**WorkforceGPS**

**SMART 3.0 Series: Property Management: Supplies, Equipment and Intangible Property**

**Tuesday, November 19, 2019**

*Transcript by*

*Noble Transcription Services*

*Menifee, CA*

GRACE CASERTANO: We will also be sending out a follow-up survey in a month's time. Again, if you haven't already done so, or if you're just joining us, please introduce yourself in that welcome chat. We'll have that chat up throughout today's webinar, where you can type in your questions or comments at any time.

And welcome to Property Management: Supplies, Equipment, and Intangible Property, Smart 3.0 Training. So without further ado, I'd like to turn things over to your speakers for today, Chanel Castaneda, grants management specialist, United States Department of Labor, OGM DPRR, Chicago, Illinois; and Trevor Capon, federal project officer, United States Department of Labor, Region 1, Boston, Massachusetts. Take it away, Chanel.

CHANEL CASTANEDA: Thanks, Grace. Hello, everyone. If you stuck with us nine weeks ago through all our e-SMART training, please give yourself a round of applause or a pat on the back. This is the last of our e-SMART training for this season. We just want to thank everyone who participated, who listened, as well as we wanted to thank our presenters. We had presenters across the nation from each of the regional offices, as well as the national offices participating in this e-SMART training.

Like Grace said, we'll be – the last topic is on property management. We'll talk about the acquisition of property, as well as the maintenance or standards put together by the Uniform Guidance, as well as disposal standards set by the Uniform Guidance. We just want to remind everyone what SMART stands for; which stands for Strategies, Monitoring, Accountability, Risk Mitigation, and Transparency. So hopefully, you see these scenes weave throughout our presentation, as well as throughout the Uniform Guidance.

One last look is the grants management toolbox. Not only do you have the SMART 3.0 PowerPoints, but you also could look to other resources, such as the Uniform Guidance and DOL's exceptions, the technical assistance guide; the core monitoring guide is also a great resource; as well as the grantee handbooks for our discretionary grantees and WorkforceGPS.

Here is just an overview of what the module. We'll talk about equipment, what is intangible property. We'll talk about property management standards, as well as what's the difference between supplies and equipment. And I'll turn it over to Trevor, who will talk about prior written approval, internal controls, as well as close out on common mistakes.

And at the very end, we'll also have closing remarks on the e-SMART series. So please stay until the end. We'll talk about, like, what did we learn throughout the whole process? Where can you look for more information? If you like what you hear, how can you get in contact with us? All those things, we'll talk about in the end. So without further ado, let's talk about equipment.

So the equipment is defined in the Uniform Guidance as an asset that has a unit cost of $5,000, or more, and a useful life of one year or more. I will talk more about the definition of equipment. We'll discuss what are some allow costs under equipment, such as direct charging versus depreciation. As you'll see in the Uniform Guidance, the rules surrounding depreciation and what can you charge to our grant in regards to depreciation has changed on the Uniform Guidance. And then, we'll talk about also what's the difference between equipment and supplies.

Here, we have the definition of equipment. This is the definition per the Uniform Guidance at 2 CFR 200.33. Like I said before, equipment includes any tangible personal property with a unit cost of $5,000 and a useful life of one year or more. This definition also includes any technology systems, as well as any other systems, such as computer labs, servers, phone systems, things like that.

And then, when we talk about acquisition costs, we identify the unit cost of $5,000. This is the acquisition cost, meaning what is the cost for the equipment, which is the invoice price of the equipment including any cost to modify, attach any accessories or apparatuses needed to make it useful for the purpose for which it was required. So it's pretty much all costs assumed in order to get this piece of equipment running would be considered the acquisition cost or the cost that you would look at if the unit cost was $5,000.

Here, we just wanted to define capital assets, because that could include some equipment. We talked about this in previous webinars. Capital assets is defined in the Uniform Guidance. The citation is on the slide.

And this includes any tangible or intangible assets that have a useful life for more than one year and is used in the operation of our grant. And some capital assets include land and buildings, which was covered in another webinar series, equipment, as well as intangible property. And we'll talk about what is intangible property.

ETA's capital asset level is $5,000. Non-federal entities who are direct recipients or even subrecipients of our DOL award may not establish or apply a higher capital asset threshold than $5,000. However, you may establish a lower threshold, in accordance with your written policy. So you can't be less strict than the Uniform Guidance, but you could always be more strict in comparison to the Uniform Guidance.

So when you're acquiring property, recipients, subrecipients as well as direct grant recipients, must follow all of the Uniform Guidance for property, including internal controls, costs, reasonableness, and necessary, as well as any lease versus purchase standards that have been outlined in the Uniform Guidance.

Here is just an example of some equipment types that the Uniform Guidance breaks it down to, into three buckets. The first bucket is general purpose equipment, and that usually includes your office furniture; maybe some moveable trailers; motor vehicles, such as buses, cars, and vans; air conditioning units; phone systems; copier machines and printers. Those are just general purpose, and that's usually purchased in order for the general operations of the grant.

The next bucket of equipment that the Uniform Guidance defines is special purpose equipment, which includes any technical equipment used for research, medical, scientific, or other technical activity. We usually don't see a lot of this for our grants. But if you have an NEG, which is a disaster relief grant, maybe you may have purchased some special purpose equipment. Or if you have a grant that has a science-related curriculum, you may have to purchase some of this type of equipment.

And then, last bucket of the type of equipment defined in the Uniform Guidance is information technology systems. And this is a special category of general purpose equipment that includes things like computer devices, ancillary equipment related to IT, software, firmware, and other similar resources that would fall into IT systems.

