

To the listserv member addressed:

News from the Office of Grants and Federal Fiscal Compliance

The purpose of this listserv message is to inform grantees of a change to capital outlay guidance resulting from a recent US Department of Education (USDE) decision.

Capital Outlay Guidance for School Year 2013-2014 and Beyond

Effective for grants for the 2013–2014 school year, grantees will no longer be required to budget purchases of items that make up a “complete set” in class/object code 6600 when the cost of the set equals or exceeds the grantee’s capitalization threshold or \$5,000, whichever is less. Instead, grantees will budget the purchase of those items individually in the appropriate class/object code and will not consider the net invoice price of the “complete set.”

It is no longer necessary to determine when items will be used together in a set. Grantees are instructed to follow the guidance cited above from OMB A-87 and 34 CFR 80.3, which is reflected in the instructions for grants for the 2013–2014 school year.

Background: 2009 OIG Audit Finding and 2012 USDE Reversal

In 2009, the Office of Inspector General (OIG) determined that grantees required prior approval from the state to purchase individual items used as a “complete set,” when the total cost exceeded the grantee’s capitalization threshold or \$5,000, whichever is less. In school year 2010–2011, TEA incorporated this OIG determination into its instructions to grantees for budgeting grant funds.

In late 2012, USDE reversed the 2009 OIG determination, citing OMB Circular A-87 and Title 34 of the Code of Federal Regulations 80.3 (34 CFR 80.3), as follows:

- **OMB Circular A-87, Attachment B.15a(2):** “‘Equipment’ means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5,000.”
- **34 CFR 80.3:** “‘Equipment’ means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more **per unit**” (emphasis added).

Further, USDE stated that neither OMB A-87 nor 34 CFR 80.3 “requires a subgrantee to look at facts beyond the unit cost of an item or to examine whether the item will be used along with other similar items to determine whether ... prior approval is necessary.”

For Further Information

If you have any questions about capital outlay, email the Division of Grants Administration at grants@tea.state.tx.us.

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