



## **Disposition Requirements and Instructions for Federally Funded Purchases**

When disposing of items funded in whole or in part with federal funds, the subrecipient should first review the Grant Award Letter (GAL) for specific disposition requirements. If there is no specific guidance on disposition in the GAL, the subrecipient must utilize this document as the instructions for disposition (including the sale) of all capital equipment, real property or significant residual levels of supplies (see the section titled **Guidance on Supplies Disposition** below for further discussion on what constitutes significant residual levels).

Note, in general, the Federal Government withholds clear title to any capital equipment ([2 CFR § 200.313](#)) or real property ([2 CFR § 200.311](#)) purchased in whole or in part with federal funds until a final disposition is complete. The guidance below references equipment; however, it should be noted the rules around real property are similar (refer to *Step by Step Analysis* below for language specific to real property).

### **Repurposing Federally Funded Equipment ([2 CFR § 200.313\(c\)](#))**

Equipment must be used by the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award. In addition, the subrecipient must not encumber the equipment without prior approval of the Federal awarding agency or pass-through entity. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:

- Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
- Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

During the time that equipment is used on the project or program for which it was acquired, the subrecipient must also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired.

- First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment.
- Second preference must be given to programs or projects under Federal awards from other Federal awarding agencies.

Use for non-federally-funded projects is also permissible when such use will not interfere with the original purpose.

When acquiring replacement equipment, the subrecipient may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Note, all federally funded equipment (in whole or in part) must be tracked throughout the lifetime of use for the subrecipient. At a minimum, the following fields must be tracked:

- Description and serial number or other identification number
- Source of funding for the property, including Federal Award Identification Number (FAIN#); and Assistance Listing Number (ALN) previously known as Catalog of Federal Domestic Assistance (CFDA#)
- Title owner/holder
- Acquisition date and cost
- Percentage of cost related to Federal participation for the program under which the property was acquired
- Location, use and condition of property
- Any ultimate disposition data including the date of disposal and sale price of the property, federal release of title/approval to dispose.

#### **Guidance on Equipment Disposition (2 CFR § 200.313(e))**

When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, the subrecipient must utilize this document as the instructions for disposition. Disposition of the equipment will be made as follows:

- Equipment with a current, per unit, fair market value\* of \$10,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency.
- Items of equipment with a current per-unit fair market value\* in excess of \$10,000 may be retained by the subrecipient or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current fair market value\* or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the subrecipient to deduct and retain from the Federal share \$1,000 of the proceeds for its selling and handling expenses.
- The subrecipient may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the entity must be entitled to compensation for its attributable percentage of the current fair market value\* of the property.
- In cases where the subrecipient fails to take appropriate disposition actions on its own, CDE may direct the subrecipient to take specific disposition actions.

#### **Guidance on Supplies Disposition (2 CFR § 200.314)**

Whenever there is a residual inventory of unused supplies exceeding \$10,000 in aggregate value and those supplies are not needed for any other federal award, the subrecipient may retain or sell the unused supplies. **Unused supplies** means supplies that are in new condition, not having been used or opened before.

Disposition of the residual inventory of unused supplies will be made as follows:

- Unused supplies with an aggregate value less than or equal to \$10,000 may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency.
- Unused supplies with an aggregate value exceeding \$10,000 may be retained, sold, or otherwise disposed of however, the Federal agency is entitled to compensation in an amount calculated by multiplying the percentage of the Federal agency's contribution towards the cost of the original purchase(s) by the current market value\* or proceeds from the sale. If the supplies are sold, the Federal awarding agency may permit the subrecipient to deduct and retain from the Federal share \$1,000 of the proceeds for its selling and handling expenses.

OPTIONAL [Tracking Template](#) - Download for Internal Use

## Step by Step Analysis

**Step 1:** Was the item purchased in whole or in part with federal funds?

- Yes - move on to Step 2
- No - STOP. Disposition must only comply with the subrecipient's internal process.

