

Equipment Q&A's for Woody Biomass Utilization (WBU) Grants February 21, 2008

Introduction:

A federal grant award is considered financial assistance that provides support which stimulates or helps to accomplish a public purpose. A federal grant can be in the form of money or property (e.g. equipment) to aid in accomplishing a public purpose. This Q&A paper provides simple language as to how equipment is managed between the federal agency and a grant recipient. **Equipment is defined as a tangible nonexpendable property having a useful life of more than one year and a fair market value of \$5,000 or more.**

The grantee shall call the Forest Products Laboratory Grant Officer if they are contemplating changes in equipment ownership or usage, as described in the Woody Biomass Utilization grant. **Any changes MUST BE APPROVED prior to action.**

The Federal regulations governing equipment are 2CFR 215.34 for non-profit organizations, institutions of higher education, hospitals, for-profit businesses and organizations and 7 CFR 3016.32 for State and local governments.

Q1: What is the federal vested interest in the equipment? What is the minimum value?

Response: The federal vested interest in the equipment is the **fair market value** of the equipment, less the percentage of the purchase price that was covered by non-federal funds. Fair market value can be determined by looking at the purchase price of the same or similar type of equipment (age, model, etc.) on the open market (See question 5). The minimum value of interest to the federal government is equipment that has a fair market value equal to or greater than \$5,000. Federal interest transfers to replacement equipment as well. The grantee cannot encumber the title to this equipment in any way (i.e. cannot use as collateral for loan).

For example, if federal funds paid for 75% of the equipment when it was originally purchased, the Forest Service would be due 75% of the proceeds from its sale.

Q2: What are the federal tracking requirements for equipment purchased with federal grant funds?

Response: Equipment purchased under the grant is owned by the grantee and therefore the grantee is responsible for maintaining good record tracking of this equipment. At a minimum, grantee shall keep records of the purchase price, the location of the equipment, and whether it is being used for the purpose specified in the grant. The following are recommended internal tracking procedures:

- 1) Equipment purchased with federal dollars shall be identified with a visible labeling system to indicate federal investment, (i.e. metal plaque, paint, sticker, decals).
- 2) A physical inventory, including present location and photo, shall be conducted once every two years and sent to the Grant Officer.

Q3: What is the process to follow if the Grantee sells the equipment?

Response:

Option 1: If the equipment cannot be used on other projects that meet the intent of the grant, the equipment can be sold, but the federal government must recover its share of the fair market value (see question 1.).

Option 2: The grantee can sell their non-federal portion of the equipment and transfer the federal portion of the equipment to another WBU grantee that can use it. The Forest Service would not need to be reimbursed for its share, as long as the equipment would be used by the new grantee for the public

purpose intended under the grant. The federal government would much rather the equipment be used by another grantee that has a need for it, than sold.

Q4: How do I find out whether there are other grantees that can use the equipment?

Response: A list of Woody Biomass Utilization grantees can be obtained from S&PF Technology Marketing Unit at the Forest Products Laboratory (608-231-9504). It is the responsibility of the grantee to contact other grantees to see if the equipment can be used by another WBU grantee. If so, a letter shall be sent to the Grant Officer, describing the equipment, sending grantee and receiving grantee and documented fair market value of the equipment (see question 5).

Q5: How does the grantee document the fair market value of the equipment?

Response: The grantee can document the fair market value of a piece of equipment by finding similar equipment being offered in the trade journals, on-line equipment auctions, equipment appraisers, or trade magazines. Copies of these quotations (minimum of two) shall be sent to the Grant Officer, as well as the source of the information, **prior** to receiving approval to sell, trade-in, or transfer equipment.

Q6: Does the Grantee over-match affect the vested interest in the equipment?

Response: Overmatch does not affect equipment – if federal funds were used to purchase the equipment, the equipment still has value, and the equipment is sold because there are no other grantees that can use it, the federal government must recoup its portion.

Q7: If the Grantee is required to reimburse a portion of the equipment value, is the money owed to the federal government or, if the state is involved, the State government?

