a listing of the property that will be transferred in written form to be delivered with the transferring principal investigator to the new university. This listing, at best, provides the new university and its property administrator with a meager amount of data concerning the items that were transferred with the federal grant. Often this information never reaches the property administrator working for the university that receives the transferred grant. At some universities this property is never added to the property management system. At some institutions this property is "found" during physical property inventories and at that point added to the institution's property management system. After the property is "found," the property administrator conducts research for months, sometimes years, after the fact. This is done in an attempt to secure the necessary information to add the item to the institution's property management system. Many times the information is unavailable and an incomplete record is created.

These problems are kept to minimal occurrence at universities in which Human Resources, Sponsored Research, Grants Management and Property Management departments work closely together. At other universities, these departments may not work closely together or even communicate on a regular basis and at those universities, property from grant transfers become a continual problem for the property administrator. Contributing to this problem is the size and complexity of many universities, the large number of federal grants, and the general lack of federal grant oversight – especially in National Institute of Health (NIH) grants.

## New Financial Reporting Requirements

While the problem detailed above is a mild "headache" for the property administrators involved, will the situation become more acute with the introduction of the new financial reporting requirements? In the Governmental Accounting Standards Board (GASB) statement number 35 issued in late 1999, public universities will need to report depreciation of its fixed assets (property). This would include property acquired with federal grant money.

The current "hit or miss" system currently in use by universities concerning transferred property creates inadequate records for many university property management systems. It is quite possible that during financial audits this deficiency will be noted by state, internal or private audit groups. Could this trigger an audit comment? No one can answer that question now. Certainly the dollar amounts concerning this property would not be material; however, the failure to have in-place or to follow adequate property control procedures concerning this situation may invite a compliance audit comment. Another reason university property administrators may want to address this situation at their institution concerns the increasing mobility of principal investigators. Grant transfers seem to be on the rise. This appears to parallel the increasing mobility of our society. To maintain an accurate property inventory, property administrators may want to review their policies concerning this issue (as well as other issues) as a proactive approach to property management for the next millennium.

## Recommendations

What can or should property administrators do to solve this problem? I believe that there are three specific actions property administrators can take to reduce this problem for them and their university. These recommended actions are 1) join the NPMA, 2) work to build a better working relationship with the involved departments noted above and 3) take independent initiatives to provide other university property administrators with the data needed.

University property administrators should join the NPMA and become involved in a local chapter (or start one if the need exists). This topic and many other similar reporting and university specific issues will become priority

topics during the next decade. University seminars and subsequent forums have increased in each of the last three years in which I have been a member. Issues such as this are also among the constant topics of our local chapter discussions. One of the great things that come from NPMA membership is the realization that the solutions to our problems in property management will come from us. Next, university property administrators should work to develop closer relationships within their university environment. Internal controls should be developed and

implemented that would address this issue; however, that is only the first step. Cooperation is needed to make those controls work. Without cooperation from many other areas the property administrator will only be frustrated that the system is in place but ineffective. Working with internal or other auditors can assist property administrators with any cooperation problems that may have become roadblocks to reform.

Lastly, I urge university property administrators to develop proactive policies that can solve this problem. That could include policies that would require unprecedented cooperation among us. I have instituted property policies at my university that require the property administrator to obtain the name and address of the property administrator at the receiving university. Once identified, these policies direct us

to send that administrator all the data necessary to create an adequate property record for any and all transferred items. This has the added advantage of alerting the property administrator of incoming grant property. While this is currently a unilateral effort on my part to provide data to other university property administrators, I believe that the inherent value of this data and the logic of the process will encourage other university property administrators to emulate this example. One can imagine that in the future this process could be entirely electronic using E-mail or other not-yet developed electronic processes. ♦

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