OK. One thing before we start talking about purchasing equipment or cost for equipment, we have to look back at the Buy American Act. And this is a new act that was signed by the president recently about a couple years ago, but we want to make sure that all our grantees keep this in mind when they're purchasing goods or equipment.

Like I said, when you're acquiring equipment or goods, keep in mind that the president signed an executive order to encourage our grantees to increase purchases from American companies for federal infrastructure projects, including grants.

It 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 manufactured articles, supplies, materials 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.

So we just ask our grantees that they be cognizant of when they're purchasing equipment or goods, that if you have an option to purchase American-produced goods, that that option is at least viable and that you should keep that into account when you're purchasing – let's take an example of a car.

If you're going to use grant funds to purchase a vehicle for the grant purposes and if there is an option, looking at prices, to buy a manufactured American-made car versus a foreign-made car, at least there would be some consideration for the American-made car. OK. So that's just something we want everyone to keep in mind when they're procuring any equipment or good. You will see the Buy American Act in your grant's terms and conditions. So it is a requirement of all our grant recipients.

All right. Now, that we've discussed the different types of equipment, we're going to talk about what are allowable charges for equipment. The cost of equipment can be charged to the grant, our grants, in one of two ways. One is direct charge, meaning the grantee could use grant funds to purchase a piece of equipment directly.

And the other way a grantee can charge to our grant program the cost of equipment is depreciation. And we'll talk about the difference between the two. Just keep in mind that if you are a grant recipient and you use grant funds to purchase a piece of equipment that you are going to use for allowable grant activity, you cannot go back and charge the depreciation to our grants as well. That is pretty much double-dipping. You're taking grant dollars to purchase the equipment, and then, you are trying to recover the depreciation cost from our grant funds. And the reverse is the same, and we'll talk about that more during depreciation.

When you do direct charge, when you are using grant monies to purchase equipment, make sure you allocate among the benefitting programs or activities. So the cost principles of the Uniform Guidance still apply. For example, if you are interested in purchasing a printer and you know the printer 50 percent of the time is going to be used for your ETA grant and another 50 percent of the time, it's going to be used for non-federal-related uses.

So you want to make sure you allocate based on benefit receipt. So 50 percent of that unit cost should be directly charged to our grant. You want to make sure if there are any prior approval requirements that they still apply for DOL programs, whether you charge at 100 percent or you allocate. So make sure that if you need prior written approval before purchasing that piece of equipment, you do receive that before any action is taken by your grant organization.

And then, other allowable costs include any equipment, insurance coverage, as well as maintenance. And we'll talk more about that, what is allowable under insurance and maintenance. And remember, the second way to charge back a piece of equipment to our grant program is also depreciation.

And that is if the piece of equipment was either donated by a third-party or donated by your own organization, no grant funds were used to purchase this piece of equipment, and you use it for allowable grant activity, you could charge or recover that depreciation expenses to our grant. And we'll talk about one of the methods that is used in order to recover depreciation cost from our grant funds.

So depreciation is defined in the Uniform Guidance at 2 CFR 200.436, and it is the method for allocating the cost of fixed assets to periods benefitting from asset use. So what does that mean? It just means that you want to make sure that if you are using a piece of equipment – and as we all know, for example, when a car leaves the lot of a car dealership, you know the value of that car is slowly dwindling as it is being used.

So we want to recognize the use of that piece of equipment or that vehicle by recovering those dollars from our grant. Just remember the non-federal entity may be compensated for the use of equipment either donated by a third-party or donated by your organization, and provided that the equipment is used and is needed for your program.

You can charge back depreciation expense to our grant. Just make sure, just like the cost principles for direct charging, depreciation cost must be properly allocated to federal awards. And you want to make sure you calculate your depreciation costs over the useful life of the asset.

So here are some rules in regards to depreciation. This is found at the Uniform Guidance in 200 CFR 200.436, as well as appendices IV through VIII of the Uniform Guidance talks about the allocation of depreciation. You want to make sure when you add computer depreciation costs, you must use the historical acquisition cost of the asset involvement.

And the acquisition cost can exclude any portion of the cost of equipment borne by or donated by the federal government. So if there's a piece of equipment that was partially or fully purchased by a federal award, you cannot take that part of the depreciation against another federal award. So that is, like I said, a double dipping of sorts.

Acquisition costs also exclude any portion of the cost of equipment contributed by the non-federal entity, or where law or agreement prohibits recovery. So if there's any law or the grant's terms and conditions does not allow for depreciationable cost to be recovered by the grant, then you are not able to do that.

And then, acquisition costs also exclude any asset acquired solely for the performance of a non-federal award. So if you have a piece of asset that's used for a non-federal award and not used for any of our awards, you cannot recover the depreciation cost for that piece of equipment.

Here are just some other considerations you want to take into account when you're depreciating a piece of asset and you want to recover those costs through the grant's funds. You have to take into account the useful life. You have to take into account the useful life period into consideration.

What is the nature of the equipment? Have there been any technological developments in this particular area? So let's just say you want to depreciate a server that you currently are using for your grant. However, because there's been some improvements in the area of servers, it is no longer of use for your grant.

So if it's no longer of use for your grant, you cannot recover the depreciation cost through our grant. You want to look at some historical data, as well as any renewal and replacement policies per your equipment policies and procedures. You must use the straight line depreciation. You want to make sure your equipment policies and procedures outlines what are the useful lives of a particular asset class.

Let's take the example of a vehicle. Let's say you are using a new car that was donated for the use of an ETA grant. The car is worth $10,000, that's the acquisition cost of it, and has a useful life of five years. And this is based on your property management policies and procedures. You've identified that vehicles have a useful life of five years.

