Office of Sponsored Programs
Procedure 10001 Computers, Peripheral Devices, Software or Intangibles
Purchased Using Sponsored Awards
Revision Date: 4/14/2021

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1. Introduction

Responsible Official: Senior Director of Post Award
Effective Date; August 24, 2011
Revision Date: April 14, 2021

IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance— Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as "2 CFR Part 200").

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in red font below.

2. Scope

This procedure outlines the requirements necessary to purchase computers, peripheral devices, software or intangibles using sponsored awards. The procedure applies to all university departments and offices that are involved in the administration or use of sponsored award funds.

3. Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech's research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. Purchases of computers, peripheral devices, software or intangibles using federally (or federal flow thru) sponsored awards is specifically governed by 2 CFR Part 200.453 and other referenced sections. Within this procedure the phrase "computing devices" is used to refer to computers, peripheral devices, software or related intangible items unless specifically noted otherwise.

4. Reason for the Procedure

The purpose of this procedure is to inform the community of the requirements associated with purchases of computing equipment (computers, peripheral devices, computer software or related intangible items) in order to ensure the university's compliance with the terms and conditions of a sponsored award.

5. Definitions

Computing Device: a programmable electronic device designed to accept data, perform prescribed mathematical and logical operations at high speed, and display the results of these operations. Mainframes, desktop and laptop computers, tablets, and smartphones are some of the different types of computing devices. This phrase is used throughout this procedure to refer to computers, peripheral devices, computer software or related intangible items.

Peripheral Devices: peripheral is a "device that is used to put information into or get information out of the computer." [Laplante, Philip A. (Dec 21, 2000). *Dictionary of Computer Science, Engineering and Technology*. CRC Press. p. 366. ISBN 0-8493-2691-5. Retrieved June 17, 2014.]

There are two different types of peripherals: input devices, used to interact with or send data to the computer, and output devices, which provide output to the user from the computer. Common input peripherals include keyboards, mouse, graphic tablets, touchscreens, barcode readers, image scanners, microphones, webcams, game controllers, light pens, image scanners, and digital cameras. Common output peripherals include computer displays, printers, projectors, and computer speakers.

Computer Software: The programs, programming languages, and data that direct the operations of a computer system. All software is an intangible. Software is a generic term for organized collections of computer data and instructions, often broken into two major categories: system software that provides the basic non-task-specific functions of the computer, and application software which is used by users to accomplish specific tasks. Systems software includes the operating system and all the utilities that enable the computer to function. Applications software includes programs that do real work for users. For example, word processors, spreadsheets, internet browsers and database management systems fall under the category of applications software.

Intangibles: 2 CFR Part 200.1 defines intangible property as property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible). 2 CFR Part 200 200.449(b)(2) also includes patents and computer software in the category of intangibles. This procedure refers to intangible software and its treatment in sponsored awards.

6. Overview

2 CFR Part 200.453(c) changes the recognition of certain computing devices. Beginning December 26, 2014, materials and supplies used for the performance of a Federal award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.

7. Charging Computing Devices as Direct Costs

- **Federal Awards:**

  Charging computing devices as direct cost is allowable for devices that are essential and allocable (provides benefit), but are not solely dedicated, to the performance of a federal award, 2 CFR Part 200.453(c).

  Such devices are also allowable if solely dedicated to the performance of a federal award.

  Federal sponsors may impose requirements for these costs to be included in the proposal budget and may require a budget justification. Until the federal agencies release specific information, budget justifications are highly recommended and should be included in the Materials and Supplies section of the budget where the cost of the computer is less than the capitalization threshold for equipment (see the Fixed Asset Accounting Policy 3950).

  The Pre Award Associate will seek answers from the PI to the following questions in order to assist in the preparation of an adequate budget justification.

  - How is the computer necessary to fulfill the project's scope of work?
  - How does the computer go beyond normal use in day-to-day operations of the laboratory?
  - How is the computer different from similar items provided by the department that are treated as F&A (indirect) costs?
  - How will computer usage be systematically allocated between multiple projects or split between a sponsored fund and an unrestricted department fund?

  If the acquisition cost of a computing device or software is greater than their respective capitalization thresholds and has useful life of more than 1 year, it should be categorized and justified as capital equipment (see the Fixed Asset Accounting Policy 3950).

  Requirements may be forthcoming from each sponsoring agency and as such may override any inequity in this procedure. Contact your OSP Post-Award Associate (PA) for any concerns or clarification.

  Although federal regulations allow for a capitalization threshold of $5,000, the university's capitalization threshold is currently $2,000. Items (excluding software) above that amount will be coded as equipment and must be justified in the budget. Software with a development or acquisition cost of greater than $100,000 should be capitalized and justified. Computing devices or software under these threshold amounts are budgeted as materials and supplies.

- **Non-federal Awards:**

  Direct charging of a computing device to a non-federal award is also appropriate if the computing device is essential and allocable (provides benefit), but are not solely dedicated to the sponsored award. Some non-federal sponsors may have specific requirements for direct charging of computing devices. Such requirements need to be addressed in proposals.

Computing device purchases during the final months of an award raise audit concerns. The basis for this concern is that the cost of the computing device may not be justified in terms of the full benefit to the sponsored award. Computing devices may not be purchased simply to use an obligated balance remaining at the end of the project.

8. References

Policy 3950, Fixed Asset Accounting Policy

60108b, Controller's Office Procedure: Description of Account Codes for Other Than Personnel Services

2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

9. Contacts

- **Senior Director of Sponsored Programs - Post Award**
  Office of Sponsored Programs
  North End Center, Suite 4200
  300 Turner Street NW
  Blacksburg, VA 24061
  540.231.9372

- **Associate Vice President for Research and Innovation, Sponsored Programs**
  540.231.5281

10. Roles and Responsibilities

- **Principal Investigators (PIs):**
  - Consult with OSP regarding the appropriateness of including computing device expenses in proposals.
  - Provide business manager/department administrator or business support center with justification for the prior approval request in order to charge computing devices not included in the proposal budget and budget justification.

- **Department Administrator/Business Support Center:**
  - Provide guidance and assist PIs with proposal preparation.
  - Collaborate with PI's in the preparation of prior approval requests for typical computing devices not included in the proposal budget and budget justification.

- **Office of Sponsored Programs**
  - Provide guidance in the interpretation of federal requirements.
  - Ensure budget justifications include sufficient background for proposed equipment purchases at the proposal stage or when requesting later approval.
  - Review and approve direct charging of computing devices either at the proposal stage or after the award is made if the cost was not included in the budget of the original proposal.
  - Assist departments in determining appropriate treatment of direct vs. indirect costs.

11. Dissemination

This procedure may be posted on an internet accessible site. No public restrictions are noted.

12. Approval and Revisions

This procedure was approved on August 24, 2011 by the Assistant Vice President for OSP Administration.

Approved July 01, 2016 by the Assistant Vice President for Sponsored Programs. This major revision updates the formatting of the procedure and brings the procedure into compliance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Revision approved by Associate Vice President for Research and Innovation, Sponsored Programs on 2/17/21. This update is for Uniform Guidance sections numbers.

Revision approved by Associate Vice President for Research and Innovation, Sponsored Programs on 4/14/21. This update is for revising the capitalization amount.