



**NYC Administration for Children's Services**  
**Administrative Advisory for Head Start**  
**Equipment and Property Management**  
**Program Year 04 | Fiscal Year 2018**

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## Equipment and Property Management

### Equipment purchases and prior approval

Effective Program Year 04 (2/1/2017-1/31/2018) the NYC Administration for Children's Services (ACS) Head Start grantee and Delegate Agency level of capital expenditures for general-purpose equipment will be \$5,000, in keeping with Uniform Guidance - Code of Federal Regulations CFR Part 45 §75.439(b)(2).

Equipment is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established in this Advisory by ACS for financial statement purposes, or \$5,000 as set by Uniform Guidance.

Uniform Guidance §75.439 addresses equipment and other capital expenditures. Prior approval is defined in 45 CFR Part §75.2 as written approval by an authorized HHS official evidencing prior consent before an Agency undertakes certain activities or incurs specific costs. Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval.

The purchase of any equipment meeting or exceeding this threshold is unallowable as a direct cost, except with the prior written approval of the Federal department of Health and Human Services (HHS) or Administration for Children and Families, Office of Head Start (OHS), Region Two. Prior written approval is required for the purchase (or sale) of equipment §75.439(b)(2). Delegate Agency financial statements for Program Year 04 must reflect this new capitalization level.

All ACS Head Start Delegate Agencies must safeguard equipment purchased using Head Start funds by maintaining complete and accurate equipment records, verifying the accuracy of records by conducting a physical inventory at least every two years, and following disposition requirements.

ACS Delegate Agencies may occasionally purchase equipment and furniture to be used exclusively on a program funded by Head Start. Equipment and furniture charged to Head Start funds are subject to the policies described below:

1. Adequate insurance coverage must be maintained with respect to equipment and furniture charged to Head Start funds. Delegate Agencies are expected to provide the same insurance coverage for equipment acquired with Head Start funds as for other equipment bought using the Agency's own funds. The cost of insuring equipment is an allowable expense. Insurance costs may be allocated as a direct cost if the cost can be associated with a direct program expense or, if applicable, it may be included in the Agency's indirect cost base.

2. ACS will provide direction on accounting for equipment purchased with Head Start funds (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less as ACS and Delegate Agencies approach the end of the current five year grant.
3. ACS will provide direction on accounting for equipment purchased with Head Start funds if the remaining per unit fair market value is \$5,000 or more, Delegate Agencies shall establish a written understanding with ACS regarding disposition of the equipment. This understanding may involve returning the equipment to ACS, keeping the equipment and compensating ACS, or selling the equipment and remitting the proceeds, less allowable selling costs not to exceed \$500, to ACS. ACS will provide more clarification as we approach the end of the current five year grant.
4. The Grant Manager shall determine whether a specific Head Start grant includes additional equipment requirements or thresholds and requirements that differ from those described above.

### Receipt of Newly Purchased Equipment and Furniture

At the time of arrival, all newly purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the point of sale immediately. In addition, descriptions and quantities of assets including in the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

### Accounting for Equipment and Depreciation

All equipment purchased with Head Start funds must be fully expensed in the grant year in which it was purchased (75.439(b)(4)). The Delegate Agency shall not charge depreciation expense on Head Start equipment. The Delegate Agency shall keep an amortization or depreciation schedule of all equipment to track the life of items. This schedule must be part of records that ACS may request for review at any time.

### Procedures for Managing Equipment Records

For equipment acquired with Head Start funds, Delegate Agencies **must** maintain an equipment management system. The foundation of such a system may be a computerized database of all equipment for which the Delegate Agency has inventory and reporting responsibility. Per Uniform Guidance the record for each item of equipment in this system must contain the following information:

1. Records which include:
  - a. *Identification*: Description, model number, and manufacturer's serial number or other identification number;
  - b. *Location*: Location and condition of the equipment, and the date the information was reported;

- c. *Acquisition, use and inventory*: Date acquired or received, unit acquisition cost and percentage of Federal share in the cost;
  - d. *Disposal*: Date of disposal, reason, sales price, and method used to determine current fair market price (where the Agency compensates Head Start for its share);
  - e. Source of the funds used to purchase the equipment, including the Federal award number, if applicable, and who holds title;
2. A physical inventory, taken at least once every two years, to ensure that the assets exist and are usable, used, and needed and the results reconciled with the property log at least once every two years. All adjustments resulting from this reconciliation must be approved by the Executive Director;
  3. A control system to ensure adequate safeguards to prevent loss, damage or theft of the property. Any loss, damage or theft must be investigated;
  4. Adequate maintenance procedures to keep the property in good condition; and
  5. An appropriate sales procedure to ensure the highest possible return if the Delegate Agency is authorized to sell the property.

### Repairs to Property and Equipment

Repair costs may **not** be included as an *equipment* cost (or treated as a capital expenditure) unless:

- The repair will appreciably prolong the item's intended life.
- The repair adds to the permanent value of the item.

When acquiring replacement equipment, Delegate Agencies, with the written approval of ACS, may use the equipment that will be replaced as trade-in, or sell the equipment, and use the proceeds to offset the costs of the replacement equipment. When trading-in or selling equipment, the Delegate Agency should provide for competition to the extent practicable in order to obtain the maximum possible proceeds from the trade-in or re-sale.