The grant's period of performance, however, is only three years, and the grantee expects to use the car for entire length of the grant. So the full amount that the grantee can recover in those three years is a total of $6,000. This is taking $10,000, dividing it by five years, and dividing it by 12 months will give you $166 a month that you can recover from our grant for the use of that vehicle for allowable grant activity.

So taking that $166 a month times 12 months, then times three years, you could recover a total of $6,000 from our grant for the use of this new car. Just keep in mind that if you use this new car for other non-federal grant activities or other federal awards besides our federal grants, you got to make sure you allocate those depreciation costs appropriately. The cost principles still apply when it comes to depreciation costs.

Here are just some more requirements under depreciation. If a piece of equipment has been directly expensed, like I said, if you use grant funds to purchase – our grant funds to purchase this piece of equipment, you cannot recover depreciation expense through our grant. If the particular piece of equipment has been fully depreciated or has outlived its useful life, you cannot recover depreciation cost from our grant.

And this is new, per the Uniform Guidance. We used to allow use allowance, meaning fully depreciated items, you could still recover depreciation expense if you still used it for our grants. However, the Uniform Guidance has now changed that. That if it is fully depreciated or has outlived its useful life, you cannot recover any of those depreciation costs against our grant.

Also, something else to keep in mind is you want to make sure that if you either charge the federal award depreciation cost for use of a donated equipment, you may not also use that piece of equipment to meet a match requirement. It's either one or the other. If you have a donated piece of equipment from a third party and you would like to use that as a match requirement, you cannot also recover the depreciation expenses for the use of that donated equipment. Once again, that is a double dipping of sorts.

And then, you want to make sure if you have a piece of donated equipment, its value is not to exceed the fair market value of the piece of equipment as the same age and condition at the time of donation. Let's take the example that I used a new car, but let's use it as a used car. You want to make sure you value that used car using other sources like Kelley's Blue Book or going to your local car dealership and seeing how much a car that is of the same make and model and year, how much is the cost in the market.

And then, it is also required that you take a physical inventory of all your equipment at least once every two years to ensure that the equipment exists and it is still usable, used, and needed. So you want to make sure when you're doing your physical inventory that the piece of equipment has not been fully depreciated and it is still of use for your particular grant. OK. Let's go to our first knowledge check.

True or false, a non-federal entity may directly charge to their federal award the cost of equipment it purchased with non-federal funds? Let's see what everyone votes. Give it a second. OK. Let's see. About 80 percent have selected false. And the answer is false. Once again, if you directly charge our federal award with the purchase of a piece of equipment, you cannot recover also the depreciation cost of that particular piece of equipment. OK. All right.

So let's talk about intangible property. I talked about this very briefly as one of the types of classes of equipment that the Uniform Guidance has identified. We'll talk about the definition of intangible property, some examples, what are the grant's provisions in regards to intangible property. You'll notice that there is something in your grant's terms and conditions called the Creative Commons license, we'll talk about that, as well as intellectual property.

So the Uniform Guidance defines intellectual property at 2 CFR 200.59. And this means that any property that doesn't have a physical existence, such as trademarks, copyright, patent, other properties, such as loans, notes, and other debt instruments, these are things that have value but no physical existence, as well as lease agreements, any stocks or any other instrument that demonstrates property ownership.

Here are just, like I said, examples of intangible properties. Like I said, copyrights; trademarks; patents and service marks; loans, notes, or other debts. You want to make sure if you have any of these intangible properties, if you use grant funds to purchase it, that you keep it on your records, you identify it.

Here, the Uniform Guidance identifies the usage of intangible property. At 2 CFR 200.315, any intangible property that is acquired using grant funds will vest upon acquisition in the non-federal entity. You want to make sure when an intangible property is purchased, however, the federal government still reserves the right to obtain, reproduce, or publish this intangible good. We also authorize others to receive, reproduce, or publish an intangible property.

And this comes, really, into effect when we're talking about intellectual property. Even though the good or the intellectual property may vest with the non-federal entity, we still have a right to reproduce or republish and distribute that intellectual property amongst other grant recipients.

You want to make sure, just like any tangible property, any equipment, you want to make sure that you're still using the intangible property for its originally authorized purposes. And when you no longer need it for its original authorized use, then you should dispose of the intangible property in accordance with the Uniform Guidance, just like equipment.

Here is the grant provision. Like I said, the government has a non-exclusive, irrevocable license to use or authorize others to use any intellectual property developed with grant funds. The non-federal entity may copyright any work that is subject to copyright and development, but, however, we still have the right to use that piece of property.

Also, you want to make sure – here is the DOL grant provision for intellectual property. This is included in all our grant terms and conditions. You want to make sure that if you have any intellectual property, that you include this wording with the intellectual property.

Either if grant funds were used to create it wholly or partially, this exact language must be contained in any intellectual property. And like I said, you could find this on the slides, as well as you could this in your grant terms and conditions. But if you use any grant funds to create in whole or partially a piece of intellectual property, this wording must be attached to it.

And I also talked about this earlier, but open licensing. You want to look at DOL's exception under the Creative Commons license, that we have an open licensing rule with anything developed, any intangible property that is developed using grant funds.

The Department of Labor's competitive grant awards represent and investment in the next generation of open educational resources by requiring that DOL-funded intellectual property develop under competitive awarded grant programs, including any digital content, be open-licensed for free use, adaption, and improvement by others.

You just also have to make sure if you develop any intellectual property, you want to make sure you put it in a platform that is easy for it to be distributed and share amongst our grant community. That is one of the stipulations when you're using grant funds to develop intellectual property.

