

The letters S, M, A, R, and T are arranged vertically. Each letter is inside a circle. The circles for S, M, and A are connected by a dashed line. The circle for R is also connected to the dashed line. The circle for T is at the bottom and has a small orange triangle pointing down to it.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Management: Equipment, Supplies and Intangibles

SMART 4.0

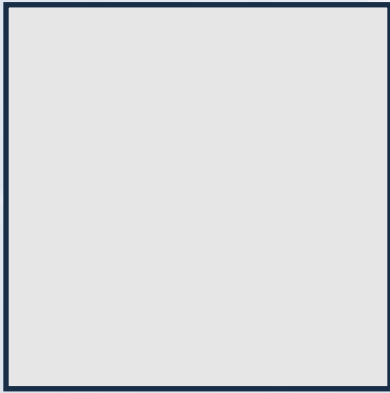
Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor.

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risks Identification and SMART Practices!**



Today's Speakers



First Last

Occupation/Title
Company Name

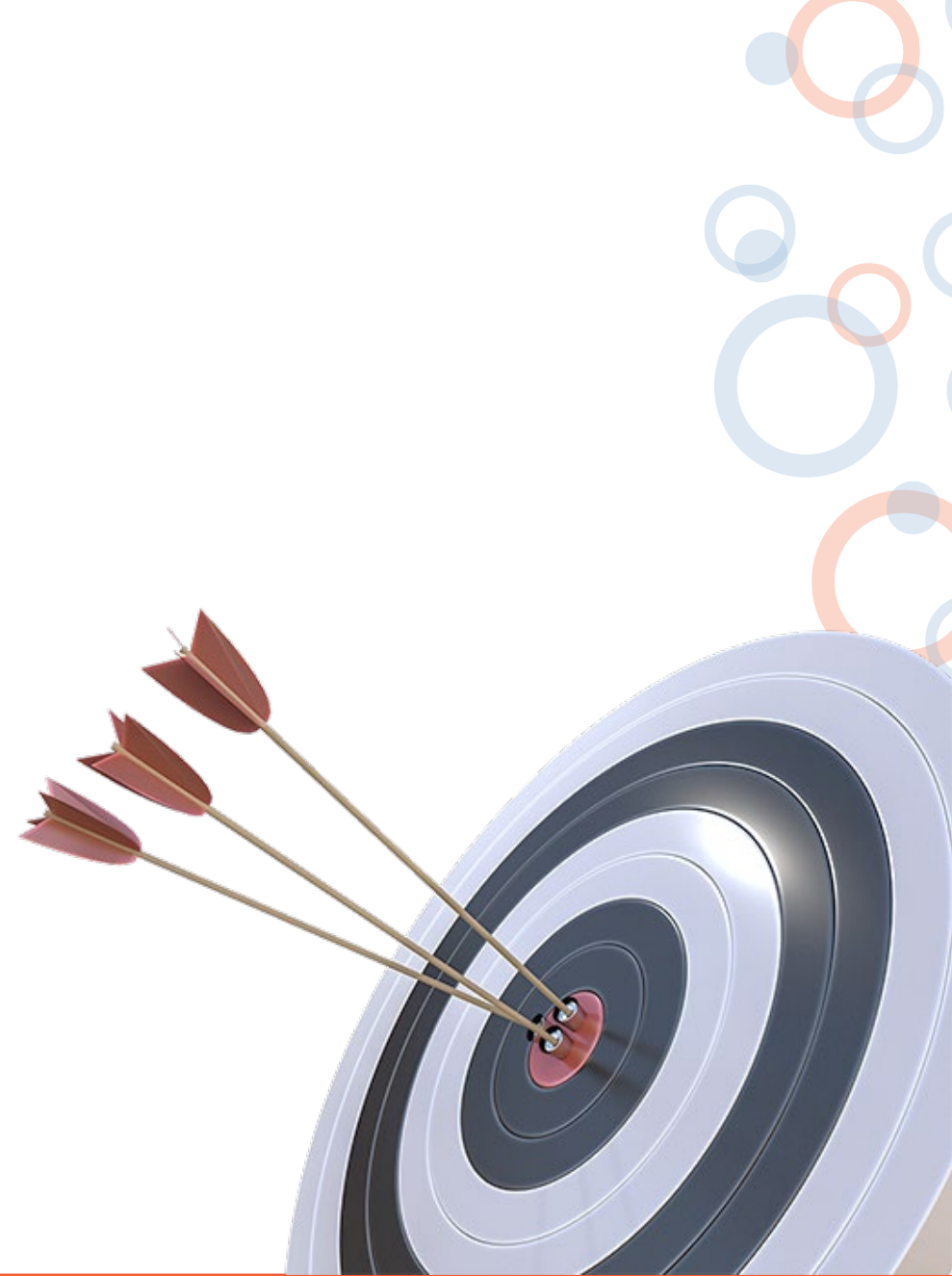


First Last

Occupation/Title
Company Name

Module Overview

- Types of Property.
 - Definitions.
 - Capital Assets.
- Property Acquisition and Prior Approval.
- Management.
 - Depreciation and Amortization.
 - Disposition.
- Risks and SMART Practices.





Types of Property

Definitions

Types of Property

2 CFR 200.1

Property means real property or personal property.

- **Real Property** means land including land improvements, structures and appurtenances thereto.
 - Example: land or buildings are examples of a real property.
- **Personal Property** is property other than real property. It may be tangible, having physical existence, or intangible.

Supplies

[2 CFR 200.1](#); [2 CFR 200.314](#) - Definition and use.

- Supplies are all tangible personal property other than that described in 2 CFR 200.1 with the definition of Equipment.
- Must be used to support the Federal program for which they were purchased.
- May be used for non-Federally funded programs.
 - User fees should be considered, if appropriate.
 - Program income.
- Supplies will vest in the grant recipient upon acquisition.

Equipment

2 CFR 200.1 – Definition.

- 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 grant recipient for financial statement purposes, or \$5,000.



Equipment Types

General Purpose

- Equipment not limited to technical activities.

