

DHHS POLICIES AND PROCEDURES

Section IV:	General Administration
Title:	Subrecipient Monitoring Manual
Chapter:	Equipment and Real Property Management
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Equipment and Real Property Management

The term equipment in this context refers to tangible non-expendable property having a useful life of more than one (1) year and an acquisition cost of \$5,000 or more per unit. Equipment may be purchased with federal funds only if specifically approved in the grant agreement or directly by the federal awarding agency. If equipment is purchased with federal funds, title to the equipment vests with the owning agency, but the equipment must be used exclusively in the federal program for which it was purchased or, if the purchasing agency is a university, hospital, or non-profit agency subject to the requirements of OMB Circular A-110, it may be used in other federal programs. When the equipment is disposed of, or if it ceases to be used in a federal program, the federal government must be reimbursed an appropriate amount for the remaining useful life of the equipment.

State funds may be used to purchase equipment if specifically authorized by the grant award, contract, or other funding authorization.

Suggested Monitoring Procedures:

For subrecipients assessed as low risk:

1. Conduct a desk review of the subrecipient's budget to determine whether there is a provision for any equipment acquisition from state or federal funds.
2. Review expenditure reports to determine whether the program funds used to purchase the equipment were within the amount approved for such equipment.
3. Review the subrecipient's internal control information to determine if the information indicates that equipment is properly tagged and that a physical inventory is performed annually.

For subrecipients assessed as medium risk:

In addition to the procedures outlined above for low risk subrecipients:

1. Request a copy of the agency's cash disbursements journal or general ledger to determine if state or federal funds were used to purchase equipment.
2. Request a copy of the agency's internal procedures for equipment purchase and disposition to determine if they adequately address state and federal requirements.

3. Request a copy of the most recently completed equipment physical inventory to document the process and to determine if assets appear to be adequately safeguarded. This can be inferred if the number of assets identified as “missing” or that were found in a location other than that on the fixed asset records is minimal.

For subrecipients assessed as high risk:

In addition to the procedures outlined above for low and medium risk subrecipients:

1. Review the agency’s fixed asset records to assure that the records include the following basic information: a description of the equipment, serial number, tag number, source of funding, who holds title to the equipment, acquisition date, acquisition cost, percentage of state and/or federal participation in cost, location, condition, disposition date (if applicable), and sales price (if applicable).
2. If the fixed asset records indicate that equipment purchased with state or federal funds has been sold, review the cash disbursements journal or general ledger to determine if the division has been reimbursed for the appropriate share of proceeds of the disposed equipment.
3. Physically inspect any equipment acquired with state or federal funds to determine whether it is consistent with planned acquisitions.
4. Perform a spot inventory of a random sample of the assets on the agency’s fixed asset records to determine if assets are appropriately safeguarded.

Documentation:

Monitoring Tool/Instrument
Working Papers
Summaries
Monitoring Results Report

For questions or clarification on any of the information contained in this policy, please contact [Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).