### Disposition of Equipment

When original or replacement equipment acquired under the Head Start grant is no longer needed for the original project, program or other activity, the Delegate Agency must request disposition instructions from ACS, if required by the terms and conditions of the grant. Disposition of equipment will be made as follows, in accordance with HHS disposition instructions:

1. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to ACS.
2. Items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained by the Delegate Agency or sold. HHS is entitled to an amount calculated by

multiplying the current market value or proceeds from the sale by the percentage of Federal participation in the cost of the original purchase. If the equipment is sold, HHS may permit the Delegate Agency to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

3. The Delegate Agency may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the Delegate Agency must be entitled to compensation for its attributable percentage of the current fair market value.
4. In cases where a Delegate Agency fails to take appropriate disposition actions, HHS may direct the Agency to take disposition actions.

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the inventory log. If money is received for the asset, then the difference between the amount received and the "book value" (purchase price, less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value). See **§75.320 (e)** for disposition of equipment. The records for equipment acquired with Head Start funds should be retained for three years after final disposal.

### **Write-Off of Equipment**

The Delegate's Executive Director must approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen must be reported immediately to the Executive Director. If not located, such property must be written off the books with the proper notation specifying the reason.

## Appendix I: Sample Calculation of Depreciation for Equipment

### Straight Line Depreciation Method

**Example:** The straight line depreciation method divides the cost by the life of the item.

$$SL = \text{Cost} / \text{Life}$$

Example: A photocopier was purchased for \$3,500.00. The expected useful life is 5 years. Calculate the annual depreciation as follows:

$$\$3,500 / 5 = \$700.00$$

Each year for 5 years \$700.00 would be depreciated.

**Note:** If the purchase price of the copier was \$2,900, the entire cost would be expensed in the year of acquisition.

## Appendix II: Standard Useful Life for Various Types of Goods and Equipment

Description	Category	Useful Life (years)
Books and Multimedia Materials	Machinery and Equipment	5
Computer Equipment	Machinery and Equipment	5
General Automobile	Licensed Vehicles	8
Audiovisual Equipment	Machinery and Equipment	10
Grounds and Maintenance Equipment	Machinery and Equipment	15
Fencing	Land Improvements	20
Playground Structures	Machinery and Equipment	20

## Appendix III: Process for Submitting Equipment Purchase Requests

For each piece of equipment the Delegate Agency is requesting approval to purchase, a package must be prepared and submitted to the Delegate's Head Start Budget Analyst. The Delegate must receive a copy of the HHS Region Two approval in writing before the actual purchase and receipt of the equipment can be made. All documentation must be kept on file and available for review by ACS, HHS, a reviewer or auditor working on the behalf of Head Start or New York City ACS.

Equipment Purchase Requests must include the following:

Scenario One: No Budget Modification Request is required in HHS Accelerator

1. Description of the equipment to be purchased
2. Documentation showing how the Delegate chose the vendor
3. Delegate Agency Board of Directors approval
4. Delegate Agency Policy Committee approval

Scenario Two: A Budget Modification Request is required in HHS Accelerator

1. Budget Narrative explaining which lines are being changed and the purpose of the equipment and location;
2. Description of the equipment to be purchased
3. Documentation showing how the Delegate chose the vendor
4. Delegate Agency Board of Directors approval
5. Delegate Agency Policy Committee approval

Delegates may combine multiple requests into one package.

## Appendix IV: Head Start Equipment Approval Request

### ACS Head Start Equipment Approval Request

In keeping with Uniform Guidance at CFR Part 45 §75.439(b) (2) the Head Start grantee and Delegate Agency level of capital expenditures for general-purpose equipment is \$5,000. The purchase of any equipment meeting or exceeding this threshold is unallowable as a direct cost, except with the prior written approval of the Department of Health and Human Services (HHS) or Administration for Children and Families, Office of Head Start (OHS), Region Two.

Pre-approval for equipment purchases above \$5,000 must be recorded and tracked for all ACS subrecipients. Please complete the information below and return to your Budget Analyst at the earliest convenience, with a copy to:

Robert Welsh – [robert.welsh@acs.nyc.gov](mailto:robert.welsh@acs.nyc.gov)  
Grants Management at [EL.Monitoring@acs.nyc.gov](mailto:EL.Monitoring@acs.nyc.gov)  
Carol Merryshapiro – [carol.merryshapiro@acs.nyc.gov](mailto:carol.merryshapiro@acs.nyc.gov) for Health & Safety purchases

Head Start Subrecipient: .....

Date requested: .....

Description of Equipment: .....

Cost: \$.....

Justification: .....  
(Please attach details for justification on a separate sheet)

**Note:** When your request has been approved, please keep this form and a copy of the Region Two approval with your equipment records. Head Start subrecipients must maintain an equipment management system for inventory and reporting responsibility. (See EarlyLearn Fiscal Manual and Administrative Advisory for Head Start Equipment and Property Management).

- The record for each item of equipment in this system must include:
- a. Identification – description, model number and manufacturer’s serial number
  - b. Location – site and room location and condition of the equipment
  - c. Date acquired, unit cost and percentage of Federal share
  - d. Date of disposal, reason and sales price. See guidelines at §75.320 (e)
  - e. Source of funds used to purchase the equipment.

**For ACS internal use only**

Date of Approval: ..... Type of purchase: .....

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Budget Analyst Team Leader

January, 2018