Special Purpose

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

Information Technology Systems

- Equipment computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources.

Federally – Owned and Exempt Equipment

2 CFR 200.312(a)

- Does not include equipment approved by the DOL Grant Officer or pass-through entity.
- Recipients should not expect these equipment's to be made available for any ETA funded grants or programs.
- Title will remain vested in the Federal government.

Equipment Use

[2 CFR 200.313\(c\)](#)

- Recipients must use equipment on projects or programs during the grant's period of performance.
- Cost of using the equipment is either directly charged or allocable on the grant.
- When not needed for the original program or project may be used in following order of priority.
 - Other DOL-funded activities.
 - Other non-DOL Federally-funded awards.
 - Non-Federally-funded programs or projects is also permissible.
 - › User fees should be considered if appropriate at a fee not be less than private entities charge for equivalent service.

Intangible Property

2 CFR 200.1 – Definition.

- Intangible property means property having no physical existence.
- Types of intangible properties are:
 - Copyrights,
 - Trademarks,
 - Patents and patent applications and property,
 - Loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership.
- Threshold: \$5000.

Intellectual Property

[2 CFR 200.315\(b\)](#) and [2 CFR 2900.13](#).

- Government has a paid-up, nonexclusive and irrevocable license to use or authorize others to use intellectual property developed with grant funds.
- For discretionary competitive grants, an open 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.
- Must be in a format readily accessible and available for open licensing to the public.

[CCBY Open Licensing Intellectual Property Resource](#).

<https://h1bap.workforcegps.org/resources/2019/02/06/16/15/Open-Licensing-and-Intellectual-Property-Resource>

Open Licensing

Why does the U.S. Department of Labor require open licensing?

