

Equipment Management Requirements Guidance for Local Education Agencies

This guidance document outlines the requirements for managing, using, and disposing of equipment purchased with Federal¹ funds.

Local education agencies (LEAs) must have written policies and procedures for these activities. LEAs may, based on a risk assessment, designate certain items as sensitive non-capital assets and set a per-unit acquisition cost threshold for these items that is lower than the LEA's established capitalization threshold.

It is important to note that the State of Tennessee's definitions and management requirements for equipment and sensitive non-capital assets do not apply to LEAs. Instead, LEAs must manage equipment purchased with Federal funds in accordance with the most restrictive applicable policies and procedures, whether they are local, state, or federal.

Equipment Purchased with Federal Funds

Equipment² refers to tangible personal property, including information technology systems, that has a useful life of more than one year. The per-unit acquisition cost of this equipment must either meet or exceed the lesser of the following two thresholds:

- (1) The capitalization level set by the recipient or subrecipient for financial statement purposes.
- (2) \$10,000.

Special Equipment Threshold for Perkins Equipment

According to approved state plans, the department may assign a per-unit acquisition cost threshold for equipment lower than stated in the federal equipment definition. The Expenditure and Local Implementation Guide³ for the approved Perkins V State Plan⁴ sets a \$500 per-unit acquisition cost threshold for equipment purchased with Perkins V funds.

Equipment Management

Regardless of whether equipment is acquired partially or entirely under the Federal award, the recipient or subrecipient must manage the equipment (including replacement equipment) using procedures that meet the following requirements⁵:

- (1) Property Records:
 - a. Must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency's contribution towards the original purchase, the location, use, and condition of the

property, and any disposition data including the date of disposal and sale price of the property.

- b. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

(2) Physical Inventory:

- a. The property must be physically inventoried, and the results must be reconciled with the property records at least once every two years.

(3) Control System:

- a. A control system must be in place to ensure safeguards for preventing property loss, damage, or theft.
- b. Any loss, damage, or theft of equipment must be investigated.
- c. The recipient or subrecipient must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will impact the program.

(4) Maintenance Procedures:

- a. Regular maintenance procedures must be in place to ensure the property is in proper working condition.

(5) Sales Procedures:

- a. If the recipient or subrecipient is authorized or required to sell the property, proper sales procedures must be in place to ensure the highest possible return.

Equipment Usage

The recipient or subrecipient must use the equipment for the project or program for which it was originally acquired and continue to use it for as long as it is needed, regardless of whether the project or program is still supported by the federal award. If the equipment is needed for other activities, it can be used according to federal guidelines, provided that this use does not interfere with the original purpose for which the equipment was acquired.⁶

Equipment Disposition

When equipment purchased with Federal funds is no longer needed for its original purpose or other federally supported activities, the recipient or subrecipient must request disposal instructions from the federal agency or pass-through entity, as required by the award terms. Equipment will be disposed of following these instructions⁷:

- (1) If the equipment's fair market value is \$10,000 or less, it may be kept, sold, or otherwise discarded without further obligations to the Federal agency or pass-through entity.
- (2) If the equipment's fair market value exceeds \$10,000 per unit, the Federal agency is entitled to its share of the current market value or sales proceeds. The recipient or subrecipient may retain up to \$1,000 to cover handling and sale-related costs.

Federal Supplies

The federal definition of supplies includes all tangible personal property that does not fall under the category of equipment.⁸ Therefore, any items that do not meet the federal definition of equipment are considered supplies under federal law. Federal rules do not have specific requirements for managing supplies.

Contacts

If you have questions about the information in this document, please contact Holly Kellar, Director of Local Finance, at Holly.Kellar@tn.gov, or your [Regional Finance Consultant](#).

Resources

[Property Record Template \(Inventory and Disposition Listing\) - Revised 4.24.25](#)

¹ eCFR: 2 CFR § 200.302 Financial management; eCFR: 2 CFR § 200.313 Equipment

² eCFR: 2 CFR § 200.1 Definitions (equipment)

³ Expenditure and Local Implementation Guide

⁴ FY24 Perkins V State Plan

⁵ eCFR: 2 CFR § 200.313(d) Management Requirements

⁶ eCFR: 2 CFR § 200.313(c) Use

⁷ eCFR: 2 CFR § 200.313(e) Disposition

⁸ eCFR: 2 CFR § 200.1 Definitions (supply)