



FEMA

September 11, 2008

James Mullen, Director
State of Washington
Emergency Management Division
MS: TA-20, Building 20
Camp Murray, Washington 98430-5122

Subject: Property Record Keeping Expectations with FEMA Grants

Dear Mr. Mullen:

Our grant financial monitoring visits require us to review real property and equipment records (property records). Our reviews have raised questions on equipment valuations: e.g., carry the item on records and reports with original acquisition cost or a declining net worth, based upon depreciation. In addition, questions have been raised about the details to be contained in the various property records.

Our expectations are that you and your sub grantees:

- Keep adequate property records.
- Maintains an up-to-date inventory (property records) of all property acquired by FEMA grants. Your property records must be able to document the property's acquisition date and cost, the source of funds used for its purchase, and how and where it is being employed under the grant.
- Have proper controls in place to safeguard property against non authorized use, loss, damage, and theft.

We note that the program elements of State wide grants apply to sub-grantees even when a sub grantee is not participating in current grants. In other words, our grants are awarded over many cycles. *If* a sub grantee is a participant in one cycle, and then does not participate in future cycles, the conditions for property accountability (reporting, inventory, disposition, etc.) must be met by the former sub grantee.

Before we outline the details to be captured by your record system, we would like to establish a framework of definitions and the various federal requirements (OMB's A 102 or FEMA's 44 CFR).

There are the three classes or categories of property:

Real Property:

44 CFR 13.31 – Real property means land, including land improvements, structures, and appurtenances thereto, excluding movable machinery and equipment. This definition includes communication towers, fences, poles, etc.

Equipment:

44 CFR 13.32 – Equipment means tangible, non expendable, personal property having a useful life or more than one year and an acquisition cost of \$5K or more per unit.

Supplies:

44 CFR 13.33 – Supplies means all tangible personal property other than equipment.

OMB and FEMA’s rules and regulations call for internal controls over property. Following is a brief outline of the criteria for internal controls:

A-102.20 (b) (3) - Effective control and accountability must be maintained for all grant and sub grant cash, real and personal property, and other assets. Grantees and sub grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

A-102.32 (d) – Procedures for managing equipment including replacement equipment whether acquired in whole or in part with grant funds, until disposition takes place, will, at a minimum, meet the following requirements:

- Property records will be maintained (description, serial number or other unique identifier, source of property, who holds title, acquisition date, cost of property, and percentage of Federal participation in the cost of the property, location and use of the property, and any ultimate disposition date including the date of disposal and sale price of the property. Location is defined as the name of the sub grantee (or contractor / sub contractor), and address (including zip code).
- Physical inventory of the property must be taken and results reconciled with the property records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage or theft shall be investigated.
- Adequate maintenance procedures must be developed to keep property in good condition.
- If the grantee or sub grantee is authorized to sell the property, proper sales procedures must be established to ensure the highest return.

Real Property controls:

A-102.31 (b) – Real Property will be used for the originally authorized purposes as long as needed for that purpose and the grantee or sub grantee shall not dispose of or encumber its title or other interests.

Equipment controls:

44 CFR 13.32 – State will use, manage, and dispose of equipment [acquired under the grant by the state] in accordance with state laws and procedures.

All sub-grantees will follow the following:

1. Use equipment for the purpose it was acquired.
2. When acquiring replacement equipment, grantee may use equipment to be replaced as trade in or sell the property and use proceeds to offset the cost of replacement property, subject to the approval of the awarding agency.
3. Maintain property records (description, serial number, source of property, who holds title, cost of property, percentage of federal participation, location and use of property, and any ultimate disposition date including the date of disposal and sale price of the property).
4. Take physical inventories every two years – reconcile with property records.
5. Establish and maintain control system to prevent loss, damage, or theft.

Following is an outline of the requirements (details) for property record keeping:

Real Property Records should contain the following information:

Period of Interest – grant award period in which Federal Interest in real property begins (date acquired, remodeling project, etc.).

Description of property – land, buildings, etc., and useful description. If the real property item falls under the ‘appurtenances category’ (antenna, fence, communication tower, etc.), the description should state what the item is and how it is mounted, attached, or sited on the property.

Address of Property – legal description and complete address. Also must include zoning information (mixed uses, residential, commercial, etc.). Also include size of land in measured acreage. Size of facilities – gross and useable square footage for each structure. Date acquired.

Real Property Cost – total cost including the following: amount provided by Federal Government (Federal Share); share percentage provided by the Federal Government; Amount provided by recipient or other non-Federal Entities; share percentage provided by recipient or other non-Federal Entities; total cost; and total percentage (must equal 100%).

Insurance coverage – recipient must provide insurance coverage for any real property acquired under Federal grant award & such records must be made available upon request to Awarding Agency.

Equipment Records should contain the following information:

Federal Grant number.

Brief description of the item; identification number (manufacturer's serial number, model number, or other identification number).

Title holder.

Acquired Date.

Percentage of Federal Government participation in the acquisition, Federal Share in dollars.

Condition Code (excellent, usable, repairable, salvage, or scrap).

Acquired [acquisition] Cost.

Disposition data (date of disposition, sale price of property, rationale for disposition, etc.).

Supply Records should contain:

Federal Grant number.

Brief description of the item; identification number (manufacturer's serial number, model number, or other identification number).

Acquired Date.

Percentage of Federal Government participation in the acquisition, Federal Share in dollars.

Condition Code (excellent, usable, repairable, salvage, or scrap).

Acquired Cost.

Normally, grantees would not be required to monitor and control supplies. However, there are a few grant programs where there are either stockpiles of supplies or residual unused supplies at the end of a grant period. In these situations, inventory records of supplies should be reported by specific grant. In other words, inventory records of supplies only need to be maintained by individual grant, if applicable.

In closing, we point out:

Property records (real property, equipment, and supplies, if applicable) should reflect the initial acquisition costs.

States and sub grantees that purchase real property (land or facility construction, modifications, etc.) must maintain real property records. States are expected to assemble, monitor, and maintain real property records for each applicable grant.

As stated above, State (s) that purchase equipment with FEMA grants funds should follow the state's laws and procedures with respect to personal property (equipment) management.

Sub Grantees and Grantees (when the Grantee is not a state) are expected to follow the record keeping process discussed above for equipment. If sub grantees drop out of the grant program (state closes the sub-grant), the sub-grantee should continue to manage and submit reports on supplies (if applicable), and equipment, (record keeping process) to the state until the original equipment (or replacement equipment) and supplies are no longer needed for the original grant program (protection, detection, and deterrence). At that time, the current or former sub-grantee should request disposition instructions.

States should have a management control system in place that ensures that the state's sub grantees follow the steps outlined above. In other words, states should receive, monitor, and track the inventory process conducted by sub grantees until the equipment, supplies if applicable, or real property is disposed.

Disposition of real property, equipment, and supplies is a process that is complicated. States and sub grantees can continue to use real property (acquired or modified with federal grant funds) if the real property is to be used for the originally authorized purpose. Likewise, equipment should be used by the grantee or sub grantee in the program or project for which it was acquired as long as needed, whether or not the program or project continues to be supported by Federal grant funds. If the real property or equipment is to be used for purposes other than the originally authorized purpose, disposition instructions should be requested from FEMA.

We have endeavored to address the complicated subject of property record keeping. If you or your staff has any questions, please do not hesitate to call me (425-487-4693).

Sincerely,



Richard W. Donovan
Director, Grants Program Division