

500 PROPERTY MANAGEMENT

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500.1 EQUIPMENT AND SUPPLIES

DEFINITIONS

"Equipment" means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A subgrantee may use its own definition of equipment if such definition would include at least all equipment defined above.

"Supplies" are items which do not meet the definition of equipment. Generally, supplies are low-cost items that are used in current operations, such as pens, toners, paper, etc. However, higher cost items that do not cost \$5,000 or more per unit, such as individual computers, are also treated as supplies.

ACCOUNTING TREATMENT

School districts must capitalize equipment, which means a subgrantee must record the equipment as a fixed asset and include the cost on the Schedule of Changes in Fixed Assets. School districts and cooperatives must record equipment purchases using a 7XX expenditure object code. See the [School Accounting Manual, 5-1200 Fixed Assets](#).

Subgrantees must record a purchase of supplies as an expenditure. School districts and cooperatives must record supply purchases using a 6XX expenditure object code. See the [School Accounting Manual, 5-0500 Supplies](#).

USE OF FEDERALLY PURCHASED EQUIPMENT

Subgrantees may not use equipment purchased with federal funds to earn income in a way that poses unfair competition to private companies.

MANAGEMENT REQUIREMENTS – EQUIPMENT

At a minimum, subgrantees must meet these requirements for managing equipment purchased wholly or partially with federal funds:

1. Maintain property records that include
 - a) Description of property;
 - b) Serial number or other identifying number;
 - c) Source of funds used to purchase the item;
 - d) Who holds title;
 - e) Date of acquisition;

- f) Cost;
 - g) Percentage of cost paid using federal funds;
 - h) Location;
 - i) Use and condition of property; and
 - j) Disposition data, including date of disposal and sale price.
2. Take a physical inventory and reconcile the counts with the records at least every two years;
 3. Maintain a control system which safeguards against theft, loss, or damage of property and investigate any loss, theft, or damage;
 4. Maintain the property in good condition; and
 5. If authorized to sell the property, get the highest return possible.

OPI PREAPPROVAL REQUIRED FOR PURCHASE OF EQUIPMENT

Subgrantees of federal awards must obtain the OPI's written pre-approval to purchase equipment using federal program funds.

Pre-approval may occur when the OPI approves the original application or an amendment to the application, as explained below. To request pre-approval, the subgrantee must either:

1. List the equipment items on the project budget when applying for the grant. Most grant applications and budgets are done through the E-Grants System. For programs not on E-grants, use the paper application and budget forms; or
2. Submit an amendment to an already approved grant application. For programs on the E-Grants System, submit an amendment to the application, explaining the intention to purchase equipment on the Amendment Description page. For programs outside of the E-Grants System, submit a hardcopy of the [Grant Amendment Request](#) form (see Appendix B of this handbook).

TITLE TO EQUIPMENT PURCHASED WITH FEDERAL FUNDS

The Migrant Education Program retains title to any equipment purchased with federal funds. The OPI may relocate property purchased by one recipient to a migrant program administered by another recipient if they determine the equipment is needed elsewhere.

For OPI-administered grants other than the Migrant Education Program, the title to property purchased by a subgrantee using federal funds vests with that entity.

WHAT TO DO WITH EQUIPMENT AFTER THE GRANT

A subgrantee must use federally funded equipment for the program or project for which it was intended, as long as it is needed, even if the project is no longer federally funded. When no longer needed for that program, equipment can be used for any other federal program activities.

A subgrantee should also make the equipment available for use on other projects, as long as that use does not interfere with use of the equipment by the program for which it was purchased. User fees may be charged when equipment is used by other projects. User fees are considered program income.

The OPI Migrant Program director will determine how property purchased using Migrant Education Grant funds will be used.

USING ITEMS AS "TRADE-IN"

When buying replacement equipment, the subgrantee may use equipment purchased with federal funds as a trade-in or may sell the equipment and use the proceeds to offset the cost of replacement property.

DISPOSAL OF PROPERTY

Except for property purchased under the Migrant Education Program, when the subgrantee no longer needs original or replacement equipment purchased with federal funds under a grant or subgrant administered by the OPI for the original project or for any project currently or previously supported with federal funds:

1. The subgrantee may retain, sell, or otherwise dispose of equipment with a current per-unit fair market value of **less than \$5,000** with no further obligation to the federal government; and
2. The subgrantee may retain or sell equipment with a per unit fair market value of **\$5,000 or more**, and the federal government is entitled to claim an amount equal to the current fair market value or proceeds from the sale, times the percentage of the asset's value that was originally contributed by federal funds. Contact the OPI Program Director for directions.

The subgrantee must amend inventory records to reflect the disposal.

Items of equipment purchased with federal funds under programs not administered by the OPI are subject to provisions of those grantor agencies. Contact the grantor for further information.

SCHOOL DISTRICTS SUBJECT TO STATE LAW ON DISPOSAL OF PROPERTY

School districts must also advertise the intent to sell or otherwise dispose of property in accordance with Section [20-6-603](#), MCA, before disposing of property, including property purchased with federal funds.

500.2 RENTALS AND LEASES – FEDERAL RESTRICTIONS

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A subgrantee may find it more efficient to rent or lease buildings or equipment rather than purchasing those items for use with a grant project. However, the federal government restricts the amount a subgrantee can charge to a grant project for rent, lease, or usage charge for buildings and equipment.

The amount that a subgrantee can pay for renting or leasing a building or equipment using grant funds is based on the ownership of the building or equipment. If a subgrantee has any ownership or even an indirect tie to ownership of a building or equipment, rent and lease costs are strictly limited.

Charges for a building or equipment usage are allowable as follows, based on ownership:

1. If the building or equipment is owned by a third party (i.e., a totally separate party and no portion is owned by the subgrantee), then the cost of the rent or lease is an allowable cost for the grant project, assuming it was approved in the grant application or subsequent amendment;
2. If the building or equipment is owned by the subgrantee under a “less than arms length transaction” (i.e., owned wholly or partially by the subgrantee, owned by a close affiliate or partner of the subgrantee, owned by another branch of the organization of the subgrantee, or owned by a member of a consortium of the subgrantee, etc.), the amount of rent or lease payment that is allowable under a grant is limited to the amount that the subgrantee could charge to the grant if they owned the building or equipment, either as depreciation or as a usage allowance.
3. If the building or equipment is owned by the subgrantee, they can charge the grant for either depreciation or a usage allowance, but not both.

Under (2) and (3), the subgrantee could charge either of these costs to the grant:

Depreciation: The acquisition cost, not including cost of land or any federally funded portion of the cost of the building or equipment, divided by the useful life of the building on a straight-line depreciation basis using IRS guidelines on useful lives. The typical useful life for a government building is 40 years for depreciation purposes; or

Use Allowance: For buildings - annually not more than 2% of the building's acquisition cost, not including cost of land or any federally funded portion of the building's cost. For equipment - annually not more than 6-2/3% of the equipment's acquisition cost.

The subgrantee will be asked to justify how the cost for rent, lease, depreciation, or use allowance complies with these limits when completing the grant application.