OK. Let's talk about equipment use management and disposition standards. This really applies to our direct grant recipients that are not state. This means any competitively awarded grant. Just because our states are under the Uniform Guidance, are required to follow their own state policies and procedures when it comes to equipment acquisition.

Like I said, states are to follow their own policies and procedures when it comes down to equipment acquisition. All other non-federal entities that are not states, you have to follow the Uniform Guidance at 2 CFR 200.313(c) through (e). And this applies to all equipment, regardless if it's special purpose equipment, general purpose equipment, intangible assets, you would need to follow the equipment use management and disposition standards outlined in the Uniform Guidance.

So let's talk about equipment use standard. You have to make sure if you are using grant funds in order to purchase equipment, you have to check that it must be used for original authorized purpose until that funding ceases or the equipment is no longer needed for the purpose of the project.

So if the funding has not ceased or the equipment still is needed, you want to make sure it is still used for the purposes that it was purchased under. And as long as the equipment is needed, whether to support a federal award, you must ensure that the equipment is retained at your grant organization.

And then, when the equipment is no longer needed for the original purpose that it was purchased under, it may be used for the following order of priority. You could use that first piece of equipment for other DOL-funded activities. Let's say you have another DOL grant, you could transfer that piece of equipment to the DOL grant to be used for. Or you could actually transfer that piece of equipment to other federal awards other than DOL.

Let's say you have a HUD grant and you would like to use the vehicle that you purchased using DOL grant funds, you may transfer the use of that piece of equipment to your HUD grant. You want to make sure that if you do make the piece of equipment available for other grants while still being used for the DOL grant's purpose, that it does not interfere with the intended use of that piece of equipment.

The first priority, if DOL funds were used to purchase a piece of equipment, its first priority is must be used for DOL grant purposes only. And then, second would be any other federal awards of projects. So make sure you are using that. If you use our funds to purchase a piece of equipment, you use it for our grants first and then do other federal funds.

OK. Continuing on to equipment use standards, like I said, just make sure it does not interfere with the intended use of that piece of equipment. And then, we talked about this, the order of precedence.

Here is the order of precedence when you have a piece of equipment. Like I said, it's other DOL-funded activities, and then, other federally funded awards that are not DOL. And then, lastly, with permission, you could use it for non-federally funded programs or projects. Just make sure you have permission first before you transfer the use of that equipment to other non-federally funded programs. OK.

You want to make sure under equipment management standards, the Uniform Guidance outlines some management standards. First is property records inventory. Like I said before, it is required that you do a physical inventory and reconciliation of federally funded equipment at least every two years. You want to assess whether it is still a useful piece of equipment, that it's still used for its intended purposes.

And then, your property records inventory system should include a description of the piece of property, any serial numbers or other identification numbers, the funding source. If DOL fully funded it or DOL partially funded it, what is the other funding source? The title holder, the date it was acquired, what is the cost of the federal percentage of the participation of that piece of equipment? You know, is it 50 percent DOL-funded and then 50 percent non-federally funded?

You want to identify the location; where is this piece of equipment held at? The use and condition of it. And then, ultimately, if you dispose of that piece of equipment, what supporting documentation do you have that you dispose of it either through sale or use of another grant or a use of a non-federal purpose.

You want to make sure you have disposition, supporting documentations on-hand in your inventory system. Here are just more equipment management standards. This includes maintenance. Like I said before, maintenance is an allowable cost to our grant. You may charge back maintenance costs to our grant.

Insurance is a requirement under the Uniform Guidance, that our expectation is that property insurance be purchased for federally purchased pieces of equipment. Insurance costs are allowable to our grant. We have no liability for any piece of equipment that was lost, stolen, or damaged and was not insured. If it was not insured, we are not liable for that piece of equipment.

You want to make sure your equipment management standards also have disposition policies and procedures. What are the procedures for requesting disposition instructions from ETA? When are you authorized to sell it? When are you authorized to use that piece of equipment for non-DOL grant activities or even non-federal grant activities? And like I said, make sure you have physical inventory procedures in place.

Let's talk about equipment disposition standards when you want to dispose of that piece of equipment. This is outlined in 2 CFR 200.311(e). And this applies to all equipment, regardless if it's general purpose, special purpose equipment, or intangible equipment. If it has a fair market value of $5,000 or more at the time of disposition, you must have disposition policies and procedures in place to make sure that that your organization is following the rules and requirements outlined in the Uniform Guidance.

If the piece of equipment is $5,000 or more at the time of disposition, then non-federal entities must request instructions from the federal awarding agency if required by the terms and conditions of your federal award. So look to see in your federal award if you're required to go to ETA for disposition instructions.

This includes all our grantees, including state. We do defer as far as equipment acquisition. We say that states are to use their own policies and procedures. But when it comes to equipment disposition, they have to follow the Uniform Guidance. So that is a change that has been made. Here are some options for disposition.

It includes you could keep the piece of property. You could either sell it or you could transfer the title to a third party. You want to make sure, though, regardless of the case, whatever option you choose, that if the fair market value of the piece of equipment at the time of disposition is $5,000 or more, you must request instructions from ETA in regards to that piece of equipment.

Here are more equipment disposition processes. ETA retains authority over the disposition of the property. This also includes any subrecipients. You want to make sure if you're a state, you have a process for handling disposition requests from your subrecipients.

You want to make sure if your receive requests from any state subrecipients, it be first sent to the state and then, ultimately, to ETA, to either the FPO, your federal project officer, or the regional administrator in your region.

Like I said, even though ETA delegates the authority to the governor to approve property acquisitions, ETA does not delegate the authority to dispose of property. So you still need any instructions for ETA before you dispose of a piece of equipment that was purchased under DOL dollars.

