Capital Assets, Supplies, Equipment, and Intangible Property
Uniform Guidance vs. OMB Circulars

• Prior to the Uniform Guidance, requirements governing cost principles, administrative requirements and single audit requirements were found in eight separate OMB Circulars.

• In addition to the Uniform Guidance, recipients and subrecipients of a DOL award must adhere to 2 CFR 2900 found at www.ecfr.gov.

• Adopted on December 19, 2014, includes a limited number of exceptions approved by OMB to ensure consistency with existing policy and procedures.

• Expanded at 2 CFR 2900.2, the exceptions definition of non-Federal entity includes for-profit or commercial and foreign entities.

• Grant recipients and subrecipients of DOL funds that are commercial or for-profit entities or foreign entities must adhere to 2 CFR 200 and 2 CFR 2900.
Purpose and Introduction

Supplies, equipment and intangible property

General purpose, special purpose, and information technology

Intellectual Property and Creative Commons Licensing

Review/approval processes and written approval for purchases

Property Management Systems
Course Topics

SECTION 1: Assets & Supplies

SECTION 2: Equipment

SECTION 3: Intangible Property

SECTION 4: Prior Written Approval

SECTION 5: Property Management Systems
At the end of this course, you should be able to:

- Distinguish the difference between supplies, equipment, acquisition costs and intangible property.
- Recognize when Creative Commons Licensing is required.
- Understand who has prior approval authority for equipment.
- Identify the requirements for an appropriate property management system.
SECTION 1: Assets and Supplies
Lease vs. purchase

Internal controls, cost reasonableness and necessity

Non-Federal entities may have lower but not higher capital thresholds

Capital Acquisition Level is $5,000

Includes land, buildings, equipment and intangible property

Tangible or intangible having a useful life of more than one year

2 CFR 200.12
Supplies is defined as all tangible, personal property other than those described in 200.33 Equipment, having a unit cost of less than $5,000.

A Computing Device is a supply if the acquisition cost is below the cited threshold regardless of the length of its useful life.
The cost of the asset, including the net invoice price of the equipment and any modifications needed to make it useful for its intended use.
SECTION 2: Equipment
Equipment is defined as tangible personal property with 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, and a useful life of one year or more.
These policies apply to all types of equipment.

**States:**
Follow their own policies and procedures

**Other Non-Federal Entities:**
- Uniform Guidance requirements
- For originally authorized purpose until funding ceases/is no longer needed

**Priority Use:**
- Federal award that acquired the equipment
- Other Federally funded activities
**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:** Cost of equipment should be allocated among the benefiting programs or activities.

**Other Allowable Costs:** Insurance coverage and maintenance costs.

**Depreciation Costs:** Allowable for equipment purchased with non-Federal dollars that is used for the ETA programs.
Depreciation is allowable if:

- Purchased with non-Federal dollars
- Using existing equipment
- Third-party donation

Compensated in accordance with GAAP

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

2 CFR 200.436 (b)

Allocation for depreciation must be made in accordance with Appendices III through IX.

Computation of depreciation must be based on the historical acquisition cost of the asset involved.

Donated equipment may be depreciated or claimed as match, but not as both.
Depreciation

2 CFR 200.436 (b)

Acquisition Costs will exclude:

- Any portion of the equipment cost borne or donated by the Federal government
- Any portion contributed by the non-Federal entity
- Asset acquired solely for the performance of a non-Federal award
When computing depreciation charges, observe the following:

- Nature of the equipment
- Technological developments
- Historical data
- Renewal and replacement policies followed
Depreciation method must reflect the pattern of consumption during its useful life.

Depreciation methods once used may not be changed unless approved in advance.
### Depreciation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation</strong></td>
<td><strong>Use allowance</strong></td>
<td><strong>No depreciation for</strong></td>
</tr>
<tr>
<td><strong>Equipment fair market value not to exceed</strong></td>
<td><strong>allowance not permitted;</strong></td>
<td><strong>equipment: directly</strong></td>
</tr>
<tr>
<td><strong>value of equipment of same age and condition</strong></td>
<td><strong>not permitted;</strong></td>
<td><strong>expensed, fully</strong></td>
</tr>
<tr>
<td><strong>2 CFR 200.306(i)(1)</strong></td>
<td><strong>Changes in depreciation methods requires prior approval</strong></td>
<td><strong>depreciated, or not useful</strong></td>
</tr>
<tr>
<td><strong>Buildings must be valuated at fair market value at time donated</strong></td>
<td></td>
<td><strong>2 CFR 200.306(i)(2)</strong></td>
</tr>
<tr>
<td><strong>2 CFR 200.306(i)(2)</strong></td>
<td><strong>Equipment fair market value not to exceed value of equipment of same age and condition</strong></td>
<td></td>
</tr>
</tbody>
</table>
Uniform Guidance Equipment Types

