

# Property or Inventory Management

## Purpose

2 CFR § 200.1

Personal property means property other than real property. It may be tangible, having physical existence, or intangible.

Property or inventory management standards apply to personal property as defined under Uniform Guidance.

## Requirements

Grantees must develop internal controls to ensure that all properties acquired with federal funds are:

- purchased in accordance with procurement and approval requirements;
- used in accordance with the applicable provisions of Part 200;
- adequately safeguarded to prevent loss, damage, or theft;
- adequately maintained;
- reviewed as part of a physical inventory of property at least once every 2 years; and
- appropriately disposed of in alignment with Part 200.

Grantees, under 2 CFR § 200.313, must:

- Use equipment for authorized purposes.
- Not encumber property without prior approval.
- Manage and dispose of property according to requirements.

## What are Supplies?

2 CFR § 200.1

All tangible personal property other than those described in the definition of equipment in this section. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.

Purchasing Supplies 2 CFR § 200.314 & 320 (1)

- Purchases may be awarded without soliciting competitive bids if the price is considered to be reasonable.
- Evidence must be maintained of the reasonableness of supply purchases.
- Title to supplies will vest in the non-Federal entity upon acquisition.

## What is Equipment?

2 CFR § 200.1

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.

Purchasing Equipment 2 CFR § 200.320 (a) (1)

- Between \$10,000–\$250,000, recipients must obtain price or rate quotations from an adequate number of qualified sources
- Evidence must be maintained of price or rate quotations
- Any equipment greater than \$250,000 requires a formal process

## Equipment Prior Approval

2 CFR § 200.439

The LEA must seek prior approval for the SEA for:

- capital expenditures for general purpose equipment, buildings, and land;
- capital expenditures for special purpose equipment with a unit cost of \$5,000 or more; and
- capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life.

All other equipment can be acquired without written prior approval.

## Use of Supplies and Equipment

2 CFR § 200.313 (c)

- Must be used for the program or project for which it was acquired as long as needed.
- Must also be made available for use on other projects or programs supported by the federal government as long as it does not interfere with the work for which it was originally acquired.
- Must not be used to provide services for a fee that is less than private companies charge.
- May be traded in or sold to offset the cost of replacement property.

## Program Income

If a non-Federal entity generates program income through the use of equipment purchased with federal awards, it must be treated as program income as outlined in 2 CFR § 200.307.

## Disposition of Equipment

2 CFR § 200.313 (e)

When equipment is no longer needed, the non-Federal entity must take one of the following actions:

- Equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further responsibility to the Federal awarding agency.
- Items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained by the non-Federal entity or sold.
- The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase.
- The non-Federal entity may transfer title to the property to the Federal Government or to an eligible third party.
- In cases where a non-Federal entity fails to take appropriate disposition actions, the Federal awarding agency may direct the non-Federal entity to take disposition actions.

Fair Market Value is the value of the remaining life of the property recorded in the non-Federal entity's accounting records at the time of disposition.

If the equipment is no longer needed for the original program or project, the equipment may be used for other activities supported by the federal awarding agency in the following order of priority:

- Activities under a federal award from the federal awarding agency which funded the original program or project
- Activities under federal awards from other federal agencies

## Disposition of Supplies

2 CFR § 200.314

- If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them.
- In either case, compensate the Federal Government for its share.

## Equipment Records

2 CFR § 200.313 (d)

Property records must be maintained that include:

- 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 project costs for the Federal award under which the property was acquired,
- the location,
- use and condition of the property, and
- any ultimate disposition data including the date of disposal and sale price of the property.
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- Adequate maintenance procedures must be developed to keep the property in good condition.
- 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.

## Inventory Management and Internal Controls

An inventory management system should have internal controls that include describing how the entity safeguards against loss, damage, or theft of inventory items. The controls should include:

- responsible parties for maintaining inventory and oversight processes,
- a process for conducting and reconciling its physical inventory of property, and
- steps taken when inventory is lost or damaged.

Internal controls and written purchasing policies should include:

- a list of authorized vendors,
- person authorized to make purchases,
- approval process,
- price thresholds and purchase processes at each level (i.e., supplies versus equipment),
- the process for purchasing items (i.e., purchase orders), and
- the process for receiving purchased items into inventory.