

NEW JUNE 2016

POLICY 702.3 INVENTORY AND SALE OF FEDERALLY FUNDED EQUIPMENT

I. PURPOSE

The purpose of this policy is to provide guidelines for local school districts on the proper procedures to meet federal requirements for documenting title, use, disposition and management of equipment purchased using federal special education award dollars.

II. GENERAL STATEMENT OF POLICY

All special education equipment/supplies purchased with state and federal funds must comply with the regulations set forth in the Education Department General Administrative Regulations (EDGAR) IDEA 34 CFR 80.32 (d)(1)-(2), IDEA 34 CFR 80.20 (b)(3).

III. DEFINITIONS

A. "Equipment" is any tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$2,500 or more per unit.

B. "Supplies" are any personal property excluding equipment.

IV. TITLE, USE, AND DISPOSITION

A. Title

Subject to the obligations and conditions set forth in this section, title to equipment acquired under a federal award will vest upon acquisition in the nonfederal entity. Unless a statute specifically authorizes the federal agency to vest title in the nonfederal entity without further obligation to the federal government, and the federal agency elects to do so, the title must be a conditional title. Title must vest in the nonfederal entity subject to the following conditions.

1. Use the equipment for the authorized purposes of the project until funding for the project ceases, or until the property is no longer needed for the purposes of the project.
2. Not encumber the property without approval of the federal awarding agency or pass-through entity.
3. Use and dispose of the property in accordance with disposition section of guidance.

B. Use

Equipment must be used by the nonfederal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported

by the federal award, and the nonfederal entity must not encumber the property without prior approval of the federal awarding agency. When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority:

1. Activities under a federal award from the federal awarding agency which funded the original program or project, then
2. Activities under federal awards from other federal awarding agencies. This includes consolidated equipment for information technology systems.
3. During the time that equipment is used on the project or program for which it was acquired, the nonfederal entity must also make the equipment available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by federal awarding agency that financed the equipment and second preference must be given to programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible. User fees should be considered if appropriate.
4. The nonfederal entity must not use equipment acquired with the federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute for as long as the federal government retains an interest in the equipment.
5. When acquiring replacement equipment, the nonfederal entity may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

C. Disposition

When original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, except as otherwise provided in federal statutes, regulations, or federal awarding agency disposition instructions, the nonfederal entity must request disposition instructions from the federal awarding agency if required by the terms and conditions of the federal award. Disposition of the equipment will be made as follows, in accordance with federal awarding agency disposition instructions:

1. Items of equipment with a current per unit fair market value of \$2,500 or less may be retained, sold or otherwise disposed of with no further obligation to the federal awarding agency.
2. If the federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair-market value in excess of

\$2,500 may be retained by the nonfederal 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. If the equipment is sold, the federal awarding agency may permit the nonfederal entity to deduct and retain from the federal share \$250 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

3. The nonfederal entity may transfer title to the property to the federal Government or to an eligible third party provided that, in such cases, the nonfederal entity must be entitled to compensation for its attributable percentage of the current fair market value of the property.
4. In cases where a nonfederal entity fails to take appropriate disposition actions, the federal awarding agency may direct the nonfederal entity to take disposition actions.

V. INVENTORY RECORDS, RECONCILIATION, AND RECORDS RETENTION

A. Inventory Records

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

B. Inventory Reconciliation

A physical inventory of the property must be taken and the results reconciled with the property records at least once every year.

C. Records Retention

Records for real property and equipment acquired with federal funds shall be retained for three years after final disposition.

VI. TANGIBLE PROPERTY

A. The federal government has the right to:

1. Obtain, reproduce, publish, or otherwise use the data produced under a federal award;
and
2. Authorize others to receive, reproduce, publish, or otherwise use such data for federal purposes.

3. Personnel and medical information and similar information the disclosure of which would constitute a clearly unwarranted invasion of personal privacy, such as information that could be used to identify a particular person in a research study.

Legal References:

Cross References:

First Reading: May 9, 2016

Second Reading: June 13, 2016