- The U.S. Department of Labor (DOL)'s **competitive grant** awards represent investments in the next generation of Open Educational Resources (OER) by requiring that DOL-funded intellectual property developed under a discretionary Federal award process to be in a format readily accessible and available for open licensing to the public.

How can I give the public access to my openly-licensed products?

- As part of the requirement to publicly license grant-funded products, grantees must post their products (with the open license affixed) to a public distribution platform. This platform may be a grantee's own webpage, or grantees may post products to other publicly-accessible sites.

Intellectual Property – Grant Term

“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 grant recipient 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.”

Check Your Knowledge in 60 Seconds

Answer True or False:

1. Computing devices that cost less than \$5,000 are included as equipment.
2. A grant recipient may establish an equipment capitalization level less than \$5,000.



Capital Assets

Definitions – Capital Assets

2 CFR 200.1

Real Property, **equipment, intangible Property, and capital expenditures are capital assets.**

- **Capital Assets** are tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP.

Supplies are NOT Capital Assets.

Capital Assets

2 CFR 200.1

- May appreciate over time and served to sustain operation.
- Acquired through purchase or lease.

Threshold.

- Capital asset levels.
 - Other DOL-funded activities.
- Grant recipients may have lower capital thresholds but not higher thresholds.
- **Capital assets include capital expenditures.**



Property Acquisitions and Prior Approval

Property Acquisition (1)

Procurement of property: equipment, supplies and intangible property.

- **Acquisition costs** means the cost of the asset including the cost to ready the asset for its intended use ([2 CFR 200.1](#)).
- **Acquisition costs excludes:**
 - Any portion of the costs borne by or donated by the Federal agency.
 - Any portion of the costs contributed by or for the grant recipient where law or agreement prohibits recovery.
 - Any asset acquired solely for the performance of a Federal award.

Property Acquisition (2)

Procurement of property: equipment, supplies and intangible property.

- Before acquiring the property:
 - The recipient and subrecipient is responsible for determining an appropriate procurement method before acquiring the property ([2 CFR 200.317-326](#)).
 - Recipients must follow Uniform Guidance requirements for property including internal controls, and cost principles.
 - Understand laws governing Buying American made goods.
 - Recipients should determine if local government laws on purchasing apply.
 - Obtain prior approval on equipment.

Made in America Standards

- **“Made in America Laws”** means all statutes, regulations, rules, and Executive Orders relating to Federal financial assistance awards or Federal procurement, including those that refer to “Buy America” or “Buy American.”
- Requirement for the **purchase or acquisition** of goods, products, or materials produced in the United States.

Buy American Act (BAA) and Build America, Buy America Act (BABAA)

[41 U.S.C. 8301-8303](#) ; [Executive Order 14005](#), and [M-22-11](#)

- The Buy American Act (BAA) requires the grant recipient to attest or confirm that it made efforts where required or applicable to Buy American products or goods.
- Federal financial assistance awards made after **May 14, 2022**, are subject to **NEW** IIJA Build America, Buy America Act (BABAA) provisions with extensive requirements for costs related to public infrastructure activities **only**.

Buy American Act (BAA) Standards

41 U.S.C. 8301-8303

- The Buy American Act requires the grant recipient to use, with limited exceptions, only:
 - Unmanufactured articles, materials, and supplies that have been mined or produced in the United States, and
 - Manufactures articles, materials, and supplies that have been manufactured in the United States substantially all from articles, materials or supplies that were mined, produced, or manufactured in the United States.

Leased Equipment

2 CFR 200.465

- Rental costs under leases are allowable to the extent reasonable with certain limitations.
- Rental arrangements should be reviewed periodically.
- Rental costs of comparable property, if any:
 - Market conditions in the area.
 - Alternatives available.
 - Type, life expectancy, condition, and value of the property leased.

Prior Written Approval Process (1)

- The Uniform Guidance requires prior approval for purchase of equipment.
- Requests for prior approval must be submitted in writing to the Grant Officer at least 30 days prior to the effective date of the requested action (DOL's exception [2 CFR 2900.10](#)).
- The Grant Officer's approval must be in writing.
- Should not be bought during the last year of the period of performance (POP).