General Purpose Equipment

Special Purpose Equipment

Information Technology
General Purpose Equipment

Examples include:
✓ Office equipment and furnishings
✓ Modular offices
✓ Movable trailers which are later anchored
✓ Information technology equipment and systems
✓ Air conditioning, phone systems, carpeting
✓ Reproduction and printing equipment
✓ Motor vehicles

2 CFR 200.48
Used for research, medical, scientific, or other technical activities

In manufacturing, equipment such as lathes and fork lifts

2 CFR 200.89
Included in the definition of general purpose equipment.

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

**Example:** Computer network
User Fees

2 CFR 200.313

Fees

Must be no less than private companies charge, as long as the Federal government retains interest.

Income

Considered program income when the property is used for non-grant purposes, and must be tracked, reported and spent prior to the use of grant funds.
Knowledge Check

Knowledge Check
Capital assets now include intangible property.

A) True

B) False
True.

Capital assets include tangible and intangible assets that have a useful life of more than one year and are capitalized in accordance with GAAP.
Computing devices that cost less than $5,000 are included as equipment.

- A) True
- B) False
False.

A computing device is a supply if the acquisition cost is less than the lesser of the capitalization levels established by the non-Federal entity for financial statement purposes or $5,000. This is the case regardless of the length of its useful life. It would, however, be considered equipment and not a supply if the total cost was greater than the capitalization level.
A grantee may establish a capitalization level greater than $5,000.

A) True
B) False
False.

A grantee may establish a level less than but not greater than $5,000.
SECTION 3: Intangible Property
What is Intangible Property?

2 CFR 200.59

Intangible Property is property having no physical existence.

- Copyrights - registered by the Library of Congress’s copyright office
- Trademarks - may be a word, name, symbol, device, or combination thereof
- Patents - exclusive rights to benefits of inventions or improvements for a specified time period
- Service Marks - distinguish your services from those of the competitor
- Loans, notes and other debt instruments
Title to intangible property acquired under a Federal award vests upon acquisition in the non-Federal entity.

- See 200.59 Intangible Property.

Federal Government Rights
- Obtain, reproduce, publish
- Authorize others to receive, reproduce, publish
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.
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 any information on linked sites, including but not limited to, accuracy of the information or its completeness, timeliness, usefulness, adequacy, continued availability, or ownership. This product is copyrighted by the Institution that created it.

The following wording should be included on works of intellectual property created wholly or partly with DOL funds.
Creative Commons Licensing

DOL exception at 2900.13

... 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.

Work that must be licensed includes new content created with the grants funds and modifications made to pre-existing, recipient-owned content. Notice of the license must be affixed to the work.

For general information on CCBY, please visit: http://creativecommons.org/.
Capital assets include intangible property which has no physical existence.

A) True
B) False
True.

Capital assets do include intangible property, which has no physical existence. Examples include copyrights, trademarks, patents and patent applications and property, service marks, loans, notes and other debt instruments.
Intellectual property developed under a competitive Federal award process is not to be licensed under a Creative Commons Attribution license.

A) True
B) False
False.

As part of the DOL exceptions to the Uniform Guidance, 2900.13, it is now required that intellectual property developed under a competitive Federal award process is 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.
SECTION 4: Prior Written Approval
Delegation to Governor for Prior Equipment Approval

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

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

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.
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
Formula grant subrecipients must obtain prior Grant Officer approval for equipment purchases.

A) True
B) False
False.

For formula grants, prior approval has been delegated to the governor.
Prior approval authority has been delegated to the governor for “non-formula” grants to the state.

A) True
B) False
False.

For state non-formula grants the Grant Officer retains prior approval authority for both grantee and subrecipient requests.
Other direct grantees (non-state) must obtain prior approval from the Grant Officer for equipment purchases.

- A) True
- B) False
True.