If you're a non-state direct grant recipient and a subrecipient that is not a state, then you still have – you have to make sure you request any instruction from ETA on how to dispose of a piece of equipment.

And just like I said before, regardless of the type of equipment it is, the disposition standards also include any intangible property. So you want to make sure your equipment policies and procedures surrounding disposition includes not only general purpose equipment, special purpose equipment, as well as intangible property. OK.

So we're going to do one more knowledge check before I turn it over to Trevor. True or false, a physical inventory of equipment is not necessary in years when no additional equipment has been purchased? OK. We're getting some votes in. And it looks like 98 percent say false. And the answer is false.

The Uniform Guidance requires a physical inventory of equipment to be done every two years. So regardless whether you purchase equipment or not, it is required every two years to do a physical inventory.

OK. So I will turn it over to Trevor, who will talk about internal controls, as well as prior approval and some common mistakes. Then, we'll answer some questions. And then, we'll have some closing remarks in regards to the e-SMART series. Now, turning it over to Trevor.

TREVOR CAPON: Hello, everyone. So I'm going to go over, as Chanel said, internal control. I'll post – we have some slides on supplies. Going to go into the prior approval requirements and then, some common mistakes.

First, you've seen in other modules internal controls built in relating to those other topics. Internal controls are very important in relation to things like equipment and supplies. I think it's probably – we see it when we're out in the field, common issues related to equipment and supplies, that the root of those issues really is always related to internal controls. So it's a very important section to pay attention to to stay out of trouble.

So if you're not familiar with internal control, they are designed to provide a reasonable assurance regarding the achievement of objectives related to the effectiveness and efficiency of operations, the reliability of internal and external report, and, most importantly, compliance of applicable laws and regulations.

And where you can find the regulations related to internal controls, 2 CFR 200.303, which says the grant recipient must establish and maintain effective internal control over a federal award that provides reasonable assurance that the grant recipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

So consequently, the non-federal entity must establish and maintain effective internal controls over equipment that provides reasonable assurance that you are in compliance in managing the equipment that you purchase with federal funds. So that includes a record of all equipment. It must be maintained and, as discussed before, the physical inventory.

And then, the results of that inventory reconciled with the property records at least once every two years. You need to have adequate maintenance procedures to keep the property in good condition. I'll give you one anecdote there. A grantee purchased equipment under a federal award and a piece of that equipment – that was quite an expensive piece of equipment. And then, one component of that equipment broke while it was being used.

And then, when I came out and monitored, that piece of expensive equipment was just sitting in the corner unused. And asked, the grantee said they didn't have the funds in their operating budget or hadn't budgeted in the grant to maintain that equipment. And that does create an issue where there now is no benefit received to the grant for that federal investment and those funds could potentially be questioned or disallowed. So that's just a real-life example of why having adequate maintenance procedures is very important.

And next, segregating incompatible duties to ensure no one individual controls all steps in a transactions process. So that's procuring, recording, taking custody, taking inventory, and reporting. And where such segregation is not practical, alternative control activities should be designated to mitigate improper payments from occurring.

Then, a risk assessment should be performed when securing equipment. The level of security is based upon the vulnerabilities of loss for such items. For example, the vulnerabilities of losing a employee-issued laptop computer is much different than that of an agency vehicle. Using a risk assessment to gauge the vulnerability or likelihood of theft or loss will establish the internal control.

And then, control activities for safeguarding assets may include electronic or mechanical controls, such as a safe employee ID card, fences, fireproof files, locks, or computer-related controls over property records.

One other one I can think of there, if you're an organization that has purchased a vehicle for transporting participants and maybe doing outreach, having a log for that vehicle and have staff sign that vehicle in and out. That log should also have a section where mileage is recorded. So those are all, like I say, examples of internal controls.

You must have controls in place to take custody of the equipment. So if a subrecipient with federally funded equipment goes out of business during the period of performance, how do you get that equipment back? Access to inventories and equipment that might be vulnerable to risk or loss or unauthorized use should be limited and controlled.

Management should periodically count and compare such assets to control records. Record retention schedules to ensure records for real property and equipment acquired with federal funds must be retained for three years after final disposition. And where you can go to see that in writing, 2 CFR 200.333(c).

So you should also have policies and procedures to ensure donated property managed under the safe control procedures as you manage your grant-procured property. You want to prevent purchases of equipment in the last year of the competitively awarded grant's period of performance. You want to maintain property records for three years after the date of final disposition, as stated.

Next, the transfer of custody. So I did touch on this briefly. But you should have policies and procedures to take custody of equipment if a subrecipient with federally funded equipment supplies or intangible property goes out of business or if the subaward is terminated.

And you should also update your subaward boiler plate language and develop or update procedures that outline ownership, title, transfer of equipment, intangible property, or other assets, such as supplies purchased by the contractor or subrecipient using grant funds. So it's better to head off those issues, or miscommunication, we'll call them later, by just building the requirements right into your subrecipient agreement or into your contracts.

Another very important area related to internal controls is around PII, or personally identifiable information. You must have a system for tracking, securing, and accounting for equipment. That includes employee and participant PII.

Then, documentation. You must keep all documents related to property, and that includes any estimates of costs, evaluations of assets, and all costs of property and depreciation records. Those are all – both should be available to monitors and auditors. You must also keep all your written prior approvals, and we're going to go into what those are shortly. And then, you must keep property inventories and documentation of physical inventories.

Your records must reflect the percentage of participation by each federal program or grant. So that's something that we often monitor on when we come and take a look at your inventory lists, look at a particular piece of equipment, look how it's being used.