Prior Written Approval Process (2)

State Formula Grants	State Other Direct Grants	Direct Grants (Non-State) – Grant Officer	Subrecipient
Unless otherwise noted in the TEG/UILP, approval is delegated to the Governor.	Approval by the Grant Officer.	Approval by the Grant Officer.	Pass-through entity should establish an approval process.

Check Your Knowledge in 60 Seconds

Answer True or False:

1. Formula grant subrecipients must obtain prior Grant Officer approval for equipment purchases.
2. Prior approval authority has been delegated to the Governor for “non-formula” grants to the state.
3. Other direct grant recipients (non-state) must obtain prior approval from the Grant Officer for equipment purchases.
4. The grant recipient attests or confirms that it has made efforts where required or applicable to Buy American products or goods.



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Management

General

Property must be used for the originally-authorized purpose until funding ceases or is no longer needed for the purposes of the project.

- **States – follow their own policies and procedures.**
- **Other recipients** – must follow specific requirements of [2 CFR 200.313\(c\)-\(e\)](#).

TIP – Recipients and subrecipients should manage donated property, prevent unnecessary purchases, maintain property records and take custody of equipment from subrecipients.

Maintenance and Insurance

- The grant recipient must also have adequate maintenance procedures to keep the property in good condition and working order ([2 CFR 200.452](#)).
- [2 CFR 200.452](#) Cost of Maintenance and repairs are allowable.
- [2 CFR 200.310](#) Cost of insurance are allowable.
- **Federally-owned property** need not be insured unless required by the terms and conditions of the Federal award.

Inventory Records

- [2 CFR 200.313\(d\)\(1\)](#) records inventory system:
 - Property description,
 - Serial number or other identification number,
 - Funding source, including Federal Award Identification Number,
 - Title holder,
 - Date acquired,
 - Cost,
 - Federal percentage of participation,
 - Location, use and condition,
 - And ultimate disposition data.
- Physical inventory and reconciliation at least every two years.

Tracking Personal Property

- Total cost (historical cost).
- Historical cost includes original cost, plus:
 - Additions, modifications,
 - Replacements, rearrangements,
 - Reinstallations,
 - And renovations or alterations that materially increase their value or useful life.
 - Does not include ordinary repairs and maintenance.
- Donated equipment.
 - Fair market value (FMV) at time donated.

Documentation

- Estimates of costs and related documentation.
- Prior approvals.
- Maintain inventory and conduct physical inventory (detailed information).
- Percentage of participation by Federal programs in cost.
- Supporting documentation for property charges.
- Record retention – three years after disposition or submission of final expenditure report, whichever is later ([2 CFR 200.333](#) Record Retention Requirements).



Depreciation and Amortization

Depreciation

2 CFR 200.436

- Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use.
- Recipients and subrecipients may be compensated for the use of its **equipment**, or donated equipment, and software projects capitalized.
 - Such compensation must be made by computing depreciation.

Depreciation – Standards

- Depreciation computation based on acquisition costs and useful life of equipment.
- Repair and maintenance costs may be charged on fully depreciated equipment.
- Capital improvements costs may be charged.
- Requires documentation of costs.
- Depreciation is **not allowed** on equipment purchased with grant funds.
- **May not depreciate** equipment directly expensed, fully depreciated, or outlived useful life: use allowance not allowed.

Depreciation – Costs and Calculations

- Costs must be supported by adequate property records, and physical inventories taken at least once every **two years**.
- Must use straight line depreciation.
 - Absent clear evidence indicating equipment consumption is greater earlier than later in its useful life.
 - Changes in depreciation methods requires prior approval.

Amortization vs. Depreciation

Amortization	Depreciation
• Spreading the cost of an intangible asset over the asset's useful life.	• Expensing a fixed asset as it is used over time.
• Expenses intangible assets. • Copyrights, patents etc.	• Expense tangible assets. • Example: Equipment.