Response: The reimbursement is due to the federal government (U.S. Treasury Department) as stated in response to question 1.

Q8: What happens if the equipment is traded in for newer equipment?

Response: The interest of the federal government transfers to the new equipment. The federal investment is the proportional share of the original federal investment, as determined through fair market value (see question5). The grantee needs to document the fair market value of the equipment being traded in (including the source of the information), as well as the purchase price of the new equipment. This documentation is then submitted to the Grant Officer prior to receiving approval.

Refer to the attached applicable sections on equipment from the OMB Circular A-110 for more information, particularly your responsibilities regarding loss, damage or theft. All federal departments follow these regulations, except if exempted by law. Equipment purchased with grant funds need to be used for the program as long as it is needed. The equipment can move around between other WBU grantees as long as tracking records are kept and as long as the intent for which it was purchased is maintained. However, the federal government will keep a log of the equipment purchased through the woody biomass utilization grant for tracking purposes.

OMB Circular A-110¹

34 Equipment.

(a) Title to equipment acquired by a recipient with Federal funds shall vest in the recipient, subject to conditions of this section.

(b) The recipient shall not use equipment acquired with Federal funds to provide services to non-Federal outside organizations 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.

(c) The recipient shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds and shall not encumber the property without approval of the Federal awarding agency. When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities, in the following order of priority: (i) Activities sponsored by the Federal awarding agency which funded the original project, then (ii) activities sponsored by other Federal awarding agencies.

(d) During the time that equipment is used on the project or program for which it was acquired, the recipient shall make it available for use on other projects or programs if such other use will not interfere with the work on the project or program for which the equipment was originally acquired. First preference for such other use shall be given to other projects or programs sponsored by the Federal awarding agency that financed the equipment; second preference shall be given to projects or programs sponsored by other Federal awarding agencies. If the equipment is owned by the Federal Government, use on other activities not sponsored by the Federal Government shall be permissible if authorized by the Federal awarding agency. User charges shall be treated as program income.

(e) When acquiring replacement equipment, the recipient may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the Federal awarding agency.

(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

(1) Equipment records shall be maintained accurately and shall include the following information.

(i) A description of the equipment.

(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

(iii) Source of the equipment, including the award number.

(iv) Whether title vests in the recipient or the Federal Government.

¹ <http://www.whitehouse.gov/OMB/circulars/a110/a110.html#34>

(v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.

(vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).

(vii) Location and condition of the equipment and the date the information was reported.

(viii) Unit acquisition cost.

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

(2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.

(3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

(4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

(5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

(g) When the recipient no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the Federal awarding agency. The Federal awarding agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported to the General Services Administration by the Federal awarding agency to determine whether a requirement for the equipment exists in other Federal agencies. The Federal awarding agency shall issue instructions to the recipient no later than 120 calendar days after the recipient's request and the following procedures shall govern.

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the recipient's request, the recipient shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the recipient shall be permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for the recipient's selling and handling expenses.

(2) If the recipient is instructed to ship the equipment elsewhere, the recipient shall be reimbursed by the Federal Government by an amount which is computed by applying the percentage of the recipient's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the recipient is instructed to otherwise dispose of the equipment, the recipient shall be reimbursed by the Federal awarding agency for such costs incurred in its disposition.

(4) The Federal awarding agency may reserve the right to transfer the title to the Federal Government or to a third party named by the Federal Government when such third party is otherwise eligible under existing statutes. Such transfer shall be subject to the following standards.

(i) The equipment shall be appropriately identified in the award or otherwise made known to the recipient in writing.

(ii) The Federal awarding agency shall issue disposition instructions within 120 calendar days after receipt of a final inventory. The final inventory shall list all equipment acquired with grant funds and federally-owned equipment. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar day period, the recipient shall apply the standards of this section, as appropriate.

(iii) When the Federal awarding agency exercises its right to take title, the equipment shall be subject to the provisions for federally-owned equipment.