SMART FINANCIAL GRANTS MANAGEMENT 2015

Capital Assets, Equipment, Intangible Property and Supplies

Why This Session Is Needed

- New rules for acquisitions, use, management, and disposition of capital assets
- New rules governing intangible property
- Change in Uniform Guidance related to fully depreciated assets
- Share common mistakes related to capital assets

Lesson Overview & Module Objectives (1 of 2)

- Capital Assets vs. Supplies
  - Define equipment vs supplies based on the Uniform Guidance
- Equipment
  - Define equipment as it relates to IT systems
  - Explain change in Uniform Guidance related to fully depreciated assets
- Intangible Property
  - Define intangible property and discuss Uniform Guidance requirements concerning intangible property

Lesson Overview & Module Objectives (2 of 2)

Prior Written Approval
Property Management Systems

- Explain the Uniform Guidance requirements relative to property prior approvals
- Discuss property acquisition, management, use and disposition, including user fees
- Describe common mistakes related to capital assets

Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

- Prior approval requirements for equipment acquisitions
- How to determine the cost of assets
- Dollar threshold for assets to be considered capital assets
- What information must be tracked on property inventories
- How long equipment purchased with Federal funds can be kept

Equipment vs Supplies

Learning objectives for this section

- Define equipment vs. supplies based on the Uniform Guidance

Capital Assets

2 CFR 200.12

Capital Assets

- Tangible or intangible
- Useful life of more than one year
- Includes **equipment** and intellectual property
- Capital Asset Levels
  - $5,000
  - Non-federal entities may have lower capital thresholds but not higher thresholds

Supplies (1 of 2)

Supplies

2 CFR 200.94

In contrast to Equipment …

- Supplies means all tangible personal property other than that described in§200.33 Equipment.
- A computing device is a supply if the acquisition cost is below the lesser of the capitalization levels established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life.

See also §§200.20 Computing devices and 200.33 Equipment.

Supplies (2 of 2)

2 CFR 200.314

Supplies

- Materials and supplies including the cost of computing devices
- May be used for non-federally-funded programs
  - User fees should be considered, if appropriate
  - Program income
- If residual unused inventory exceeds $5000 at end of grant, must compensate government for its share

Acquisition Costs

2 CFR 200.94

The cost of the asset, including the cost to prepare the asset for its intended use

Equipment

Learning objectives for this section

- Define equipment as it relates to information technology systems
- Explain change in Uniform Guidance related to fully depreciated assets

Equipment

2 CFR 200.33

Equipment

- 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 the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000.

See also

§§200.12 Capital Assets, 200.20 Computing Devices, 200.48 General Purpose Equipment, 200.58 Information Technology Systems, 200.89 Special Purpose Equipment, and 200.94 Supplies.

Equipment Management and Use

States – follow their own policies and procedures

Other non-federal entities – specific requirements

Priority order of use on projects or programs after grant end

Same for all types of equipment

Allowable Cost for Equipment

One Program

- If specifically authorized under a federal award, costs are assignable to the federal award regardless of later use when no longer needed for original purpose

Multiple programs—allocate costs

Insurance and maintenance costs are allowable

Depreciation costs are allowable*

Depreciation (1 of 3)

Non-federal entities may be compensated for the use of their equipment and software projects capitalized in accordance with Generally Accepted Accounting Principles (GAAP)

Compensation must be made by computing depreciation for the accounting period based upon the pattern of use

Depreciation (2 of 3)

Allocation for depreciation must be made in accordance with Appendices IV through VIII

May use straight line depreciation – absent clear evidence indicating consumption is greater earlier than consumption later

Depreciation (3 of 3)

- Changes in depreciation methods requires prior approval
- Donated asset: depreciated against grant; or claimed as match; but not both
- Buildings must be valuated at fair market value at time donated
- May not depreciate equipment directly expensed, fully depreciated, or outlived useful life: use allowance not allowed
- Equipment FMV NTE value of equipment of same age and condition

Uniform Guidance Equipment Types

General Purpose Equipment

Special Purpose Equipment

Information Technology

General Purpose Equipment

2 CFR 200.48

Equipment not limited to technical activities

Examples include:

- ✓ Office equipment and furnishings
- ✓ Modular offices
- ✓ Movable trailers which are later anchored
- ✓ Information technology equipment and systems
- ✓ Air conditioning equipment
- ✓ Reproduction and printing equipment
- ✓ Motor vehicles

Special Purpose Equipment

2 CFR 200.89

Used for research, medical, scientific, or other technical activities

Information Technology Systems

2 CFR 200.58

Information Technology Systems

- Included in the definition of general purpose equipment
- Includes equipment computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources

User Fees

Income

Program income when the property is used for non-grant purposes

Fees

User fees must at least be equal to those of private companies as long as the Federal government retains interest (fair market value is $5,000 or greater)

Status Check

Are the statements true or false?