**Step 2:** Is/Are the item(s) considered a supply?

- Yes - move on to Step 3
- No - move on to Step 4

**Step 3:** Are the supplies unused as defined in the *Guidance on Supplies Disposition* section above?

- Yes - move on to Step 3A
- No - STOP. There are no federal obligations for disposing of used supplies.

**Step 3A:** Is the aggregate value of unused supplies greater than \$10,000?

- Yes - move on to Step 3B
- No - STOP. There are no federal obligations for disposing of unused supplies with an aggregate value less than or equal to \$10,000.

**Step 3B:** The subrecipient must compensate the Federal awarding agency based on the percentage of the Federal agency's contribution towards the cost of the original purchase(s) less up to \$1,000 of the cost of selling the unused supplies. Note, the support showing the calculations including any fair market value\* determinations must be maintained in the subrecipient's records in compliance with record retention requirements ([2 CFR 200.334](#)). Reach out to CDE for instructions on returning money to the Federal agency.

**Step 4:** Is/Are the item(s) considered equipment?

- Yes - move on to Step 4A
- No - move on to Step 5

**Step 4A:** Does the equipment have a current per-unit fair market value\* in excess of \$10,000?

- Yes - move on to Step 4B
- No - STOP. There are no federal obligations for disposing of equipment with a current per-unit fair market value\* less than or equal to \$10,000.

**Step 4B:** The subrecipient must compensate the federal awarding agency based on the percentage of the Federal agency's contribution towards the cost of the original purchase(s) less up to \$1,000 of the cost of selling the equipment. Note, the support showing the calculations including any fair market value\* determinations must be maintained in the subrecipient's records in compliance with record retention requirements. Reach out to CDE for instructions on returning money to the Federal agency.

**Step 5:** Is/Are the item(s) considered real property?

- Yes - move on to Step 5A

- No - refer back to Steps 2-4. If further guidance is required from CDE, please contact your CDE Program counterpart.

**Step 5A:** Does the subrecipient wish to retain title to the property?

- Yes - The subrecipient must compensate the federal awarding agency based on the percentage of the Federal agency's contribution towards the cost of the original purchase (and costs of any improvements) multiplied against the current fair market value\*. Note, the support showing the calculations including any fair market value\* determinations must be maintained in the subrecipient's records in compliance with record retention requirements. Reach out to CDE for instructions on returning money to the Federal agency.
- No - move to Step 5B

**Step 5B:** Does the subrecipient wish to sell the property?

- Yes - The subrecipient must compensate the federal awarding agency based on the percentage of the Federal agency's contribution towards the cost of the original purchase (and costs of any improvements) multiplied by the proceeds of the sale less any actual and reasonable expenses paid to sell or fix up the property for sale. If the property is being sold in order to acquire replacement property under the same federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property. Note, the support showing the calculations including any fair market value\* determinations must be maintained in the subrecipient's records in compliance with record retention requirements. Reach out to CDE for instructions on returning money to the Federal agency.
- No - move to Step 5C

**Step 5C:** Does the subrecipient wish to transfer title to the property?

- Yes - If transferring title to the property to a Federal agency or third party designated or approved by the Federal agency, the subrecipient is entitled to be paid an amount calculated by multiplying the percentage of the subrecipient's contribution towards the original purchase of the real property (and cost of any improvements) by the current fair market value\* of the property. Note, the support showing the calculations including any fair market value\* determinations must be maintained in the subrecipient's records in compliance with record retention requirements. Reach out to CDE for instructions on returning money to the Federal agency.
- No - refer back to Steps 5A - 5C If further guidance is required from CDE, please contact your CDE Program counterpart.

*\* When determining the fair market value, the subrecipient is expected to maintain sufficient documentation supporting the valuation. This may include items like an independent third party appraisal, screenshots or other proof of cost comparisons to similar items from multiple sources, photos or other visual documentation supporting the condition used in determining the value, etc. This documentation should be kept with the subrecipient's records in compliance with record retention requirements.*