Property, Equipment, and Other Capital Expenditures
Guide Sheet

The Office of Justice Programs (OJP) provides grantees with awards to implement programs that benefit their communities. There are times grantees will need special equipment to accomplish the objectives of their programs. If equipment is necessary for successfully implementing the desired program, grantees must acquire approval and ensure that property and equipment are allowable costs under their award. Expenditures for equipment must be fully justified in the budget and budget narrative; otherwise the grantmaking component may require that the type, quantity estimated, unit, or other information be provided before the final budget can be issued.

Capital expenditure: Funds spent on purchasing or maintaining land, buildings, and equipment.

Equipment: A tangible property with a useful life of one year or more and a unit acquisition cost that is equals or exceeds $5,000.

Property: This includes both real property (land and buildings) and personal property (tangible and intangible).

Financial Grant Management Requirement

Per 2 CFR 200.439, capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the federal awarding agency or pass-through entity. Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the federal awarding agency or pass-through entity.

Important Information to Know

Grantees that receive approval to purchase property or equipment under their award are required to purchase, manage, and dispose of them within the federal guidelines. For equipment owned by the Department of Justice (DOJ), the following must apply:

- The title remains vested in the federal government.
- **The equipment must be managed by DOJ's rules and procedures and the grantees must submit an annual inventory listing.**
- If a grantee no longer needs the equipment, disposition instructions must be requested from DOJ.

For equipment purchased with award funds, the title will remain vested in the grantee's organization. For subawards, the title would be in the subrecipient's organization.

How This Applies to Your Grant

Purchasing

When purchasing property or equipment using federal funds, grantees must follow applicable state and federal laws and procedures. See the Procurement Guide Sheet on the OJP TFSC Resources page for additional information on purchasing guidelines.

Use of Equipment

Grantees that are state agencies must use equipment purchased using award funds in accordance with state laws and procedures. DOJ encourages grantees to follow the procedures that are in the DOJ Grants Financial Guide.

All other grantees must use equipment purchased using award funds solely for the authorized program or project purposes, as long as it is needed. When the equipment is no longer needed for the original program or project, grantees may use it for other programs that are currently or previously supported by DOJ or another federal agency.

User Fees

If a program has user fees, it has to be treated as program income for that project, when appropriate (see 2 CFR 200.307 and the Program Income Guide Sheet on the OJP TFSC Resources page). Equipment owned, or within the interest of the federal government, should not be used to provide services a rate that is lower than private companies charge for equivalent services, unless doing so is specifically authorized by law (see 2 CFR 200.313(c)(3)).

Records Maintenance

To maintain accurate records on property and equipment purchased using federal funds, the records should include the following:

- Description of the property/equipment (include make and model)
- Manufacturer's serial number or other identification number
- Source of the property, including the federal grant number
- Who holds title
- Acquisition date
- Cost of the property
- Percentage of federal participation in the project costs for the relevant award
- Location of the property
- Use and condition of the property
- Disposition data, including the date of disposal and sale price

It is important to note that grantees must retain records for equipment and real property for a period of three years from the date of final disposition.

Property Management—Inventory and Maintenance

Grantees are required to take a physical inventory of their equipment, and the inventory must be reconciled with the property records at least once every two years. The inventory reconciliation should include verification of the existence, current utilization, and the continued need for each item.

Grantees must create and implement maintenance procedures to keep their equipment/property in good condition. A system should also be in place to prevent loss, damage, and theft.

- Any damage, loss or theft should be immediately and thoroughly investigated and documented. Any documentation acquired should be part of the official project records (see 2 CFR 200.313 (d)(3)).
- Equipment or real property purchase, or items improved using awards funds, should have equivalent insurance coverage to those owned by grantees. If a property/equipment is federally owned, grantees are not required to insure it, unless it is required by their federal award (see the Insurance Coverage Guide Sheet on the OJP TFSC Resources page and 2 CFR 200.310).
- Grantees are responsible for replacing or repairing property/equipment that was deliberately or carelessly damaged, lost, stolen, or destroyed.

Replacement of Equipment

Equipment that is no longer effective or serviceable can be replaced, if it is needed for the continuation of the program or project for which it was acquired. The equipment may be replaced either through a trade-in or sale, followed by the purchased of the new replacement. For the replacement, there are a few things grantees should consider:

- The replacement must have the same function and character of the original equipment/property; however, it does not have to be the same grade or quality.
- The replacement's purchase must take place promptly after the sale of the prior equipment/property, to reflect that the sale and the purchase are related.

- Equipment/property can be replaced using trade-in, as long as the value received is in line with its fair market value.
- If a grantee is a state subrecipient, they must obtain the written permission of the state prior to entering negotiations for the replacement or trade-in of property.

Disposition of Equipment

Grantees, other than state agencies, must dispose of equipment when the original or replacement is no longer needed for the program or project. If a grantee disposes the equipment that was purchased under a federal award, it must be in line with the federal and states laws and procedures.

Resources

United States Department of Justice. *DOJ Online Grants Financial Management Training.* https://onlinegfmt.training.ojp.gov/

United States Department of Justice. (2017). *DOJ Financial Guide.*https://www.ojp.gov/DOJFinancialGuide

OJP TFSC offers resources on a variety of grants financial management topics, which can be found on our website at https://www.ojp.gov/tfsc/resources

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.

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