

What is capitalized equipment?

Capitalized equipment is tangible personal property, which has a useful life of more than one year and a per unit cost of \$5,000. If the tribal entity's capitalization policy is for items costing less than \$5,000, follow the tribe's guideline for capitalizing equipment.

What does "capitalization" mean?

Capitalization is recording the cost of a tangible item as an asset rather than an expense because the life of the item is expected to be more than one fiscal year.

What are the rules about purchasing capitalized equipment with federal grant funds?

The specific cost principle rules are in [2 CFR 200 – §200.439 Equipment and other capital expenditures](#).

Capital expenditures:

- ◆ Require prior written approval of the federal awarding agency
 - ◆ When allowed by the funding agency, capital expenditures are direct costs
- ◆ Are charged to the grant in the period the purchase is made
- ◆ Are not allowed as indirect costs

Capital equipment has specific:

- ◆ Disposal requirements at the end of the federal funding award
- ◆ Replacement guidelines provided in the [Postaward Requirements section of the DOJ Grants Financial Guide](#)

What are some capitalized equipment issues to be considered?

- ◆ How is inventory of capitalized items kept?
- ◆ Who has oversight of the equipment?
- ◆ How often is capital equipment audited to ensure it is in usable condition and exists within the designated department? For example, are large production copiers bought with grant funds still in the program office which purchased them?
- ◆ What is the mileage and upkeep schedule for vehicles purchased with grant funds?
- ◆ What depreciation method is used and who maintains the schedules? Depreciation is a reduction in the value of an asset with the passage of time, due to wear and tear. It is entered on a record called a depreciation schedule.

Resources

- ◆ [DOJ Grants Financial Guide](#)
- ◆ Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, [Subpart E – Cost Principles](#)



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Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

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