

Van Buren Triple
G. Management Assessment Tool - Equipment

Background:

“Equipment” for federal grants management purposes is defined as tangible personal property with an estimated useful life in excess of one year and a cost in excess of the lesser of \$5,000 or the capitalization limit established by the county for financial reporting purposes. Management of equipment acquired under a grant or subgrant of federal monies is subject to the requirements of [45 CFR 92.32](#).

The use, management and disposition of equipment acquired under a subgrant of federal monies is subject to the requirements of [45 CFR 92.32](#), [2 CFR 225, Appendix B, 11](#) and Ohio Administrative Code ([OAC](#)) [Rules 5101:9-4-02, Standards of Acquisition, 5101:9-4-15, Disposal of Assets](#), and [5101:9-4-10, Asset Reimbursement Methods](#).

County agencies are required to complete a physical inventory of all fixed assets by the second Monday of each calendar year. The attributes of this listing are located in 45 CFR 92.32 (see next page).

Objectives: To determine whether:

- Tested equipment exists and is used in operations;
- Equipment records are complete and accurate; and
- Disposal of equipment is properly authorized by the appropriate level of management.

Procedures:

	Program Step	Date/ Initials	Work Paper Reference
1.	Determine county's capitalization threshold for equipment. <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> The capitalization threshold represents acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000; 2 CFR 225, Appendix B, 15.a.(2). </div>		
2.	If equipment costs were charged to multiple cost pools or directly to a program, determine whether the allocation of the cost to the cost pool is consistent with 2 CFR 225 and is reasonable based upon the use of the item(s) and their relative benefit to the programs being charged.		
3.	Obtain the county's listing of fixed assets applicable to the agency.		
4.	Review the listing of fixed assets to determine whether it contains the attributes specified in 45 CFR 92.32 . <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> 45 CFR 92.32 (d) (1) specifies the required attributes. </div> Additionally, scan the listing to determine if it appears to be complete.		

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	Program Step	Date/ Initials	Work Paper Reference
5.	Select two (2) items from the agency's list of fixed assets. Complete a Sample Documentation Form to summarize your selection process.		
6.	Confirm the physical existence and current use of the assets.		
7.	Confirm these assets were depreciated, using a reasonable useful life that is consistent with county financial accounting and reporting policies established by the county auditor for financial statement purposes, and not expensed.		
8.	Confirm these assets were recorded in the accounting system properly to ensure the cost was allocated to the proper cost pool (indirect) or federal program (direct).		
9.	Review the county auditor's monthly expenditure report for purchases of equipment for the agency for the last completed calendar quarter. Identify any purchased items on the report which are at or above the capitalization threshold.		
10.	If any purchased items on the report are at or above the capitalization threshold, inquire as to the treatment of their cost. <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> OAC 5101:9-4-10 details the asset reimbursement methods for county family services agencies and Workforce Investment Act (WIA) areas states. Other details on <u>depreciation and use allowance</u> could also be found in 2 CFR 225, Appendix B, 11 </div>		
11.	Inquire of any disposition of equipment during the preceding year. Obtain the related records and determine whether the disposition was in accordance with 45 CFR 92.32 (e) . OAC 5101:9-4-15, Disposal of Assets provides more details about the steps the county agency should take to dispose assets acquired in whole or in part with federal funds.		
12.	Conclusion: Consider whether there are any instances of non compliance or a systemic problem due to a lack of adequate internal control exists with regards to your procedures. If so, make an appropriate notation as an Issue in Auto Audit. Prepare a segment summary to reflect work completed and results of your testing. (Note: An example index/segment summary can be obtained from the Auto Audit Library.)		

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