You know, if we happen to see that it was purchased wholly with federal funds, but they're – our grant participant's using it, then we may have further questions and may ask to see your inventory list, which should delineate kind of the cost allocation. And then, as already stated several times but very important to note is that you need to keep all those records for three years after disposition, or three years after submission of your final expenditure report, whichever is later.

OK. We're going to go into supplies. We're going to define them and discuss them. And then, also discuss the disposition standards So supplies are defined in Uniform Guidance at 2 CFR 200.94. Supplies include all tangible property having a per-unit cost of less than $5,000. So the equipment threshold being $5,000, anything less than that.

And in accordance with Uniform Guidance, a computing device is a supply if the acquisition cost is below the cited threshold. So that's just something to consider. You know, intuitively, you think of computers, or personal computers and laptops, as equipment, at least based on the federal definition.

It's pretty rare to have a single unit that is worth more than $5,000. So in general, we're considering those supplies. That may vary from your own internal policies and procedures, but that's something to consider and should be made clear.

So the use and disposition of supplies, so the title of supplies that's in the non-federal entity upon acquisition, as long as the federal government retains an interest in the supplies, they must not be used for any purpose other than that for which they were acquired, unless the fee for use is equivalent to the fees charged by private companies.

The revenue would be charged or would be reported as program income. And although DOL has no inventory requirements for supplies, supplies must be used in accordance with federal requirements. If an organization buys laptops, these qualify as supplies. So I kind of touched on that already.

You will be held accountable for the use of the supplies. And then, again, during monitoring, when we're taking a look at how you account for supplies, it can be common that computers cannot be located or they're being used for some other purpose other than what they were purchased for under the grant, and that can lead to questions or disallowed costs.

And finally, important note, if there is a residual inventory of unused supplies exceeding $5,000 in aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, you must retain the supplies for use on other activities or sell them. But must, in either case, compensate the federal government for its share.

The amount of compensation must be computed in the same manner as for equipment. It is based upon DOL's percentage of participation in the acquisition cost of the supplies. And then, in the absence of exact amounts, estimates of participation should be made. And the method of deriving the estimates of participation should be documented and be reasonable and certainly kept for the record retention period.

Now, we're going to talk about prior written approval and what that means. The Uniform Guidance requires that non-federal entities obtain prior approval from the federal awarding agency prior to acquiring equipment with federal grant funds. And it also says that your request 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.

Do want to note there that at ETA, all the requests for prior approval are process through your federal project officer. So the language there could lead you believe that you should send things directly to the grant officer.

Your request should be addressed to the grant officer, but then, sent usually via e-mail, as an attachment, to your federal project officer. And then, they process the request to the grant officer for you. And no equipment may be acquired with federal grant funds until you actually have that written grant officer prior approval in hand. And prior approval is not optional.

I did discuss a little bit about the technical side of submission, but this is a little bit more about where the prior approval authorities lie. So prior approval for state formula grants, the prior approval has been delegated to the governor, and that includes programs such as UI trade.

And for the WIOA program, prior approval authority to approve or disapprove equipment purchases is in the WIOA regulations. For all other ETA state formula programs, the prior approval of delegation is in the state's first notice of award from us for your program. And subrecipients under those formula awards must obtain prior approval from the governor. So subrecipient goes to the past – (inaudible) – to then obtain that prior approval for you as a sub from the governor.

For other direct grants to the state, talking about competitive or discretionary grants to states, the approval does need to be obtained from the DOL grant officer, as opposed to with the formula funds. And then, for those where there are subrecipients, they must go through the state for the prior approval.

And then, the state goes to the ETA grant officer through the FPO. For other non-state direct grants, so that's everyone else, education institutions, non-profits, everyone else, for-profit entities that do receive a direct grant, you do have to obtain prior approval from the ETA grant officers there through your FPO.

So the review and approval process. So it's passed through entities. You must assign responsibility within your organization for your subrecipients for managing prior approval of requests for equipment purchases; and really, for obtaining any type of prior approval. The process should determine who receives reviews and approves the requests from subrecipients for prior approval of the items.

In addition, criteria that identify the documentation, justification, reasonableness of cost, and the necessity for the equipment for the project must be established. And that becomes part of your request that gets submitted through your FPO to the grant officer in the case of direct competitive grants.

So next, we have a knowledge check. It says a grant recipient purchased a computer costing $4,000 but failed to obtain prior approval. The grant recipient may incur questioned costs for this purchase. True or false? So the answer is false. The amount falls under the $5,000 capitalization threshold. Therefore, the computer is classified as supplies and does not require prior approval.

There's some common mistakes related to equipment, and I did touch on one already. So the example of not having money in your operating budget or money allocated or budgeted in your grant's budget for maintenance. That's one that we talked about.

Some others that are commonly found through our site visits and through single audit findings include expending grant funds on property without obtaining required prior approval. Going through receive disposition instructions before disposing of property. Loss and theft of property due to the lack of oversight of subrecipients' property management systems. And then, always, a lack of internal and accountability controls over electronic information systems and personally identifiable information of employees and customers.

So next, where can you find – after we go through this presentation, it's of information, and you're thinking about how you want to set up your internal controls, your policies and procedures related to obtaining prior approval, property and supplies management. Good place to go to see, certainly, you'll have this presentation as a reference, but you can go to our core monitoring guide.

And there, you'll see the different indicators related to those different sections. And the questions that we would ask you during monitoring, you can basically monitor yourself as a self-assessment to help inform the creation of proper internal controls and policies and procedures.

Then, we have the SMART checklist on property management. So this is from the tag. And so, use this as a reference as well. Some of these things, we did talk about already. You know, if you can include things in your boiler plate subrecipient agreement, you can head off potential conflicts and issues with subrecipients later by clearly outlying what is required of them related to the acquisition and disposition of property.