- ? Capital assets now include intangible property.
- ? Computing devices that cost less than $5,000 are included as equipment.
- ? A grantee may establish a capitalization level greater than $5,000.

Intangible Property

Learning objectives for this section

- Define intangible property and discuss Uniform Guidance requirements concerning intangible property

Intangible Property

2 CFR 200.59

Intangible Property

- Intangible property means 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).

Examples of Intangible Property

- Copyrights
- Trademarks
- Patents and patent applications and property
- Service marks
- Loans, notes and other debt instruments

Intangible Property

Intangible Property **2 CFR 200.315**

Federal Government Rights

- Obtain, reproduce, publish
- Authorize others to receive, reproduce, publish

- Title to intangible property (see§200.59 Intangible property) acquired under a Federal award vests upon acquisition in the non-Federal entity.

Intellectual Property – Grant Provision

Government has a paid-up, nonexclusive and irrevocable license to use or authorize others to use intellectual property developed with grant funds

2 CFR 200.315 (b)

The non-Federal entity may copyright any work that is subject to copyright and was developed, or for which ownership was acquired, under a Federal award. The Federal awarding agency reserves a royalty-free, nonexclusive and irrevocable right to reproduce, publish, or otherwise use the work for Federal purposes, and to authorize others to do so.

Creative Commons Licensing

DOL exception at 2900.13

DOL Exception

- … requires intellectual property developed under a competitive Federal award process to be licensed under a Creative Commons Attribution license.

- This license allows subsequent users to copy, distribute, transmit and adapt the copyrighted work and requires such users to attribute the work in the manner specified by the recipient.

http://creativecommons.org/

Intellectual Property – DOL Direct Grant Provision

The following wording should be included on works of intellectual property created wholly or partly with DOL funds?

This workforce product was funded by a grant awarded by the U.S. Department of Labor's Employment and Training Administration. The product was created by the grantee and does not necessarily reflect the official position of the U.S. Department of Labor. The Department of Labor makes no guarantees, warranties, or assurance of any kind, express or implied, with respect to such information, including, but not limited to, accuracy of the information or its completeness, timeliness, usefulness, adequacy, continued availability, or ownership. This solution is copyrighted by the Institution that created it. Internal use by an organization, and/or personal use by an individual or for non-commercial purposes, is permissible. All other uses require the prior authorization of the copyright owner.

Prior Written Approval

Learning objectives for this section

- Explain the Uniform Guidance requirements relative to property prior approvals

Delegation to Governor for Prior Approval for Equipment

State Formula Grants

Prior approval has been delegated to the governor unless noted in the grant award.

Subrecipients obtain prior approval from the governor.

Mandatory Prior Approval For Equipment (1 of 2)

State Other Direct Grants

Prior approval requirements are not delegated. Must be given by Grant Officer.

Subrecipients must go through State for prior approval.

- States request prior approval for the subrecipients from the Grant Officer.

Mandatory Prior Approval For Equipment (2 of 2)

Other (Non-State) Direct Grants

- Prior approval requirements are not delegated. Must be given by Grant Officer.
- Subrecipients must go through direct grant recipient for prior approval. Direct grant recipient requests prior approval for the subrecipients from the Grant Officer.

Review and Approval Process

Pass-Through Entities

- Assign responsibility for managing prior approval requests at all levels, as appropriate, following proper protocol

- Develop a process
  - ✓ Receipt
  - ✓ Review
  - ✓ Approval/disapproval
- Criteria
  - ✓ Documentation
  - ✓ Justification
  - ✓ Reasonableness of cost
  - ✓ Need

Status Check

Are the statements true or false?

- ? Formula grant subrecipients must obtain prior Grant Officer approval for equipment purchases.
- ? Prior approval authority has been delegated to the governor for "non-formula" grants to the state.
- ? Other direct grantees (non-state) must obtain prior approval from the Grant Officer for equipment purchases.
- ? A grantee purchased a computer costing $4,000 but failed to obtain prior approval. What are the consequences of this action?

