

Emergency Solutions Grants (ESG)

Equipment Acquisition, Use, and Disposition Policy



I. Introduction

A. Purpose

This policy document describes the requirements for purchasing equipment with Emergency Solutions Grants (ESG) funds. It aims to provide clear guidance regarding the acquisition, management, and disposition responsibilities associated with equipment.

B. Background

On December 19, 2014, the U.S. Department of Housing and Urban Development (HUD) rescinded its previous administrative requirements at [24 CFR Part 85](#) and simultaneously adopted [2 CFR Part 200](#). The latter encompasses the Federal Government's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. However, as provided by [2 CFR 200.101\(d\)](#), in instances where HUD's program statutes or regulations differ from Part 200, the provisions of HUD's program statutes or regulations take precedence. In other words, the ESG Program regulations at [24 CFR Part 576](#) supersede 2 CFR Part 200 when there is a conflict between the two regulations. Nevertheless, for equipment related matters under the ESG program, 2 CFR Part 200 governs, as there are no specific ESG requirements in conflict with it.

On April 4, 2024, the Office of Management and Budget (OMB) released its Final Rule revising its Guidance for Federal Financial Assistance located at 2 CFR Part 200. In support of reducing the administrative burden associated with purchasing equipment with federal funds, the Final Rule increased the monetary threshold for considering items to be equipment from \$5,000 to \$10,000. Furthermore, the Guidance on the proceeds for selling equipment was revised to reflect \$1,000 as the maximum amount agencies may retain from the Federal share for its selling and handling expenses. These changes are effective October 1, 2024.

Threshold	Citation	Previously	As of 10-1-2024 Update
Supply threshold	2 CFR 200.314	\$5,000	\$10,000
Equipment threshold	2 CFR 200.313	\$5,000	\$10,000
Selling/handling allowance	2 CFR 200.313(e)(2)	Lesser of \$500 or 10%	Lesser of \$1,000 or 10%

C. Applicability

This policy is applicable to the California Department of Housing and Community Development (HCD) and all subrecipients with an executed Standard Agreement with HCD to carry out eligible ESG activities.

D. Definitions

This policy adheres to the definitions provided in [2 CFR 200.1](#):

Personal property – means property other than real property. It may be tangible, having physical existence, or intangible.

Equipment – means tangible personal property (including information technology systems) having a useful life of more than one (1) year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$10,000.

Supplies – means all tangible personal property other than those described in the definition of equipment. A computing device is a supply if the acquisition cost is less than \$10,000, regardless of the length of its useful life.

Subrecipient – means an entity that receives a subaward from HCD to carry out an ESG activity. This does not include an individual that is a beneficiary.

E. Subrecipient Determinations

Given the definitions above, subrecipients bear the responsibility of determining whether items qualify as equipment or supplies. For subrecipients with capitalization levels below \$10,000, the classification of an item as equipment is contingent on the subrecipient's established capitalization level. Any item exceeding the subrecipient's capitalization level is treated as equipment. Therefore, lower capitalization levels necessitate the treatment of more items as equipment, while higher levels result in fewer items categorized as equipment.

Subrecipients have the autonomy to establish their capitalization levels. However, HCD recommends periodic review to ensure it effectively balances personal property control with the associated administrative burden that might be imposed by a capitalization level below the upper-dollar limit of \$10,000 for equipment. If subrecipients find their current capitalization levels are inappropriate, amendments to their policies are advised, and the corresponding changes must be carried out and reflected in the financial statements.

II. Equipment Requirements

A. Acquisition

The determination of whether an item qualifies as equipment occurs at the time of acquisition. Once an item is designated as equipment, it maintains that classification indefinitely. Thus, even if an item of equipment has been fully depreciated for accounting purposes, the following management and disposition requirements apply (regardless of current market value or book value).

Before purchasing equipment, HCD and its subrecipients must comply with the applicable procurement standards outlined in [2 CFR 200.317-200.326](#). In addition, adherence with [24 CFR 576.407\(f\)](#) is required to ensure alignment with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. This involves following guidelines from the Environmental Protection Agency at [40 CFR Part 247](#) for items exceeding \$10,000 annually.

1. Replacement Equipment

When acquiring replacement equipment, subrecipients have the flexibility to utilize the equipment to be replaced as a trade-in or sell it. The resulting proceeds should be used to offset the cost of the replacement equipment. Equipment that is sold for replacement purposes is exempt from subsequent disposition requirements. However, it is important to note that all replacement equipment is subject to the following management and disposition requirements.

B. Management

Equipment purchased with ESG funds must be used to support the activity for which it was originally acquired as long as needed, regardless of whether the activity continues to be supported by ESG funds. Any encumbrance of equipment requires prior approval from HUD.

1. Equipment Records

HCD and its subrecipients must maintain comprehensive and accurate equipment records. To facilitate this process, the Equipment Inventory Report must be utilized by subrecipients to provide a listing of all equipment purchased with ESG funds. This form should include pertinent details for each item of equipment such as the name, description, acquisition date, cost, funding source (including the Federal Award Identification Number (FAIN)), percentage of Federal participation, title holder, serial number, location, use, condition, date of disposal, and sales price.

The completed Equipment Inventory Report must be submitted to HCD via eCivis with the subrecipient's Request for Funds (RFF) anytime it includes an equipment purchase. HCD shall maintain a master list of all equipment for the purposes of monitoring and reconciling the Requests for Funds (RFF).

2. Physical Inventory

A physical inventory of the equipment must be conducted and reconciled with the records at least once every two years. HCD reserves the right to request a physical inventory and reconciliation of records from its subrecipients at any time.

3. Control System

A control system must be established which adequately safeguards equipment to prevent loss, damage, or theft. Any instances of loss, damage, or theft must undergo a thorough investigation. Furthermore, the subrecipient must provide the equivalent insurance coverage for equipment purchased with ESG funds as that provided to other personal property owned by the subrecipient.

4. Maintenance Procedures

Adequate maintenance procedures must be developed to keep the property in good condition.

5. Sales Procedures

If authorized or required to sell the equipment, proper sales procedures must be established to ensure the highest possible return.

C. Disposition

When equipment is no longer needed to support the original activity, it must be disposed of in the following order of priority.

1. Activities under Another HUD Award

Initial priority is given to using the equipment in other activities supported by another HUD award, with a focus on activities supporting people experiencing homelessness or homeless response systems.

2. Activities under Another Federal Award

Subsequently, if needed, equipment may be used in activities supported by another Federal award, with priority given to homelessness-related activities, followed by activities supporting low-income housing, and other Federally funded activities.

3. All Other Cases

In all other cases, disposition instructions must be requested from HUD and followed accordingly. If HUD fails to provide requested disposition instructions within 120 days, the equipment may be disposed of as follows:

- Items of equipment with a current fair market value of \$10,000 or less may be retained, sold, or otherwise disposed of with no further obligation to HUD.
- Items of equipment with a current fair market value greater than \$10,000 may be retained or sold, subject to HUD's disposition instructions.
- If sold, HUD is entitled to compensation based on its percentage of participation in the original purchase cost. HUD may permit the entity to deduct and retain from HUD's share \$1,000 or 10% of the proceeds, whichever is less, for its selling and handling expenses.