And here, we have the module review. So in review, prior approval is required for equipment purchases in excess of $5,000. The federal government retains the interest in intangible property. The ETA recipients must provide a Creative Commons attribution license to intellectual property produced with assistance from federal funds.

And then, you need to have all those internal controls. And last, but not least, don't forget about disposition. It's a very important part of your property management. And here are some more additional resources. We have the core monitoring guide, as I talked about, the grant management tag, and then, the Buy American Act.

So for example, we talked about the Buy American Act briefly. I do see there's already been some questions related to the Buy American Act. I'm sure we'll get to them and answer them now. However, if you want to go back and actually reference the exact wording of the act and develop your policy and procedure around that, there is your link.

Some additional Web resources related to finding AJC. More grants management-related resources and more training. If you want more training around grants management topics, this is where you can go. And then, remember the grant management toolbox. So questions?

MS. CASTANEDA: We will go over some questions. We do want to leave some time for our closing remarks, but Trevor is correct. We have received some questions in regards to Buy American Act.

First question is, "For the Buy American Act, what takes precedence if a non-American option is a lot less expensive than the American option?" We're supposed to be necessary and reasonable per the Uniform Guidance also.

So yes, if all costs are the same, when you're comparing goods or equipment, then you are to purchase the American-manufactured good. However, yes, you are correct. Cost reasonableness and necessary, per the Uniform Guidance, all the cost principles still apply. But if costs are the same, then you are to purchase the American-manufactured good or equipment. OK? Do you have anything to add to that Trevor?

MR. CAPON: No.

MS. CASTANEDA: OK. Second question is, "Can you give more detail about what is meant by per-unit cost? Is it different than a per-item?" Correct. And then, there was another follow up question that's very similar. We kind of lumped it all together. It says 200.94 of the Uniform Guidance says that a competing device is a supply if it is under $5,000. What does this mean functionally? Does this relate to per-unit cost?

OK. So a per-unit cost is a cost per unit. So if you are purchasing a bunch of laptops, let's say your purchase order was for 15 laptops, a per-unit cost is the cost per that laptop. So if the laptop, each cost $2,500, the per-unit cost is $2,500. So that laptop would be considered a supply under the Uniform Guidance.

However, if your equipment policies and procedures says that assets are $2,000, then in your accounting book, you would consider that a piece of equipment because your equipment policies and procedures was much more stringent than the Uniform Guidance. You would recognize that as a piece of equipment rather than a supply. So that answers the question of what does a per-unit mean, as well as the question on – I think the question was about laptops. Hopefully, I answered that. OK.

Question was, "Uniform Guidance at 200.94 said if a computing device is a supply of under $5,000, what does this mean functionally?" And then, someone asked an additional question, "That if they purchase the laptop for under $5,000, however, it hooks up to a bigger system that's over $5,000, what is the per-unit cost?"

So if that laptop can function without the big system, without the big server, that it could be used outside that system, then we would recognize that laptop as an individual piece of either supply or equipment, depending on the cost of the laptop. For the example, if it's under $5,000, if it can function on its own, then it would be considered supply in the eyes of the Uniform Guidance.

However, if you have a piece of equipment that cannot function as a stand-alone. That it is a piece of a bigger system and that it cannot function without this bigger system, then we would consider that big system the per-unit cost.

Because you need all the pieces, all the ancillary pieces of equipment, ancillary items, in order to make this big unit work as a whole. Then, we would consider all those costs to be the per-unit cost. OK. Hopefully, that makes sense. Trevor, do you have anything to add to that?

MR. CAPON: I don't. I would just say that – the only thing I would say is that there can be some confusion on that topic and that it's best if you have a particular scenario, to go and raise it with your federal project officer. And they can work through it. And then, if they can't figure it out with you, they can go to our grants management office for assistance.

MS. CASTANEDA: Yes. And that's correct. You have additional questions on what per-unit means, and if it means hooking up a laptop to the big system or if there are other pieces to the big system, reach out to your federal project officer.

All right. OK. Someone asked, so you would want to take depreciation in a timely manner. A server that becomes obsolete in three years should have been depreciated prior to that. So that is correct. You want to make sure that if you are charging depreciation to our grant, you want to make sure that you do it in a timely manner.

So if you're recognizing it for the next couple – let's say the grant is three years and you have a piece of equipment that's used but it still had, like, two years left of useful life, you want to make sure you recover those depreciation expenses as they are incurring and for only for the rest of that useful life. So for the two years. Even though the grant is three years and you may still use that piece of equipment after the useful life, if the useful life only has two more years left, then you can only recover those depreciation costs for the next two years.

It is now 3:15 Eastern time. We're going to go probably a couple more minutes through these questions. And then, we're going to do some closing remarks. So let's see. I want to pick a question that we haven't talked about. OK. So here is a question about loss, damage, or stolen items.

And Trevor, please jump in if you have anything to say, if you want to answer it. It says please clarify loss, damage, or stolen. "So if a subrecipient's funds of program that loans laptops to their participants, for example, if a participant loses the laptop or it's stolen, are you saying that we, as the pass-through agency, should make our subrecipient reimburse us the depreciated cost?"

OK. There's a lot going on with this question. So let's assume, because the question is worded kind of weirdly, if you have a subrecipient that uses DOL grant funds to purchase laptops and those laptops are then turned around and given to participants for use during their program, you want to make sure, and Trevor talked about this, proper internal controls in place to track those laptops.