Property Management Systems

Learning objectives for this section

- Discuss property acquisition, management, use and disposition, including user fees
- Describe common mistakes related to capital assets

Property Management System (1 of 2)

Policies for Acquisition, Use, Disposition, Internal Controls and Records, Documentation

- Inventory system and physical Inventory Requirement
- Percentage of participation by Federal programs
- Supporting documentation for charges
- Allowable depreciation cost
- 3rd party donated equipment used for the programs
- Equipment and software projects owned by the non-federal entity but used for the project or program

Property Management System (1 of 2)

Policies for Acquisition, Use, Disposition, Internal Controls and Records, Documentation

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Property Management System (2 of 2)

-Property should be maintained in good, working order

Maintenance

-Allowable Cost

-Federal government not liable for loss

Insurance

-Procedures for requesting disposition instructions from ETA

Disposition

Equivalent Insurance

2 CFR 200.310

Equivalent Insurance

- The non-Federal entity must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to property owned by the non-Federal entity.
- **Federally-owned** property need not be insured unless required by the terms and conditions of the Federal award.

Management Requirements

- Management requirements (including replacement equipment)
  - ✓ a description of the property,
  - ✓ a serial number or other identification number,
  - ✓ the source of funding for the property (including the FAIN),
  - ✓ who holds title,
  - ✓ the acquisition date and cost of the property, percentage of Federal participation in the costs by the Federal award
  - ✓ the location, use and condition of the property, and
  - ✓ any ultimate disposition data, including the date of disposal and the sale price of the property

Documentation (1 of 2)

- Estimates of costs and related documentation
- Prior Approvals
- Maintain inventory and conduct physical inventory (detailed information)
- Percentage of participation by Federal programs in cost

Documentation (2 of 2)

- Tagging/Decals
- Supporting Documentation for Charges
- Record retention – three years after disposition or submission of final expenditure report, whichever is later (§200.333 Retention requirements for records)

Tracking Capital Equipment Costs

Capital Assets

- Total cost (historical cost)
- Historical cost includes original cost, plus:
  - additions, modifications
  - replacements, rearrangements
  - reinstallations
  - renovations or alterations that materially increase their value or useful life.
  - does not include ordinary repairs and maintenance

- Donated equipment
  - FMV at time donated

Title to Assets

Title vests in the non-federal entity

Prior approval required from DOL prior to encumbering the title

Must Be Held In Trust

2 CFR 200.316

- Real property, equipment, and intangible property that are acquired or improved with a Federal award must be held in trust by the non-federal entity as a trustee for the beneficiaries of the project or program under which the property was acquired or improved.

Disposition: Real Property (1 of 2)

2 CFR 200.311(c)

Real Property

- When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity.

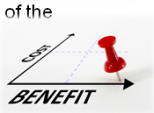
Disposition: Real Property (2 of 2)

If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return

Disposition: Equipment

2 CFR 200.311(e)

- Same for all types of equipment with a fair market value of $5,000 at the time of disposition
  - Non-federal entities **must request disposition instructions** from the federal awarding agency if required by the terms and conditions of the Federal award



Disposition Options: Equipment

Options for disposition include:

Keeping the property

Selling the property

Transferring the title to a third party

Failure to take disposition actions may result in ETA directing the entity to take disposition actions

Disposition Process

ETA retains authority over disposition of property

End of Direct Grant period of performance

- Subrecipients

Formula grants to State – end of Period of Performance:

- States follow own procedures
- States establish process for:
  - State subrecipients
  - Local areas
  - Local subrecipients

Disposition: Intangible Property

2 CFR 200.315(a)

Intangible Property

- Follows the disposition requirements related to equipment at 200.313(e

Disposition of Aggregate Supplies

- Residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program
- Retain them for use or sell them
  - Must compensate DOL in either event
    - Compensation is based upon the same manner as equipment (participation in the acquisition cost)

Common Mistakes (1 of 2)

Failure to obtain prior written approval

Failure to conduct physical inventories every two years

Failure to account for property:
- Missing items
- No disposition requested
- No loss noted on the property inventories

Common Mistakes (2 of 2)

Improper allocations of equipment direct charges or depreciation

Improper valuations for donated property

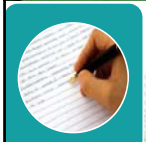
Status Check

Are the statements true or false?

? For real property and equipment acquired or improved with Federal funds, the non-Federal entity must, at a minimum, provide the equivalent insurance coverage as provided to property owned by the non-Federal entity.

? When equipment is no longer needed for the originally authorized purpose, or for other Federal program activities, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity.

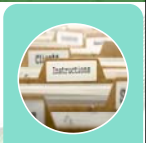
Key Concepts



Prior written approval is required for equipment purchases in excess of $5,000 for discretionary grants

The Federal Government retains an interest in intangible property

ETA recipients must provide a Creative Commons attribution license to intellectual property produced with assistance from grant funds



Disposition instructions must be requested from ETA for most types of capital assets

Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Post-Training, for each of the statements.

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- Dollar threshold for assets to be considered capital assets
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- How long equipment purchased with Federal funds can be kept

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Please Complete Your Evaluations

Thank You!