For non-state grantees, the Grant Officer retains prior approval authority for both grantee and subrecipient requests.
A grantee purchased a computer costing $4,000, but failed to obtain prior approval. Are there consequences for this action?

- A) Yes
- B) No
The answer is No, there are no consequences for this action.

The amount falls under the $5,000 capitalization threshold; therefore, the computer is classified as supplies and does not require prior approval.
SECTION 5: Property Management Systems
Property Management System

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

Outright Purchase
• Purchase of equipment or asset with prior approval of State
• Prior approval obtained from ETA grant officer

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

Property should be maintained in good, working order

Allowable Cost Federal government not liable for loss

Procedures for requesting disposition instructions from ETA

Maintenance

Insurance

Disposition
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.

2 CFR 200.310
The Uniform Guidance requires that inventory records meet the following requirements:

- Property description
- A serial number or other identification number
- Source of funding (including the FAIN)
- Title holder
- Acquisition date and cost of the property
- Percentage of Federal participation in the costs
- Location, use and condition of the property
- Any ultimate disposition data including date of disposal and sale price of property

Property records must be maintained!
Documentation

- Estimates of costs and related documentation
- Written prior approvals
- Maintain inventory and conduct physical inventory (detailed information)
- Percentage of participation by Federal programs in cost
Documentation

Tagging/Decals

Supporting Documentation for Charges

Record retention – three years after disposition or submission of final expenditure report, whichever is later
Historical cost is the only cost you can use for capital assets.

- Additions, modifications, replacements, rearrangements, reinstallations, renovations or alterations
- Exclusions are ordinary repairs and maintenance
- Cost of system components needed to build the historical cost of the asset
- Stand-alone function = cost of stand-alone + cost to put it in place
- Estimate donated equipment value using fair market value
- Track historical cost of assets and cost valuations in ledgers, subsidiary ledgers, and documentation

Tracking Capital Equipment Costs

Historical cost is the only cost you can use for capital assets.
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

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.

2 CFR 200.316
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.

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 is the 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.

- Proceeds from the sale of equipment are not Program Income. The Federal agencies that participated in the cost **must** be compensated.
Disposition Options: Equipment

Equipment with a fair market value of **$5,000 or less** may be retained, sold or otherwise disposed of with no further obligation.

Equipment with current per-unit fair-market value **in excess of $5,000** may be retained by the non-Federal entity or sold.

- Multiply the current market value or proceeds
- If sold deduct and retain from the Federal share
  $500 or 10% of the proceeds.

The non-Federal entity may transfer title to the property to the Federal government or an eligible third party.

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

At the end of the formula grants period of performance, states must:
- Follow their own procedures for disposition of property
- Have a process for handling disposition requests

The request for dispositions from states’ subrecipients is sent first to the state and ultimately to ETA, to either the FPO or the Regional Administrator.
- ETA delegates the authority to the governor to approve property acquisitions, but does not delegate the authority to dispose of property.

The request for disposition of property for non-state direct recipients and their subrecipients must be sent to ETA.
- The request should be addressed to the ETA grant officer and sent under a cover letter to the FPO.
Intangible Property follows the disposition requirements related to equipment at 200.313(e).
Must retain for use or sell any residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program.

Must compensate DOL in either event in the same manner as equipment (participation in the acquisition cost).
Common Mistakes

- 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
- Improper allocations of equipment direct charges or depreciation
- Improper valuations for donated property
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.

- A) True
- B) False
True.

The Uniform Guidance requires insurance for equipment acquired or improved with Federal funds. The insurance should be equivalent to that which is provided for property owned by the non-Federal entity. Insurance costs are allowable.
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.

- A) True
- B) False
True.

When equipment is no longer needed for the authorized purpose or activities, non-Federal entities will need to request disposition instructions from DOL.
Key Points by Lesson

**Section 1: Capital Assets and Supplies**
- Identified differences between supplies, equipment, and acquisition costs.

**Section 2: Equipment**
- Explored various types of equipment, including general purpose, special purpose, and information technology,
- Explained allowable costs, depreciation, and regulations.

**Section 3: Intangible Property**
- Defined intellectual property and creative commons licensing and applicable usage.
Section 4: Prior Written Approval

- Outlined the review and approval process and the importance of having written approval for purchases.

Section 5: Property Management Systems

- Described the requirements and regulations for property management, and documentation/tracking on property and equipment disposition.
This presentation is complete.