So you should be doing inventory counts. You want to make sure you properly identify the laptops, as maybe a sticker saying that this was purchased using DOL funds, or this is property of your grant organization. You want to make sure if you do sign out laptops to your participants, they sign off on it; that they acknowledge that they will maintain the laptop in a useful condition. That they provide some safeguards protecting the laptop. You know, not leaving it in the back of a car. You know, protecting it, putting it into the trunk, and stuff like that.

So even though it is a piece of supply, it may be categorized as a piece of supply, you want to make sure there are still – we still hold our grantees and their subrecipients accountable for supplies. So you want to make sure you have good internal controls in place over not only your equipment but your supplies as well. Trevor, do you have anything to add to that?

MR. CAPON: I would just add we have gotten that question quite a bit from grantees related to loaning laptops to participants and have found that while I don't think there's anything that would expressly prohibit you from doing it, we've found that it's just not a good idea. It's very difficult to have – you can have internal controls in place, but there's still – it's bound to happen, that the laptops will get lost or stolen or misused.

And there's a high likelihood, and that does put – you are liable for the cost of the participant. You could directly go after them somehow, but it'd be kind of cost-prohibitive to even go through that. So just from a risk standpoint, we've found that it's just not a good idea. So when that question comes up, we usually say, not really a good idea.

Think of some other way that participants can have access. Or look for options in the community where their leveraged cost to help buy laptops for participants, try to find some other source than using the grant funds for – if you're going to be loaning – looking for participants to actually have a physical asset.

MS. CASTANEDA: Yeah. But if worse comes to worse, if you have to loan out laptops, just ensure that there are safeguards surrounding the laptop and that you have proper insurance in place. We said during the presentation, insurance is an allowable cost to our grant. So there could be some insurance that is purchases in regards to this – for this piece of equipment or supply.

And then, make sure if you do loan out laptops, that you make sure your participant lets you know. You know, file some sort of paperwork, maybe a police file, or anything like that. So just make sure if you do loan out laptops, there are safeguards in place to protect that piece of property.

All right. We have 10 minutes left. I know we got a lot of questions. However, we wanted to do some closing remarks. So we're going to do some closing remarks in regards to the e-SMART series. So I'm going to invite Debbie Strama. She is on the line. You may have heard her voice throughout the e-SMART series.

We just wanted to just close out and how do we put this all together? You know, it's been nine weeks, 16 sessions. We spent over 1,400 minutes, or an entire 24 hours of this webinar series. We covered a lot of ground, from ETA grant management overview to property management; various topics fiscal and administrative in nature.

We hope we've provided you with some information that will help you better navigate through all the requirements, whether it is Uniform Guidance requirements, grant requirements, WIOA requirements, as well as other program requirements, or requirements that are out there.

We hope we've also given you the tools and resources to help equipment yourself as well as your grant organization with better knowledge in regards to grant management. We hope through this training that you will take what you have learned and share it with others within your office, or at least direct them to the archive training session.

You know, here is the nine weeks that we've put out there. This was a nationwide launch across the nation. We've trained through this e-SMART webinar series over 5,000 people throughout the series. Like I said, we've had 16 modules on grant administration and fiscal operations. And then, we've heard from 10 different experts from the national and regional offices.

"Where can you find the e-SMART series?" Say you want to share the knowledge. You want to make sure you go to WorkforceGPS. If you go to the grant application and management communities of practice page on WorkforceGPS. You will see our archived e-SMART webinar series, as well as the transcripts. So here is just a screenshot of the grant's application and management community page. Hopefully, you're using it.

Refer back to this site on a frequent basis, because we've put a lot of resources on this site. You know, hopefully, you're receiving any e-mail blasts from this site anytime we put new resources on our communities of practice page. And then, Debbie, did you want to share anything as far as spreading the knowledge and spreading the word and sharing the knowledge?

DEBBIE STRAMA: Sure. Thank you, Chanel. Thank you, Trevor. As Chanel had indicated, we did these training modules over the last nine weeks. We covered a lot of ground, from the ETA grant management overview and under that, the property management module. You know, the intent of these entire modules is to provide you with some information, some technical assistance on how to effectively manage your grant.

And through these SMART modules, we hoped that you have gained a better understanding of what it takes to effectively manage your grant. And so, we hope that you take this information or share the links to the archived training sessions with your program staff and with your stakeholders and anybody who is actively involved in managing a federal project or managing a federal grant.

As Chanel indicated, this was a nationwide initiative. That it could not have taken off without the assistance of all of the experts in the region. So again, I'd like to thank them for helping us with this. And we would also love to hear from you, the audience, the people and other practitioners, the people that actually take these rules and employ those and apply those on the ground.

And we would love to hear from you as to what we can do better to provide you the technical assistance you need to better manage your grant. And so, if you look at one of the slides that Chanel has up there, you will find my e-mail address.

And so, please provide us the feedback, the good, the bad, or the ugly. Because we hope to do this again sometime next year. So thank you again for attending this webinar. And thank you for attending all of the previous webinars on SMART 3.0. I'll turn it back to you, Chanel.

MS. CASTANEDA: All right. Thank you. I just want to reiterate Debbie's thanks to everybody. Like she said, if you have any suggestions on how we can improve, please send her an e-mail. You know, if you really like this and want this as an annual occurrence, let us know. How can we update the materials? Let us know if there's a new platform rather than Adobe or maybe something else in PowerPoint. Let us know if there's something out there that is new and innovative that we could use. We'd like to hear your suggestions.

And with that, I'm going to turn it over to Grace, who is going to bring up the last poll and for everyone to – as well as any closing remarks.

MS. CASERTANO: All right. Excellent. I'd also like to thank all the participants and presenters.

(END)