Disposition

Disposition Process

Options for disposition include:

- [2 CFR 200.311\(c\)\(1\)](#) Retain title after compensating the Federal awarding agency.
- [2 CFR 200.311\(c\)\(2\)](#) Selling the property – ETA must be compensated.
- [2 CFR 200.311\(c\)\(3\)](#) Transferring the title to a third-party.
- State must follow their own procedures for disposition.
- Non-state request disposition procedures from ETA.

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

Equipment Disposition Standards

2 CFR 200.311(e)

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

Selling the Property

- [2 CFR 200.313\(d\)\(5\)](#) Recipients must have proper sale procedures.
- Compensation from selling supplies and equipment are 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.
- [2 CFR 200.313\(e\)\(2\)](#) Recipients are allowed to deduct and retain from the Federal share \$500 or 10% of the proceeds whichever is less.
- [2 CFR 200.307\(d\)](#) Proceeds from selling property are not program income.
- [2 CFR 200.344\(f\)](#) Proceeds from the sale of equipment must be accounted.

Transferring the Title to a Third-Party

- Title transfer to Federal awarding agency or to a third party designated/approved by the Federal awarding agency.
- Recipient must be compensated.
- Compensation is based on percentage of current fair market value.

Supplies and Intangible Property Disposition Standards

- If aggregate value of residual unused inventory exceeds \$5,000 at end of grant.
 - May use on other Federal programs.
 - Must use on another non-Federal program, or sell, but must compensate Federal agency for its share.
- Intangible Property.
 - Follows the disposition requirements related to equipment at [2 CFR 200.313\(e\)](#). **Options for disposition include** keeping the property, selling the property, transferring the title to a third-party.
 - States follow own procedures.
 - States establish process for: State subrecipients, Local areas and Local subrecipients.



Risks and SMART Practices

Common Risks

- Expending grant funds on property without obtaining required prior approvals.
- Failing to receive disposition instructions before disposing of property.
- Loss/theft of property due to lack of oversight of subrecipients' property management systems.
- Lack of internal and accountability controls over electronic information systems and PII of employees and customers.

SMART Practices

■ Property Management:

- Update purchase documentation language to incorporate all property terms and definitions into written policies and procedures.
- Maintain physical inventory of property.
- Ensure that adequate property maintenance is on schedule.
- Segregate duties in the property management process.
- Perform a risk assessment for all assets.
- Develop procedures for managing and disposing of property.
- Comply with the following **records-related requirements: collect, transmit, and store Federal award-related information.**

Any Questions?



Core Monitoring Guide - Objective 2.c: Property Management

The purpose of ETA monitoring is to assess compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that were discussed during the module's topic.

■ Objective 2.C: Property Management

- The grant recipient maintains a property management system in accordance with all prior approval requirements, terms and conditions of the award, and written programmatic policies and procedures.
 - › Indicator 2.c.1: Insurance Coverage.
 - › Indicator 2.c.3: Equipment.
 - › Indicator 2.c.5: Supplies.
 - › Indicator 2.c.6: Intangible Property.

Property Management Resources

- [Core Monitoring Guide](#)
- [Buy American Act](#)
 - 41 U.S.C. 8301-8303
- Internal Revenue Services
 - 26 CFR 1.197
- Department of Labor Exceptions [2 CFR Part 2900](#)
 - 2 CFR 2900.10
 - 2 CFR 2900.13
- WIOA Provisions [20 CFR Part 683](#)
- [Uniform Guidance Crosswalk](#)
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#)
 - [2 CFR 200.1](#)
 - [2 CFR 200.306](#)
 - [2 CFR 200.310 – 2 CFR 200.311](#)
 - [2 CFR 200.314](#)
 - [2 CFR 200.315](#)
 - [2 CFR 200.436](#)
 - [2 CFR 200.425](#)
 - [2 CFR 200.465](#)

Thank You!